

This is Essity

Essity is a leading global hygiene and health company that is breaking barriers to well-being.

The company is listed on Nasdaq Stockholm. Sales are conducted in approximately 150 countries under the leading global brands TENA and Tork, and other strong brands, such as JOBST, Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa.

Essity is active in an expanding market where favorable trends such as longer life expectancy, higher living standards and greater awareness of the importance of hygiene and health support future growth. Essity is growing its presence in emerging markets.

Successful innovations, digital transformation, strong growth in e-commerce, a leading sustainability work and efficiency improvements contribute to increased customer and consumer value and profitable growth.

Essity is continuing its transformation through growth, both organically and through acquisitions, within the categories and adjacent product areas with the highest profitability.

By leading in sustainability and by valuing diversity, equity and inclusion, Essity gains competitive advantages and increases value for customers, consumers, employees, society and shareholders.



Business areas

Personal Care

Personal Care includes the Incontinence Products, Medical Solutions, Baby Care and Feminine Care categories. The offering includes incontinence products, baby diapers, pads, panty liners, tampons, washable absorbent underwear, reusable menstrual cups, wet wipes, skincare products and digital solutions with sensor technology, as well as products and services in wound care, compression therapy and orthopedics.



Consumer Tissue

Consumer Tissue includes toilet paper, household towels, handkerchiefs, facial tissues, wet wipes, napkins and face masks.



Professional Hygiene

Professional Hygiene includes complete hygiene solutions, including toilet paper, paper hand towels, napkins, microfiber cloths, cleaning and wiping products, soap, lotion, sanitizer, dispensers, face masks and digital solutions, such as sensor technology that enables data-driven cleaning.



The year at a glance

Key figures

Sales in approximately

150 countries

Net sales, SEKm

121,867

Adjusted EBITA, SEKm³⁾

13,680

Operating cash flow, SEKm

11,118

Employees, approximately

46,000

Sales growth¹⁾

4.5%

Adjusted EBITA margin³⁾

11.2%

Earnings per share, SEK

12.27

Market capitalization, December 31, 2021

208 SEKbn

Organic sales growth²⁾

3.3%

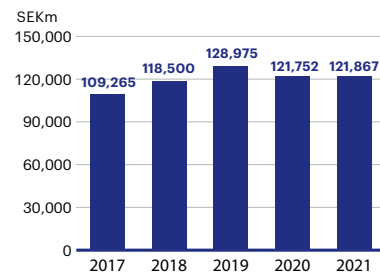
Adjusted return on capital employed³⁾

12.0%

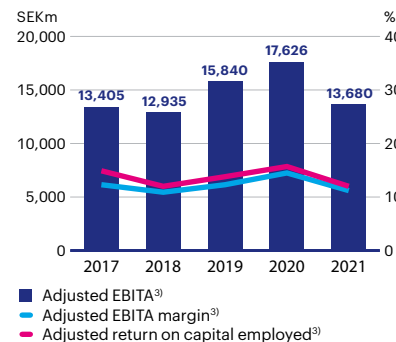
Proposed dividend per share, SEK⁴⁾

7.00

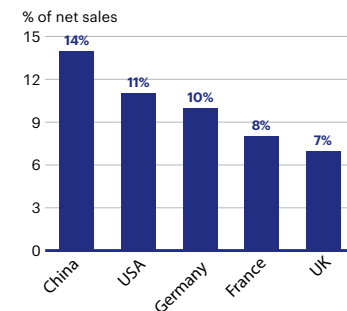
Net sales



Earnings trend



The Group's five largest markets



Net sales by business area

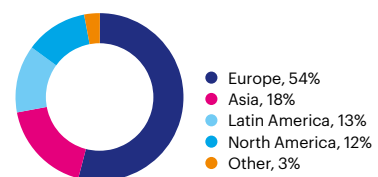


Net sales by distribution channel



E-commerce sales accounted for approximately 14% of net sales.

Net sales by region



¹⁾ Including organic sales growth and acquisitions.

²⁾ Excluding exchange rate effects, acquisitions and divestments.

³⁾ Excluding items affecting comparability.

⁴⁾ Board of Directors' dividend proposal.

The year at a glance

Key events

Six acquisitions

Six acquisitions were carried out during the year, which included the Australian hygiene company Asaleo Care and an increase of 45.8% in the shareholding to 95.8% in the Latin American hygiene company Familia. In Medical Solutions, Essity strengthened its presence in advanced wound care and orthopedics in the USA through the acquisitions of Hydrofera as well as AquaCast Liner and the sports tape brands Coach, Elastikon and Zonas. In addition, we finalized the acquisition of the remaining shares in ABIGO Medical AB in advanced wound care.

Price increases and cost savings

Essity raised its prices in all business areas as a result of higher raw material, energy and distribution costs. Further efficiency improvements were achieved through the Manufacturing Roadmap program. Continuous cost savings during the year amounted to SEK 698m.

More reusable products

Essity has expanded its range of reusable products in, for example, Incontinence Products and Feminine Care through the launch of washable absorbent underwear under TENA Silhouette and TENA for Men and under the Libresse, Nana and Bodyform brands. The Libresse® V-Cup menstrual cup was also launched and in Professional Hygiene the Tork microfiber cloths.

New sales growth target

Essity has a new sales growth target of more than 5%, which includes both organic sales growth and acquisitions. This replaces the previous target of organic sales growth of more than 3%.

Increased e-commerce sales and higher market shares

E-commerce sales increased organically by 15.9% to about 14% of net sales. Market shares increased for approximately 70% of branded sales in the retail trade. Market shares also grew in the healthcare sector and the Professional Hygiene business.

Digital solutions

Several digital solutions were launched during the year. These included the TENA



The TOM Organic brand is part of Essity's offering in Feminine Care following the acquisition of Asaleo Care.

Family Care App, which facilitates care of family members in the home, and Cutimed Wound Navigator, a digital wound management solution. More customers are seeing the advantages of Tork Vision Cleaning, which enables cleaners to use real-time data to ensure good hygiene in professional environments.

Preparations for new division in Consumer Tissue

In the Consumer Tissue business area, Essity has begun work to create the new Consumer Tissue Private Label Europe division. Approximately 1,900 employees and seven production facilities in Belgium, France, Italy and Germany will be included in the new division.

Net-zero emissions of greenhouse gases by 2050

New and updated sustainability targets were adopted, including a commitment to reach net-zero greenhouse gas emissions by 2050. This includes raising the ambition level of the company's current Science Based Targets. Other updated targets include sustainable innovations, occupational safety and responsible sourcing.

Production with less climate impact

Several new methods to achieve production free from emissions of fossil greenhouse gases were launched during the year. In Mainz-Kostheim, Germany, a pilot project was initiated with hydrogen from renewable sources, and in Lilla Edet, Sweden, natural gas is being replaced with biogas. In Kawerau, New Zealand, the drying process is using geothermal steam.

Production based on pulp from wheat straw was launched in Mannheim, Germany. The pulp produced will have lower carbon emissions, use less water and energy as well as fewer chemicals.

Included in CDP's A List

The global non-profit environmental organization CDP once again recognized Essity's sustainability leadership. Essity was awarded a place on CDP's A List for its work in combating deforestation, and was also recognized for its leadership in relation to climate change.

Leader in diversity work

In the UK business daily Financial Times' annual ranking of diversity work in the business sector in 15 European countries, Essity was named "Diversity Leader" and was ranked 25th out of 15,000 companies. During the year, Essity presented new ambitions for diversity, equity and inclusion and a new Group target.

Cooperation on deforestation and biodiversity

Through the Consumer Goods Forum and its Forest Positive Coalition of Action, Essity is working together with other companies and organizations to address deforestation and promote biodiversity.

New business areas from January 1, 2022

Essity has decided on new business areas from January 1, 2022. The new business areas are Health & Medical, Consumer Goods and Professional Hygiene.

CEO's message

Strong sales growth and focus on price increases

Sales growth was strong during the year and net sales amounted to approximately SEK 122bn. The constant drive of our employees to change and do things better every day has helped to positively impact hygiene and health standards around the world and has strengthened Essity for the future. We continued to capture market shares and reported strong e-commerce growth. Six acquisitions were completed, of which four in Medical Solutions, one of our most profitable categories. In parallel, 2021 entailed significant challenges in our operating environment, which we addressed through strong actions. We implemented price increases and further price increases will be implemented in 2022 to offset the strong cost inflation.

Strong sales growth

Sales growth, including organic sales growth and acquisitions, was 4.5%, of which organic sales growth amounted to 3.3%. Net sales amounted to approximately SEK 122bn. All business areas demonstrated organic sales growth. Medical Solutions and Feminine Care had strong organic sales growth of 10.8% and 10.0%, respectively. Sales were negatively impacted by the COVID-19 pandemic and the related lockdowns and restrictions, primarily within Professional Hygiene. At the same time, our hygiene and health solutions are more important than ever, and we see a rapid increase in sales when societies re-open and restrictions are lifted.

Earnings of SEK 13.7bn and higher dividend

Due to the significant cost inflation, primarily for raw materials, energy and distribution, adjusted EBITA fell 22% to SEK 13,680m and the adjusted EBITA margin was 11.2%. We implemented price increases in all business areas and further increases will be implemented in 2022 to offset the strong cost inflation. We delivered higher volumes, a better mix and efficiency improvements that offset some of the cost inflation. The adjusted return on capital employed was 12.0%. Earnings per share were SEK 12.27. The Board of Directors proposes an 4% increase in the dividend to SEK 7.00 per share for the 2021 fiscal year.

» Further price increases will be implemented in 2022 to offset the strong cost inflation.«

Value-creating acquisitions

We had a high acquisition pace. Six acquisitions were completed during the year. We now own 100% of the Australian hygiene company Asaleo Care and we have increased our shareholding by 45.8% to 95.8% in the Latin American hygiene company Familia.

In Medical Solutions, we strengthened our presence in advanced wound care and orthopedics in the USA through the acquisitions of Hydrofera as well as AquaCast Liner and the sports tape brands Coach, Elastikon and Zonas. In addition, we finalized the acquisition of the remaining shares in ABIGO Medical AB in advanced wound care.

Higher market shares, increased e-commerce and innovation

Successful product launches, appreciated brands and a leading position in e-commerce have helped us to increase our market shares for approximately 70% of branded sales in the retail trade. We also grew our market shares in the healthcare sector and in our Professional Hygiene operations.

E-commerce sales increased sharply during the year to approximately SEK 17bn, corresponding to about 14% of net sales.

During the year, we launched innovations with a focus on greater well-being, sustainability and digitalization under leading brands such as TENA, Tork, JOBST, Leukoplast, Libero, Libresse, Plenty, Saba, Tempo and Zewa. Demand for sustainable solutions and the willingness to pay more for these is increasing among customers and consumers. Our launches of reusable products with a lower environmental impact, such as washable absorbent underwear, were a success. We also launched a number of digital solutions during the year to improve everyday life for customers and consumers, such as Cutimed Wound Navigator, a digital solution for wound care.

Profitable growth in Asia, Latin America and Eastern Europe

We are growing in emerging markets where market penetration of hygiene and health solutions is significantly lower than in mature markets. Growth is prioritized in markets where Essity already holds strong market positions, such as Asia, Latin America and Eastern Europe. Emerging markets' share of Essity's net sales and profitability has risen over time, supported by favorable market trends, a higher share of premium products, strong brands and broadening of our offerings. In 2021, emerging markets accounted for 38% of net sales and organic sales growth was 8.8%.

Sustainability, a competitive advantage

Sustainability is a strategic priority for long-term profitable growth. Our initiatives contribute to a better environment while increasing Essity's competitiveness.

During the year, we raised our ambitions and have, for example, committed to achieving net-zero emissions of greenhouse gases by 2050. The most important areas have been identified and a plan for target fulfillment drawn up for Science Based Targets 2030 and net-zero emissions by 2050. Actions will be taken throughout the value chain, from raw materials, production and distribution to used products. Fossil fuel is being replaced at

»Our sustainability work contributes to a better environment while increasing Essity's competitiveness. What's best for customers, consumers and the planet is also best for Essity and our shareholders.«



In 2021, solar panels were installed on Essity's office roof in Gothenburg to produce climate-smart electricity.

several of Essity's production facilities with, for example, hydrogen from renewable sources, biogas and geothermal steam, which have a lower environmental impact. Between 2016 and 2021, we reduced our carbon emissions under Science Based Targets, Scope 1 and 2, by 15%.

We will continue to lead in sustainability and during the year, Essity was awarded a place on the global non-profit environmental organization CDP's A List for our work in combating deforestation, and was also recognized for our leadership in relation to climate change. One of the ways Essity works to combat deforestation is through the Consumer Goods Forum and its Forest Positive Coalition of Action, in which we, together with other companies and organizations, work to address deforestation and promote biodiversity.

Diversity, equity and inclusion

As part of our corporate culture, we value and work to increase diversity, equity and inclusion as this deepens and broadens our knowledge and experiences, which benefits customers and consumers. A new Group target for increased diversity was presented during the year.

We have continued to follow the daily priorities we established at the start of the COVID-19 pandemic: care for our people, contribute to society and secure business success.

Essity is a UN Global Compact signatory and once again was a convening partner to the United Nations Foundation's annual Global Dialogue, on how we can work together with our customers to contribute to the UN Sustainable Development Goals.

Looking ahead

As of 2022, Essity's business areas are Health & Medical, Consumer Goods and Professional Hygiene. Based on the needs of our customers and consumers, we will expand our offering and increase the service content in each business area.

In 2022, our price increases will have a further effect and as the COVID-19 pandemic becomes endemic, I look forward to the easing of restrictions and an increase in our sales.

Together with my 46,000 colleagues, we will continue to develop Essity to improve quality of life, achieve our Group targets for growth, profitability and sustainability, and deliver increased shareholder value.

Magnus Groth
President and CEO