

Press release

Stockholm, October 22, 2020

Essity raises target for adjusted return on capital employed to above 17% by 2025

Essity is raising its target for adjusted return on capital employed to above 17% by 2025. The previous target of above 15% for adjusted return on capital employed has been achieved during the last 12 months. The raised target will be achieved through the continued execution of Essity's existing strategy, an accelerated digital transformation and further streamlining of production, logistics and distribution. Other financial targets remain unchanged.

Essity's innovation-driven category and channel strategy with leading brands combined with comprehensive efficiency improvements have contributed during the past three years to good organic sales growth and a gradual increase in profitability. Structural profitability in Consumer Tissue has been raised for example as a consequence of a higher share of own brands, a focus on growth in segments with high margins, successful innovations and more efficient production. In Baby Care, work is continuing to improve profitability and during the year we have, for example, exited underperforming positions in North Africa and Russia. In Incontinence Products, Medical Solutions and Feminine Care the focus remains on growth. In Professional Hygiene, an increased awareness of the importance of hygiene and health is eventually expected to result in rising demand.

Essity's digital transformation will accelerate in the years ahead through a new digital platform. This will further strengthen the Group's customer and consumer offerings, generate significant cost savings and reduce the need for working capital. This digital investment is expected to amount to approximately SEK 2.6bn. Of this amount, approximately SEK 1.4bn will comprise costs that will be charged to the 2020-2024 period, and SEK 1.2bn will comprise capital expenditures. A positive sales and earnings impact is expected gradually from 2022. In the short term, costs are expected to be offset by savings in other areas. The digital platform will enable automation in all parts of the value chain, simplification and economies of scale, and greater visibility and predictability based on high-quality data collection and advanced analytics.

The new Manufacturing Roadmap program will optimize and streamline all of Essity's approximately 60 wholly-owned facilities for world-class cost efficiency, quality and service levels. The program also includes logistics and distribution. Moreover, the program contributes to Essity's sustainability target relating to the reduction of carbon emissions in line with the Science Based Targets initiative.

"We are continuing to deliver on our strategy to grow organically and through acquisitions in the product categories with the highest profitability. During the last 12 months, we reported an adjusted return on capital employed of 15.7%. Now we are raising our target to achieve above 17% by 2025. The rapidly changing market conditions combined with increased digitalization enable us to accelerate our digital transformation, thereby facilitating higher growth and profitability. We can see additional opportunities to continue to streamline our production, logistics and distribution. As a

leading global hygiene and health company, we hold a unique position to generate greater shareholder value,” says Magnus Groth, President and CEO of Essity.

NB: This is information that Essity is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on October 22, 2020 at 07:00 a.m.

Karl Stoltz, Media Relations Manager, +46 8 788 51 55

For additional information, please contact:

Per Lorentz, Vice President Corporate Communications +46 8 788 52 51, per.lorentz@essity.com
Johan Karlsson, Vice President Investor Relations, +46 8 788 51 30, johan.ir.karlsson@essity.com

About Essity

Essity is a leading global hygiene and health company. We are dedicated to improving well-being through our products and services. 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 has about 46,000 employees. Net sales in 2019 amounted to approximately SEK 129bn (EUR 12.2bn). The company's headquarters is located in Stockholm, Sweden, and Essity is listed on Nasdaq Stockholm. Essity breaks barriers to well-being and contributes to a healthy, sustainable and circular society. More information at www.essity.com.
