

Interim Report Third Quarter 2020





This presentation may contain forward-looking statements. Such statements are based on our current expectations and are subject to certain risks and uncertainties that could negatively affect our business. Please read our most recent annual and sustainability report for a better understanding of these risks and uncertainties.

Summary

- Target raised for adjusted return on capital employed¹⁾ to above 17% by 2025
- Continued execution of existing strategy with focus on profitable growth and acquisitions
- Acceleration of digital transformation with new digital platform
- Launch of Manufacturing Roadmap program
- The Board of Directors is proposing a dividend of SEK 6.25 per share

¹⁾ Excluding items affecting comparability



LIVE FEARLESS

Summary

Q3 2020 vs Q3 2019

- Strong underlying business performance in a challenging environment
- Sales impacted by COVID-19 and related lockdowns
- Online sales increased
- Successful innovations
- Adjusted EBITA margin improvement

Net Sales

**SEK
28,677m
-11.9%**

Organic Net Sales¹⁾

-5.1%

Adjusted EBITA²⁾

**SEK
4,119m
-1%**

Adjusted EBITA Margin²⁾

**14.4%
+160bps**

Operating Cash Flow

**SEK
3,069m
-39%**

Earnings per Share

**SEK
3.22
-9%**

Adjusted ROCE²⁾

**14.7%
+40bps**

Adjusted ROE²⁾

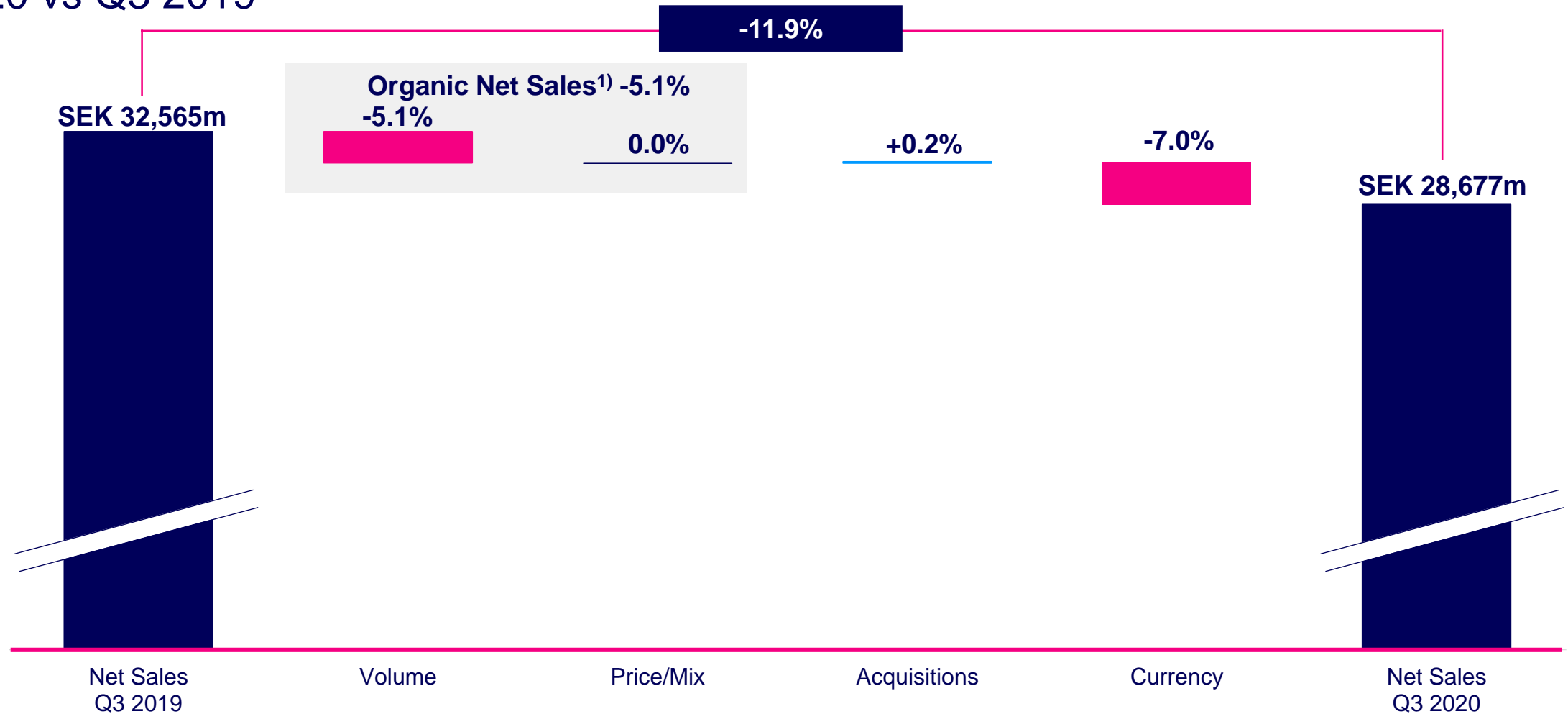
**16.5%
-360bps**

¹⁾ Net sales which excludes exchange rate effects, acquisitions and divestments

²⁾ Excluding items affecting comparability

Net Sales

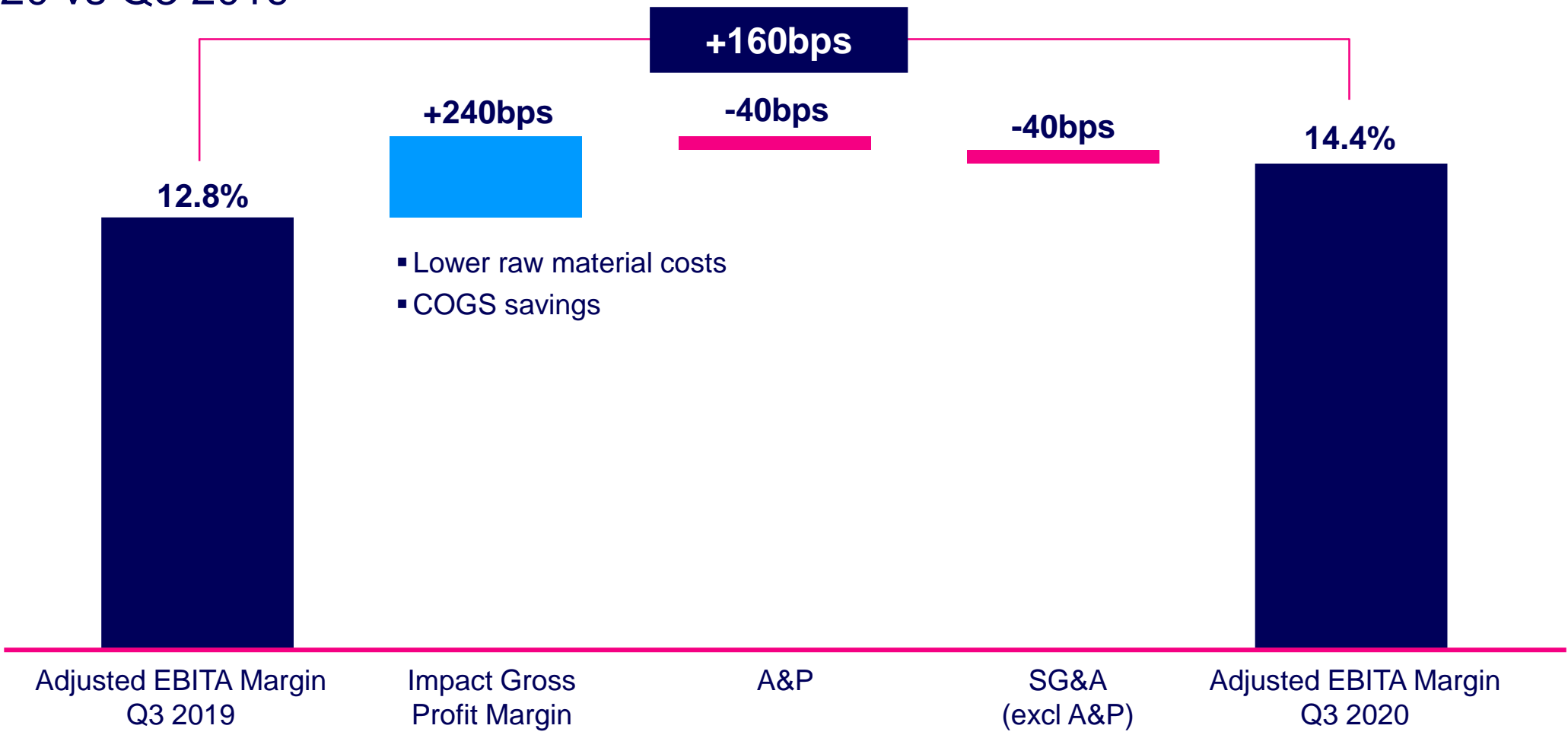
Q3 2020 vs Q3 2019



¹⁾ Net sales which excludes exchange rate effects, acquisitions and divestments

Adjusted EBITA Margin¹⁾

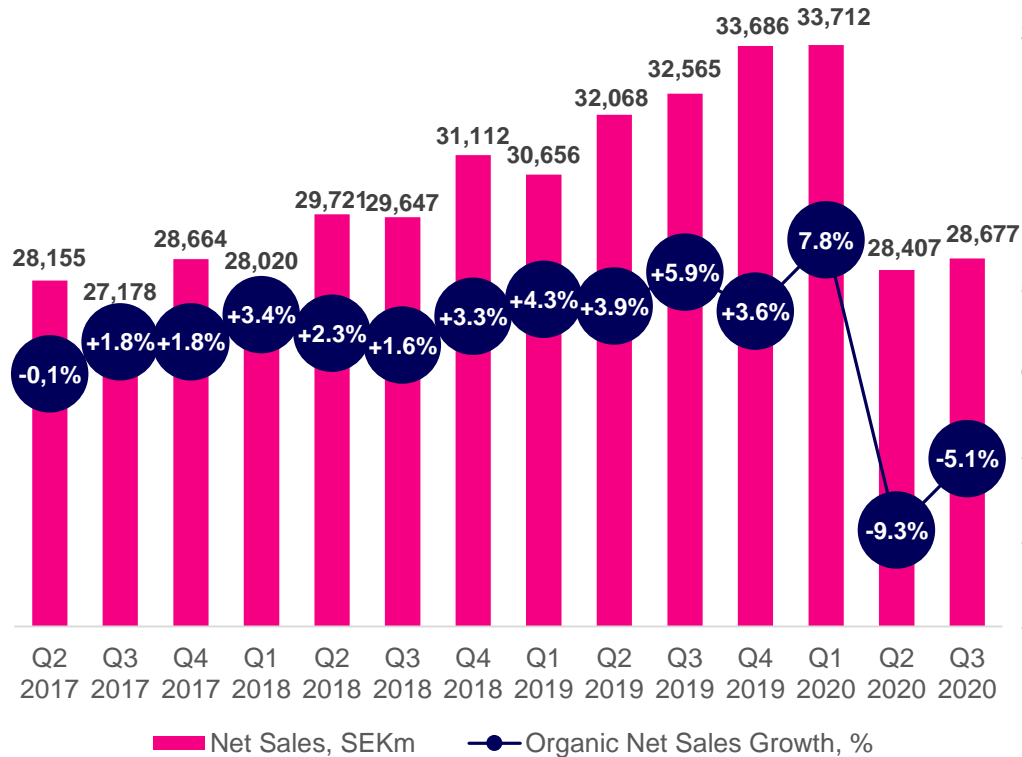
Q3 2020 vs Q3 2019



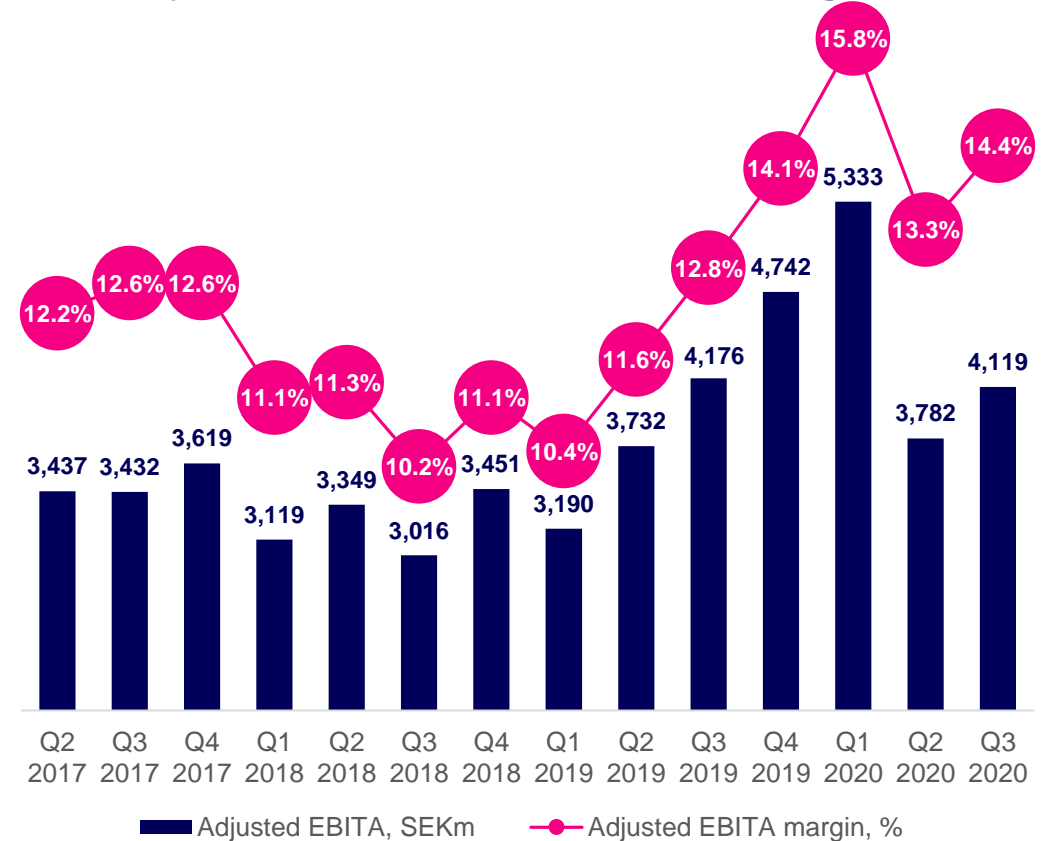
¹⁾ Excluding items affecting comparability

Positive Long-term Development

Net Sales and Organic Net Sales Growth¹⁾



Adjusted EBITA and EBITA margin²⁾

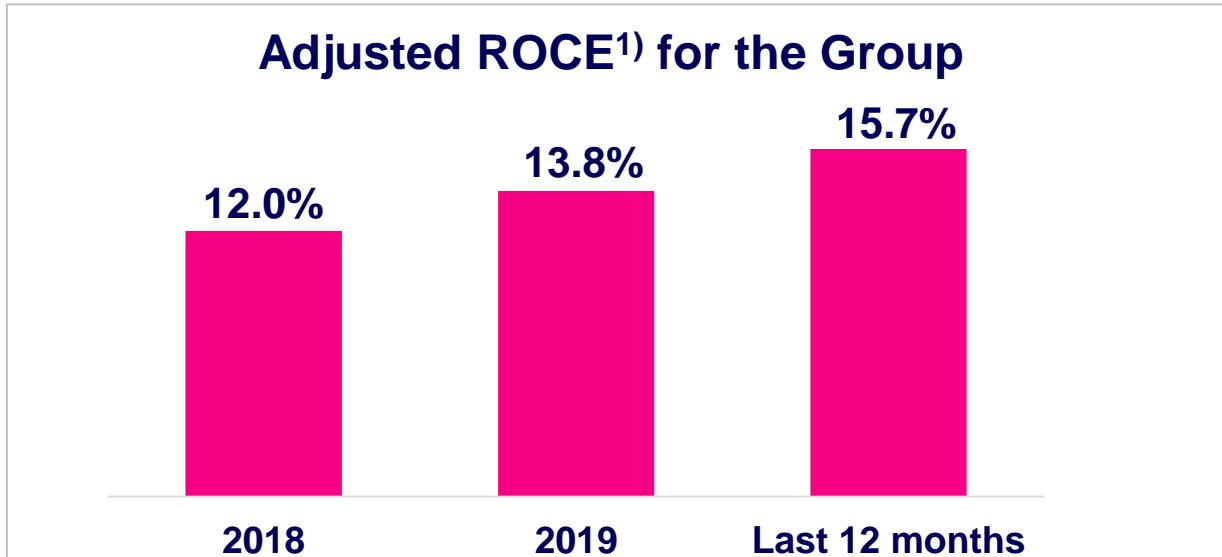


¹⁾ Organic net sales which excludes exchange rate effects, acquisitions and divestments

²⁾ Excluding items affecting comparability

Target Raised for Adjusted ROCE¹⁾

- Target raised for adjusted return on capital employed (adjusted ROCE)¹⁾ to above 17% by 2025
 - Adjusted ROCE¹⁾ of 15.7% for the last 12 months
- Other financial targets remain unchanged



¹⁾ Excluding items affecting comparability



Accelerating Our Digital Transformation

Enhancing Customer and Consumer Value

- Automation in all parts of the value chain, simplification and economies of scale
- Greater visibility and predictability based on high-quality data collection and advanced analytics
- Significant cost savings and working capital reduction
- Digital investment of approx SEK 2.6bn
 - Of which costs of SEK 1.4bn during 2020-2024 and CAPEX of SEK 1.2bn
 - Positive impact on sales and earnings is expected gradually from 2022
 - In the short term, the costs are expected to be offset by savings in other areas



Manufacturing Roadmap Program

Includes Manufacturing, Logistics and Distribution

- Optimizes and streamlines Essity's approximately 60 wholly-owned facilities
- World-class cost efficiency, quality and service levels
- Contributes to reduction of carbon emissions in line with the Science Based Targets initiative



Innovations

Launched in Q3













Washable Absorbent Underwear

Feminine Care



Launched in Latin America



Face Masks

New Product Offering

- Launched in retail in Europe with leading brands
- Launched in Professional Hygiene with globally leading brand Tork
- Production in Europe and Latin America



TENA SmartCare

Digital Solutions Improving and Facilitating For Users, Relatives and Caregivers

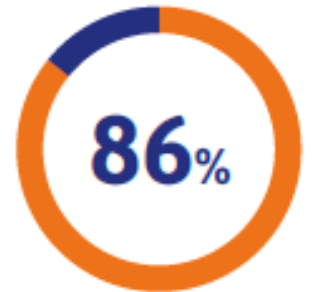
SmartCare Home



SmartCare Professional



reduced time
spent in an
incontinence product
nearing saturation¹



reduction in
unnecessary sleep
interruptions¹

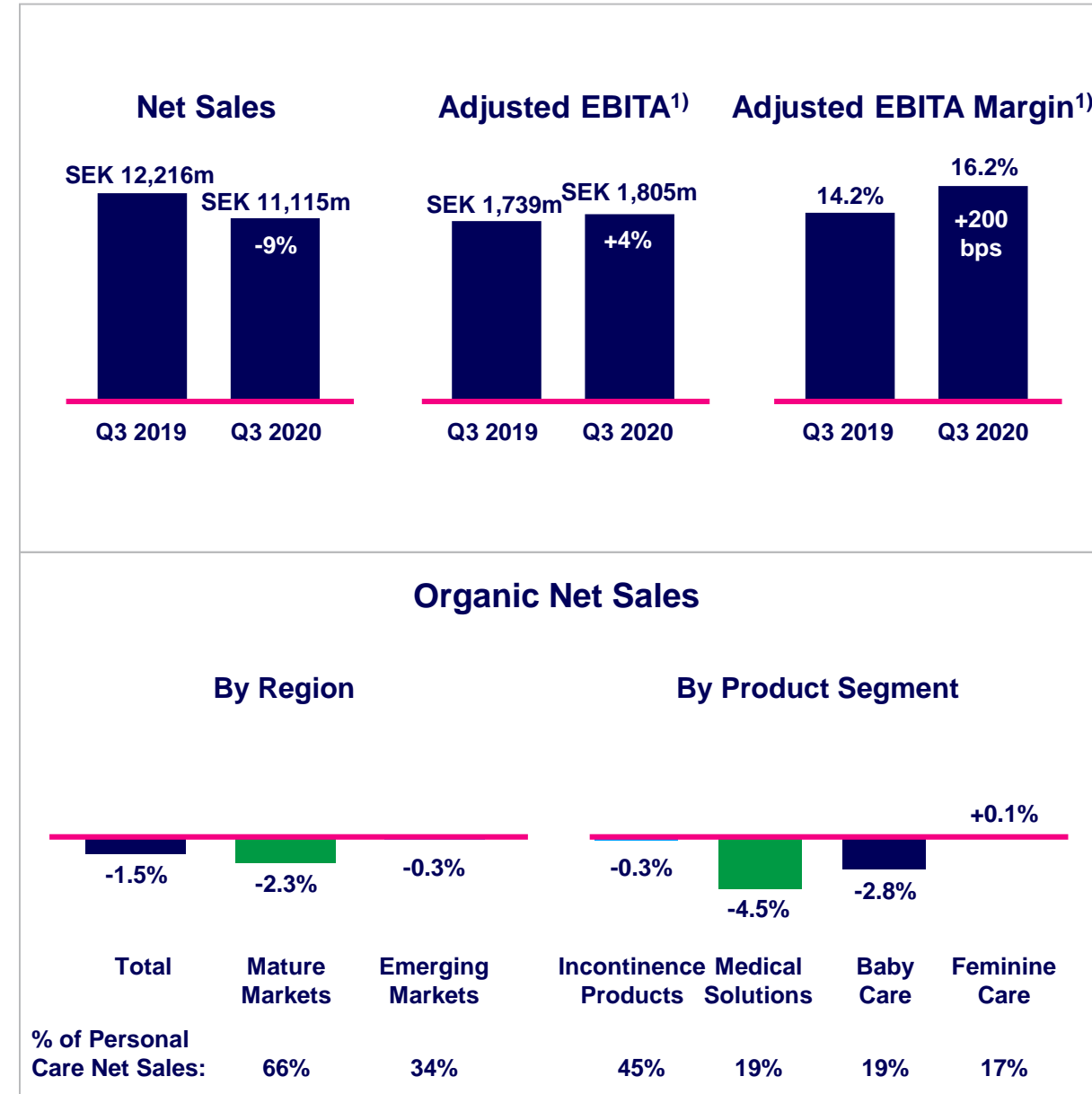
1. Result from April-May 2018 trial in Kennedy Lodge,
Revera community in Ontario, Canada

Personal Care

Q3 2020 vs Q3 2019

- Organic net sales decreased 1.5%
 - Volume -3.2% and price/mix +1.7%
- Sales negatively impacted by COVID-19 and related lockdowns
- Significant sales improvement for Medical Solutions compared to Q2 2020
- Higher prices, better mix and cost savings
- Lower raw material costs
- Lower volumes and higher distribution costs
- Sales and marketing costs higher as % of net sales
- Exit of Baby Care in Russia and North Africa

¹⁾ Excluding items affecting comparability

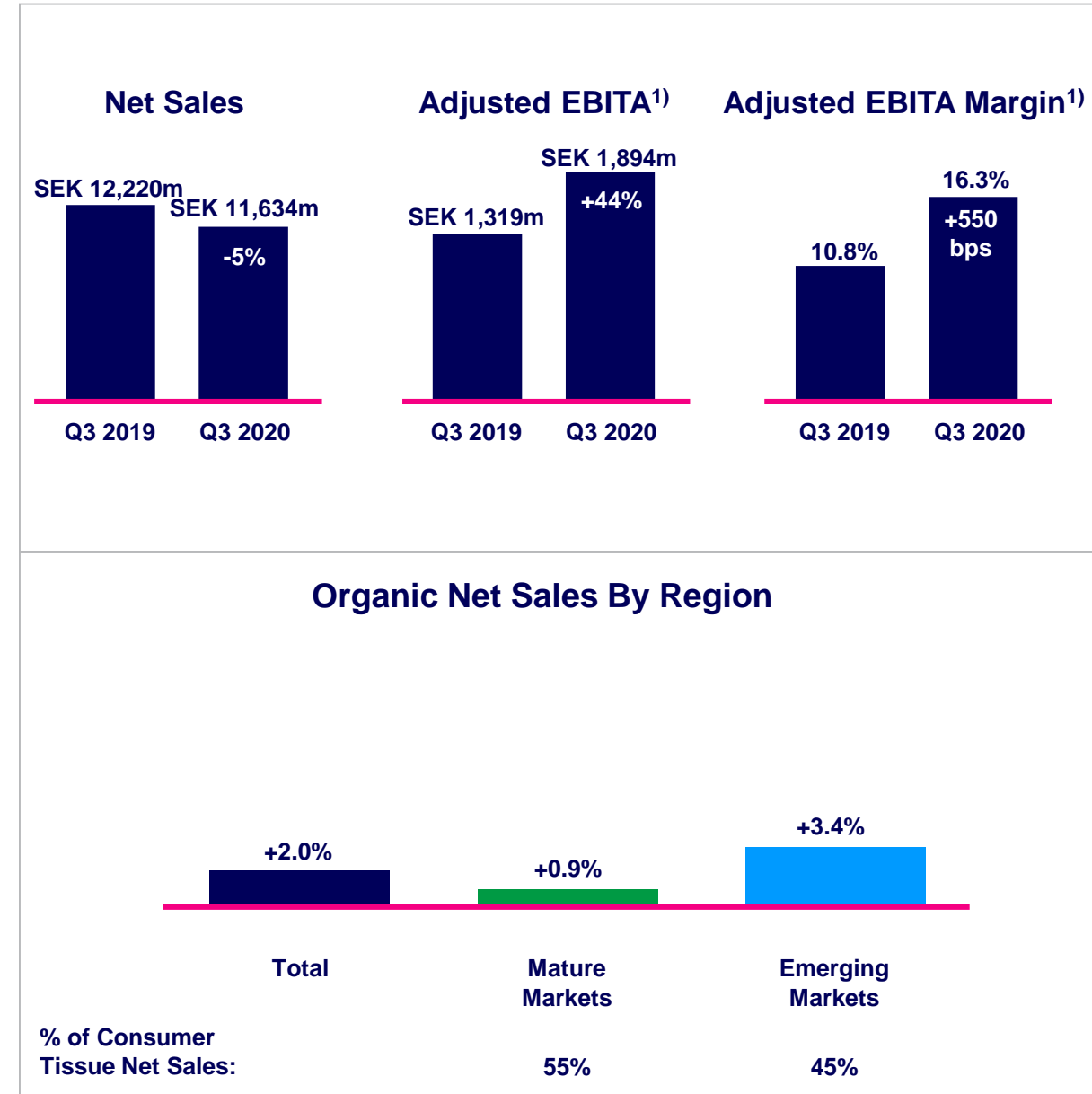


Consumer Tissue

Q3 2020 vs Q3 2019

- Organic net sales increased 2.0%
 - Volume +4.6% and price/mix -2.6%
- Higher volumes, better mix and cost savings
- Lower raw material and energy costs
- Lower prices including higher promotional levels
- Sales and marketing costs stable as % of net sales

¹⁾ Excluding items affecting comparability

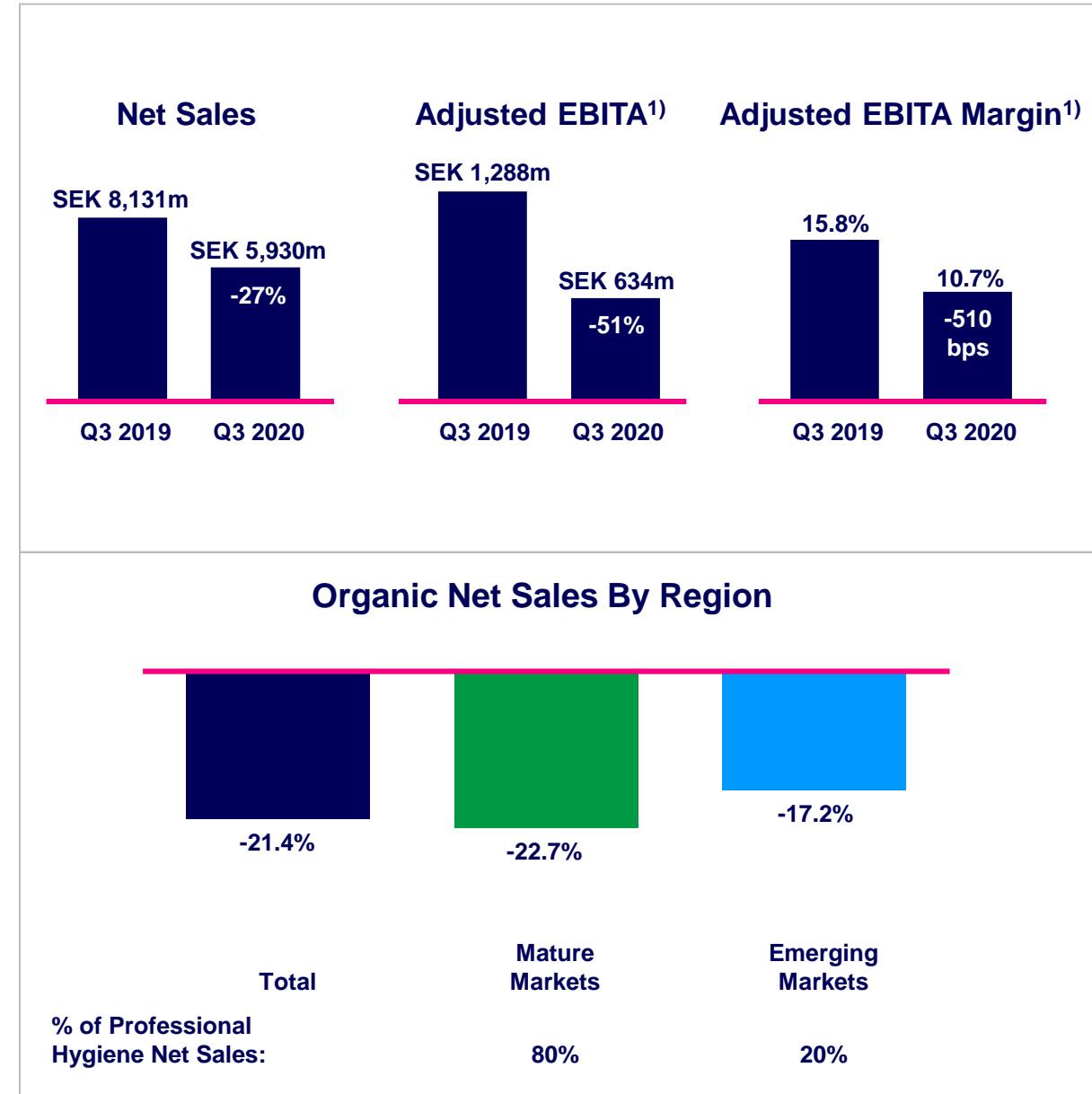


Professional Hygiene

Q3 2020 vs Q3 2019

- Organic net sales decreased 21.4%
 - Volume -22.6% and price/mix +1.2%
- Sales negatively impacted by COVID-19 and related lockdowns and destocking
- Higher sales of dispensers and skin care
- Increase of supply capacity for hand sanitizers
- Better mix and cost savings
- Stable raw material costs
- Lower volumes leading to lower fixed cost absorption

¹⁾ Excluding items affecting comparability



Professional Hygiene

Focus Areas

Shift Segment Focus

**Drive Services &
Solutions**

**Accelerate
E-commerce**

Accelerate Skin Care

Recover HoReCa

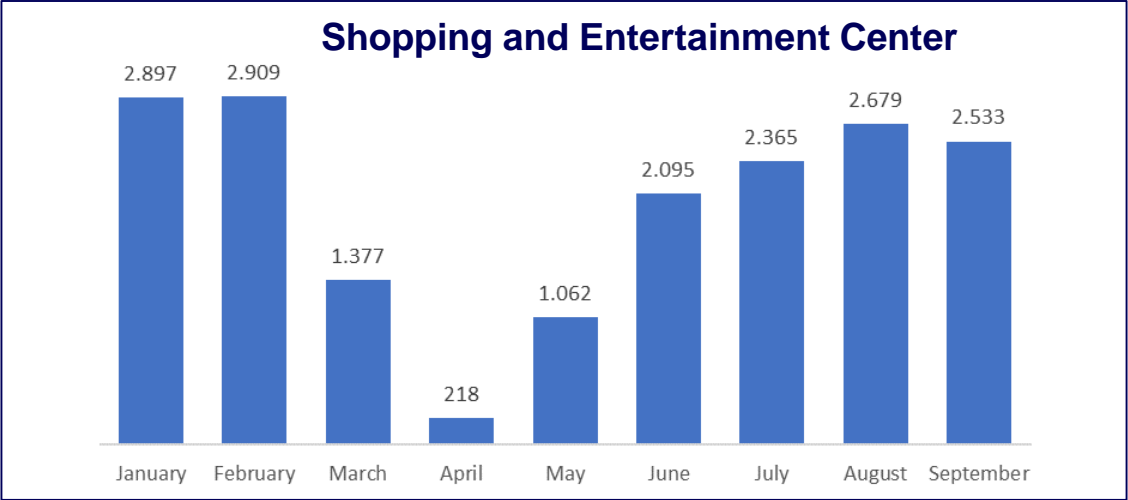
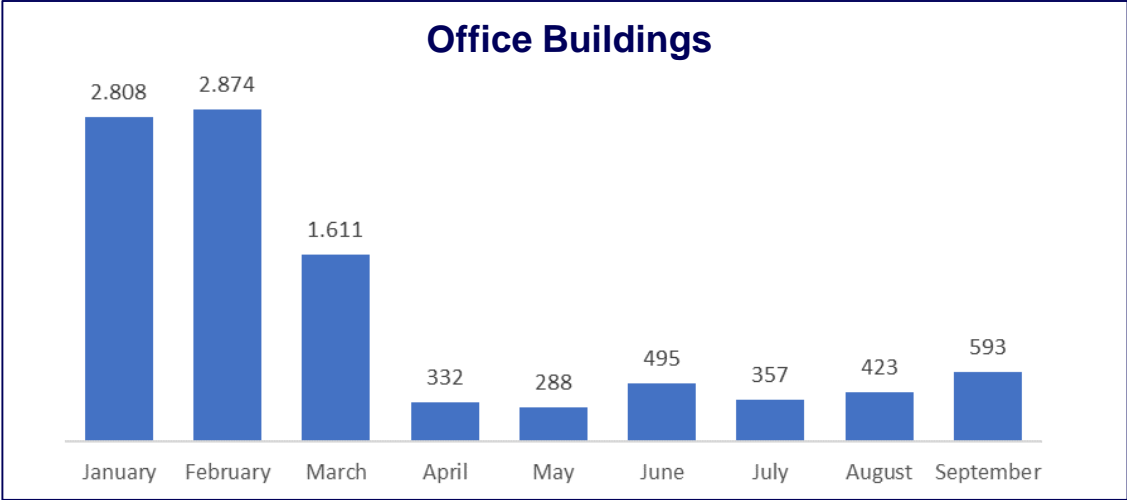
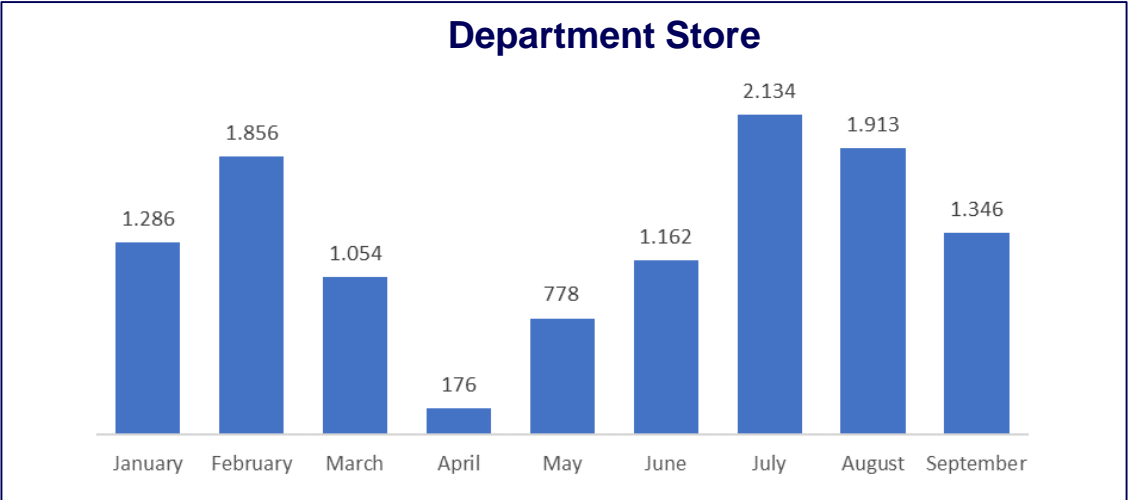
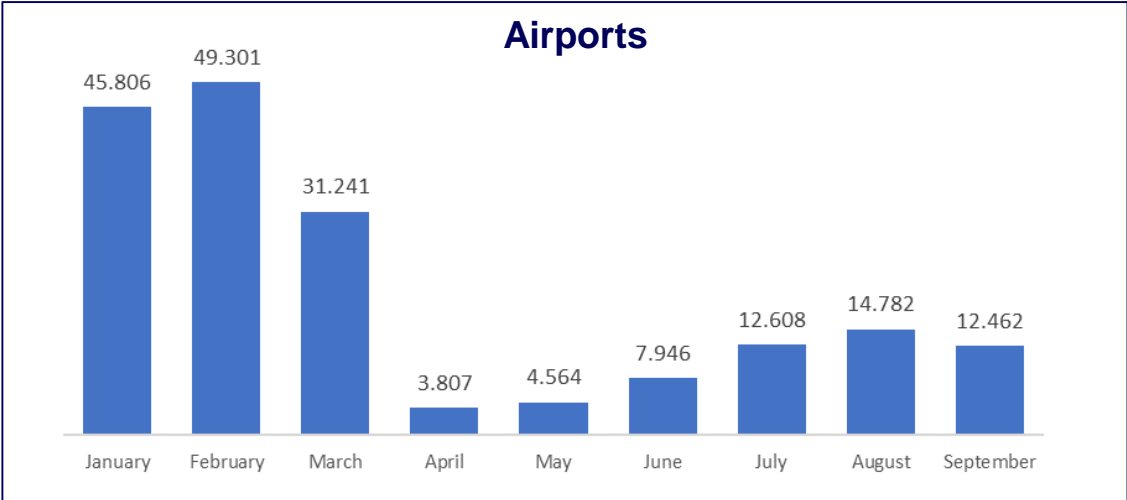
Convert Air Dryers

**New Product
Launches**

Cost Reduction

COVID-19 Impacts on Visitors

Examples Based on Tork EasyCube® Data for Commercial Buildings



Increased Awareness of Hygiene and Health

Leveraging Our Leading Solutions

Tork EasyCube® Data: Overall Consumption Per Visitor

Jul-Sep 2020 vs Jul-Sep 2019



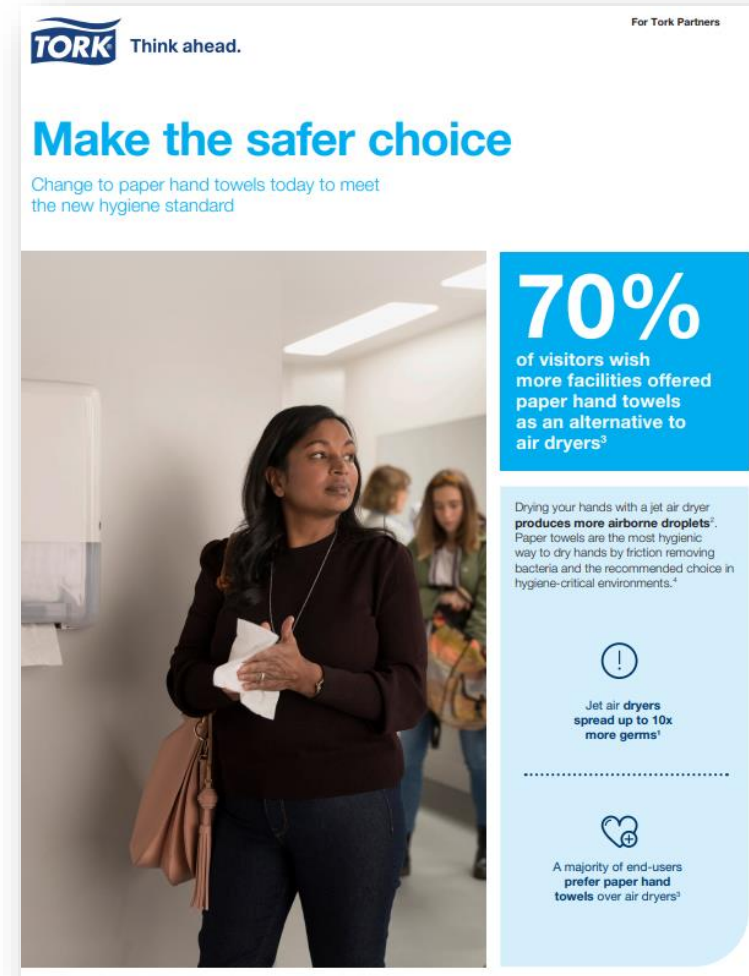
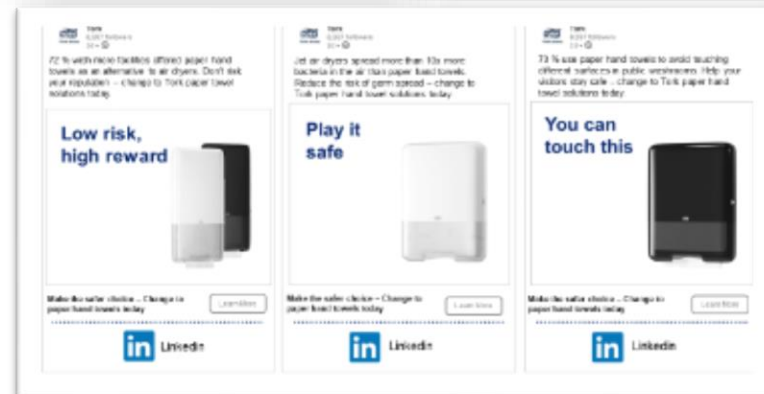
Skin Care
+53%

Hand Towels
+11%

Toilet Tissue
-11%

Increased Awareness of Hygiene and Health

Converting Air Dryer Customers to Tork PeakServe



Summary

- Target raised for adjusted return on capital employed¹⁾ to above 17% by 2025
- Acceleration of digital transformation with new digital platform
- Launch of Manufacturing Roadmap program
- Strong underlying business performance in a challenging environment
- The Board of Directors is proposing a dividend of SEK 6.25 per share

¹⁾ Excluding items affecting comparability



