ANNUAL REPORT 2021

Essity Capital BV

Corp. Reg. No. 82525897

BOARD OF DIRECTORS’ REPORT

Report of the Board of Directors´ for the period ended 31 December 2021.
The Board of Directors herewith submits its report and the Financial Statements of Essity Capital B.V. for the book year started per 14 April 2021 and ended 31 December 2021. These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with Part 9 of Book 2 of the Dutch Civil Code.

Ownership
Essity Capital B.V., with the Corp.Reg.No 82525897 and its office in Zeist, the Netherlands, is a wholly owned company of Essity Aktiebolag (publ), with the Corp. Reg.No 556325-5511 and its registered office in Stockholm, Sweden. Essity Aktiebolag (publ) is also the Parent Company of the Essity Group.

Principal activities

The Company was mainly founded in order for the Essity Group to be able to issue bonds in the European market which are eligible for purchase under the European Central Bank's different asset purchasing program. The Company then on-lends all funds from the issued bonds to another subsidiary of Essity Aktiebolag (publ). The main income of the Company is the interest income on the loan to the related company. The main expense is the interest to be paid on the Bonds issued during 2021 by the Company and which are listed on the Luxembourg Stock Exchange.

Objectives
The Company's main activity is to raise funding in the form of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into any related agreements and to finance businesses and companies within the Essity group.

Key events during the year
The Company was formed the 14th of April 2021 with a share capital of EUR 2m.

For the issue of bonds in the European debt capital markets, the Essity Group has a Euro Medium Term Note (EMTN) program with a framework amount of EUR 6,000m. On September 15th, 2021 600 million of public bonds were issued by the Company. The bonds are senior unsecured debt bearing a coupon rate of 0,25%. The bonds are denominated in EUR and are callable. The bonds are listed on the Luxembourg stock exchange with ISIN code XS2386877133. The maturity date is September 15th, 2029. Standard & Poor's assigned an issuance rating of BBB+ to these bonds. The bond issuance is guaranteed by Essity Aktiebolag (publ).

The proceeds of the bond issuance were used to fund an intercompany loan to Essity Treasury AB. The terms and conditions of the intercompany loan are largely mirrored that of the bonds issued, except for the interest rate. The interest income received covers the interest and administrative expenses of the Company in full.

Risk management
The Essity Group's financial risk management is centralized to capitalize on economies of scale and synergy effects and to minimize management risks. The financial risks are managed in accordance with the Group's finance policy, which is adopted by Essity's Board of Directors. The financial risks are compiled and continuously monitored. Besides that, the Essity Group has an internal audit function, which ensures up that the organization compiles with the adopted policies.

The Board of Directors in Essity Capital B.V. is in charge of the management of the Company meaning that the responsibilities include the policy and business progress within the Company and with this achievement of the goals, strategy and profit development that are relevant for the Company. As an individual Company Essity Capital B.V. is exposed to financial risks which the Board of Directors in the Company manages in accordance with the finance policies established by the Board of Essity Aktiebolag (publ).

The Euro bonds issue has been guaranteed by Essity Aktiebolag (publ). The loan from the Company to Essity Treasury AB is subject to the expected credit loss model. The Company's financial assets are considered to have the same credit risk as for the whole Essity Group.

Risk profile

The Company has identified and evaluated its principal risks, the controls in place to manage those risks and the Board of Directors monitor the overall risk profile of the Company.

The key financial risk is credit risk. The Company's exposure to currency risk and interest-rate risk are limited or have been mitigated.

No currency risk has been identified since both the bond and the corresponding intercompany loan are denominated in Euro, the Company's functional currency.

The Company's exposure to interest-rate risk is limited through the issue of fixed-interest long-term bond which is issued back to back with a loan to a Group company at fixed rate which is aligned with the long-term bond.

Credit risk

The Company is exposed to credit risk to the extent of non-performance by its counterparty Essity Treasury AB. The Company considers the risk to be low since the related company has an equity around 6bn EUR and is profitable. In addition, the Company has limited the risk by entering into a Limitation of Recourse Agreement with Essity Aktiebolag (publ).

Impact of the COVID-19

For the Company as a standalone, COVID-19 pandemic has not had a major impact on its net results from financing activities. The COVID-19 pandemic has impacted the Essity Group negatively by lower sales during 2021 due to lockdowns and restrictions.

Future Outlook

Looking at the nature of the Company we expect an EBIT development for next year which will be in line with the present EBIT development but taking into consideration that the coming financial year is twelve months. It is expected that the nature of the activities of the Company will remain unchanged next year. Based on the funding needs for Essity in total new bonds might be issued under the existing EMTN program. However, no immediate new financing activities are expected to occur and we do not expect changes in personnel. In coming years the impact in the profit or loss of the expected credit loss calculation will be less substantial than for 2021.

Post Balance sheet events

Both short-term and long-term consequences of the war in Ukraine are difficult to evaluate but has a substantial impact in the world and in the Essity Group. Essity has operations both in Ukraine and Russia. Essity supports humanitarian efforts in Ukraine by donating money as well as essential hygiene and health products. For Essity Capital B.V. no immediate events have been identified after the balance sheet date that has impacted the financial statements.

Other items
The Company does not have any personnel on the pay list. The Company is paying a fee for office expenses to Essity Nederlands B.V.. Part of the office expenses is related to the expenses of the Dutch board members. The board members do not receive a remuneration from the Company as they are employed by other Essity companies.

Result of the year

The Company´s result for the year ended on December 31,2021 amounts to a loss of €11 thousand.

Statement
Each of the Board of Directors confirms, to the best of their knowledge, that

The Financial statements, prepared in accordance with International Financing Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, for the year ended December 31, 2021 give a true and fair view of the assets, liabilities, financial position and profit or losses of the company; and

The Directors' report includes a fair review of the development and performance of the business during the financial year and the position of the Company as at 31 December 2021 together with description of the principal risks and uncertainties that it faces.

Zeist, 28 April 2022

Signed by Board of Directors:

Johan Rydin ______________________________

Marten Schut ______________________________

Per Johansson ______________________________

Freek van den Ham ______________________________

Financial statements

Statement of profit and loss

€000s	Note	For the period from 14 April to 31 December 2021
Interest income	4	719
Interest expense	4	-584
Net interest income		**135**
Impairment losses	8	-100
Total financial result (loss)		**35**
Other operating income	5	145
Operating expenses	6	-195
Total other operating income and expenses (loss)		**-50**
Result (loss) before income tax		**-15**
Income taxes	7	**4**
Net result (loss) for the year		**-11**

Statement of comprehensive income

€000s	For the period from 14 April to 31 December 2021
Net result (loss) for the year	**-11**
Other comprehensive income (loss)	-
Total comprehensive income (loss)	**-11**

Statement of financial position

€000s	Note	2021-12-31
ASSETS		
Non-current assets		
Loans to Related companies	8	596 253
Deferred tax asset	7	25
Total non-current assets		**596 278**
Current assets		
Loans to Related companies	8	580
Other financial receivables from Related Companies	8	1 954
Other receivables from Related Companies	5	145
Total current assets		**2 679**
TOTAL ASSETS		**598 957**
EQUITY, PROVISIONS AND LIABILITIES		
Equity		
Share capital	9	2 000
Net result (loss) for the year		-11
Total equity		**1 989**
Liabilities		
Non-current liabilities		
Non-current financial liabilities	8	596 352
Total non-current liabilities		**596 352**
Current liabilities		
Current tax liabilities	7	21
Accrued interest payables	8	440
Trade payables to Related companies	8	42
Trade payables	8	7
Accrued expenses	10	19
Other liabilities	11	87
Total current liabilities		**616**
Total liabilities		**596 968**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**598 957**

Statement of changes in Equity

€000s	Share capital	Statutory reserve	Retained earnings/ and profit (loss) for the year	Total equity
Equity at April 14, 2021	**0**	**0**	**0**	**0**
Profit (loss) for the year from the statement of profit and loss			-11	-11
Total comprehensive income	**0**	**0**	**-11**	**-11**
Transactions with owners				
Share capital	2 000			2 000
Total transactions with owners	**2 000**	**0**	**0**	**2 000**
Equity at December 31, 2021	**2 000**	**0**	**-11**	**1 989**

Cash-flow Statement

€000s	For the period from 14 April to 31 December 2021
Result before tax	**-15**
Adjustments for:	
Interest income	-719
Interest expense	584
Impairment loss	100
Operating profit	**-50**
Changes in:	
Changes in operating receivables	-2 099
Changes in operating liabilities	155
Cash flow from changes in working capital	**-1 944**
Paid tax	0
Interest received	
Interest paid	-6
Cash flow from operating activities	**-2 000**
Non-current loans to related companies	-594 864
Cash flow from investing activities	**-594 864**
Proceeds from borrowings	594 864
Proceeds from issuance of shares	2 000
Cash flow from financing activities	**596 864**
Cash flow for the year	**0**
Cash and cash equivalents, April 14	0
Change in cash and cash equivalents	0
Cash and cash equivalents, December 31	**0**

Notes to the Financial statements

For the year ended 31 December 2021

NOTE 1 GENERAL

Essity Capital B.V., with the Corp.Reg.No 82525897 and its registered office in Amsterdam, the Netherlands, is a wholly owned company of Essity Aktiebolag (publ), with the Corp. Reg.No 556325-5511 and its registered office in Stockholm, Sweden. Essity Aktiebolag (publ) is the ultimate Parent Company of the Essity Group and includes the financial information of the Company in its consolidated financial statements. Copies of these consolidated financial statements can be acquired from the website www.essity.com.

The Company's main activity is to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into any related agreements and to finance businesses and companies within the Essity group .

The financial statements comprise only the separate financial statements of the Company.

The financial statements relate to the reporting period 14 April 2021 up to 31 December 2021. The Company is incorporated on 14 April 2021 and therefore comparative figures do not exist.

The financial statements have been approved for issue by the Board of Management on 28 April 2022.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES

Basis of preparation

The Company's Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) and in compliance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code as far as applicable. The Company's Financial statements have been prepared under the assumption of going concern (refer next paragraph).

The financial statements are presented in Euros and all values are rounded to the nearest thousand (€000), except when indicated otherwise. The Company's functional currency is Euros.

Furthermore, the Company's Financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period.

The presentation format of the statement of financial position and statement of profit and loss has been adapted to reflect the Company's operations in the financial sector.

The preparation of financial statements in agreement with the applied rules and regulations requires the use of a number of important accounting estimates. In addition, senior management is required to make certain judgements in connection with the application of the Company's accounting policies.

Estimates

Explanations of the key assumptions concerning forward-looking elements and other estimation uncertainties are provided below. These include the risk that a material adjustment to the carrying amounts of assets and liabilities may become necessary within the next financial year.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES (cont.)

The critical accounting policies which involve significant estimates, assumptions or judgements, the actual outcome of which could have a material impact on the Company's results and financial position, relate to the following item(s):

Impairment of financial assets
The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on existing market conditions, as well as forward-looking estimates at the end of the reporting period.

Going concern

Essity Capital B.V. is partly providing funding for the activities of Essity for which the Directors have assessed the relevant factors surrounding going concern and concluded that there are no material events or uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. The Company does not carry out any trading activities, has no employees and the ultimate Parent company has provided a guarantee in relation to the Company's bond issuance. In addition, Essity Aktiebolag and Essity Capital B.V. has entered into an agreement to limit the Right of Recourse to limit the total economic risk borne by the Company with respect to the Intercompany Loan provided to Essity Treasury AB. Accordingly, the Directors have adopted the going concern basis in preparing the Financial statements.

New, revised or amended standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods starting on or after 1 January 2021 and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, effective 1 January 2023[1]
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, effective 1 January 2023[2]
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective 1 January 2023[2]
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective 1 January 2023[1]
- Amendments to IAS 37 Provisions, contingent liabilities and contingent assets – onerous contracts – cost of fulfilling a contract, effective 1 January 2022
- Annual Improvements Cycle - 2018-2020, effective 1 January 2022

Footnote 1: not yet endorsed by the EU as per 25 March 2022
Footnote 2: endorsed by the EU 2 March 2022

Interest income recognition

Interest income is recognized in accordance with the effective interest method.

Other operating income and expenses

Income and expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES (cont.)

Translation of foreign currency

Financial instruments in foreign currency are measured in the financial statements at the exchange rate in effect on the closing date. Exchange rate differences are recognized under other operating items.

Financial instruments

Classification and measurement of financial assets

The classification is determined at initial recognition and depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. This applied to the financial assets measured at amortized costs.

Subsequently, financial assets are measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified, or impaired. Financial assets at amortized cost comprise loans to related companies. This applies to all financial assets of the Company.

The other current assets relate to a receivable to related companies for the cash pool and other tax and statutory assets.

Financial assets are derecognized when the Company looses the rights to receive cash flows that comprise the financial asset. Normally this occurs through the sale of assets or the repayment of loans and accounts receivable.

Impairment of financial assets:

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The Company applies the low credit risk exemption allowing the Company to assume that there is no significant increase in credit risk since initial recognition of a financial instrument, if the instrument is determined to have low credit risk at the reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company measures loss allowances at an amount that represents credit losses resulting from default events that are possible within the next 12 months; unless the credit risk on a financial instrument has increased significantly since initial recognition. In the event of such significant increase in credit risk the Company's measures loss allowances for that financial instrument at an amount equal to its lifetime expected losses, i.e.. at an amount equal to the excepted credit losses that results from an possible default events over the excepted life of that financial instrument. The risk of default is considered to be low, taking into account Essity Aktiebolag “investment grade” S&P credit rating, strong liquidity position and positive cash generation from operating activities in 2021.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES (cont.)

Classification and measurement of financial liabilities

All financial liabilities are initially recognized at fair value less directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss when the liabilities are amortized or derecognized. Amortized cost is calculated taking into account any premium or discount and any fees or costs that are an integral part of the effective interest rate. Financial liabilities recognized at amortized costs include Financial liabilities and trade and other payables.

The trade and other payables amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

A financial liability is derecognized when the underlying obligation has been fulfilled, cancelled, or expired. If an existing financial obligation is replaced by another financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability.

Offsetting

Financial assets and financial liabilities are only offset in the financial statements if and to the extent that:

- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously, and
- The Company intends is to settle the assets and liabilities on a net basis or simultaneously

Derivatives

The Company has not entered into any derivative contracts and hence the Company does not have any interest rate hedging relationships, nor does the Company hold any variable interest rate exposures. The interest rate benchmark reform therefore has no impact on the financial statements of the Company.

Taxes

Recognized income tax includes tax to be paid or received for the current year, adjustments of prior year current tax and changes in deferred tax.

All tax liabilities and assets are measured at their nominal amount and are based on the tax rules and tax rates in effect on the balance sheet date.

For items recognized in profit or loss, related tax effects are also recognized in profit or loss. Items recognized in other comprehensive income or directly against equity are recognized in a net amount after tax.

Deferred tax is calculated on all temporary differences between the carrying amounts and the taxable values of assets and liabilities according to the balance sheet method.

Statement of financial position

Current assets and current liabilities mature in less than twelve months. Non-current assets and liabilities include positions for a term of more than one year.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES (cont.)

Segment reporting

The Company determined one operating segment based on the information that is internally provided to the management and the chief operating decision maker.

The Company generates interest income by providing loans to Essity Aktiebolag Group companies. The significant operations of the Company take place in The Netherlands.

NOTE 3 FINANCIAL RISK MANAGEMENT

The Essity Group's financial risk management is centralized to capitalize on economies of scale and synergy effects and to minimize management risks. The central treasury function is responsible for the Essity Group's borrowing, liquidity management, currency and interest rate risk management, and to ensuring that the Essity Group has secure financing, financial transactions are conducted with the aim of limiting the Group's financial risks. External borrowing is conducted to a certain extent in Essity Capital B.V.

As an individual company Essity Capital B.V. is exposed to financial risks which it manages in accordance with the finance policies established by the Board of Essity Aktiebolag (publ). The Group´s financial risk management is described in the Essity Annual and Sustainability Report 2021.

On September 15th 2021 Essity Capital B.V. issued an eight year bond loan with a nominal value of 600 MEUR.

Currency risk
No currency risk has been identified since both the bond and the corresponding Intercompany loan are denominated in Euro, the Company's functional currency.

Interest-rate risk
Interest rate risks result from changes in interest rates, which could have a negative impact on the Company's financial position, cash flow and earnings situation.

Interest rate risk is limited through the issue of fixed-interest long-term bond which is issued back to back with a loan to a Group company at fixed rate which is aligned with the long-term bond. A change in the rate of interest would therefore alter neither annual financial expenses nor shareholder's equity materially. Interest rate developments are closely monitored by management.

Credit risk
Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge its obligations, thereby causing the Company to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. The loan asset is localized to a single counterparty, Essity Treasury AB.

In order to limit Essity Capital B.V.'s exposure to aggregate risks related to the intercompany loan agreement, Essity Capital B.V and Essity Aktiebolag (publ) have entered into a Limitation of Recourse Agreement. Per this agreement, Essity Capital B.V. will limit the total economic risk borne by the Company with respect to the Intercompany loan provided to Essity Treasury AB and funded with the bond issuance to the lower of i) the amount of default under the Intercompany loan; ii) 1% of the Intercompany loan in default including any accrued interests; or iii) an amount of EUR 2 million. Consequently, any additional risks above the risks assumed by Essity Capital B.V. will be absorbed by Essity Aktiebolag (publ).

NOTE 3 FINANCIAL RISK MANAGEMENT (cont.)

The Company has financial assets carried at amortized cost (Loans to Related companies) that are subject to the expected credit loss model. The Company considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. In accordance with IFRS 9, the entire portfolio of financial assets are classified as stage 1 given the creditworthiness and payment history of the related companies. Current year movement in the ECL relates to a reserve based upon an expected credit loss calculation regarding the loan balance. Probability of default rate (pd) of Essity, as published by Bloomberg, is a significant part of the ECL calculation. The calculation is done based on a 12-month expected credit loss horizon. No significant change in credit risk is deemed to have occurred since initial recognition.

As of December 31, 2021, no receivables had fallen due for payment. The Company's financial assets are considered to have a low credit risk, and the expected loss calculation made amounted to 100 KEUR and were recognized in profit or loss. Credit risk in accounts receivable is managed in accordance with Essity's proactive credit checks.

NOTE 4 INTEREST INCOME AND INTEREST EXPENSE

€000s	**2021**
Financial liabilities Non-related companies - external parties	
Interest expense	-578
Interest expense, Non-related companies	**-578**
Loans to Related companies	
Interest income, Related companies	719
Interest expense, Related companies	-6
Net interest income, Related companies	**713**
Net interest income	**135**

NOTE 5 OTHER OPERATING INCOME

€000s	**2021**
Other operating income, Related companies	145
Total other operating income	**145**

Other operating income is a compensation for costs incurred by Essity Capital BV during 2021. The income is accrued and recorded as Other operating receivables from Related companies. See also note 13.

NOTE 6 OPERATING EXPENSES

Other external costs includes primarily consultancy and legal fees, management services and audit fees.

Ernst & Young Accountants LLP has acted as external auditor for the Company since the reporting period started 14 April 2021. With reference to section 2:382 a (1) and (2) of the Dutch Civil Code, the fees related to professional services rendered by the Company's independent auditor were EUR 64 000. These fees relate to audit services only.

NOTE 7 TAXES

Tax on profit for the year €000s	**2021**
Current tax expense	-21
Deferred tax income	25
Total	**4**

Difference between recognized effective tax expense and expected tax expense based on the tax rate in effect €000s	**2021**
Result before appropriations and tax	-15
The expected tax income(+)/expense(-) calculated on the tax rate in effect	4
Other non-deductible items	-
Taxes related to acquired interest expenses	-
Taxes related to prior periods	-
Total recognized tax income(+)/expense(-)	**4**

The expected tax rate in effect is 25 percent. The effective tax rate for the period is also 25 percent.

Current tax expense €000s	**2021**
Income tax for the period	-21
Total	**-21**

CURRENT TAX LIABILITY (+), CURRENT TAX ASSET (-)

The change in the current tax liability during the period is explained below:

€000s	**2021**
Balance, April 14	-
Current tax expense/income	21
Paid tax	-
Tax liability, December 31	**21**

Deferred tax income €000s	**0**
Deferred tax for the period	25
Total	**25**

DEFERRED TAX LIABILITY (+), DEFERRED TAX ASSET (-)

Origin of deferred tax assets €000s	**2021**
Non-current assets	-25
Deferred tax asset, December 31	**-25**

Deferred tax is related to the loss allowance which is not deductible from tax perspective.

NOTE 8 FINANCIAL INSTRUMENTS

The Company measures all financial assets and financial liabilities subsequently at amortized cost using the effective interest method. In this section the fair value of those instruments are disclosed. The hierarchy below classifies financial instruments, by valuation method. The different levels have been defined as follows:

Level 1:	quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	procedures in which all input parameters having an essential effect on the registered market value are either directly or indirectly observable. The fair values for the loans to related companies and the bond loan are determined using quoted prices for similar assets or liabilities in active markets.
Level 3:	procedures applied to input parameters that have an essential effect on the registered market value but are not based on observable market data.

An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing data on an ongoing basis. The Company does not hold any financial instruments requiring evaluation according to level 3 procedures.

Financial assets
The fair value calculation for loans to related companies is based on discounting expected future cash flows using an estimated discount rate that reflects the expected future interest rates, derived from quoted market rates at the reporting date. Early settlements, credit losses and credit spread assumptions are reviewed periodically, but currently are not relevant to this class of assets.

Financial liabilities

The fair value of bond liabilities is based on current market prices where available. Fair value of EMTN is based on the discounted cash flow model that incorporates observable inputs including interest rate yield curves and the appropriate discount rate for the currency and tenor of the cash flow. Where active market prices are not available, the fair value of fixed interest borrowings is based on future cash flows discounted at the current rate for similar debts or assets with the same remaining maturities.

The fair values of other assets and trade and other payables approximate their carrying value due to their short term nature.

FINANCIAL INSTRUMENTS, RELATED COMPANIES

Loans to Related companies €000s	Level	2021 Carrying amount	2021 Fair value
Non-current assets			
Loans to Related companies	2	596 353	563 449
Less: loss allowance		-100	-
Total		**596 253**	**563 449**
Current asset			
Loans to Related companies - Accrued interest income		580	580
Total		**580**	**580**
Total loans to Related companies		**596 834**	**564 029**

NOTE 8 FINANCIAL INSTRUMENTS (cont.)

Other financial receivables from Related companies €000s	2021 Carrying amount	2021 Fair value
Current assets		
Cash pool balance	1 947	1 947
Trade receivables	7	7
Total	**1 954**	**1 954**
Total receivables from Related companies	**1 954**	**1 954**

Liabilities to Related companies €000s	2021 Carrying amount	2021 Fair value
Current liabilities		
Trade payables	42	42
Total	**42**	**42**
Total liabilities to Related companies	**42**	**42**

Maturity loans to Related companies €000s	2021
Loans with maturities of less than one year	580
Loans with maturities > 5 years	596 253
Total	**596 834**

Loans to Related companies €000s

Related company	Maturity	Carrying amount	Fair value	Interest rate, %
Essity Treasury AB EUR 600m	2029	596 353	563 449	0.33

The proceeds of the bond issuance have been used to fund an intercompany loan to Essity Treasury AB. The terms and conditions of the intercompany loan are largely mirrored that of the bonds issued, except the interest rate. The interest rate on the loan is fixed and is received annually in arrears. The interest income received covers the interest and administrative expenses of the company in full.

FINANCIAL INSTRUMENTS, NON-RELATED COMPANIES - EXTERNAL PARTIES

Liabilities, Non-related companies - external parties €000s	Level	2021 Carrying amount	2021 Fair value
Non-current liabilities			
Bond liability, 600 MEUR nominal value	2	596 352	563 448
Total		**596 352**	**563 448**
Current liabilities			
Accrued interest expense on Bond liability		440	440
Trade payables		7	7
Total		**447**	**447**
Total liabilities, Non-related companies - external parties		**596 800**	**563 896**

NOTE 8 FINANCIAL INSTRUMENTS (cont.)

Maturity external financial liabilities €000s	2021
Loans with maturities > 5 years	596 352
Total	**596 352**

Public bond issues €000s

Issued	Maturity	Carrying amount	Fair value	Interest rate, %
Notes EUR 600m	Sep 2029	596 352	563 448	0.25

The Essity Group has a Euro Medium Term Note (EMTN) program with a framework amount of EUR 6,000m. On September 15th, 2021 600 million of public bonds were issued by the Company. The bonds are senior unsecured debt bearing a coupon rate of 0,25%. The bonds are denominated in EUR and are callable. The maturity date is September 15th, 2029. The bond issuance is guaranteed by Essity Aktiebolag (publ).

LIQUIDITY RISK

The table below shows the Company's liquidity risk regarding financial liabilities (including interest payments).

Liquidity risk €000s	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bond liability including interest	440	-	-	596 352	596 792
Trade payables to Related parties	42	-	-	-	42
Trade payables	7	-	-	-	7
Total	**489**	**0**	**0**	**596 352**	**596 841**

Current assets and the other current liabilities are expected to be received within 12 months (less than 1 year), except for the cash pool balance which can be used under the existing facility of the Group.

NOTE 9 SHARE CAPITAL

The issued and paid-up share capital of the Company consists of 2,000,000 ordinary shares with a nominal value of € 1 each.

NOTE 10 ACCRUED EXPENSES

€000s	2021
Accrued audit fees	19
Total	**19**

NOTE 11 OTHER LIABILITIES

€000s	2021
Liability for VAT	87
Total	**87**

NOTE 12 PLEDGED ASSETS AND CONTINGENT LIABILITIES

No pledged assets or contingent liabilities exists.

NOTE 13 TRANSACTIONS WITH RELATED PARTIES

Parent entity

The company is controlled by the following entity:

Company	Type	Place of incorporation	Ownership interest for the period 14 April to 31 December 2021
Essity Aktiebolag (publ)	Parent entity	Sweden	100%

The Company´s payment obligations under the Bonds issued under the EMTN program are guaranteed by Essity Aktiebolag (publ).

Transactions and dealings with other related companies - Essity Treasury AB

€000s	Note	For the period 14 April to 31 December 2021
Interest income	4	719
Interest expense	4	-6
Other operating income, compensation of costs incurred	5	145
Non-current loans	8	596 353
Current loans	8	580
Other financial receivables	8	1 954
Other receivables	5	145

The transactions and outstanding balances are detailed in the notes.

Transactions and dealings with other related companies - Essity Netherlands B.V.

€000s	Note	For the period 14 April to 31 December 2021
Purchase of management services	6,8	-42
Trade payables		42

The Company, through the payment of management services, acquired professional services and the use of general office equipment and office space from Essity Netherlands B.V. These expenses are included in the "operating expenses" in the statement of profit and loss and as Trade payables to related companies in the balance sheet.

Key management personnel are also related parties and comprise the Board of Directors of the Company. There were no transactions with key management personnel.

NOTE 14 NUMBER OF EMPLOYEES AND EMPLOYMENT COSTS

The Company employed no personnel in the year ended on December 31, 2021.

NOTE 15 REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The board members have not receive remuneration from the Company as they are employed by other Essity companies. In the management services charged to the Company is included costs for personnel amounting to 33,3 kEUR for Board members.

NOTE 16 EVENTS AFTER THE BALANCE SHEET DATE

Both short-term and long-term consequences of the war in Ukraine are difficult to evaluate, but has a substantial impact in the world and in the Essity Group. Essity has operations both in Ukraine and Russia. Essity supports humanitarian efforts in Ukraine by donating money as well as essential hygiene and health products. For Essity Capital B.V. no immediate events have been identified after the balance sheet date that has impacted the financial statements.

NOTE 17 PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors propose to the Annual General Meeting that the available unrestricted equity in the balance sheet of Essity Capital B.V. of EUR -10 894,79 be carried forward.

	December 31, 2021
Loss for the year, EUR	-10 894,79
	-10 894,79

NOTE 18 REGISTERED OFFICE OF THE COMPANY

Essity Capital B.V. has its corporate seat in the City of Amsterdam, Netherlands.
The address is: Postbus 670, 3700AR Zeist, Netherlands.

Zeist, 28 April 2022

Johan Rydin Board member	Per Johansson Board member
Marten Schut Board member	Freek van den Ham Board member

Our auditors' report was submitted on 28 April 2022

Ernst & Young Accountants LLP

Daniël Groot Zwaaftink
Authorized Public Accountant

Independent auditor's report

To: the shareholder and the board of directors of Essity Capital B.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Essity Capital B.V. based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Essity Capital B.V. as at 31 December 2021 and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2021
- The following statements for 2021: the statements of profit and loss, other comprehensive income, changes in equity and the cash flow statement
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Essity Capital B.V. (the company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Essity Capital B.V. was founded on 24 April 2021 by its sole shareholder Essity Aktiebolag (publ), based in Stockholm, Sweden. Essity Aktiebolag (publ) is the ultimate parent company of the Essity Group. Essity Capital B.V.'s sole purpose is to acts as a finance company for the Essity Group by being an issuer of debt instruments (notes) and on-lending the proceeds to one or more related companies within the Essity Group. Essity Aktiebolag (publ) has guaranteed the due and punctual payment of all sums from time to time payable by the company in respect of the notes issued. Essity is a global hygiene and health company that develops, produces and sells products and solutions within the following business areas; Personal Care, Consumer Tissue and Professional Hygiene. The main income of Essity Capital B.V. is the interest income on loans to related companies. The company's ability to pay interest and repay principal in respect of its borrowings, including the notes, depends upon the financial condition and liquidity of the Essity Group. Interest risk and foreign exchange risks related to notes issued are offset by the loans to related companies in the same currency and having similar terms and conditions, except for an additional margin, covering the administrative expenses of the company in full.

We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€4.5 million
Benchmark applied	0.75% of total assets
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflects the source of income and the company's ability to pay interest and repay principal in respect of its borrowings, including the notes.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €225,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed finance company. We included a specialist in the area of income taxes (including transfer pricing).

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal control, as well as the outcomes. We refer to section Risk Management of the board of director's report for the board of directors' (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. We have performed substantive audit procedures to identify and address high-risk journal entries. We evaluated the business rationale of transactions with related parties and whether these were accounted for at-arm's length and in accordance with transfer pricing documentation. We have also performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2 under Estimates in the financial statements.

We considered available information and made enquiries of relevant members of the board of directors as well as the group auditor of Essity Group.

The consideration of the potential risk of management override of controls or other inappropriate influence over the financial reporting process, enquiries and assessment of other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected correspondence with regulatory authorities, enquired with the group auditor of Essity Group and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in Note 2 under Going concern, the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next twelve months.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism. We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern, including considerations relating to the financial condition and liquidity of the Essity Group in cooperation with the group auditor. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next twelve months.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the board of directors. The key audit matter is not a comprehensive reflection of all matters discussed.

Valuation of loans to related companies	
Risk	Essity Capital B.V. is exposed to the risk that the related companies of the Essity Group default on meeting their obligations. As loans to related companies represent the most significant portion of the company's assets, any impairment may have a material impact on the financial position and the result of the company. As such we identified valuation of loans to related companies as key audit matter. We refer to note 2 under Estimates and under Impairment of financial assets, note 3 under Credit risk, note 8 on Financial instruments, related companies and note 13 on Transactions with related parties.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policies related to recognition of expected credit losses in accordance with of IFRS 9 "Financial Instruments", and the low credit risk simplification of paragraph 5.5.10 in particular. We evaluated whether the accounting policies and methods applied for making estimates have been applied consistently. We also evaluated the design of internal controls of the processes underlying the estimation process as relevant to our audit of the financial statements.

Valuation of loans to related companies	
	Furthermore, we verified that the board of directors appropriately measured the loss allowance at an amount equal to twelve-month expected credit losses, instead of the lifetime expected credit losses, taking into consideration the external credit rating of Essity Aktiebolag (publ) and events subsequent to 31 December 2021. We tested mathematical accuracy of the expected credit losses provision calculations and we challenged key assumptions in the model, i.e. the probability of default and loss given default rates. We also performed sensitivity analyses on these key assumptions. Finally, we evaluated the related disclosures in the financial statements in accordance with IFRS 7 “Financial instruments: disclosures”.
Key observations	We concur with the board of directors’ valuation of loans to related companies and the related disclosures in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code as included in the notes to the financial statements.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor’s report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of directors as auditor of Essity Capital B.V. on 19 October 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of management is responsible for such internal control as the board of management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of Essity Aktiebolag (publ) in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee of Essity Aktiebolag (publ) and the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Zwolle, 28 April 2022

Ernst & Young Accountants LLP

signed by D.L. Groot Zwaaftink