

Interim Report Quarter 3, 2022

Libero
Touch
Hybrid
Diaper

Essity Aktiebolag (publ)



JANUARY 1 – SEPTEMBER 30, 2022

(compared with the corresponding period a year ago)

- Net sales increased 28.2% to SEK 112,339m (87,641)
- Sales growth, including organic sales growth and acquisitions, amounted to 18.4%. Organic sales growth, excluding exchange rate effects, acquisitions and divestments, was 16.3%, of which volume accounted for 4.1% and price/mix for 12.2%.
- Significant price increases were implemented, and further increases will be carried out
- The company's assets in Russia were impaired by approximately SEK 1.7bn. Furthermore, work is ongoing to exit the Russian market.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) amounted to SEK 7,097m (11,047)
- Adjusted EBITA amounted to SEK 8,974m (10,603) and the adjusted EBITA margin amounted to 8.0% (12.1). Higher costs for raw materials, energy and distribution had a negative impact of 12.5 percentage points on the margin. The margin was positively impacted by higher selling prices, higher volumes and a better mix.
- Return on capital employed amounted to 7.7% (13.8). Adjusted return on capital employed amounted to 9.2% (13.4).
- Profit for the period was SEK 3,818m (7,592)
- Earnings per share were SEK 4.78 (9.45) and adjusted earnings per share were SEK 8.50 (9.36)
- Cash flow from current operations amounted to SEK 4,071m (4,744)
- Acquisitions of Knix and Modibodi, two leading companies in leakproof apparel

EARNINGS TREND

SEKm	2209	2109	%	2022:3	2021:3	%
Net sales	112,339	87,641	28	40,109	31,145	29
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) ¹	8,974	10,603	-15	2,990	3,586	-17
Operating profit before amortization of acquisition-related intangible assets (EBITA)	7,097	11,047	-36	2,784	4,110	-32
Amortization of acquisition-related intangible assets	-826	-602		-287	-235	
Adjusted operating profit ¹	8,148	10,001	-19	2,703	3,351	-19
Items affecting comparability	-2,140	444		-212	524	
Operating profit	6,008	10,445	-42	2,491	3,875	-36
Financial items	-800	-472		-368	-137	
Profit before tax	5,208	9,973	-48	2,123	3,738	-43
Adjusted profit before tax ¹	7,348	9,529	-23	2,335	3,214	-27
Income taxes	-1,390	-2,381		-499	-773	
Profit for the period	3,818	7,592	-50	1,624	2,965	-45
Earnings per share, SEK	4.78	9.45		2.23	3.90	
Adjusted earnings per share, SEK ²	8.50	9.36		2.81	3.33	

¹Excluding items affecting comparability; for amounts see page 12.

²Excluding items affecting comparability and amortization of acquisition-related intangible assets.

CEO'S COMMENTS

Significant price increases offset cost inflation

Essity's net sales reached new record levels in the third quarter. We raised prices for our leading hygiene and health solutions by an average of 14.5% compared to the same period a year ago at the same time as we reported higher volumes in all business areas. Our price increases are offsetting the high cost inflation with a delay of approximately two quarters. We are continuing to invest in innovation and expansion of our offerings to promote a higher quality of life for customers and consumers with more climate-smart offerings, strong brands and increased e-commerce sales.

During the third quarter of 2022, net sales increased 28.8% to approximately SEK 40.1bn. Sales growth, including organic sales growth and acquisitions, amounted to 17.3%, of which price/mix accounted for 14.8%, volume for 1.5% and acquisitions for 1.0%.

EBITA amounted to SEK 2,784m and adjusted EBITA to SEK 2,990m, down 17% compared to the same period a year ago. The adjusted EBITA margin declined 4.0 percentage points to 7.5%. Cost inflation worsened further in the third quarter. Costs for raw materials, energy and distribution had a negative impact of 12.7 percentage points on the adjusted EBITA margin. We are addressing this through comprehensive price increases and energy price surcharges that will have an additional effect in the fourth quarter and in 2023. Despite significant price increases, we noted higher volumes in all three business areas. We are continuing to work at a high pace with efficiency improvements, energy saving measures and raw material rationalizations. Sales and marketing costs were higher during the quarter but decreased as a share of net sales. The adjusted return on capital employed was 8.4%. Earnings per share were SEK 2.23.

The environmental footprint of our products is decreasing, and we are meeting consumer demands for solutions that are better for the user and the planet. During the quarter, we launched a climate-smart baby diaper under the leading brand Libero. Libero's hybrid diaper consists of two parts: a washable textile diaper cover and an absorbent disposable insert. Online sales increased by nearly 20% in the third quarter and amounted to approximately SEK 5.7bn. Many initiatives are being implemented in the company to also increase our presence in the direct-to-consumer channel, including the acquisitions of Knix and Modibodi, two leading companies in leakproof apparel.

A new Group organization will be effective from year-end 2022 entailing that the Group will have four business units in line with the company's business areas. These four business units are Professional Hygiene, Health & Medical, Consumer Goods EMEA and Consumer Goods Americas. In parallel, a global unit, Digital & Business Services, will be established.

Through a focus on innovation, strong brands, efficiency improvements, digitalization and sustainability, we are strengthening Essity's competitiveness in leading hygiene and health solutions in an attractive and growing market. We are managing cost inflation through price increases.

Magnus Groth

President and CEO

EARNINGS TREND

SEKm	2209	2109	%	2022:3	2021:3	%
Net sales	112,339	87,641	28	40,109	31,145	29
Cost of goods sold	-84,547	-61,011		-30,625	-22,202	
Items affecting comparability - cost of goods sold	-1,597	-64		-131	-11	
Gross profit	26,195	26,566	-1	9,353	8,932	5
Adjusted gross profit¹	27,792	26,630	4	9,484	8,943	6
Sales, general and administration	-18,848	-16,079		-6,500	-5,361	
Items affecting comparability - sales, general and administration	-280	508		-75	535	
Share of profits of associates and joint ventures	30	52		6	4	
Operating profit before amortization of acquisition-related intangible assets (EBITA)	7,097	11,047	-36	2,784	4,110	-32
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹	8,974	10,603	-15	2,990	3,586	-17
Amortization of acquisition-related intangible assets	-826	-602		-287	-235	
Items affecting comparability - acquisition-related intangible assets	-263	0		-6	0	
Operating profit	6,008	10,445	-42	2,491	3,875	-36
Adjusted operating profit¹	8,148	10,001	-19	2,703	3,351	-19
Financial items	-800	-472		-368	-137	
Profit before tax	5,208	9,973	-48	2,123	3,738	-43
Adjusted profit before tax¹	7,348	9,529	-23	2,335	3,214	-27
Income taxes	-1,390	-2,381		-499	-773	
Profit for the period	3,818	7,592	-50	1,624	2,965	-45
Adjusted profit for the period¹	5,837	7,099	-18	1,826	2,406	-24
¹ Excluding items affecting comparability						
Tax on amortization of acquisition-related intangible assets	234	173		80	70	
Margins (%)						
Gross margin	23.3	30.3		23.3	28.7	
Adjusted gross margin¹	24.7	30.4		23.6	28.7	
EBITA margin	6.3	12.6		6.9	13.2	
Adjusted EBITA margin¹	8.0	12.1		7.5	11.5	
Operating margin	5.3	11.9		6.2	12.4	
Adjusted operating margin¹	7.3	11.4		6.7	10.8	
Financial net margin	-0.7	-0.5		-0.9	-0.4	
Profit margin	4.6	11.4		5.3	12.0	
Adjusted profit margin¹	6.6	10.9		5.8	10.4	
Income taxes	-1.2	-2.7		-1.2	-2.5	
Adjusted income taxes ¹	-1.3	-2.8		-1.3	-2.6	
Net margin	3.4	8.7		4.1	9.5	
Adjusted net margin¹	5.3	8.1		4.5	7.8	
¹ Excluding items affecting comparability						

ADJUSTED EBITA BY BUSINESS AREA

SEKm	2209	2109	%	2022:3	2021:3	%
Health & Medical	2,182	2,894	-25	673	1,024	-34
Consumer Goods	4,966	6,272	-21	1,460	1,832	-20
Professional Hygiene	2,575	2,029	27	1,096	900	22
Other	-749	-592		-239	-170	
Total¹	8,974	10,603	-15	2,990	3,586	-17

¹ Excluding items affecting comparability; for amounts see page 12.

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

SEKm	2209	2109	%	2022:3	2021:3	%
Health & Medical	1,554	2,364	-34	456	849	-46
Consumer Goods	4,782	6,207	-23	1,395	1,774	-21
Professional Hygiene	2,561	2,022	27	1,091	898	21
Other	-749	-592		-239	-170	
Total¹	8,148	10,001	-19	2,703	3,351	-19

¹ Excluding items affecting comparability; for amounts see page 12.

OPERATING CASH FLOW BY BUSINESS AREA

SEKm	2209	2109	%	2022:3	2021:3	%
Health & Medical	1,470	2,794	-47	841	1,307	-36
Consumer Goods	4,015	4,524	-11	678	1,640	-59
Professional Hygiene	2,138	1,758	22	1,268	1,132	12
Other	-919	-1,164		-122	-403	
Total	6,704	7,912	-15	2,665	3,676	-28

GROUP

NET SALES AND EARNINGS

January–September 2022 compared with the corresponding period a year ago

Net sales increased 28.2% to SEK 112,339m (87,641). Sales growth, including organic sales growth and acquisitions, amounted to 18.4%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 16.3%, of which volume accounted for 4.1% and price/mix for 12.2%. Organic sales growth in mature markets amounted to 17.4% and in emerging markets to 14.4%. Emerging markets accounted for 37% of net sales. Exchange rate effects increased net sales by 9.9%. Acquisitions increased net sales by 2.1%. Divestments reduced net sales by 0.1%.

The Group's gross margin was 23.3% (30.3). The Group's adjusted gross margin decreased by 5.7 percentage points to 24.7% (30.4). Higher costs for raw materials, energy and distribution reduced the margin by 12.5 percentage points. The margin was positively impacted by higher selling prices, higher volumes, and a better mix. Continuous cost savings amounted to SEK -405m. Higher cost inflation had a negative impact on reported cost savings.

The Group's EBITA margin was 6.3% (12.6). The Group's adjusted EBITA margin decreased 4.1 percentage points to 8.0% (12.1). Sales costs, including marketing costs, were higher but decreased as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) amounted to SEK 7,097m (11,047). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 15% (25% excluding currency translation effects, acquisitions and divestments) to SEK 8,974m (10,603).

Items affecting comparability amounted to SEK -2,140m (444). The costs were primarily attributable to the impairment of assets in Russia of SEK -1,694m. Restructuring costs amounted to SEK -354m. Other amounted to SEK -92m.

Financial items increased to SEK -800m (-472) on account of higher average net debt and higher interest rates.

Profit before tax amounted to SEK 5,208m (9,973). Adjusted profit before tax decreased 23% (33% excluding currency translation effects, acquisitions and divestments) to SEK 7,348m (9,529).

The tax expense was SEK 1,390m (2,381). The tax expense, excluding effects of items affecting comparability, was SEK 1,511m (2,430).

Profit for the period decreased 50% (60% excluding currency translation effects, acquisitions and divestments) to SEK 3,818m (7,592). Adjusted profit for the period decreased 18% (28% excluding currency translation effects, acquisitions and divestments) to SEK 5,837m (7,099).

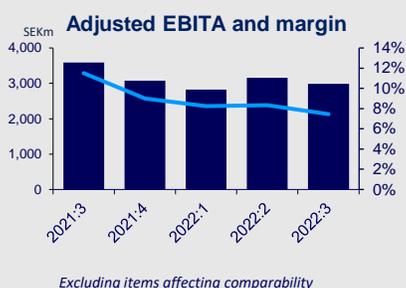
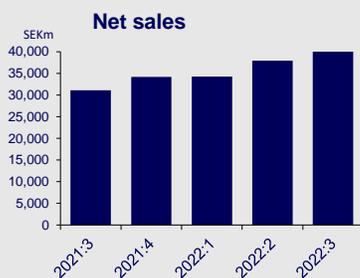
Earnings per share were SEK 4.78 (9.45). The adjusted earnings per share were SEK 8.50 (9.36).

Return on capital employed was 7.7% (13.8). The adjusted return on capital employed was 9.2% (13.4). Return on equity was 8.3% (16.3). The adjusted return on equity was 11.2% (15.6).

Third quarter of 2022 compared with the corresponding period a year ago

Net sales increased 28.8% to SEK 40,109m (31,145). Sales growth, including organic sales growth and acquisitions, amounted to 17.3%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 16.3%, of which volume accounted for 1.5% and price/mix for 14.8%. Organic sales growth in mature markets amounted to 16.6% and in emerging markets to 15.5%. Emerging markets accounted for 37% of net sales. Exchange rate effects increased net sales by 11.6%. Acquisitions increased net sales by 1.0%. Divestments reduced net sales by 0.1%.

The Group's gross margin was 23.3% (28.7). The Group's adjusted gross margin decreased by 5.1 percentage points to 23.6% (28.7). Higher costs for raw materials, energy and distribution reduced the margin by 12.7 percentage points. The margin was positively impacted by higher volumes and higher selling prices. Continuous cost savings amounted to SEK -329m.

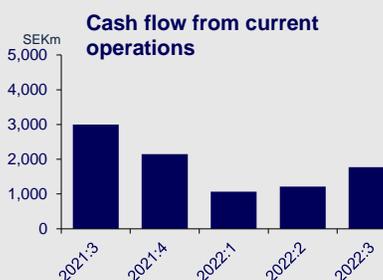
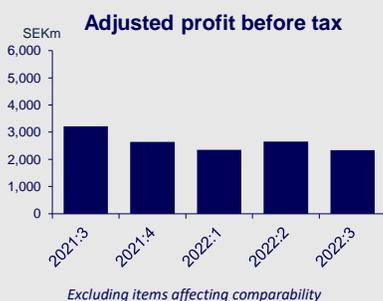


Change in net sales (%)

	2209 vs 2109	22:3 vs 21:3
Total	28.2	28.8
Volume	4.1	1.5
Price/mix	12.2	14.8
Currency	9.9	11.6
Acquisitions	2.1	1.0
Divestments	-0.1	-0.1

Change in adjusted EBITA (%)

	2209 vs 2109	22:3 vs 21:3
Total	-15	-17
Volume	11	3
Price/mix	96	124
Raw materials	-85	-88
Energy	-27	-31
Currency	8	11
Other	-18	-36



The Group's EBITA margin was 6.9% (13.2). The Group's adjusted EBITA margin decreased 4.0 percentage points to 7.5% (11.5). Sales costs, including marketing costs, were higher but decreased as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) amounted to SEK 2,784m (4,110). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 17% (29% excluding currency translation effects, acquisitions and divestments) to SEK 2,990m (3,586).

Profit for the period decreased 45% (57% excluding currency translation effects, acquisitions and divestments) to SEK 1,624m (2,965). Adjusted profit for the period decreased 24% (36% excluding currency translation effects, acquisitions and divestments) to SEK 1,826m (2,406).

Earnings per share were SEK 2.23 (3.90). The adjusted earnings per share were SEK 2.81 (3.33).

Return on capital employed was 7.8% (14.1). The adjusted return on capital employed was 8.4% (12.3). Return on equity was 8.1% (18.0). The adjusted return on equity was 9.1% (14.6).

CASH FLOW AND FINANCING

January–September 2022 compared with the corresponding period a year ago

The operating cash surplus amounted to SEK 14,819m (15,598). The cash flow effect of changes in working capital was SEK -2,525m (-1,858). Working capital was negatively impacted by an increase in trade receivables as a result of higher sales and increased inventory value due to higher raw material prices. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -4,769m (-5,195). Operating cash flow before investments in operating assets through leases amounted to SEK 7,173m (8,000). Operating cash flow was SEK 6,704m (7,912).

Financial items increased to SEK -800m (-472) on account of higher average net debt and higher interest rates.

Tax payments had an impact on cash flow of SEK -1,843m (-2,768).

The net sum of acquisitions and divestments was SEK -5,015m (-10,555). Net cash flow totaled SEK -6,215m (-11,084).

Net debt increased by SEK 8,954m during the period to SEK 64,387m. Excluding pension liabilities, net debt amounted to SEK 63,674m. Net cash flow increased net debt by SEK 6,215m. Fair value measurement of pension assets and updated assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, reduced net debt by SEK 2,302m. Exchange rate movements increased net debt by SEK 4,654m. Investments in non-operating assets through leases increased net debt by SEK 387m. The debt/equity ratio was 0.77 (0.85). Excluding pension liabilities, the debt/equity ratio was 0.76 (0.81). The debt payment capacity was 24% (31). Net debt in relation to EBITDA amounted to 3.42 (2.53). Net debt in relation to adjusted EBITDA amounted to 3.37 (2.60).

EQUITY

January–September 2022

The Group's equity increased by SEK 15,046m during the period, to SEK 83,553m. Profit for the period increased equity by SEK 3,818m. Equity decreased due to dividends to shareholders of SEK 5,309m. Equity increased net after tax by SEK 1,764m as a result of fair value measurement of pension assets and updated assumptions and assessments that affect the valuation of the pension liability. Fair value measurement of financial instruments increased equity by SEK 5,227m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 9,526m. Other items increased equity by SEK 20m.

TAX

January–September 2022

A tax expense of SEK 1,511m was reported, excluding items affecting comparability, corresponding to a tax rate of 20.6% for the period. The tax expense including items affecting comparability was SEK 1,390m, corresponding to a tax rate of 26.7% for the period.

EVENTS DURING THE QUARTER

Essity acquires Modibodi – a leading leakproof apparel company

On July 7, 2022, Essity announced that it was acquiring the Australian company Modibodi, a leading leakproof apparel company in Australia, New Zealand and the UK. The purchase price amounts to AUD 140m (approximately SEK 1bn) on a cash and debt-free basis. Through the acquisition, Essity strengthens its position in leakproof apparel, the fastest growing product segment in Intimate Hygiene which includes Feminine Care and Incontinence Products. Modibodi was consolidated in Essity accounts from August 1, 2022.

Essity acquires Knix and takes global lead in leakproof apparel

On July 8, 2022, Essity announced that it was acquiring 80% of the Canadian company Knix Wear Inc., a leading provider of leakproof apparel for periods and incontinence. The purchase price amounts to USD 320m (approximately SEK 3.5bn) on a cash and debt-free basis for 80% of the company. Through the acquisition, Essity becomes the global market leader within leakproof apparel*, the fastest growing product segment in Intimate Hygiene which includes Feminine Care and Incontinence Products. Knix was consolidated in Essity's accounts from September 1, 2022.

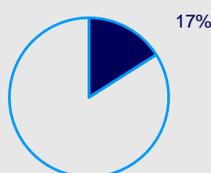
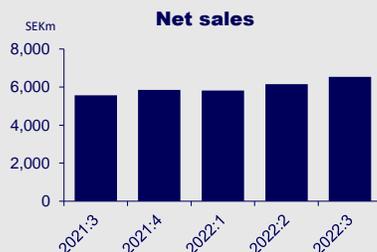
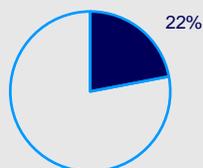
*Estimate based on market data compiled by Essity.

Additional cost increases require new comprehensive price increases

On September 13, 2022, Essity announced that the company is being affected by additional cost increases. Prices for electricity and gas have risen sharply in Europe since July 2022. Costs for the company's raw materials have also risen significantly in the third quarter. Essity is therefore announcing new comprehensive price increases for all product categories and markets.

Essity presents new organization and changes to the Executive Management Team

On September 14, 2022, Essity announced that the company was launching a new Group organization effective from year-end 2022 entailing that the Group will have four business units in line with the company's business areas. These four business units are Professional Hygiene, Health & Medical, Consumer Goods EMEA and Consumer Goods Americas. In parallel, a global unit, Digital & Business Services, will be established.

Share of Group, net sales
2209Share of Group, adjusted EBITA
2209

Change in net sales (%)

	2209 vs 2109	22:3 vs 21:3
Total	16.9	17.5
Volume	4.1	1.3
Price/mix	4.2	6.3
Currency	6.6	8.1
Acquisitions	2.5	2.3
Divestments	-0.5	-0.5

Change in adjusted EBITA (%)

	2209 vs 2109	22:3 vs 21:3
Total	-25	-34
Volume	9	3
Price/mix	25	33
Raw materials	-46	-47
Energy	-4	-4
Currency	5	6
Other	-14	-25

HEALTH & MEDICAL

SEKm	2209	2109	%	2022:3	2021:3	%
Net sales	18,511	15,831	17	6,544	5,572	17
Adjusted gross profit margin, %*	37.3	43.4		35.6	42.4	
Adjusted EBITA*	2,182	2,894	-25	673	1,024	-34
Adjusted EBITA margin, %*	11.8	18.3		10.3	18.4	
Adjusted operating profit*	1,554	2,364	-34	456	849	-46
Adjusted operating margin, %*	8.4	14.9		7.0	15.2	
Adjusted return on capital employed, %*	9.5	13.0		7.6	13.8	
Operating cash flow	1,470	2,794		841	1,307	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–September 2022 compared with the corresponding period a year ago

Net sales increased 16.9% to SEK 18,511m (15,831). Sales growth, including organic sales growth and acquisitions, amounted to 10.8%. Organic sales growth amounted to 8.3%, of which volume accounted for 4.1% and price/mix for 4.2%. The organic sales growth amounted to 6.0% in mature markets. In emerging markets, which accounted for 20% of net sales, organic sales growth was 18.0%. Exchange rate effects increased net sales by 6.6%. Acquisitions increased net sales by 2.5%. Divestments reduced net sales by 0.5%.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 8.3% due to higher volumes and higher prices. In Medical Solutions, organic sales growth amounted to 8.2% mainly as a result of higher volumes and higher prices. Sales growth was high in Wound Care and Orthopedics.

The adjusted gross margin decreased 6.1 percentage points to 37.3% (43.4). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes, higher prices and a better mix. The adjusted EBITA margin decreased 6.5 percentage points to 11.8% (18.3). Sales costs, including marketing costs, were higher and increased as a share of net sales. Adjusted EBITA decreased 25% (32% excluding currency translation effects, acquisitions and divestments) to SEK 2,182m (2,894).

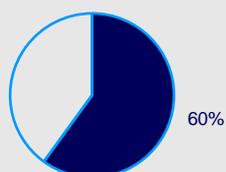
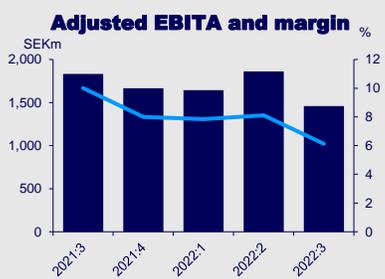
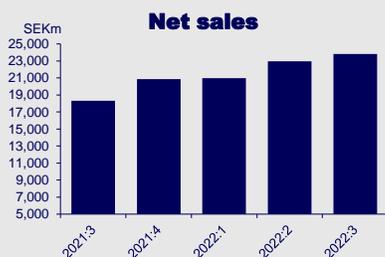
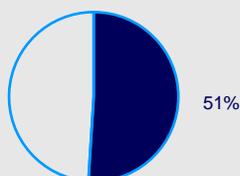
The operating cash surplus amounted to SEK 2,829m (3,492).

Third quarter of 2022 compared with the corresponding period a year ago

Net sales increased 17.5% to SEK 6,544m (5,572). Sales growth, including organic sales growth and acquisitions, amounted to 9.9%. Organic sales growth amounted to 7.6%, of which volume accounted for 1.3% and price/mix for 6.3%. The organic sales growth amounted to 5.7% in mature markets. In emerging markets, which accounted for 20% of net sales, organic sales growth was 15.5%. Exchange rate effects increased net sales by 8.1%. Acquisitions increased net sales by 2.3%. Divestments reduced net sales by 0.5%.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 8.3% due to higher volumes and higher prices. In Medical Solutions, organic sales growth amounted to 6.4% mainly as a result of higher volumes and higher prices. Sales growth was high in Wound Care and Orthopedics.

The adjusted gross margin decreased 6.8 percentage points to 35.6% (42.4). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes and higher prices. The adjusted EBITA margin decreased 8.1 percentage points to 10.3% (18.4). Sales costs, including marketing costs, were higher and increased as a share of net sales. Adjusted EBITA decreased 34% (42% excluding currency translation effects, acquisitions and divestments) to SEK 673m (1,024).

Share of Group, net sales
2209Share of Group, adjusted EBITA
2209

Change in net sales (%)

	2209 vs 2109	22:3 vs 21:3
Total	27.4	30.1
Volume	1.9	1.3
Price/mix	13.8	16.3
Currency	10.0	11.7
Acquisitions	1.7	0.8
Divestments	0.0	0.0

Change in adjusted EBITA (%)

	2209 vs 2109	22:3 vs 21:3
Total	-21	-20
Volume	6	4
Price/mix	112	159
Raw materials	-98	-118
Energy	-33	-41
Currency	8	12
Other	-16	-36

CONSUMER GOODS

SEKm	2209	2109	%	2022:3	2021:3	%
Net sales	67,781	53,196	27	23,825	18,310	30
Adjusted gross profit margin, %*	22.3	28.6		20.9	26.4	
Adjusted EBITA*	4,966	6,272	-21	1,460	1,832	-20
Adjusted EBITA margin, %*	7.3	11.8		6.1	10.0	
Adjusted operating profit*	4,782	6,207	-23	1,395	1,774	-21
Adjusted operating margin, %*	7.1	11.7		5.9	9.7	
Adjusted return on capital employed, %*	9.3	15.1		7.5	11.6	
Operating cash flow	4,015	4,524		678	1,640	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–September 2022 compared with the corresponding period a year ago

Net sales increased 27.4% to SEK 67,781m (53,196). Sales growth, including organic sales growth and acquisitions, amounted to 17.4%. Organic sales growth amounted to 15.7%, of which volume accounted for 1.9% and price/mix for 13.8%. Organic sales growth amounted to 17.7% in mature markets. In emerging markets, which accounted for 49% of net sales, organic sales growth was 13.6%. Exchange rate effects increased net sales by 10.0%. Acquisitions increased net sales by 1.7%.

For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 11.0%, in Feminine Care to 17.6% and in Baby Care to 3.6%. In Consumer Tissue, organic sales growth amounted to 18.3% and for the Consumer Tissue Private Label Europe division to 31.0%. Prices were higher in all categories. Volumes were higher in all categories except for Baby Care, which was negatively impacted by the discontinuation of baby diaper operations in Latin America.

The adjusted gross margin decreased 6.3 percentage points to 22.3% (28.6). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes, higher prices and a better mix. The adjusted EBITA margin decreased 4.5 percentage points to 7.3% (11.8). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA decreased 21% (30% excluding currency translation effects, acquisitions and divestments) to SEK 4,966m (6,272).

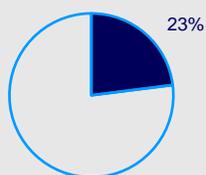
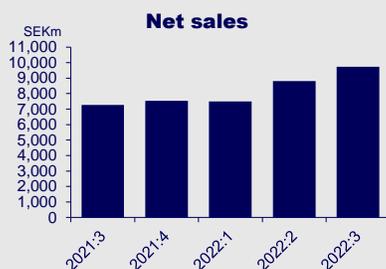
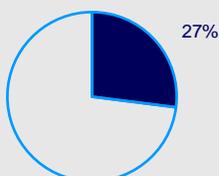
The operating cash surplus amounted to SEK 8,187m (8,989).

Third quarter of 2022 compared with the corresponding period a year ago

Net sales increased 30.1% to SEK 23,825m (18,310). Sales growth, including organic sales growth and acquisitions, amounted to 18.4%. Organic sales growth amounted to 17.6%, of which volume accounted for 1.3% and price/mix for 16.3%. Organic sales growth amounted to 19.4% in mature markets. In emerging markets, which accounted for 49% of net sales, organic sales growth was 15.5%. Exchange rate effects increased net sales by 11.7%. Acquisitions increased net sales by 0.8%.

For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 6.6%, in Feminine Care to 14.6% and in Baby Care to 0.1%. In Consumer Tissue, organic sales growth amounted to 23.4% and for the Consumer Tissue Private Label Europe division to 42.9%. Prices were higher in all categories. Volumes in Baby Care were negatively impacted by the discontinuation of baby diaper operations in Latin America.

The adjusted gross margin decreased 5.5 percentage points to 20.9% (26.4). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes and higher prices. The adjusted EBITA margin decreased 3.9 percentage points to 6.1% (10.0). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA decreased 20% (33% excluding currency translation effects, acquisitions and divestments) to SEK 1,460m (1,832).

Share of Group, net sales
2209Share of Group, adjusted EBITA
2209

Change in net sales (%)

	2209 vs 2109	22:3 vs 21:3
Total	39.9	34.1
Volume	10.2	2.6
Price/mix	14.5	17.3
Currency	12.5	13.8
Acquisitions	2.7	0.4
Divestments	0.0	0.0

Change in adjusted EBITA (%)

	2209 vs 2109	22:3 vs 21:3
Total	27	22
Volume	27	0
Price/mix	121	134
Raw materials	-72	-56
Energy	-38	-35
Currency	13	13
Other	-24	-34

PROFESSIONAL HYGIENE

SEKm	2209	2109	%	2022:3	2021:3	%
Net sales	26,037	18,616	40	9,733	7,260	34
Adjusted gross profit margin, %*	21.9	24.5		22.4	24.0	
Adjusted EBITA*	2,575	2,029	27	1,096	900	22
Adjusted EBITA margin, %*	9.9	10.9		11.3	12.4	
Adjusted operating profit*	2,561	2,022	27	1,091	898	21
Adjusted operating margin, %*	9.8	10.9		11.2	12.4	
Adjusted return on capital employed, %*	12.1	12.6		14.8	15.3	
Operating cash flow	2,138	1,758		1,268	1,132	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–September 2022 compared with the corresponding period a year ago

Net sales increased 39.9% to SEK 26,037m (18,616). Sales growth, including organic sales growth and acquisitions, amounted to 27.4%. Organic sales growth amounted to 24.7%, of which volume accounted for 10.2% and price/mix for 14.5%. Organic sales growth amounted to 26.8% in mature markets. In emerging markets, which accounted for 19% of net sales, organic sales growth was 17.3%. Exchange rate effects increased net sales by 12.5%. Acquisitions increased net sales by 2.7%.

The adjusted gross margin decreased 2.6 percentage points to 21.9% (24.5). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher prices, a better mix and higher volumes. The adjusted EBITA margin decreased 1.0 percentage point to 9.9% (10.9). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA increased 27% (14% excluding currency translation effects, acquisitions and divestments) to SEK 2,575m (2,029).

The operating cash surplus amounted to SEK 4,363m (3,549).

Third quarter of 2022 compared with the corresponding period a year ago

Net sales increased 34.1% to SEK 9,733m (7,260). Sales growth, including organic sales growth and acquisitions, amounted to 20.3%. Organic sales growth amounted to 19.9%, of which volume accounted for 2.6% and price/mix for 17.3%. Organic sales growth amounted to 20.5% in mature markets. In emerging markets, which accounted for 19% of net sales, organic sales growth was 15.6%. Exchange rate effects increased net sales by 13.8%. Acquisitions increased net sales by 0.4%.

The adjusted gross margin decreased 1.6 percentage points to 22.4% (24.0). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher prices. The adjusted EBITA margin decreased 1.1 percentage points to 11.3% (12.4). Sales costs, including marketing costs were higher but decreased as a share of net sales. Adjusted EBITA increased 22% (7% excluding currency translation effects, acquisitions and divestments) to SEK 1,096m (900).

DISTRIBUTION OF SHARES

September 30, 2022	Class A	Class B	Total
Registered number of shares	61,288,914	641,053,575	702,342,489

At the end of the period, the proportion of Class A shares was 8.7%. No shares were converted during the third quarter. The total number of votes in the company amounts to 1,253,942,715.

FUTURE REPORTS

The Year-end report for 2022 will be published on January 26, 2023. Essity's Annual Report for 2022 is intended to be published during the week starting February 27, 2023. In 2023, interim reports will be published on April 27, July 20 and October 26.

ANNUAL GENERAL MEETING

Essity's Annual General Meeting will be held in Stockholm on March 29, 2023.

INVITATION TO PRESENTATION OF THE THIRD QUARTER REPORT FOR 2022

In conjunction with publication, a telephone and web presentation will be held at 09:00 CET, where President and CEO Magnus Groth will present the report and answer questions.

Presentation

Date: Thursday, October 27, 2022

Time: 09:00 CET

Link to web presentation: <https://essity.videosync.fi/2022-10-27-q3>

To participate by telephone, call: UK: +44 (0) 33 0551 0200, USA: +1 212 999 6659, SWE: +46 (0) 20 089 6377. Please call in well in advance of the start of the presentation. Indicate: "Essity Q3 Interim Report". The presentation of the interim report will also be available on [LinkedIn](#) and [Twitter](#).

Stockholm, October 27, 2022

Essity Aktiebolag (publ)

Magnus Groth

President and CEO

For further information, please contact:

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NB:

This report has not been reviewed by the company's auditors.

This information is such information that Essity Aktiebolag (publ) is obligated to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. This report has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. The information was submitted for publication, through the agency of Karl Stoltz, Media Relations Director, at 07:00 a.m. CET on October 27, 2022.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	2022:3	2021:3	2022:2	2209	2109
Net sales	40,109	31,145	37,929	112,339	87,641
Cost of goods sold ^{1,2}	-30,625	-22,202	-28,321	-84,547	-61,011
Items affecting comparability - cost of goods sold ²	-131	-11	-383	-1,597	-64
Gross profit	9,353	8,932	9,225	26,195	26,566
Sales, general and administration ^{1,2}	-6,500	-5,361	-6,460	-18,848	-16,079
Items affecting comparability - sales, general and administration ²	-75	535	-125	-280	508
Share of profits of associates and joint ventures	6	4	10	30	52
Operating profit before amortization of acquisition-related intangible assets (EBITA)	2,784	4,110	2,650	7,097	11,047
Amortization of acquisition-related intangible assets	-287	-235	-276	-826	-602
Items affecting comparability – acquisition-related intangible assets ²	-6	0	-7	-263	0
Operating profit	2,491	3,875	2,367	6,008	10,445
Financial items	-368	-137	-224	-800	-472
Profit before tax	2,123	3,738	2,143	5,208	9,973
Income taxes	-499	-773	-470	-1,390	-2,381
Profit for the period	1,624	2,965	1,673	3,818	7,592
Earnings attributable to:					
Owners of the Parent company	1,567	2,736	1,485	3,358	6,638
Non-controlling interests	57	229	188	460	954
Earnings per share - owners of the Parent company					
Earnings per share before and after dilution effects, SEK	2.23	3.90	2.11	4.78	9.45
Average numbers of shares before and after dilution, million	702.3	702.3	702.3	702.3	702.3
¹ Of which, depreciation and amortization	-2,162	-1,857	-2,068	-6,217	-5,288
² Of which, impairment	-151	-75	-308	-1,841	-102
Gross margin	23.3	28.7	24.3	23.3	30.3
EBITA margin	6.9	13.2	7.0	6.3	12.6
Operating margin	6.2	12.4	6.2	5.3	11.9
Financial net margin	-0.9	-0.4	-0.6	-0.7	-0.5
Profit margin	5.3	12.0	5.6	4.6	11.4
Income taxes	-1.2	-2.5	-1.2	-1.2	-2.7
Net margin	4.1	9.5	4.4	3.4	8.7
Adjusted, excluding items affecting comparability:					
Gross margin	23.6	28.7	25.3	24.7	30.4
EBITA margin	7.5	11.5	8.3	8.0	12.1
Operating margin	6.7	10.8	7.6	7.3	11.4
Financial net margin	-0.9	-0.4	-0.6	-0.7	-0.5
Profit margin	5.8	10.4	7.0	6.6	10.9
Income taxes	-1.3	-2.6	-1.5	-1.3	-2.8
Net margin	4.5	7.8	5.5	5.3	8.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2022:3	2021:3	2022:2	2209	2109
Profit for the period	1,624	2,965	1,673	3,818	7,592
Other comprehensive income for the period					
Items that will not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	56	-1,141	934	2,318	-43
Fair value through other comprehensive income	-2	0	-7	-16	1
Income tax attributable to components in other comprehensive income	5	258	-241	-552	119
	59	-883	686	1,750	77
Items that have been or may be reclassified subsequently to the income statement					
Cash flow hedges					
Result from remeasurement of derivatives recognized in equity	5,202	2,795	2,304	10,897	3,762
Transferred to profit or loss for the period	-1,908	-321	-1,145	-4,131	-467
Translation differences in foreign operations	3,969	1,448	5,373	11,544	3,728
Gains/losses from hedges of net investments in foreign operations	-827	-291	-1,010	-2,205	-758
Other comprehensive income from associates	0	0	0	0	12
Income tax attributable to components in other comprehensive income	-701	-600	-121	-1,365	-731
	5,735	3,031	5,401	14,740	5,546
Other comprehensive income for the period, net of tax	5,794	2,148	6,087	16,490	5,623
Total comprehensive income for the period	7,418	5,113	7,760	20,308	13,215
Total comprehensive income attributable to:					
Owners of the Parent company	7,173	4,610	7,193	19,020	11,722
Non-controlling interests	245	503	567	1,288	1,493

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEKm	2209	2109
Equity attributable to owners of the Parent company		
Value, January 1	59,874	54,352
Total comprehensive income for the period	19,020	11,722
Dividend	-4,916	-4,741
Acquisition of non-controlling interests	-10	-4,041
Private placement to non-controlling interests	17	12
Transferred to cost of hedged investments	28	4
Revaluation effect upon acquisition of non-controlling interests	0	-3
Value, September 30	74,013	57,305
Non-controlling interests		
Value, January 1	8,633	8,990
Total comprehensive income for the period	1,288	1,493
Dividend	-393	-512
Private placement to non-controlling interests	16	12
Acquisition of non-controlling interests	-4	-1,919
Value, September 30	9,540	8,064
Total equity, value September 30	83,553	65,369

CONSOLIDATED OPERATING CASH FLOW STATEMENT

SEKm	2209	2109
Operating cash surplus	14,819	15,598
Change in working capital	-2,525	-1,858
Investment in non-current assets, net	-4,769	-5,195
Restructuring costs, etc.	-352	-545
Operating cash flow before Investments in operating assets through leases	7,173	8,000
Investments in operating assets through leases	-469	-88
Operating cash flow	6,704	7,912
Financial items	-800	-472
Income taxes paid	-1,843	-2,768
Other	10	72
Cash flow from current operations	4,071	4,744
Acquisitions of Group companies and other operations	-5,015	-10,564
Divestments of Group companies and other operations	0	9
Cash flow before transactions with shareholders	-944	-5,811
Private placement to non-controlling interest	34	24
Dividend to non-controlling interests	-389	-556
Dividend	-4,916	-4,741
Net cash flow	-6,215	-11,084
Net debt at the start of the period	-55,433	-42,688
Net cash flow	-6,215	-11,084
Remeasurements to equity	2,302	-43
Investments in non-operating assets through leases	-387	-321
Translation differences	-4,654	-1,415
Net debt at the end of the period	-64,387	-55,551
Debt/equity ratio	0.77	0.85
Debt payment capacity, %	24	31
Net debt / EBITDA	3.42	2.53
Net debt / Adjusted EBITDA	3.37	2.60

CONSOLIDATED CASH FLOW STATEMENT

SEKm	2209	2109
Operating activities		
Operating profit	6,008	10,445
Adjustment for non-cash items ¹	8,713	5,060
Interest paid	-557	-580
Interest received	102	75
Other financial items	-345	-10
Change in liabilities relating to restructuring programs, etc.	-244	-380
Paid tax	-1,843	-2,768
Cash flow from operating activities before changes in working capital	11,834	11,842
Cash flow from changes in working capital		
Change in inventories	-4,801	-2,175
Change in operating receivables	-4,541	-970
Change in operating liabilities	6,817	1,287
Cash flow from operating activities	9,309	9,984
Investing activities		
Acquisitions of Group companies and other operations	-4,857	-3,188
Divestments of Group companies and other operations	0	-7
Investments in intangible assets and property, plant and equipment	-4,811	-5,185
Sale of property, plant and equipment	81	34
Loans granted to external parties	-2,855	-112
Paid interest capitalized in intangible asset and property, plant and equipment	-39	-43
Cash flow from investing activities	-12,481	-8,501
Financing activities		
Private placement to non-controlling interests	34	24
Acquisition of non-controlling interests	-14	-5,960
Dividend	-4,916	-4,741
Proceeds from borrowings	18,287	18,741
Repayment of borrowings	-4,311	-3,988
Dividend to non-controlling interests	-389	-556
Cash flow from financing activities	8,691	3,520
Cash flow for the period	5,519	5,003
Cash and cash equivalents at the beginning of the period	3,904	4,982
Translation differences in cash and cash equivalents	690	115
Cash and cash equivalents at the end of the period	10,113	10,100
Cash flow from operating activities per share, SEK	13.25	14.22
Reconciliation with consolidated operating cash flow statement		
Cash flow for the period	5,519	5,003
Repayment of borrowings	4,311	3,988
Proceeds from borrowings	-18,287	-18,741
Loans granted to external parties	2,855	112
Investment in operating assets through leases	-469	-88
Net debt in acquired and divested operations	-144	-1,400
Accrued interest	0	43
Other	0	-1
Net cash flow according to consolidated operating cash flow statement	-6,215	-11,084
¹⁾ Adjustment for non-cash items		
Depreciation/amortization and impairment of non-current assets	8,058	5,390
Gain/loss on asset sales	7	-1
Change in provision for ongoing competition case	0	-55
Depreciation of prepaid selling expenses	342	298
Gain/loss on divestments and liquidation	2	-8
Non-cash items relating to efficiency program	133	-65
Revaluation effect of previously owned holding upon acquisition	0	-706
Other	171	207
Total	8,713	5,060

CONSOLIDATED BALANCE SHEET

SEKm	September 30, 2022	December 31, 2021
ASSETS		
Non-current assets		
Goodwill	45,763	37,803
Other intangible assets	25,667	21,806
Property, plant and equipment	63,857	58,918
Participation in joint ventures and associates	280	239
Shares and other participations	9	7
Surplus in funded pension plans	1,876	1,439
Non-current financial assets	119	412
Deferred tax assets	2,666	2,012
Other non-current assets	4,039	1,411
Total non-current assets	144,276	124,047
Current Assets		
Inventories	27,127	19,339
Trade receivables	25,996	19,871
Current tax assets	1,294	952
Other current receivables	11,468	5,787
Current financial assets	4,936	1,150
Cash and cash equivalents	10,113	3,904
Total current assets	80,934	51,003
Total assets	225,210	175,050
EQUITY AND LIABILITIES		
Equity		
Share capital	2,350	2,350
Reserves	20,339	6,416
Retained earnings	51,324	51,108
Attributable to owner of the Parent company	74,013	59,874
Non-controlling interests	9,540	8,633
Total equity	83,553	68,507
Non-current liabilities		
Non-current financial liabilities	54,420	47,443
Provisions for pensions	2,589	4,149
Deferred tax liabilities	10,998	7,574
Other non-current provisions	501	396
Other non-current liabilities	1,192	86
Total non-current liabilities	69,700	59,648
Current liabilities		
Current financial liabilities	24,422	10,746
Trade payables	25,053	18,030
Current tax liabilities	1,696	1,576
Current provisions	997	736
Other current liabilities	19,789	15,807
Total current liabilities	71,957	46,895
Total liabilities	141,657	106,543
Total equity and liabilities	225,210	175,050

CONSOLIDATED BALANCE SHEET (cont.)

SEKm	September 30, 2022	December 31, 2021
Debt/equity ratio	0.77	0.81
Equity/assets ratio	33%	34%
Equity	83,553	68,507
Equity per share, SEK	119	98
Return on equity	8.3%	15.0%
Return on equity excluding items affecting comparability	11.2%	14.3%
Capital employed	147,940	123,940
- of which working capital	19,973	11,157
Return on capital employed*	7.7%	12.3%
Return on capital employed* excluding items affecting comparability	9.2%	12.0%
Net debt	64,387	55,433
Provisions for restructuring costs are included in the balance sheet as follows		
-Other non-current provisions	122	96
-Other current provisions	257	160

*) rolling 12 months

NET SALES (business area reporting)

SEKm	2209	2109	2022:3	2022:2	2022:1	2021:4	2021:3	2021:2
Health & Medical	18,511	15,831	6,544	6,145	5,822	5,854	5,572	5,255
Consumer Goods	67,781	53,196	23,825	22,970	20,986	20,844	18,310	17,577
Professional Hygiene	26,037	18,616	9,733	8,811	7,493	7,527	7,260	6,140
Other	10	-2	7	3	0	1	3	-4
Total net sales	112,339	87,641	40,109	37,929	34,301	34,226	31,145	28,968

ORGANIC SALES GROWTH (business area reporting)

(%)	2209	2109	2022:3	2022:2	2022:1	2021:4	2021:3	2021:2
Health & Medical	8.3	4.9	7.6	7.9	9.5	6.9	7.3	13.4
Consumer Goods	15.7	0.5	17.6	17.9	11.5	5.7	2.9	3.7
Professional Hygiene	24.7	2.2	19.9	26.1	29.8	16.4	20.7	26.1
Total	16.3	1.6	16.3	17.8	14.6	8.0	7.4	9.5

SALES GROWTH, INCLUDING ORGANIC SALES GROWTH AND ACQUISITIONS (business area reporting)

(%)	2209	2109	2022:3	2022:2	2022:1	2021:4	2021:3	2021:2
Health & Medical	10.8	5.9	9.9	10.9	11.7	8.2	8.6	13.8
Consumer Goods	17.4	1.2	18.4	20.0	13.8	7.8	5.0	3.7
Professional Hygiene	27.4	3.3	20.3	30.2	34.1	20.2	24.3	26.1
Total	18.4	2.4	17.3	20.6	17.3	10.3	9.7	9.6

ADJUSTED EBITA (business area reporting)

SEKm	2209	2109	2022:3	2022:2	2022:1	2021:4	2021:3	2021:2
Health & Medical	2,182	2,894	673	673	836	927	1,024	950
Consumer Goods	4,966	6,272	1,460	1,861	1,645	1,666	1,832	1,967
Professional Hygiene	2,575	2,029	1,096	916	563	681	900	710
Other	-749	-592	-239	-292	-218	-197	-170	-218
Total adjusted EBITA	8,974	10,603	2,990	3,158	2,826	3,077	3,586	3,409

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	2209	2109	2022:3	2022:2	2022:1	2021:4	2021:3	2021:2
Health & Medical	1,554	2,364	456	463	635	737	849	773
Consumer Goods	4,782	6,207	1,395	1,801	1,586	1,608	1,774	1,963
Professional Hygiene	2,561	2,022	1,091	911	559	679	898	709
Other	-749	-592	-239	-293	-217	-197	-170	-217
Total adjusted operating profit¹	8,148	10,001	2,703	2,882	2,563	2,827	3,351	3,228
Financial items	-800	-472	-368	-224	-208	-190	-137	-177
Profit before tax¹	7,348	9,529	2,335	2,658	2,355	2,637	3,214	3,051
Income taxes	-1,511	-2,430	-509	-575	-427	-373	-808	-849
Net profit for the period²	5,837	7,099	1,826	2,083	1,928	2,264	2,406	2,202
¹ Excluding items affecting comparability before tax amounting to:	-2,140	444	-212	-515	-1,413	-73	524	-136
² Excluding items affecting comparability after tax amounting to:	-2,019	493	-202	-410	-1,407	-46	559	-127

ADJUSTED EBITA MARGIN (business area reporting)

(%)	2209	2109	2022:3	2022:2	2022:1	2021:4	2021:3	2021:2
Health & Medical	11.8	18.3	10.3	11.0	14.4	15.8	18.4	18.1
Consumer Goods	7.3	11.8	6.1	8.1	7.8	8.0	10.0	11.2
Professional Hygiene	9.9	10.9	11.3	10.4	7.5	9.0	12.4	11.6
Total	8.0	12.1	7.5	8.3	8.2	9.0	11.5	11.8

STATEMENT OF PROFIT OR LOSS

SEKm	2022:3	2022:2	2022:1	2021:4	2021:3
Net sales	40,109	37,929	34,301	34,226	31,145
Cost of goods sold	-30,625	-28,321	-25,601	-25,617	-22,202
Items affecting comparability - cost of goods sold	-131	-383	-1,083	-82	-11
Gross profit	9,353	9,225	7,617	8,527	8,932
Sales, general and administration	-6,500	-6,460	-5,888	-5,538	-5,361
Items affecting comparability - sales, general and administration	-75	-125	-80	9	535
Share of profits of associates and joint ventures	6	10	14	6	4
EBITA	2,784	2,650	1,663	3,004	4,110
Amortization of acquisition-related intangible assets	-287	-276	-263	-250	-235
Items affecting comparability - acquisition-related intangible assets	-6	-7	-250	0	0
Operating profit	2,491	2,367	1,150	2,754	3,875
Financial items	-368	-224	-208	-190	-137
Profit before tax	2,123	2,143	942	2,564	3,738
Income taxes	-499	-470	-421	-346	-773
Profit for the period	1,624	1,673	521	2,218	2,965

CONDENSED INCOME STATEMENT PARENT COMPANY

SEKm	2209	2109
Administrative expenses	-589	-562
Other operating income	40	160
Operating loss	-549	-402
Financial items	-775	3,639
Profit before tax	-1,324	3,237
Income taxes	682	287
Profit for the period	-642	3,524

CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	September 30, 2022	December 31, 2021
Intangible assets	0	0
Property, plant and equipment	12	13
Financial non-current assets	177,108	177,279
Total non-current assets	177,120	177,292
Total current assets	1,924	852
Total assets	179,044	178,144
Restricted equity	2,350	2,350
Non-restricted equity	78,001	83,559
Total equity	80,351	85,909
Untaxed reserves	6	6
Provisions	892	880
Non-current liabilities	36,521	34,752
Current liabilities	61,274	56,597
Total equity, provisions and liabilities	179,044	178,144

NOTES

1 ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 and recommendation RFR 1 of the Swedish Financial Reporting Board (RFR), and with regards to the Parent company, RFR 2. A few amended accounting standards published by the IASB entered into force on January 1, 2022 following approval by the EU. Essity Aktiebolag (publ) applies these amendments, which have not had any material impact on the Group's or the Parent company's financial statements. All other applied accounting principles and calculation methods correspond to those presented in Essity Aktiebolag's (publ) Annual and Sustainability Report for 2021.

2 RISKS AND UNCERTAINTIES

Processes for risk management

Essity's Board of Directors determines the Group's strategic direction based on recommendations from the Executive Management Team. Responsibility for the long-term, overall management of strategic risks corresponds to the company's delegation structure, from the Board of Directors to the CEO and from the CEO to the business unit presidents. This means that most operational risks are managed by Essity's business units at the local level, but that they are coordinated when considered necessary. The tools used in this coordination consist primarily of the business units' regular reporting and the annual strategy process, where risks and risk management are a part of the process.

Essity's financial risk management is centralized, as is the Group's internal bank for the Group companies' financial transactions and management of the Group's energy risks. Financial risks are managed in accordance with the Group's finance policy, which is adopted by Essity's Board of Directors and which – together with Essity's energy risk policy – makes up a framework for risk management. Risks are aggregated and monitored on a regular basis to ensure compliance with these guidelines. Essity has also centralized other risk management.

Essity has a staff function for internal audit, which monitors compliance with the Group's policies in the organization.

Essity's risk exposure and risk management are described on pages 35–40 of Essity's Annual and Sustainability Report for 2021. No significant changes have taken place that have affected the reported risks.

Risks in conjunction with company acquisitions are analyzed in the due diligence processes that Essity carries out prior to all acquisitions. In cases where acquisitions have been carried out that may affect the assessment of Essity's risk exposure, these are described under the heading "Events during the quarter" in the interim and year-end reports.

Risk that arose in conjunction with the war in Ukraine

The war in Ukraine has created an uncertain situation for the health and safety of several of our employees. Furthermore, the global situation has also been negatively affected and, for example, energy prices in Europe have increased drastically. The higher energy prices impact Essity's earnings.

The company's assets in Russia have been impaired by approximately SEK 1.7bn. Furthermore, work has been initiated to exit the Russian market. In 2021, Essity's net sales in Russia amounted to approximately SEK 2.8bn, corresponding to about 2% of total consolidated net sales in 2021. Net assets in Russia amount to approximately SEK 1.7bn. These assets consist of, among other things, cash and cash equivalents of SEK 1.1bn. It is not possible to foresee if these cash and cash equivalents will be available outside Russia but it is assumed that they can be used to pay debts in Russia that amount to approximately SEK 1.0bn. Other assets consist of inventory of approximately SEK 700m, trade receivables of approximately SEK 700m and other receivables of approximately SEK 200m. Essity has 1,300 employees in Russia and three production plants.

Essity's net sales in Ukraine amounted to less than 1% of total consolidated net sales in 2021.

3 FINANCIAL INSTRUMENTS PER CATEGORY

Distribution by level for measurement at fair value

SEKm	Carrying amount in the balance sheet	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Financial assets measured at fair value through OCI	Financial liabilities measured at amortized cost	Of which fair value by level ¹	
						1	2
September 30, 2022							
Derivatives	12,833	1,972	10,861	-	-	-	12,833
Non-current financial assets	89	-	-	89	-	89	-
Total assets	12,922	1,972	10,861	89	-	89	12,833
Derivatives	5,793	1,361	4,432	-	-	-	5,793
Financial liabilities							
Current financial liabilities	22,860	4,380	-	-	18,480	-	4,380
Non-current financial liabilities	50,454	23,446	-	-	27,008	-	23,446
Total liabilities	79,107	29,187	4,432	-	45,488	-	33,619
December 31, 2021							
Derivatives	4,784	910	3,874	-	-	-	4,784
Non-current financial assets	99	-	-	99	-	99	-
Total assets	4,883	910	3,874	99	-	99	4,784
Derivatives	1,578	633	945	-	-	-	1,578
Financial liabilities							
Current financial liabilities	9,838	14	-	-	9,824	-	14
Non-current financial liabilities	47,056	20,386	-	-	26,670	-	20,386
Total liabilities	58,472	21,033	945	-	36,494	-	21,978

¹ No financial instruments have been classified to level 3

The total fair value of the above financial liabilities, excluding lease liabilities, is SEK 71,108m (53,925). The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, trade payables and other current and non-current liabilities is estimated to be equal to their carrying amount.

No transfers between level 1 and 2 were made during the period.

4 ACQUISITIONS AND DIVESTMENTS

On July 1, 2021, Essity acquired the remaining 63.8% of the shares in the hygiene company Asaleo Care. The purchase price allocation for the acquisition has been finalized. No adjustments were made and the final purchase price allocation is the same as the preliminary purchase price allocation presented in the Annual and Sustainability Report for 2021.

On December 29, 2021, Essity acquired 100% of the US-based wound care company Hydrofera. The purchase price allocation is unchanged compared to the Annual and Sustainability Report for 2021 and has not yet been finalized.

In addition to the acquisitions of Asaleo Care and Hydrofera, Essity also acquired the company Aquacast LCC in the final quarter of 2021. The purchase price allocation for this acquisition is the same as that presented in the Annual and Sustainability Report for 2021 and has not yet been finalized.

On February 2, 2022, Essity acquired the US cleaning and wiping company Legacy Converting, Inc. The company has approximately 30 employees. The final purchase price amounts to USD 39m (SEK 362m) with a potential additional earnout amount of USD 10m (SEK 94m) on a cash and debt-free basis, excluding financial lease liabilities. Since the acquisition, Legacy Converting's reported net sales amounted to SEK 97m, adjusted EBITDA to SEK 14m, and adjusted EBITA to SEK -1m. If Legacy Converting had been consolidated as of January 1, 2022, net sales would have amounted to SEK 107m, adjusted EBITDA to SEK 16m and adjusted EBITA to SEK -1m.

On July 7, 2022, Essity announced that the company was acquiring the Australian company Modibodi, a leading leakproof apparel company in Australia, New Zealand and the UK. The purchase price amounted to AUD 141m (approximately SEK 1bn) on a cash and debt-free basis. Modibodi has about 45 employees and is headquartered in Sydney, Australia. Modibodi was consolidated into Essity's accounts from August 1, 2022. Since the acquisition, Modibodi's reported net sales amounted to SEK 63m, adjusted EBITDA to SEK -6m, and adjusted EBITA to SEK -6m. If Modibodi had been consolidated as of January 1, 2022, net sales would have amounted to SEK 291m, adjusted EBITDA to SEK -9m and adjusted EBITA to SEK -10m.

Purchase price allocation, Modibodi	Preliminary
SEKm	
Intangible assets	343
Property, plant and equipment	4
Other non-current assets	3
Operating assets	100
Cash and cash equivalents	26
Provisions and other non-current liabilities	-103
Net debt excluding cash and cash equivalents	-3
Operating liabilities	-51
Fair value of net assets	319
Goodwill	711
Consideration transferred	1,030
Consideration transferred	-1,030
Cash and cash equivalents in acquired companies	26
Effect on Group's cash and cash equivalents, acquisition of Group companies and other operations	-1,004
Acquired net debt excluding cash and cash equivalents	-3
Acquisitions of Group companies and other operations during the period, including net debt assumed	-1,007

On July 8, 2022, Essity announced that the company is acquiring 80 percent of Canadian company Knix Wear Inc. ("Knix"), a leading supplier of absorbent menstrual and incontinence underwear. The agreement with the seller includes a put/call option to buy/sell the remaining share in three years at fair value at the future time when the option can be redeemed. The amount to be paid if the option is exercised is initially recorded at present value as a liability in Essity's balance sheet. The transaction was completed on September 1, 2022. The purchase price amounted to CAD 430m (approximately SEK 3.5bn) on a cash and debt-free basis for 80 percent of the company. In 2021, the company reported net sales of CAD 133.6m (approximately SEK 914m), EBITDA of CAD 13.8m (approximately SEK 95m) and EBITA of CAD 13.4m (approximately SEK 92m). Knix has approximately 200 employees and is headquartered in Toronto, Canada. Knix was consolidated into Essity's accounts from September 1, 2022. Since the acquisition, Knix's reported net sales amounted to SEK 112m, adjusted EBITDA to SEK 1m, and adjusted EBITA to SEK 0m. If Knix had been consolidated as of January 1, 2022, net sales would have amounted to SEK 966m, adjusted EBITDA to SEK -10m and adjusted EBITA to SEK -15m.

Purchase price allocation, Knix	Preliminary
SEKm	
Intangible assets	1,774
Property, plant and equipment	79
Other non-current assets	5
Operating assets	470
Cash and cash equivalents	17
Provisions and other non-current liabilities	-464
Net debt excluding cash and cash equivalents	-53
Operating liabilities	-271
Fair value of net assets	1,557
Goodwill	2,834
Consideration not transferred, recognized as a liability	-878
Consideration transferred	3,513
Consideration transferred	-3,513
Cash and cash equivalents in acquired companies	17
Effect on Group's cash and cash equivalents, acquisition of Group companies and other operations	-3,496
Acquired net debt excluding cash and cash equivalents	-53
Acquisitions of Group companies and other operations during the period, including net debt assumed	-3,549

5 USE OF NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PERFORMANCE MEASURES

Guidelines for Alternative Performance Measures (APMs) for companies with securities listed on a regulated market in the EU have been issued by ESMA (European Securities and Markets Authority). These guidelines are to be applied for APMs not supported under IFRS.

This interim report refers to a number of performance measures not defined in IFRS. These performance measures are used to help investors, management and other stakeholders analyze the company's operations. These non-IFRS measures may differ from similarly titled measures among other companies. Essity's 2021 Annual Report, pages 75–80, describes the various non-IFRS performance measures that are used as a complement to the financial information presented in accordance with IFRS. Tables are presented below that show how the performance measures have been calculated.

Capital employed

SEKm	2209	2112
Total assets	225,210	175,050
-Financial assets	-17,044	-6,905
-Non-current non-interest bearing liabilities	-12,691	-8,056
-Current non-interest bearing liabilities	-47,535	-36,149
Capital employed	147,940	123,940

SEKm	2022:3	2022:2	2022:1	2021:4	2021:3
Health & Medical	35,708	34,799	32,471	31,401	29,931
Consumer Goods	81,936	73,267	68,526	66,939	65,827
Professional Hygiene	30,622	28,750	26,213	24,518	24,595
Other	-326	-950	839	1,082	567
Capital employed	147,940	135,866	128,049	123,940	120,920

Working capital

SEKm	2209	2112
Inventories	27,127	19,339
Trade receivables	25,996	19,871
Other current receivables	11,468	5,787
Trade payables	-25,053	-18,030
Other current liabilities	-19,789	-15,807
Other	224	-3
Working capital	19,973	11,157

Net debt

SEKm	2209	2112
Surplus in funded pension plans	1,876	1,439
Non-current financial assets	119	412
Current financial assets	4,936	1,150
Cash and cash equivalents	10,113	3,904
Financial assets	17,044	6,905
Non-current financial liabilities	54,420	47,443
Provisions for pensions	2,589	4,149
Current financial liabilities	24,422	10,746
Financial liabilities	81,431	62,338
Net debt	64,387	55,433

EBITDA

SEKm	2209	2109	2022:3	2021:3
Operating profit	6,008	10,445	2,491	3,875
-Amortization of acquisition-related intangible assets	826	602	287	235
-Depreciation/amortization	4,596	4,000	1,603	1,383
-Depreciation right-of-use asset	795	686	272	239
-Impairment	11	1	4	3
-Items affecting comparability - impairment net	1,567	101	141	72
-Items affecting comparability - impairment of acquisition-related intangible assets	263	0	6	0
EBITDA	14,066	15,835	4,804	5,807
-Items affecting comparability excluding depreciation/amortization and impairment	310	-545	65	-596
Adjusted EBITDA	14,376	15,290	4,869	5,211

EBITA

SEKm	2209	2109	2022:3	2021:3
Operating profit	6,008	10,445	2,491	3,875
-Amortization of acquisition-related intangible assets	826	602	287	235
-Items affecting comparability - impairment of acquisition-related intangible assets	263	0	6	0
-Operating profit before amortization and impairment of acquisition-related intangible assets (EBITA)	7,097	11,047	2,784	4,110
EBITA margin (%)	6.3	12.6	6.9	13.2
-Items affecting comparability - cost of goods sold	1,597	64	131	11
-Items affecting comparability - sales, general and administration	280	-508	75	-535
Adjusted EBITA	8,974	10,603	2,990	3,586
Adjusted EBITA margin (%)	8.0	12.1	7.5	11.5

Operating cash flow

SEKm	2209	2109	2022:3	2021:3
Health & Medical				
Operating cash surplus	2,829	3,492	894	1,218
Change in working capital	-869	-150	90	393
Investment in non-current assets, net	-540	-597	-176	-336
Restructuring costs, etc.	99	41	49	14
Operating cash flow before investments in operating assets through leases	1,519	2,786	857	1,289
Investment in operating assets through leases	-49	8	-16	18
Operating cash flow	1,470	2,794	841	1,307
Consumer Goods				
Operating cash surplus	8,187	8,989	2,562	2,807
Change in working capital	-908	-887	-581	128
Investment in non-current assets, net	-2,783	-3,246	-1,107	-1,167
Restructuring costs, etc.	-129	-252	11	-99
Operating cash flow before investments in operating assets through leases	4,367	4,604	885	1,669
Investment in operating assets through leases	-352	-80	-207	-29
Operating cash flow	4,015	4,524	678	1,640
Professional Hygiene				
Operating cash surplus	4,363	3,549	1,731	1,436
Change in working capital	-1,002	-846	-31	39
Investment in non-current assets, net	-811	-604	-288	-250
Restructuring costs, etc.	-344	-327	-122	-83
Operating cash flow before investments in operating assets through leases	2,206	1,772	1,290	1,142
Investment in operating assets through leases	-68	-14	-22	-10
Operating cash flow	2,138	1,758	1,268	1,132

Sales growth

SEKm	2209	2022:3
Health & Medical		
Organic sales growth	1,309	422
Acquisitions	407	132
Sales growth including organic sales growth and acquisitions	1,716	554
Divestments	-74	-27
Exchange rate effect ¹	1,039	446
Recognized change	2,681	973
Consumer Goods		
Organic sales growth	8,347	3,214
Acquisitions	926	148
Sales growth including organic sales growth and acquisitions	9,273	3,362
Divestments	-8	-8
Exchange rate effect ¹	5,320	2,161
Recognized change	14,585	5,515
Professional Hygiene		
Organic sales growth	4,600	1,445
Acquisitions	508	29
Sales growth including organic sales growth and acquisitions	5,108	1,474
Divestments	0	0
Exchange rate effect ¹	2,313	999
Recognized change	7,421	2,473
Essity		
Organic sales growth	14,267	5,084
Acquisitions	1,841	309
Sales growth including organic sales growth and acquisitions	16,108	5,393
Divestments	-82	-35
Exchange rate effect ¹	8,672	3,607
Recognized change	24,698	8,965

¹ Consists solely of currency translation effects

6 Supplementary information**Net sales, first nine months of 2022 by region****Health & Medical**

Europe	62%
North America	18%
Asia	8%
Latin America	5%
Other	7%

Consumer Goods

Europe	53%
Asia	24%
Latin America	19%
North America	2%
Other	2%

Professional Hygiene

Europe	44%
North America	40%
Latin America	7%
Asia	5%
Other	4%