



Half-year Report 2022

Essity Aktiebolag (publ)



JANUARY 1 – JUNE 30, 2022 (compared with the corresponding period a year ago)

- Net sales increased 27.8% to SEK 72,230m (56,496)
- Sales growth, including organic sales growth and acquisitions, amounted to 19.0%. Organic sales growth, excluding exchange rate effects, acquisitions and divestments, was 16.3%, of which volume accounted for 5.5% and price/mix for 10.8%.
- Price increases were implemented and further increases will be carried out in the second half of 2022
- The company's assets in Russia have been impaired by approximately SEK 1.6bn. Furthermore, work has been initiated to exit the Russian market.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) amounted to SEK 4,313m (6,937)
- Adjusted EBITA amounted to SEK 5,984m (7,017) and the adjusted EBITA margin amounted to 8.3% (12.4). Higher costs for raw materials, energy and distribution had a negative impact of 12.4 percentage points on the margin. The margin was positively impacted by higher volumes, higher selling prices and a better mix.
- Return on capital employed amounted to 9.2% (14.0). Adjusted return on capital employed amounted to 10.2% (14.1).
- Profit for the period was SEK 2,194m (4,627)
- Earnings per share were SEK 2.55 (5.56) and adjusted earnings per share were SEK 5.69 (6.03)
- Cash flow from current operations increased to SEK 2,295m (1,741)
- On July 7 and 8, 2022, the acquisitions of Knix and Modibodi were announced, two leading companies in leakproof apparel

EARNINGS TREND

SEKm	2206	2106	%	2022:2	2021:2	%
Net sales	72,230	56,496	28	37,929	28,968	31
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) ¹	5,984	7,017	-15	3,158	3,409	-7
Operating profit before amortization of acquisition-related intangible assets (EBITA)	4,313	6,937	-38	2,650	3,273	-19
Amortization of acquisition-related intangible assets	-539	-367		-276	-181	
Adjusted operating profit ¹	5,445	6,650	-18	2,882	3,228	-11
Items affecting comparability	-1,928	-80		-515	-136	
Operating profit	3,517	6,570	-46	2,367	3,092	-23
Financial items	-432	-335		-224	-177	
Profit before tax	3,085	6,235	-51	2,143	2,915	-26
Adjusted profit before tax ¹	5,013	6,315	-21	2,658	3,051	-13
Income taxes	-891	-1,608		-470	-840	
Profit for the period	2,194	4,627	-53	1,673	2,075	-19
Earnings per share, SEK	2.55	5.56		2.11	2.52	
Adjusted earnings per share, SEK ²	5.69	6.03		2.97	2.89	

¹Excluding items affecting comparability; for amounts see page 3 and page 13.

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

CEO'S COMMENTS

Record growth and higher sequential profit

In a turbulent world, Essity stands strong. We have further strengthened the company through significant price increases, successful product launches, increased productivity and leading sustainability work. In July, we announced the acquisition of two companies in leakproof apparel to become the fastest growing company in Intimate Hygiene.

During the second quarter of 2022, net sales increased 31% to approximately SEK 38bn. Sales growth, including organic sales growth and acquisitions, amounted to 20.6%. We implemented significant price increases, while we had higher volumes in all business areas. Price elasticity in our categories is low and our brands are strong. Essity's market shares increased for approximately 50% of branded sales in the retail trade over the past 12 months. This was the result of long-term investments in innovation, digitalization and marketing. E-commerce sales increased organically by 25% to about 15% of net sales. Organic sales growth for the Group was 17.8%, of which price/mix accounted for 14.1% and volume for 3.7%. Further price increases will be carried out in the second half of 2022.

Adjusted EBITA decreased 7% compared with the corresponding period of 2021 but increased 12% compared with the first quarter of 2022. Adjusted EBITA amounted to SEK 3,158m and EBITA to SEK 2,650m. The adjusted EBITA margin decreased 3.5 percentage points to 8.3%, which was an improvement compared with the first quarter of 2022. Raw material, energy and distribution costs continued to rise in the second quarter, negatively impacting the adjusted EBITA margin by 12.8 percentage points. We offset a large share of this through significantly higher selling prices, a better mix and higher volumes. We also continued to improve productivity through increased efficiency in our production facilities, material rationalizations and digitalization of processes. Our efficiency efforts are continuing at a high pace but the reported cost savings were negatively impacted by high cost inflation and the net outcome for the quarter is therefore negative. Sales and marketing costs were higher during the quarter but decreased as a share of net sales. The adjusted return on capital employed was 9.6%. Adjusted earnings per share increased to SEK 2.97 and earnings per share amounted to SEK 2.11. Cash flow from current operations amounted to SEK 1,225m.

In July, we announced the acquisition of two companies. Knix and Modibodi are leading companies in leakproof apparel, which is the fastest growing product segment in Intimate Hygiene as consumers choose more comfortable, discrete, reliable and sustainable solutions for periods and incontinence. Through the acquisitions, Essity will become the global market leader within leakproof apparel* and builds the fastest growing company in Intimate Hygiene.

Magnus Groth
President and CEO

*Estimate based on market data compiled by Essity.

ADJUSTED EARNINGS TREND

SEKm	2206	2106	%	2022:2	2021:2	%
Net sales	72,230	56,496	28	37,929	28,968	31
Cost of goods sold	-53,922	-38,809		-28,321	-20,149	
Items affecting comparability - cost of goods sold	-1,466	-53		-383	-43	
Gross profit	16,842	17,634	-4	9,225	8,776	5
Adjusted gross profit¹	18,308	17,687	4	9,608	8,819	9
Sales, general and administration	-12,348	-10,718		-6,460	-5,446	
Items affecting comparability - sales, general and administration	-205	-27		-125	-93	
Share of profits of associates and joint ventures	24	48		10	36	
Operating profit before amortization of acquisition-related intangible assets (EBITA)	4,313	6,937	-38	2,650	3,273	-19
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹	5,984	7,017	-15	3,158	3,409	-7
Amortization of acquisition-related intangible assets	-539	-367		-276	-181	
Items affecting comparability - acquisition-related intangible assets	-257	0		-7	0	
Operating profit	3,517	6,570	-46	2,367	3,092	-23
Adjusted operating profit¹	5,445	6,650	-18	2,882	3,228	-11
Financial items	-432	-335		-224	-177	
Profit before tax	3,085	6,235	-51	2,143	2,915	-26
Adjusted profit before tax¹	5,013	6,315	-21	2,658	3,051	-13
Income taxes	-891	-1,608		-470	-840	
Profit for the period	2,194	4,627	-53	1,673	2,075	-19
Adjusted profit for the period¹	4,011	4,693	-15	2,083	2,202	-5
¹ Excluding items affecting comparability						
Tax on amortization of acquisition-related intangible assets	154	103		88	53	
Margins (%)						
Gross margin	23.3	31.2		24.3	30.3	
Adjusted gross margin¹	25.3	31.3		25.3	30.4	
EBITA margin	6.0	12.3		7.0	11.3	
Adjusted EBITA margin¹	8.3	12.4		8.3	11.8	
Operating margin	4.9	11.6		6.2	10.7	
Adjusted operating margin¹	7.5	11.8		7.6	11.1	
Financial net margin	-0.6	-0.6		-0.6	-0.6	
Profit margin	4.3	11.0		5.6	10.1	
Adjusted profit margin¹	6.9	11.2		7.0	10.5	
Income taxes	-1.2	-2.8		-1.2	-2.9	
Adjusted income taxes ¹	-1.4	-2.9		-1.5	-2.9	
Net margin	3.1	8.2		4.4	7.2	
Adjusted net margin¹	5.5	8.3		5.5	7.6	
¹ Excluding items affecting comparability						

ADJUSTED EBITA BY BUSINESS AREA

SEKm	2206	2106	%	2022:2	2021:2	%
Health & Medical	1,509	1,870	-19	673	950	-29
Consumer Goods	3,506	4,440	-21	1,861	1,967	-5
Professional Hygiene	1,479	1,129	31	916	710	29
Other	-510	-422		-292	-218	
Total¹	5,984	7,017	-15	3,158	3,409	-7

¹ Excluding items affecting comparability; for amounts see page 3 and page 13.

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

SEKm	2206	2106	%	2022:2	2021:2	%
Health & Medical	1,098	1,515	-28	463	773	-40
Consumer Goods	3,387	4,433	-24	1,801	1,963	-8
Professional Hygiene	1,470	1,124	31	911	709	28
Other	-510	-422		-293	-217	
Total¹	5,445	6,650	-18	2,882	3,228	-11

¹ Excluding items affecting comparability; for amounts see page 3 and page 13.

OPERATING CASH FLOW BY BUSINESS AREA

SEKm	2206	2106	%	2022:2	2021:2	%
Health & Medical	629	1,487	-58	105	755	-86
Consumer Goods	3,337	2,884	16	1,363	927	47
Professional Hygiene	870	626	39	740	655	13
Other	-797	-761		-421	-377	
Total	4,039	4,236	-5	1,787	1,960	-9

GROUP

NET SALES AND EARNINGS

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

Net sales increased 27.8% to SEK 72,230m (56,496). Sales growth, including organic sales growth and acquisitions, amounted to 19.0%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 16.3%, of which volume accounted for 5.5% and price/mix for 10.8%. Organic sales growth in mature markets amounted to 17.9% and in emerging markets to 13.8%. Emerging markets accounted for 38% of net sales. Exchange rate effects increased net sales by 8.9%. Acquisitions increased net sales by 2.7%. Divestments reduced net sales by 0.1%.

The Group's gross margin was 23.3% (31.2). The Group's adjusted gross margin decreased by 6.0 percentage points to 25.3% (31.3). Higher costs for raw materials, energy and distribution reduced the margin by 12.4 percentage points. The margin was positively impacted by higher volumes, higher selling prices and a better mix. Continuous cost savings amounted to SEK -76m. Higher cost inflation had a negative impact on reported cost savings.

The Group's EBITA margin was 6.0% (12.3). The Group's adjusted EBITA margin decreased 4.1 percentage points to 8.3% (12.4). 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 4,313m (6,937). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 15% (23% excluding currency translation effects, acquisitions and divestments) to SEK 5,984m (7,017).

Items affecting comparability amounted to SEK -1,928m (-80). The costs were primarily attributable to the impairment of assets in Russia of SEK -1,563m. Restructuring costs amounted to SEK -325m. Other amounted to SEK -40m.

Financial items increased to SEK -432m (-335), mainly on account of higher average net debt. Lower interest rates had a positive impact.

Profit before tax amounted to SEK 3,085m (6,235). Adjusted profit before tax decreased 21% (29% excluding currency translation effects, acquisitions and divestments) to SEK 5,013m (6,315).

The tax expense was SEK 891m (1,608). The tax expense, excluding effects of items affecting comparability, was SEK 1,002m (1,622).

Profit for the period decreased 53% (61% excluding currency translation effects, acquisitions and divestments) to SEK 2,194m (4,627). Adjusted profit for the period decreased 15% (23% excluding currency translation effects, acquisitions and divestments) to SEK 4,011m (4,693).

Earnings per share were SEK 2.55 (5.56). The adjusted earnings per share were SEK 5.69 (6.03).

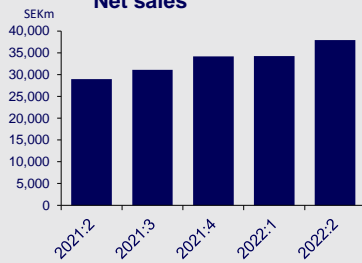
Return on capital employed was 9.2% (14.0). The adjusted return on capital employed was 10.2% (14.1). Return on equity was 10.7% (15.8). The adjusted return on equity was 12.6% (16.1).

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

Net sales increased 30.9% to SEK 37,929m (28,968). Sales growth, including organic sales growth and acquisitions, amounted to 20.6%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 17.8%, of which volume accounted for 3.7% and price/mix for 14.1%. Organic sales growth in mature markets amounted to 19.2% and in emerging markets to 16.0%. Emerging markets accounted for 38% of net sales. Exchange rate effects increased net sales by 10.4%. Acquisitions increased net sales by 2.8%. Divestments reduced net sales by 0.1%.

The Group's gross margin was 24.3% (30.3). The Group's adjusted gross margin decreased by 5.1 percentage points to 25.3% (30.4). Higher costs for raw materials, energy and distribution reduced the margin by 12.8 percentage points. The margin was positively impacted by higher volumes, higher selling prices and a better mix. Continuous cost savings amounted to SEK -110m.

Net sales



Adjusted EBITA and margin



Excluding items affecting comparability

Change in net sales (%)

	2206 vs 2106	22:2 vs 21:2
Total	27.8	30.9
Volume	5.5	3.7
Price/mix	10.8	14.1
Currency	8.9	10.4
Acquisitions	2.7	2.8
Divestments	-0.1	-0.1

Change in adjusted EBITA (%)

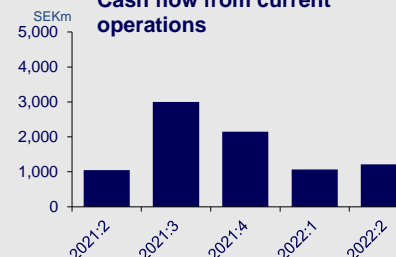
	2206 vs 2106	22:2 vs 21:2
Total	-15	-7
Volume	16	11
Price/mix	82	113
Raw materials	-83	-92
Energy	-26	-27
Currency	7	10
Other	-11	-22

Adjusted profit before tax



Excluding items affecting comparability

Cash flow from current operations



The Group's EBITA margin was 7.0% (11.3). The Group's adjusted EBITA margin decreased 3.5 percentage points to 8.3% (11.8). 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 2,650m (3,273). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 7% (19% excluding currency translation effects, acquisitions and divestments) to SEK 3,158m (3,409).

Profit for the period decreased 19% (31% excluding currency translation effects, acquisitions and divestments) to SEK 1,673m (2,075). Adjusted profit for the period decreased 5% (17% excluding currency translation effects, acquisitions and divestments) to SEK 2,083m (2,202).

Earnings per share were SEK 2.11 (2.52). The adjusted earnings per share were SEK 2.97 (2.89).

Return on capital employed was 8.0% (11.9). The adjusted return on capital employed was 9.6% (12.4). Return on equity was 9.2% (12.8). The adjusted return on equity was 11.5% (13.5).

CASH FLOW AND FINANCING

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

The operating cash surplus amounted to SEK 9,804m (10,255). The cash flow effect of changes in working capital was SEK -2,237m (-2,450). 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 -3,003m (-3,193). Operating cash flow before investments in operating assets through leases amounted to SEK 4,264m (4,300). Operating cash flow was SEK 4,039m (4,236).

Financial items increased to SEK -432m (-335), mainly on account of higher average net debt. Lower interest rates had a positive impact.

Tax payments had an impact on cash flow of SEK -1,320m (-2,232).

The net sum of acquisitions and divestments was SEK -459m (-271). Net cash flow totaled SEK -3,353m (-3,619).

Net debt increased by SEK 4,226m during the period to SEK 59,659m. Excluding pension liabilities, net debt amounted to SEK 59,021m. Net cash flow increased net debt by SEK 3,353m. 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 2,248m. Exchange rate movements increased net debt by SEK 2,845m. Investments in non-operating assets through leases increased net debt by SEK 276m. The debt/equity ratio was 0.78 (0.70). Excluding pension liabilities, the debt/equity ratio was 0.77 (0.68). The debt payment capacity was 27% (36). Net debt in relation to EBITDA amounted to 3.01 (2.12). Net debt in relation to adjusted EBITDA amounted to 3.06 (2.12).

EQUITY

January–June 2022

The Group's equity increased by SEK 7,700m during the period, to SEK 76,207m. Profit for the period increased equity by SEK 2,194m. Equity decreased due to dividends to shareholders of SEK 5,228m. Equity increased net after tax by SEK 1,701m 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 2,659m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 6,354m. Other items increased equity by SEK 20m.

TAX

January–June 2022

A tax expense of SEK 1,002m was reported, excluding items affecting comparability, corresponding to a tax rate of 20.0% for the period. The tax expense including items affecting comparability was SEK 891m, corresponding to a tax rate of 28.9% for the period.

EVENTS AFTER THE QUARTER

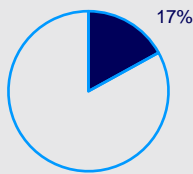
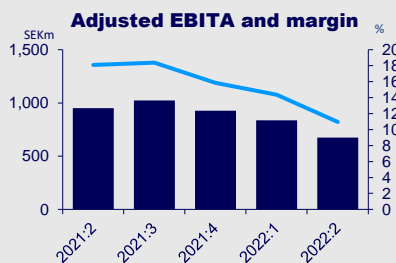
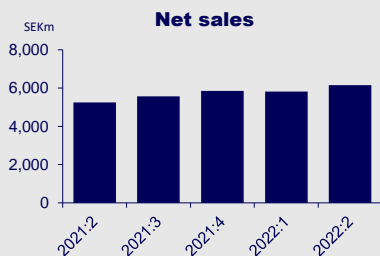
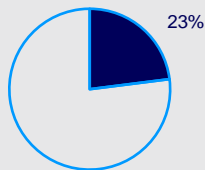
Essity acquires Modibodi – a leading leakproof apparel company

On July 7, 2022, Essity announced that it acquires 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 985m) on a cash and debt-free basis. Through the acquisition, Essity will strengthen its position in leakproof apparel, the fastest growing product segment in Intimate Hygiene which includes Feminine Care and Incontinence Products. The transaction is expected to be finalized in the second half of 2022.

Essity acquires Knix and takes global lead in leakproof apparel

On July 8, 2022, Essity announced that it acquires 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 3.3bn) on a cash and debt-free basis for 80% of the company. Through the acquisition, Essity will become the global market leader within leakproof apparel*, the fastest growing product segment in Intimate Hygiene which includes Feminine Care and Incontinence Products. The transaction is subject to customary regulatory approvals and is expected to be finalized in the second half of 2022.

*Estimate based on market data compiled by Essity.

Share of Group, net sales
2206Share of Group, adjusted EBITA
2206

Change in net sales (%)

	2206 vs 2106	22:2 vs 21:2
Total	16.6	16.9
Volume	5.5	3.9
Price/mix	3.1	4.0
Currency	5.8	6.4
Acquisitions	2.7	3.0
Divestments	-0.5	-0.4

Change in adjusted EBITA (%)

	2206 vs 2106	22:2 vs 21:2
Total	-19	-29
Volume	12	9
Price/mix	21	25
Raw materials	-46	-46
Energy	-3	-3
Currency	4	5
Other	-7	-19

HEALTH & MEDICAL

SEKm	2206	2106	%	2022:2	2021:2	%
Net sales	11,967	10,259	17	6,145	5,255	17
Adjusted gross profit margin, %*	38.1	44.0		36.7	43.2	
Adjusted EBITA*	1,509	1,870	-19	673	950	-29
Adjusted EBITA margin, %*	12.6	18.2		11.0	18.1	
Adjusted operating profit*	1,098	1,515	-28	463	773	-40
Adjusted operating margin, %*	9.2	14.8		7.5	14.7	
Adjusted return on capital employed, %*	10.9	12.6		8.0	12.6	
Operating cash flow	629	1,487		105	755	

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

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

Net sales increased 16.6% to SEK 11,967m (10,259). Sales growth, including organic sales growth and acquisitions, amounted to 11.3%. Organic sales growth amounted to 8.6%, of which volume accounted for 5.5% and price/mix for 3.1%. The organic sales growth amounted to 6.1% in mature markets. In emerging markets, which accounted for 20% of net sales, organic sales growth was 19.1%. Exchange rate effects increased net sales by 5.8%. Acquisitions increased net sales by 2.7%. 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 9.2% mainly as a result of higher volumes and higher prices. Sales growth was high in Wound Care and Orthopedics.

The adjusted gross margin decreased 5.9 percentage points to 38.1% (44.0). 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 5.6 percentage points to 12.6% (18.2). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA decreased 19% (26% excluding currency translation effects, acquisitions and divestments) to SEK 1,509m (1,870).

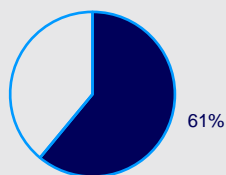
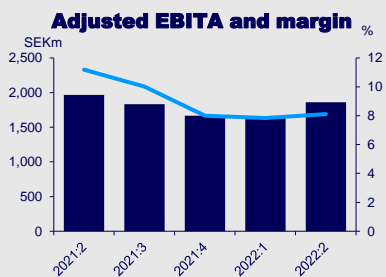
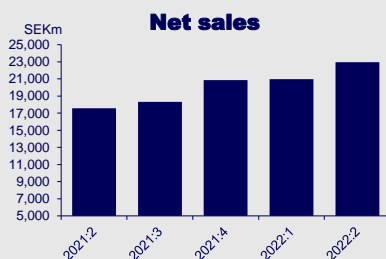
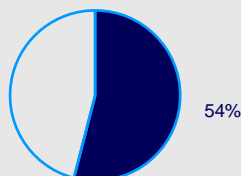
The operating cash surplus amounted to SEK 1,935m (2,274).

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

Net sales increased 16.9% to SEK 6,145m (5,255). Sales growth, including organic sales growth and acquisitions, amounted to 10.9%. Organic sales growth amounted to 7.9%, of which volume accounted for 3.9% and price/mix for 4.0%. The organic sales growth amounted to 6.0% in mature markets. In emerging markets, which accounted for 21% of net sales, organic sales growth was 15.4%. Exchange rate effects increased net sales by 6.4%. Acquisitions increased net sales by 3.0%. Divestments reduced net sales by 0.4%.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 7.5% due to higher volumes and higher prices. In Medical Solutions, organic sales growth amounted to 8.5% mainly as a result of higher volumes and higher prices. Sales growth was high in Wound Care and Orthopedics.

The adjusted gross margin decreased 6.5 percentage points to 36.7% (43.2). 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 7.1 percentage points to 11.0% (18.1). Sales costs, including marketing costs, were higher and increased as a share of net sales. Adjusted EBITA decreased 29% (36% excluding currency translation effects, acquisitions and divestments) to SEK 673m (950).

Share of Group, net sales
2206Share of Group, adjusted EBITA
2206

Change in net sales (%)

	2206 vs 2106	22:2 vs 21:2
Total	26.0	30.7
Volume	2.2	1.3
Price/mix	12.5	16.6
Currency	9.1	10.7
Acquisitions	2.2	2.1
Divestments	0.0	0.0

Change in adjusted EBITA (%)

	2206 vs 2106	22:2 vs 21:2
Total	-21	-5
Volume	7	5
Price/mix	92	139
Raw materials	-90	-111
Energy	-29	-32
Currency	6	10
Other	-7	-16

CONSUMER GOODS

SEKm	2206	2106	%	2022:2	2021:2	%
Net sales	43,956	34,886	26	22,970	17,577	31
Adjusted gross profit margin, %*	23.1	29.7		23.2	28.2	
Adjusted EBITA*	3,506	4,440	-21	1,861	1,967	-5
Adjusted EBITA margin, %*	8.0	12.7		8.1	11.2	
Adjusted operating profit*	3,387	4,433	-24	1,801	1,963	-8
Adjusted operating margin, %*	7.7	12.7		7.8	11.2	
Adjusted return on capital employed, %*	10.4	17.0		10.5	13.1	
Operating cash flow	3,337	2,884		1,363	927	

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

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

Net sales increased 26.0% to SEK 43,956m (34,886). Sales growth, including organic sales growth and acquisitions, amounted to 16.9%. Organic sales growth amounted to 14.7%, of which volume accounted for 2.2% and price/mix for 12.5%. Organic sales growth amounted to 16.8% in mature markets. In emerging markets, which accounted for 50% of net sales, organic sales growth was 12.5%. Exchange rate effects increased net sales by 9.1%. Acquisitions increased net sales by 2.2%.

For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 13.6%, in Feminine Care to 19.4% and in Baby Care to 5.5%. For these three categories, prices were higher and volumes higher in Incontinence Products Retail and Feminine Care. In Consumer Tissue, organic sales growth amounted to 15.8% and for the Consumer Tissue Private Label Europe division to 25.1%. The sales growth was mainly the result of price increases but volumes were also higher.

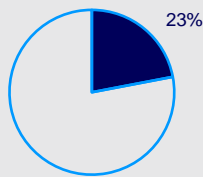
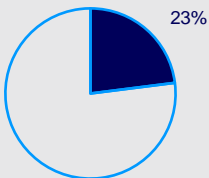
The adjusted gross margin decreased 6.6 percentage points to 23.1% (29.7). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes, higher prices and a better mix. The adjusted EBITA margin decreased 4.7 percentage points to 8.0% (12.7). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA decreased 21% (29% excluding currency translation effects, acquisitions and divestments) to SEK 3,506m (4,440). The operating cash surplus amounted to SEK 5,625m (6,182).

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

Net sales increased 30.7% to SEK 22,970m (17,577). Sales growth, including organic sales growth and acquisitions, amounted to 20.0%. Organic sales growth amounted to 17.9%, of which volume accounted for 1.3% and price/mix for 16.6%. Organic sales growth amounted to 19.7% in mature markets. In emerging markets, which accounted for 50% of net sales, organic sales growth was 16.1%. Exchange rate effects increased net sales by 10.7%. Acquisitions increased net sales by 2.1%.

For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 12.5%, in Feminine Care to 17.7% and in Baby Care to 2.1%. For these three categories, prices were higher and volumes higher in Incontinence Products Retail and Feminine Care. The discontinuation of baby diaper operations in Latin America had a negative impact on growth in Baby Care. In Consumer Tissue, organic sales growth amounted to 21.6% and for the Consumer Tissue Private Label Europe division to 31.7%. The sales growth was mainly the result of price increases but volumes were also higher.

The adjusted gross margin decreased 5.0 percentage points to 23.2% (28.2). 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 3.1 percentage points to 8.1% (11.2). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA decreased 5% (17% excluding currency translation effects, acquisitions and divestments) to SEK 1,861m (1,967).

Share of Group, net sales
2206Share of Group, adjusted EBITA
2206

Change in net sales (%)

	2206 vs 2106	22:2 vs 21:2
Total	43.6	43.5
Volume	15.1	10.7
Price/mix	12.7	15.4
Currency	11.6	13.3
Acquisitions	4.2	4.1
Divestments	0.0	0.0

Change in adjusted EBITA (%)

	2206 vs 2106	22:2 vs 21:2
Total	31	29
Volume	49	25
Price/mix	110	123
Raw materials	-86	-70
Energy	-41	-33
Currency	12	15
Other	-13	-31

PROFESSIONAL HYGIENE

SEKm	2206	2106	%	2022:2	2021:2	%
Net sales	16,304	11,356	44	8,811	6,140	44
Adjusted gross profit margin, %*	21.7	24.8		22.5	25.7	
Adjusted EBITA*	1,479	1,129	31	916	710	29
Adjusted EBITA margin, %*	9.1	9.9		10.4	11.6	
Adjusted operating profit*	1,470	1,124	31	911	709	28
Adjusted operating margin, %*	9.0	9.9		10.3	11.5	
Adjusted return on capital employed, %*	12.1	11.6		13.3	12.7	
Operating cash flow	870	626		740	655	

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

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

Net sales increased 43.6% to SEK 16,304m (11,356). Sales growth, including organic sales growth and acquisitions, amounted to 32.0%. Organic sales growth amounted to 27.8%, of which volume accounted for 15.1% and price/mix for 12.7%. Organic sales growth amounted to 30.9% in mature markets. In emerging markets, which accounted for 19% of net sales, organic sales growth was 18.2%. Exchange rate effects increased net sales by 11.6%. Acquisitions increased net sales by 4.2%.

The adjusted gross margin decreased 3.1 percentage points to 21.7% (24.8). 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 0.8 of a percentage point to 9.1% (9.9). Sales costs, including marketing costs, were higher but decreased as a share of net sales. Adjusted EBITA increased 31% (19% excluding currency translation effects, acquisitions and divestments) to SEK 1,479m (1,129).

The operating cash surplus amounted to SEK 2,632m (2,113).

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

Net sales increased 43.5% to SEK 8,811m (6,140). Sales growth, including organic sales growth and acquisitions, amounted to 30.2%. Organic sales growth amounted to 26.1%, of which volume accounted for 10.7% and price/mix for 15.4%. Organic sales growth amounted to 29.6% in mature markets. In emerging markets, which accounted for 18% of net sales, organic sales growth was 15.9%. Exchange rate effects increased net sales by 13.3%. Acquisitions increased net sales by 4.1%.

The adjusted gross margin decreased 3.2 percentage points to 22.5% (25.7). 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 1.2 percentage points to 10.4% (11.6). Sales costs, including marketing costs were higher but decreased as a share of net sales. Adjusted EBITA increased 29% (14% excluding currency translation effects, acquisitions and divestments) to SEK 916m (710).

The Board of Directors and the President certify that the interim report gives a true and fair view of the Parent Company's and Group's operations, financial position and results of operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, July 21, 2022

Essity Aktiebolag (publ)

Ewa Björling
Board member

Pär Boman
Chairman of
the Board

Annemarie
Gardshol
Board member

Magnus Groth
President,
and CEO
Board member

Bjørn Gulden
Board member

Susanna Lind
Board member,
employee representative

Torbjörn Lööf
Board member

Bert Nordberg
Board member

Louise Svanberg
Board member

Örjan Svensson
Board member,
employee representative

Lars Rebien
Sørensen
Board member

Barbara Milian
Thoralfsson
Board member

Niclas Thulin
Board member,
employee representative

Review report

Essity Aktiebolag (publ), corporate identity number 556325-5511

Introduction

We have reviewed the condensed interim report for Essity Aktiebolag (publ) as at June 30, 2022 and for the six months period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of the review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, July 21, 2022

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

DISTRIBUTION OF SHARES

June 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 second quarter. The total number of votes in the company amounts to 1,253,942,715.

FUTURE REPORTS

In 2022, an interim report will be published on October 27. The Year-end report for 2022 will be published on January 26, 2023.

INVITATION TO PRESENTATION OF THE HALF-YEAR REPORT FOR 2022

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

Presentation

Date: Thursday, July 21, 2022

Time: 09:00 a.m. CET

Link to web presentation: <https://essity.videosync.fi/2022-07-21>

To participate by telephone, call: +44 330 165 36 41, +1 646 828 80 82 or +46 8 566 427 54. Please call well in advance of the start of the presentation. State pin code 275669.

The presentation of the half-year report will also be available on [LinkedIn](#) and [Twitter](#).

For further information, please contact:

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Joséphine Edwall Björklund, Senior Vice President, Group Function Communications, +46 8 788 52 34

Per Lorentz, Vice President Corporate Communications, Group Function Communications, +46 73 313 30 55

NB:

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 the contact person set out below, at 07:00 a.m. CET on July 21, 2022.

Karl Stoltz, Media Relations Director, +46 70 942 63 38

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	2022:2	2021:2	2022:1	2206	2106
Net sales	37,929	28,968	34,301	72,230	56,496
Cost of goods sold ^{1,2}	-28,321	-20,149	-25,601	-53,922	-38,809
Items affecting comparability - cost of goods sold ²	-383	-43	-1,083	-1,466	-53
Gross profit	9,225	8,776	7,617	16,842	17,634
Sales, general and administration ^{1,2}	-6,460	-5,446	-5,888	-12,348	-10,718
Items affecting comparability - sales, general and administration ²	-125	-93	-80	-205	-27
Share of profits of associated and joint ventures	10	36	14	24	48
Operating profit before amortization of acquisition-related intangible assets (EBITA)	2,650	3,273	1,663	4,313	6,937
Amortization of acquisition-related intangible assets	-276	-181	-263	-539	-367
Items affecting comparability - acquisition-related intangible assets ²	-7	0	-250	-257	0
Operating profit	2,367	3,092	1,150	3,517	6,570
Financial items	-224	-177	-208	-432	-335
Profit before tax	2,143	2,915	942	3,085	6,235
Income taxes	-470	-840	-421	-891	-1,608
Profit for the period	1,673	2,075	521	2,194	4,627
Earnings attributable to:					
Owners of the Parent company	1,485	1,770	306	1,791	3,902
Non-controlling interests	188	305	215	403	725
Earnings per share - owners of the Parent company					
Earnings per share before and after dilution effects, SEK	2.11	2.52	0.44	2.55	5.56
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	-2,068	-1,725	-1,987	-4,055	-3,431
² Of which, impairment	-308	-26	-1,382	-1,690	-27
Gross margin	24.3	30.3	22.2	23.3	31.2
EBITA margin	7.0	11.3	4.8	6.0	12.3
Operating margin	6.2	10.7	3.4	4.9	11.6
Financial net margin	-0.6	-0.6	-0.6	-0.6	-0.6
Profit margin	5.6	10.1	2.8	4.3	11.0
Income taxes	-1.2	-2.9	-1.2	-1.2	-2.8
Net margin	4.4	7.2	1.6	3.1	8.2
Excluding items affecting comparability:					
Gross margin	25.3	30.4	25.4	25.3	31.3
EBITA margin	8.3	11.8	8.2	8.3	12.4
Operating margin	7.6	11.1	7.5	7.5	11.8
Financial net margin	-0.6	-0.6	-0.6	-0.6	-0.6
Profit margin	7.0	10.5	6.9	6.9	11.2
Income taxes	-1.5	-2.9	-1.2	-1.4	-2.9
Net margin	5.5	7.6	5.7	5.5	8.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2022:2	2021:2	2022:1	2206	2106
Profit for the period	1,673	2,075	521	2,194	4,627
Other comprehensive income for the period					
Items that will not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	934	761	1,328	2,262	1,098
Fair value through other comprehensive income	-7	1	-7	-14	1
Income tax attributable to components in other comprehensive income	-241	54	-316	-557	-139
	686	816	1,005	1,691	960
Items that have been or may be reclassified subsequently to the income statement					
Cash flow hedges					
Result from remeasurement of derivatives recognized in equity	2,304	772	3,391	5,695	967
Transferred to profit or loss for the period	-1,145	-93	-1,078	-2,223	-146
Translation differences in foreign operations	5,373	-925	2,202	7,575	2,280
Gains/losses from hedges of net investments in foreign operations	-1,010	223	-368	-1,378	-467
Other comprehensive income from associated companies	0	11	0	0	12
Income tax attributable to components in other comprehensive income	-121	-237	-543	-664	-131
	5,401	-249	3,604	9,005	2,515
Other comprehensive income for the period, net of tax	6,087	567	4,609	10,696	3,475
Total comprehensive income for the period	7,760	2,642	5,130	12,890	8,102
Total comprehensive income attributable to:					
Owners of the Parent company	7,193	2,496	4,654	11,847	7,112
Non-controlling interests	567	146	476	1,043	990

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEKm	2206	2106
Equity attributable to owners of the Parent company		
Value, January 1	59,874	54,352
Total comprehensive income for the period	11,847	7,112
Dividend	-4,916	-4,741
Acquisition of non-controlling interests	-9	0
Private placement to non-controlling interests	17	9
Transferred to cost of hedged investments	18	4
Revaluation effect upon acquisition of non-controlling interests	0	-3
Value, June 30	66,831	56,733
Non-controlling interests		
Value, January 1	8,633	8,990
Total comprehensive income for the period	1,043	990
Dividend	-312	-437
Private placement to non-controlling interests	16	9
Acquisition of non-controlling interests	-4	0
Value, June 30	9,376	9,552
Total equity, value June 30	76,207	66,285

CONSOLIDATED OPERATING CASH FLOW STATEMENT

SEKm	2206	2106
Operating cash surplus	9,804	10,255
Change in working capital	-2,237	-2,450
Investment in non-current assets, net	-3,003	-3,193
Restructuring costs, etc.	-300	-312
Operating cash flow before investments in operating assets through leases	4,264	4,300
Investments in operating assets through leases	-225	-64
Operating cash flow	4,039	4,236
Financial items	-432	-335
Income taxes paid	-1,320	-2,232
Other	8	72
Cash flow from current operations	2,295	1,741
Acquisitions of Group companies and other operations	-459	-242
Divestments of Group companies and other operations	0	-29
Cash flow before transactions with shareholders	1,836	1,470
Private placement to non-controlling interest	34	18
Dividend to non-controlling interests	-307	-366
Dividend	-4,916	-4,741
Net cash flow	-3,353	-3,619
Net debt at the start of the period	-55,433	-42,688
Net cash flow	-3,353	-3,619
Remeasurements to equity	2,248	1,099
Investments in non-operating assets through leases	-276	-250
Translation differences	-2,845	-939
Net debt at the end of the period	-59,659	-46,397
Debt/equity ratio	0.78	0.70
Debt payment capacity, %	27	36
Net debt / EBITDA	3.01	2.12
Net debt / Adjusted EBITDA	3.06	2.12

CONSOLIDATED CASH FLOW STATEMENT

SEKm	2206	2106
Operating activities		
Operating profit	3,517	6,570
Adjustment for non-cash items ¹⁾	6,250	3,705
Interest paid	-419	-454
Interest received	54	44
Other financial items	-148	-18
Change in liabilities relating to restructuring programs, etc.	-255	-261
Paid tax	-1,320	-2,232
Cash flow from operating activities before changes in working capital	7,679	7,354
Cash flow from changes in working capital		
Change in inventories	-2,251	-1,403
Change in operating receivables	-3,182	-871
Change in operating liabilities	3,196	-176
Cash flow from operating activities	5,442	4,904
Investing activities		
Acquisitions of Group companies and other operations	-357	-242
Divestments of Group companies and other operations	0	-44
Investments in intangible assets and property, plant and equipment	-3,026	-3,195
Sale of property, plant and equipment	50	29
Loans granted to external parties	-2,126	-3,227
Paid interest capitalized in intangible asset and property, plant and equipment	-27	-26
Cash flow from investing activities	-5,486	-6,705
Financing activities		
Private placement to non-controlling interests	34	18
Acquisition of non-controlling interests	-13	0
Dividend	-4,916	-4,741
Proceeds from borrowings	11,529	11,777
Repayment of borrowings	-5,740	-2,028
Dividend to non-controlling interests	-307	-366
Cash flow from financing activities	587	4,660
Cash flow for the period	543	2,859
Cash and cash equivalents at the beginning of the period	3,904	4,982
Translation differences in cash and cash equivalents	548	48
Cash and cash equivalents at the end of the period	4,995	7,889
Cash flow from operating activities per share, SEK	7.75	6.98
Reconciliation with consolidated operating cash flow statement		
Cash flow for the period	543	2,859
Repayment of borrowings	5,740	2,028
Proceeds from borrowings	-11,529	-11,777
Loans granted to external parties	2,126	3,227
Investment in operating assets through leases	-225	-65
Net debt in acquired and divested operations	-89	15
Accrued interest	81	94
Net cash flow according to consolidated operating cash flow statement	-3,353	-3,619
¹⁾ Adjustment for non-cash items		
Depreciation/amortization and impairment of non-current assets	5,745	3,458
Gain/loss on asset sales	1	-9
Change in provision for ongoing competition case	0	-56
Depreciation of prepaid selling expenses	221	197
Gain/loss on divestments and liquidation	2	1
Non-cash items relating to efficiency program	115	-6
Other	166	120
Total	6,250	3,705

CONSOLIDATED BALANCE SHEET

SEKm	June 30, 2022	December 31, 2021
ASSETS		
Non-current assets		
Goodwill	40,524	37,803
Other intangible assets	23,118	21,806
Property, plant and equipment	61,540	58,918
Participation in associates and joint ventures	268	239
Shares and participations	9	7
Surplus in funded pension plans	2,118	1,439
Non-current financial assets	116	412
Deferred tax assets	2,165	2,012
Other non-current assets	2,457	1,411
Total non-current assets	132,315	124,047
Current Assets		
Inventories	23,283	19,339
Trade receivables	24,870	19,871
Current tax assets	1,092	952
Other current receivables	8,343	5,787
Current financial assets	3,483	1,150
Cash and cash equivalents	4,995	3,904
Total current assets	66,066	51,003
Total assets	198,381	175,050
EQUITY AND LIABILITIES		
Equity		
Share capital	2,350	2,350
Reserves	14,785	6,416
Retained earnings	49,696	51,108
Attributable to owner of the Parent	66,831	59,874
Non-controlling interests	9,376	8,633
Total equity	76,207	68,507
Non-current liabilities		
Non-current financial liabilities	47,083	47,443
Provisions for pensions	2,756	4,149
Deferred tax liabilities	9,415	7,574
Other non-current provisions	423	396
Other non-current liabilities	125	86
Total non-current liabilities	59,802	59,648
Current liabilities		
Current financial liabilities	20,532	10,746
Trade payables	21,348	18,030
Current tax liabilities	1,233	1,576
Current provisions	843	736
Other current liabilities	18,416	15,807
Total current liabilities	62,372	46,895
Total liabilities	122,174	106,543
Total equity and liabilities	198,381	175,050

CONSOLIDATED BALANCE SHEET (cont.)

SEKm	June 30, 2022	December 31, 2021
Debt/equity ratio	0.78	0.81
Equity/assets ratio	34%	34%
Equity	76,207	68,507
Equity per share, SEK	109	98
Return on equity	10.7%	15.0%
Return on equity excluding items affecting comparability	12.6%	14.3%
Capital employed	135,866	123,940
- of which working capital	17,031	11,157
Return on capital employed*	9.2%	12.3%
Return on capital employed* excluding items affecting comparability	10.2%	12.0%
Net debt	59,659	55,433
Provisions for restructuring costs are included in the balance sheet as follows		
-Other non-current provisions	91	96
-Other current provisions	270	160

*) rolling 12 months

NET SALES (business area reporting)

SEKm	2206	2106	2022:2	2022:1	2021:4	2021:3	2021:2	2021:1
Health & Medical	11,967	10,259	6,145	5,822	5,854	5,572	5,255	5,004
Consumer Goods	43,956	34,886	22,970	20,986	20,844	18,310	17,577	17,309
Professional Hygiene	16,304	11,356	8,811	7,493	7,527	7,260	6,140	5,216
Other	3	-5	3	0	1	3	-4	-1
Total net sales	72,230	56,496	37,929	34,301	34,226	31,145	28,968	27,528

ORGANIC SALES GROWTH (business area reporting)

(%)	2206	2106	2022:2	2022:1	2021:4	2021:3	2021:2	2021:1
Health & Medical	8.6	3.8	7.9	9.5	6.9	7.3	13.4	-4.6
Consumer Goods	14.7	-0.6	17.9	11.5	5.7	2.9	3.7	-4.4
Professional Hygiene	27.8	-6.1	26.1	29.8	16.4	20.7	26.1	-27.5
Total	16.3	-1.0	17.8	14.6	8.0	7.4	9.5	-9.9

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

(%)	2206	2106	2022:2	2022:1	2021:4	2021:3	2021:2	2021:1
Health & Medical	11.3	4.6	10.9	11.7	8.2	8.6	13.8	-3.5
Consumer Goods	16.9	-0.6	20.0	13.8	7.8	5.0	3.7	-4.4
Professional Hygiene	32.0	-6.1	30.2	34.1	20.2	24.3	26.1	-27.5
Total	19.0	-0.9	20.6	17.3	10.3	9.7	9.6	-9.7

ADJUSTED EBITA (business area reporting)

SEKm	2206	2106	2022:2	2022:1	2021:4	2021:3	2021:2	2021:1
Health & Medical	1,509	1,870	673	836	927	1,024	950	920
Consumer Goods	3,506	4,440	1,861	1,645	1,666	1,832	1,967	2,473
Professional Hygiene	1,479	1,129	916	563	681	900	710	419
Other	-510	-422	-292	-218	-197	-170	-218	-204
Total adjusted EBITA	5,984	7,017	3,158	2,826	3,077	3,586	3,409	3,608

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	2206	2106	2022:2	2022:1	2021:4	2021:3	2021:2	2021:1
Health & Medical	1,098	1,515	463	635	737	849	773	742
Consumer Goods	3,387	4,433	1,801	1,586	1,608	1,774	1,963	2,470
Professional Hygiene	1,470	1,124	911	559	679	898	709	415
Other	-510	-422	-293	-217	-197	-170	-217	-205
Total adjusted operating profit¹	5,445	6,650	2,882	2,563	2,827	3,351	3,228	3,422
Financial items	-432	-335	-224	-208	-190	-137	-177	-158
Profit before tax¹	5,013	6,315	2,658	2,355	2,637	3,214	3,051	3,264
Income taxes	-1,002	-1,622	-575	-427	-373	-808	-849	-773
Net profit for the period²	4,011	4,693	2,083	1,928	2,264	2,406	2,202	2,491

¹Excluding items affecting comparability before tax amounting to:²Excluding items affecting comparability after tax amounting to:**ADJUSTED EBITA MARGIN (business area reporting)**

%	2206	2106	2022:2	2022:1	2021:4	2021:3	2021:2	2021:1
Health & Medical	12.6	18.2	11.0	14.4	15.8	18.4	18.1	18.4
Consumer Goods	8.0	12.7	8.1	7.8	8.0	10.0	11.2	14.3
Professional Hygiene	9.1	9.9	10.4	7.5	9.0	12.4	11.6	8.0
Total	8.3	12.4	8.3	8.2	9.0	11.5	11.8	13.1

STATEMENT OF PROFIT OR LOSS

SEKm	2022:2	2022:1	2021:4	2021:3	2021:2
Net sales	37,929	34,301	34,226	31,145	28,968
Cost of goods sold	-28,321	-25,601	-25,617	-22,202	-20,149
Items affecting comparability - cost of goods sold	-383	-1,083	-82	-11	-43
Gross profit	9,225	7,617	8,527	8,932	8,776
Sales, general and administration	-6,460	-5,888	-5,538	-5,361	-5,446
Items affecting comparability - sales, general and administration	-125	-80	9	535	-93
Share of profits of associates and joint ventures	10	14	6	4	36
EBITA	2,650	1,663	3,004	4,110	3,273
Amortization of acquisition-related intangible assets	-276	-263	-250	-235	-181
Items affecting comparability - acquisition-related intangible assets	-7	-250	0	0	0
Operating profit	2,367	1,150	2,754	3,875	3,092
Financial items	-224	-208	-190	-137	-177
Profit before tax	2,143	942	2,564	3,738	2,915
Income taxes	-470	-421	-346	-773	-840
Net profit for the period	1,673	521	2,218	2,965	2,075

CONDENSED INCOME STATEMENT PARENT COMPANY

SEKm	2206	2106
Administrative expenses	-380	-338
Other operating income	22	107
Operating loss	-358	-231
Financial items	214	3,915
Profit before tax	-144	3,684
Income taxes	435	206
Profit for the period	291	3,890

CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	June 30, 2022	December 31, 2021
Intangible assets	0	0
Property, plant and equipment	12	13
Financial non-current assets	177,558	177,279
Total non-current assets	177,570	177,292
Total current assets	1,166	852
Total assets	178,736	178,144
Restricted equity	2,350	2,350
Non-restricted equity	78,934	83,559
Total equity	81,284	85,909
Untaxed reserves	6	6
Provisions	883	880
Non-current liabilities	35,357	34,752
Current liabilities	61,206	56,597
Total equity, provisions and liabilities	178,736	178,144

NOTES

1 ACCOUNTING PRINCIPLES

This half-year 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 at 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 in the organization with the Group's policies.

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 1.6bn. 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. The remaining assets in Russia amount to approximately SEK 1.4bn and comprise trade receivables, inventories and cash and cash equivalents. 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
June 30, 2022							
Derivatives	8,014	970	7,044	-	-	-	8,014
Non-current financial assets	90	-	-	90	-	90	-
Total assets	8,104	970	7,044	90	0	90	8,014
Derivatives	4,109	800	3,309	-	-	-	4,109
Financial liabilities							
Current financial liabilities	19,321	2,172	-	-	17,149	-	2,172
Non-current financial liabilities	44,376	19,907	-	-	24,469	-	19,907
Total liabilities	67,806	22,879	3,309	-	41,618	-	26,188
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 61,434m (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 purchase price amounts to USD 40m (SEK 370m) with a potential additional earnout amount of USD 10m (SEK 90m) on a cash and debt-free basis, excluding financial lease liabilities. Since the acquisition, Legacy Converting's reported net sales amounted to SEK 54m, adjusted EBITDA to SEK 9m, and adjusted EBITA to SEK -1m. If Legacy Converting had been consolidated as of January 1, 2022, net sales would have amounted to SEK 63m, adjusted EBITDA to SEK 10m and adjusted EBITA to SEK -1m.

On July 7, 2022, Essity signed an agreement to acquire Modibodi, a leading leakproof apparel company in Australia, New Zealand and the UK. The purchase price amounts to AUD 140m (approximately SEK 985m) on a cash and debt-free basis. In

2021, the company reported net sales of AUD 57m (approximately SEK 365m), EBITDA of AUD 6m (approximately SEK 36m) and EBITA of AUD 6m (approximately SEK 36m). Modibodi has about 45 employees and is headquartered in Sydney, Australia. The transaction is expected to be finalized in the second half of 2022.

On July 8, 2022, Essity signed an agreement to acquire 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 3.3bn) on a cash and debt-free basis for 80% 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. The transaction is subject to customary regulatory approvals and is expected to be finalized in the second half of 2022.

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	2206	2112
Total assets	198,381	175,050
-Financial assets	-10,712	-6,905
-Non-current non-interest bearing liabilities	-9,963	-8,056
-Current non-interest bearing liabilities	-41,840	-36,149
Capital employed	135,866	123,940

SEKm	2022:2	2022:1	2021:4	2021:3	2021:2
Health & Medical	34,799	32,471	31,401	29,931	29,618
Consumer Goods	73,267	68,526	66,939	65,827	61,040
Professional Hygiene	28,750	26,213	24,518	24,595	22,305
Other	-950	839	1,082	567	-281
Capital employed	135,866	128,049	123,940	120,920	112,682

Working capital

SEKm	2206	2112
Inventories	23,283	19,339
Trade receivables	24,870	19,871
Other current receivables	8,343	5,787
Trade payables	-21,348	-18,030
Other current liabilities	-18,416	-15,807
Other	299	-3
Working capital	17,031	11,157

Net debt

SEKm	2206	2112
Surplus in funded pension plans	2,118	1,439
Non-current financial assets	116	412
Current financial assets	3,483	1,150
Cash and cash equivalents	4,995	3,904
Financial assets	10,712	6,905
Non-current financial liabilities	47,083	47,443
Provisions for pensions	2,756	4,149
Current financial liabilities	20,532	10,746
Financial liabilities	70,371	62,338
Net debt	59,659	55,433

EBITDA

SEKm	2206	2106	2022:2	2021:2
Operating profit	3,517	6,570	2,367	3,092
-Amortization of acquisition-related intangible assets	539	367	276	181
-Depreciation/amortization	2,993	2,617	1,526	1,321
-Depreciation right-of-use asset	523	447	266	223
-Impairment	7	-2	4	-2
-Items affecting comparability - impairment net	1,426	29	297	28
-Items affecting comparability - impairment of acquisition-related intangible assets	257	0	7	0
EBITDA	9,262	10,028	4,743	4,843
-Items affecting comparability excluding depreciation/amortization and impairment	245	51	211	108
Adjusted EBITDA	9,507	10,079	4,954	4,951

EBITA

SEKm	2206	2106	2022:2	2021:2
Operating profit	3,517	6,570	2,367	3,092
-Amortization of acquisition-related intangible assets	539	367	276	181
-Items affecting comparability - impairment of acquisition related intangible assets	257	0	7	0
-Operating profit before amortization and impairment of acquisition-related intangible assets (EBITA)	4,313	6,937	2,650	3,273
EBITA margin (%)	6.0	12.3	7.0	11.3
-Items affecting comparability - cost of goods sold	1,466	53	383	43
-Items affecting comparability - sales, general and administration	205	27	125	93
Adjusted EBITA	5,984	7,017	3,158	3,409
Adjusted EBITA margin (%)	8.3	12.4	8.3	11.8

Operating cash flow

SEKm	2206	2106	2022:2	2021:2
Health & Medical				
Operating cash surplus	1,935	2,274	891	1,120
Change in working capital	-959	-543	-604	-197
Investment in non-current assets, net	-364	-261	-217	-180
Restructuring costs, etc.	50	27	37	12
Operating cash flow before investments in operating assets through leases	662	1,497	107	755
Investment in operating assets through leases	-33	-10	-2	0
Operating cash flow	629	1,487	105	755
Consumer Goods				
Operating cash surplus	5,625	6,182	2,943	2,882
Change in working capital	-327	-1,015	-578	-602
Investment in non-current assets, net	-1,676	-2,079	-853	-1,270
Restructuring costs, etc.	-140	-153	-82	-51
Operating cash flow before investments in operating assets through leases	3,482	2,935	1,430	959
Investment in operating assets through leases	-145	-51	-67	-32
Operating cash flow	3,337	2,884	1,363	927
Professional Hygiene				
Operating cash surplus	2,632	2,113	1,503	1,190
Change in working capital	-971	-885	-300	-185
Investment in non-current assets, net	-523	-354	-296	-224
Restructuring costs, etc.	-222	-244	-134	-127
Operating cash flow before investments in operating assets through leases	916	630	773	654
Investment in operating assets through leases	-46	-4	-33	1
Operating cash flow	870	626	740	655

Sales growth

SEKm	2206	2022:2
Health & Medical		
Organic sales growth	887	414
Acquisitions	275	161
Sales growth including organic sales growth and acquisitions	1,162	575
Divestments	-47	-21
Exchange rate effect ¹	593	336
Recognized change	1,708	890
Consumer Goods		
Organic sales growth	5,133	3,147
Acquisitions	778	375
Sales growth including organic sales growth and acquisitions	5,911	3,522
Divestments	0	0
Exchange rate effect ¹	3,159	1,871
Recognized change	9,070	5,393
Professional Hygiene		
Organic sales growth	3,155	1,600
Acquisitions	479	255
Sales growth including organic sales growth and acquisitions	3,634	1,855
Divestments	0	0
Exchange rate effect ¹	1,314	816
Recognized change	4,948	2,671
Essity		
Organic sales growth	9,183	5,169
Acquisitions	1,532	791
Sales growth including organic sales growth and acquisitions	10,715	5,960
Divestments	-47	-21
Exchange rate effect ¹	5,065	3,021
Recognized change	15,733	8,960

¹Consists solely of currency translation effects

6 Supplementary information

Net sales, first six months of 2022 by region

Health & Medical

Europe	63%
North America	18%
Asia	7%
Latin America	5%
Other	7%

Consumer Goods

Europe	53%
Asia	25%
Latin America	18%
North America	2%
Other	2%

Professional Hygiene

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