

# Half-year Report 2023



Essity Aktiebolag (publ)



# JANUARY 1 – JUNE 30, 2023

(compared with the corresponding period a year ago)

- Net sales increased 20.2% to SEK 86,856m (72,230)
- Sales growth, including organic sales growth and acquisitions, amounted to 12.8% of which volume accounted for -3.1%, price/mix for 14.6% and acquisitions for 1.3%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) increased 101% to SEK 8,660m (4,313)
- Adjusted EBITA increased 51% to SEK 9,059m (5,984) and the adjusted EBITA margin increased 2.1 percentage points to 10.4% (8.3)
- Profit for the period increased 139% to SEK 5,254m (2,194)
- Earnings per share increased to SEK 7.32 (2.55) and adjusted earnings per share increased 46% to SEK 8.31 (5.69)
- Cash flow from current operations amounted to SEK 1,264m (2,295).
- Return on capital employed increased to 10.8% (9.2) and the adjusted return on capital employed to 11.4% (10.2)
- Essity exited the Russian market in July 2023

## EARNINGS TREND

SEKm	2306	2206	%	2023:2	2022:2	%
Net sales	86,856	72,230	20	43,930	37,929	16
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) <sup>1</sup>	9,059	5,984	51	4,701	3,158	49
Operating profit before amortization of acquisition-related intangible assets (EBITA)	8,660	4,313	101	4,215	2,650	59
Amortization of acquisition-related intangible assets	-567	-539		-281	-276	
Adjusted operating profit <sup>1</sup>	8,492	5,445	56	4,420	2,882	53
Items affecting comparability	-432	-1,928		-519	-515	
Operating profit	8,060	3,517	129	3,901	2,367	65
Financial items	-1,288	-432		-633	-224	
Profit before tax	6,772	3,085	120	3,268	2,143	52
Adjusted profit before tax <sup>1</sup>	7,204	5,013	44	3,787	2,658	42
Income taxes	-1,518	-891		-717	-470	
Profit for the period	5,254	2,194	139	2,551	1,673	52
Earnings per share, SEK	7.32	2.55		3.53	2.11	
Adjusted earnings per share, SEK <sup>2</sup>	8.31	5.69		4.33	2.97	

<sup>1</sup>Excluding items affecting comparability; for amounts see page 13.

<sup>2</sup>Excluding items affecting comparability and amortization of acquisition-related intangible assets.

## CEO'S COMMENTS

### High sales growth and sharp earnings improvement

**Essity performed well in the second quarter with continued high sales growth and higher margins. We are following our plan to achieve our target of a return on capital employed of above 17% by 2025. Essity has now completely exited the Russian market and the ongoing strategic review of ownership in Vinda and Consumer Tissue Private Label Europe is proceeding according to plan.**

#### Increase in sales and higher earnings

During the second quarter, net sales increased 15.8% and sales growth, including organic sales growth and acquisitions, amounted to 8.7%. Sales prices were higher and the product mix was better. The lower volumes are mainly the result of our focus on margin improvement, resulting in us exiting certain volumes with unsatisfactory profitability. Adjusted EBITA increased by 49% and the adjusted EBITA margin by 2.4 percentage points to 10.7%. The margin was positively impacted by higher selling prices, a better mix and cost savings. Earnings per share increased to SEK 3.53.

#### Essity has exited Russia

Since the start of Russia's war against Ukraine, we have been fully focused on exiting Russia. Work commenced in April 2022 and this has now been completed.

#### Strategic review

During the quarter, a strategic review was initiated of our ownership in the Asian hygiene company Vinda and Consumer Tissue Private Label Europe with the aim of reducing Consumer Tissue's share of the company's total sales. The process is proceeding according to plan and various options are being explored that may result in divestments, although no such decisions have yet been taken. Excluding these businesses, Essity's organic sales growth would have amounted to 8.0% and the adjusted EBITA margin to 12.5% during the second quarter of 2023.

#### Sustainable innovations for improved well-being

During the quarter, innovations were launched in all business areas that strengthen our customer and consumer offering and reduce our environmental impact. Our two leading brands, Tork and Libresse, launched Tork Period Care dispenser, which offers feminine care products in public restrooms. We are continuing to build on our globally leading position in leakproof apparel and expanded our offering in Latin America with reusable pads under the Saba and Nosotras brands. Our sustainability work was recognized when we were once again awarded a Platinum medal by EcoVadis.

#### Progress toward our return target

The adjusted return on capital employed increased to 13.2%. We are working in a focused manner – through innovation, value-generating customer offerings, strong brands, efficiency improvements and sustainable, profitable growth – to achieve our target of an adjusted return on capital employed of above 17% by 2025.

Magnus Groth  
President and CEO

**EARNINGS TREND**

SEKm	2306	2206	%	2023:2	2022:2	%
Net sales	86,856	72,230	20	43,930	37,929	16
Cost of goods sold	-63,229	-53,922		-31,851	-28,321	
Items affecting comparability - cost of goods sold	-317	-1,466		-355	-383	
<b>Gross profit</b>	<b>23,310</b>	16,842	38	<b>11,724</b>	9,225	27
<b>Adjusted gross profit<sup>1</sup></b>	<b>23,627</b>	18,308	29	<b>12,079</b>	9,608	26
Sales, general and administration	-14,578	-12,348		-7,386	-6,460	
Items affecting comparability - sales, general and administration	-82	-205		-131	-125	
Share of profits of associates and joint ventures	10	24		8	10	
<b>Operating profit before amortization of acquisition-related intangible assets (EBITA)</b>	<b>8,660</b>	4,313	101	<b>4,215</b>	2,650	59
<b>Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)<sup>1</sup></b>	<b>9,059</b>	5,984	51	<b>4,701</b>	3,158	49
Amortization of acquisition-related intangible assets	-567	-539		-281	-276	
Items affecting comparability - acquisition-related intangible assets	-33	-257		-33	-7	
<b>Operating profit</b>	<b>8,060</b>	3,517	129	<b>3,901</b>	2,367	65
<b>Adjusted operating profit<sup>1</sup></b>	<b>8,492</b>	5,445	56	<b>4,420</b>	2,882	53
Financial items	-1,288	-432		-633	-224	
<b>Profit before tax</b>	<b>6,772</b>	3,085	120	<b>3,268</b>	2,143	52
<b>Adjusted profit before tax<sup>1</sup></b>	<b>7,204</b>	5,013	44	<b>3,787</b>	2,658	42
Income taxes	-1,518	-891		-717	-470	
<b>Profit for the period</b>	<b>5,254</b>	2,194	139	<b>2,551</b>	1,673	52
<b>Adjusted profit for the period<sup>1</sup></b>	<b>5,536</b>	4,011	38	<b>2,914</b>	2,083	40
<sup>1</sup> Excluding items affecting comparability						
Tax on amortization of acquisition-related intangible assets	158	154		79	88	
<b>Margins (%)</b>						
<b>Gross margin</b>	<b>26.8</b>	23.3		<b>26.7</b>	24.3	
<b>Adjusted gross margin<sup>1</sup></b>	<b>27.2</b>	25.3		<b>27.5</b>	25.3	
<b>EBITA margin</b>	<b>10.0</b>	6.0		<b>9.6</b>	7.0	
<b>Adjusted EBITA margin<sup>1</sup></b>	<b>10.4</b>	8.3		<b>10.7</b>	8.3	
<b>Operating margin</b>	<b>9.3</b>	4.9		<b>8.9</b>	6.2	
<b>Adjusted operating margin<sup>1</sup></b>	<b>9.8</b>	7.5		<b>10.1</b>	7.6	
Financial net margin	-1.5	-0.6		-1.4	-0.6	
<b>Profit margin</b>	<b>7.8</b>	4.3		<b>7.5</b>	5.6	
<b>Adjusted profit margin<sup>1</sup></b>	<b>8.3</b>	6.9		<b>8.7</b>	7.0	
Income taxes	-1.7	-1.2		-1.6	-1.2	
Adjusted income taxes <sup>1</sup>	-1.9	-1.4		-2.0	-1.5	
<b>Net margin</b>	<b>6.1</b>	3.1		<b>5.9</b>	4.4	
<b>Adjusted net margin<sup>1</sup></b>	<b>6.4</b>	5.5		<b>6.7</b>	5.5	

<sup>1</sup>Excluding items affecting comparability

**ADJUSTED EBITA BY BUSINESS AREA**

SEKm	2306	2206	%	2023:2	2022:2	%
Health & Medical	1,712	1,509	13	943	673	40
Consumer Goods	4,964	3,506	42	2,493	1,861	34
Professional Hygiene	2,895	1,479	96	1,594	916	74
Other	-512	-510		-329	-292	
<b>Total<sup>1</sup></b>	<b>9,059</b>	<b>5,984</b>	<b>51</b>	<b>4,701</b>	<b>3,158</b>	<b>49</b>

<sup>1</sup> Excluding items affecting comparability; for amounts see page 13.

**ADJUSTED OPERATING PROFIT BY BUSINESS AREA**

SEKm	2306	2206	%	2023:2	2022:2	%
Health & Medical	1,282	1,098	17	731	463	58
Consumer Goods	4,839	3,387	43	2,431	1,801	35
Professional Hygiene	2,884	1,470	96	1,589	911	74
Other	-513	-510		-331	-293	
<b>Total<sup>1</sup></b>	<b>8,492</b>	<b>5,445</b>	<b>56</b>	<b>4,420</b>	<b>2,882</b>	<b>53</b>

<sup>1</sup> Excluding items affecting comparability; for amounts see page 13.

**OPERATING CASH FLOW BY BUSINESS AREA**

SEKm	2306	2206	%	2023:2	2022:2	%
Health & Medical	556	629	-12	274	105	161
Consumer Goods	2,068	3,337	-38	937	1,363	-31
Professional Hygiene	2,722	870	213	1,793	740	142
Other	-1,103	-797		-992	-421	
<b>Total</b>	<b>4,243</b>	<b>4,039</b>	<b>5</b>	<b>2,012</b>	<b>1,787</b>	<b>13</b>

## GROUP

### NET SALES AND EARNINGS

#### January–June 2023 compared with the corresponding period a year ago

Net sales increased 20.2% to SEK 86,856m (72,230). Sales growth, including organic sales growth and acquisitions, amounted to 12.8%, of which volume accounted for -3.1%, price/mix for 14.6% and acquisitions for 1.3%. Sales prices were higher and the mix better in all business areas. Volumes were negatively impacted on account of the company's prioritization of higher profitability ahead of volume. Furthermore, volumes were negatively impacted by lower volumes in Russia and the discontinuation of the baby diaper business in Latin America. Organic sales growth in mature markets amounted to 11.5% and in emerging markets to 11.6%. Emerging markets accounted for 37% of net sales. Exchange rate effects increased net sales by 7.4%.

The Group's gross margin increased to 26.8% (23.3). The Group's adjusted gross margin increased 1.9 percentage points to 27.2% (25.3). The margin was positively impacted by higher selling prices and a better mix in all business areas. Higher costs for raw materials, energy and distribution reduced the margin by 6.8 percentage points. The margin was also negatively impacted by salary inflation and lower volumes, and thus lower cost absorption.

The Group's EBITA margin increased to 10.0% (6.0). The Group's adjusted EBITA margin increased 2.1 percentage points to 10.4% (8.3). Sales costs were higher, mainly due to salary inflation and higher marketing costs in Consumer Goods. Sales costs declined as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) increased to SEK 8,660m (4,313). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 51% (36% excluding currency translation effects, acquisitions and divestments) to SEK 9,059m (5,984).

Items affecting comparability amounted to SEK -432m (-1,928). Costs are mainly attributable to restructuring costs.

Financial items increased to SEK -1,288m (-432) on account of higher average net debt and higher interest rates.

Profit before tax increased to SEK 6,772m (3,085). Adjusted profit before tax increased 44% (30% excluding currency translation effects, acquisitions and divestments) to SEK 7,204m (5,013).

The tax expense was SEK 1,518m (891). The tax expense, excluding effects of items affecting comparability, was SEK 1,668m (1,002).

Profit for the period increased 139% (125% excluding currency translation effects, acquisitions and divestments) to SEK 5,254m (2,194). Adjusted profit for the period increased 38% (24% excluding currency translation effects, acquisitions and divestments) to SEK 5,536m (4,011).

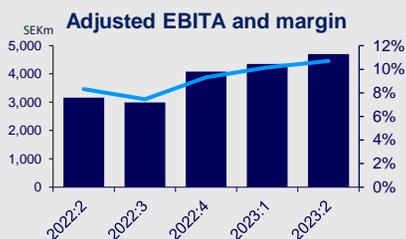
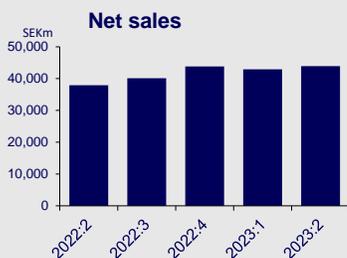
Earnings per share increased to SEK 7.32 (2.55). Adjusted earnings per share increased to SEK 8.31 (5.69).

Return on capital employed was 10.8% (9.2). The adjusted return on capital employed was 11.4% (10.2). Return on equity was 11.7% (10.7). The adjusted return on equity was 12.6% (12.6).

#### Second quarter of 2023 compared with the corresponding period a year ago

Net sales increased 15.8% to SEK 43,930m (37,929). Sales growth, including organic sales growth and acquisitions, amounted to 8.7%, of which volume accounted for -3.6%, price/mix for 11.0% and acquisitions for 1.3%. Sales prices were higher and the mix better. Volumes were negatively impacted on account of the company's prioritization of higher profitability ahead of volume and restructuring measures in Professional Hygiene's European operations. Furthermore, volumes were negatively impacted by lower volumes in Russia and the discontinuation of the baby diaper business in Latin America. Organic sales growth in mature markets amounted to 6.8% and in emerging markets to 8.8%. Emerging markets accounted for 37% of net sales. Exchange rate effects increased net sales by 7.1%.

The Group's gross margin increased to 26.7% (24.3). The Group's adjusted gross margin increased 2.2 percentage points to 27.5% (25.3). The margin was positively impacted by higher



Excluding items affecting comparability

#### Change in net sales (%)

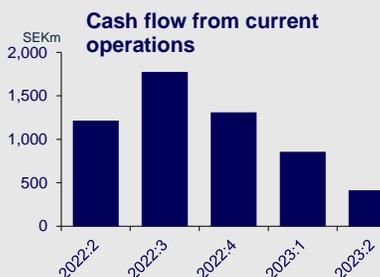
	2306 vs 2206	23:2 vs 22:2
<b>Total</b>	<b>20.2</b>	<b>15.8</b>
Volume	-3.1	-3.6
Price/mix	14.6	11.0
Currency	7.4	7.1
Acquisitions	1.3	1.3
Divestments	0.0	0.0

#### Change in adjusted EBITA (%)

	2306 vs 2206	23:2 vs 22:2
<b>Total</b>	<b>51</b>	<b>49</b>
Volume	-6	-8
Price/mix	177	138
Raw materials	-72	-50
Energy	-16	-13
Other goods sold	-28	-21
Sales & admin	-24	-19
Currency	13	13
Other	7	9



Excluding items affecting comparability



selling prices, a better mix and cost savings. Higher costs for raw materials and energy reduced the margin by 4.9 percentage points. The margin was also negatively impacted by salary inflation and lower volumes, and thus lower cost absorption.

The Group's EBITA margin increased to 9.6% (7.0). The Group's adjusted EBITA margin increased 2.4 percentage points to 10.7% (8.3). Sales costs were higher, mainly due to salary inflation and higher marketing costs in Consumer Goods. Sales costs declined as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) increased to SEK 4,215m (2,650). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 49% (34% excluding currency translation effects, acquisitions and divestments) to SEK 4,701m (3,158).

Profit for the period increased 52% (39% excluding currency translation effects, acquisitions and divestments) to SEK 2,551m (1,673). Adjusted profit for the period increased 40% (27% excluding currency translation effects, acquisitions and divestments) to SEK 2,914m (2,083).

Earnings per share increased to SEK 3.53 (2.11). Adjusted earnings per share increased to SEK 4.33 (2.97).

Return on capital employed increased to 11.8% (8.0) and the adjusted return on capital employed to 13.2% (9.6). Return on equity increased to 13.3% (9.2). The adjusted return on equity increased to 15.2% (11.5).

## CASH FLOW AND FINANCING

### January–June 2023 compared with the corresponding period a year ago

The operating cash surplus amounted to SEK 13,255m (9,804). The cash flow effect of changes in working capital was SEK -4,950m (-2,237). Working capital was negatively impacted by lower trade payables on account of lower purchasing volumes and lower prices for raw materials. Credit periods in trade payables are unchanged. In addition, working capital was negatively impacted by higher trade receivables due to higher selling prices. Credit periods for trade receivables were also unchanged. Lower inventories had a positive impact on working capital. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -3,293m (-3,003). Operating cash flow before investments in operating assets through leases amounted to SEK 4,507m (4,264). Operating cash flow was SEK 4,243m (4,039).

Financial items increased to SEK -1,288m (-432) on account of higher average net debt and higher interest rates.

Tax payments had an impact on cash flow of SEK -1,704m (-1,320).

Acquisitions amounted to SEK -26m (-459). Net cash flow totaled SEK -4,096m (-3,353).

Net debt increased by SEK 6,255m during the period to SEK 69,124m. Excluding pension liabilities, net debt amounted to SEK 69,452m. Net cash flow increased net debt by SEK 4,096m. 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 1,119m. Exchange rate movements increased net debt by SEK 3,112m. The debt/equity ratio was 0.86 (0.78). Excluding pension liabilities, the debt/equity ratio was 0.87 (0.77). The debt payment capacity was 27% (27). Net debt in relation to EBITDA amounted to 2.95 (3.01). Net debt in relation to adjusted EBITDA amounted to 2.90 (3.06).

## EQUITY

### January–June 2023

The Group's equity increased by SEK 3,512m during the period, to SEK 80,076m. Profit for the period increased equity by SEK 5,254m. Equity decreased due to dividends to shareholders of SEK 5,333m. Equity increased net after tax by SEK 844m 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 decreased equity by SEK 1,775m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 4,570m. Other items reduced equity by SEK 48m.

## **TAX**

### **January–June 2023**

A tax expense of SEK 1,668m was reported, excluding items affecting comparability, corresponding to a tax rate of 23.2% for the period. The tax expense including items affecting comparability was SEK 1,518m, corresponding to a tax rate of 22.4% for the period.

## **EVENTS DURING THE QUARTER**

### **Essity initiates strategic review of its ownership of Vinda and the Consumer Tissue Private Label Europe business**

On April 26, 2023, Essity announced that the company has decided to initiate a strategic review of the company's ownership of the Asian hygiene company Vinda International Holdings Ltd (Vinda) and the Consumer Tissue Private Label Europe business with the aim of reducing Consumer Tissue's share of the company's total sales. The strategic review includes exploring different options and may result in divestments, although no such decisions have yet been taken.

## **EVENTS AFTER THE QUARTER**

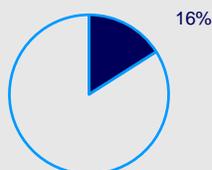
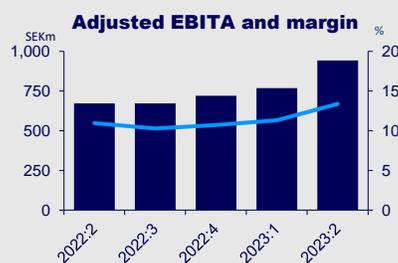
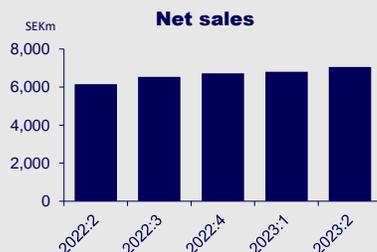
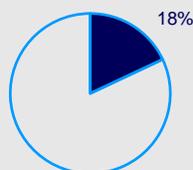
### **Essity has exited the Russian market**

On July 17, 2023, Essity announced that it had completed the divestment of its operations in Russia for a purchase price of approximately SEK 1.2bn on a cash and debt-free basis. Essity has thus exited Russia.

Essity began work in April 2022 to exit the Russian market and in 2022 an impairment was carried out of the company's assets in Russia of approximately SEK 1.7bn.

In 2022, Essity's net sales in Russia corresponded to about 2% of its total consolidated net sales.

The buyer is the company New Technologies LLC, with the principal owner Igor Shilov. The earnings impact, including accumulated currency translation differences, amounts to approximately SEK -0.5bn and will be reported as an item affecting comparability in the third quarter of 2023.

Share of Group, net sales  
2306Share of Group, adjusted EBITA  
2306

Change in net sales (%)

	2306 vs 2206	23:2 vs 22:2
<b>Total</b>	<b>15.7</b>	<b>14.8</b>
Volume	-1.9	-3.5
Price/mix	11.1	11.5
Currency	6.5	6.8
Acquisitions	0.0	0.0
Divestments	0.0	0.0

Change in adjusted EBITA (%)

	2306 vs 2206	23:2 vs 22:2
<b>Total</b>	<b>13</b>	<b>40</b>
Volume	-5	-13
Price/mix	84	97
Raw materials	-42	-46
Energy	-2	-4
Other goods sold	-11	5
Sales & admin	-18	-12
Currency	8	11
Other	-1	2

## HEALTH & MEDICAL

SEKm	2306	2206	%	2023:2	2022:2	%
Net sales	13,850	11,967	16	7,051	6,145	15
Adjusted gross profit margin, %*	37.8	38.1		38.5	36.7	
Adjusted EBITA*	1,712	1,509	13	943	673	40
Adjusted EBITA margin, %*	12.4	12.6		13.4	11.0	
Adjusted operating profit*	1,282	1,098	17	731	463	58
Adjusted operating margin, %*	9.3	9.2		10.4	7.5	
Adjusted return on capital employed, %*	8.8	10.9		10.5	8.0	
Operating cash flow	556	629		274	105	

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

### January–June 2023 compared with the corresponding period a year ago

Net sales increased 15.7% to SEK 13,850m (11,967). Sales growth, including organic sales growth and acquisitions, amounted to 9.2%, of which volume accounted for -1.9%, price/mix for 11.1% and acquisitions for 0.0%. The organic sales growth amounted to 8.4% in mature markets. In emerging markets, which accounted for 20% of net sales, organic sales growth was 12.3%. Exchange rate effects increased net sales by 6.5%.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 10.4% due to higher prices and a better mix. Volumes decreased somewhat as a result of the decision to exit contracts with insufficient profitability and lower volumes in Russia. In Medical Solutions, organic sales growth amounted to 7.5% as a result of higher prices and a better mix.

The adjusted gross margin decreased 0.3 percentage points to 37.8% (38.1). Higher costs for raw materials and energy, lower volumes and salary inflation had a negative impact on the margin. The margin was positively impacted by higher prices and a better mix. The adjusted EBITA margin decreased 0.2 percentage points to 12.4% (12.6). Sales costs were higher, mainly due to salary inflation. Sales costs were unchanged as a share of net sales. Adjusted EBITA increased 13% (5% excluding currency translation effects, acquisitions and divestments) to SEK 1,712m (1,509).

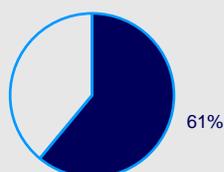
The operating cash surplus amounted to SEK 2,186m (1,935).

### Second quarter of 2023 compared with the corresponding period a year ago

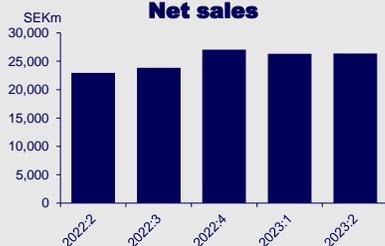
Net sales increased 14.8% to SEK 7,051m (6,145). Sales growth, including organic sales growth and acquisitions, amounted to 8.0%, of which volume accounted for -3.5%, price/mix for 11.5% and acquisitions for 0.0%. The organic sales growth amounted to 7.1% in mature markets. In emerging markets, which accounted for 21% of net sales, organic sales growth was 11.4%. Exchange rate effects increased net sales by 6.8%.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 10.1% due to higher prices and a better mix. Volumes decreased as a result of the decision to discontinue contracts with insufficient profitability. In Medical Solutions, organic sales growth amounted to 5.1% mainly as a result of higher prices. Sales growth was high in the Compression Therapy product segment.

The adjusted gross margin increased 1.8 percentage points to 38.5% (36.7). The margin was positively impacted by higher prices, a better mix and cost savings. Higher costs for raw materials and energy, lower volumes and salary inflation had a negative impact on the margin. The adjusted EBITA margin increased 2.4 percentage points to 13.4% (11.0). Sales costs increased primarily due to salary inflation and somewhat higher marketing costs. Sales costs declined as a share of net sales. Adjusted EBITA increased 40% (29% excluding currency translation effects, acquisitions and divestments) to SEK 943m (673).

Share of Group, net sales  
2306Share of Group, adjusted EBITA  
2306

Net sales



Adjusted EBITA and margin



Change in net sales (%)

	2306 vs 2206	23:2 vs 22:2
<b>Total</b>	<b>19.8</b>	<b>14.7</b>
Volume	-3.1	-3.0
Price/mix	13.6	8.8
Currency	7.2	6.7
Acquisitions	2.1	2.2
Divestments	0.0	0.0

Change in adjusted EBITA (%)

	2306 vs 2206	23:2 vs 22:2
<b>Total</b>	<b>42</b>	<b>34</b>
Volume	-3	-3
Price/mix	175	121
Raw materials	-89	-58
Energy	-18	-16
Other goods sold	-24	-19
Sales & admin	-23	-18
Currency	12	11
Other	12	16

## CONSUMER GOODS

SEKm	2306	2206	%	2023:2	2022:2	%
Net sales	52,653	43,956	20	26,344	22,970	15
Adjusted gross profit margin, %*	24.6	23.1		24.6	23.2	
Adjusted EBITA*	4,964	3,506	42	2,493	1,861	34
Adjusted EBITA margin, %*	9.4	8.0		9.5	8.1	
Adjusted operating profit*	4,839	3,387	43	2,431	1,801	35
Adjusted operating margin, %*	9.2	7.7		9.2	7.8	
Adjusted return on capital employed, %*	11.1	10.4		12.5	10.5	
Operating cash flow	2,068	3,337		937	1,363	

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

### January–June 2023 compared with the corresponding period a year ago

Net sales increased 19.8% to SEK 52,653m (43,956). Sales growth, including organic sales growth and acquisitions, amounted to 12.6%, of which volume accounted for -3.1%, price/mix for 13.6% and acquisitions for 2.1%. Volumes declined on account of the company's prioritization of higher profitability ahead of volume. In addition, volumes were negatively impacted by lower volumes in Russia. Organic sales growth amounted to 9.8% in mature markets. In emerging markets, which accounted for 49% of net sales, organic sales growth was 11.2%. Exchange rate effects increased net sales by 7.2%.

The adjusted gross margin increased 1.5 percentage points to 24.6% (23.1). The margin was positively impacted by higher prices and a better mix. Higher costs for raw materials, energy and distribution, lower volumes and salary inflation, had a negative impact on the margin. The adjusted EBITA margin increased 1.4 percentage points to 9.4% (8.0). Sales costs were higher due to salary inflation and higher marketing costs. Sales costs were unchanged as a share of net sales. Adjusted EBITA increased 42% (26% excluding currency translation effects, acquisitions and divestments) to SEK 4,964m (3,506).

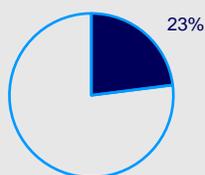
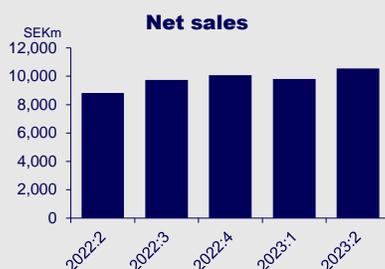
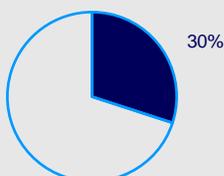
The operating cash surplus amounted to SEK 7,311m (5,625).

### Second quarter of 2023 compared with the corresponding period a year ago

Net sales increased 14.7% to SEK 26,344m (22,970). Sales growth, including organic sales growth and acquisitions, amounted to 8.0%, of which volume accounted for -3.0%, price/mix for 8.8% and acquisitions for 2.2%. Sales prices were higher in all product segments. Volumes declined on account of the company's prioritization of higher profitability ahead of volume. Organic sales growth amounted to 3.7% in mature markets. In emerging markets, which accounted for 49% of net sales, organic sales growth was 7.8%. Exchange rate effects increased net sales by 6.7%.

For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 13.7% due to higher volumes, higher prices and a better mix. In Feminine Care, organic sales growth amounted to 10.5% as a result of higher volumes and higher prices. In Baby Care, organic sales growth was -1.8%, mainly due to lower volumes, which were negatively impacted by the discontinuation of the baby diaper business in Latin America and the decision to exit retailer brands contract with insufficient profitability in Europe. Sales prices in Baby Care were higher. In Consumer Tissue, organic sales growth amounted to 4.8%, mainly as a result of higher prices in addition to a better mix. Volumes were lower on account of the prioritization of higher profitability ahead of volume. For the Consumer Tissue Private Label Europe division, organic sales growth amounted to 3.5% as a result of higher prices and lower volumes.

The adjusted gross margin increased 1.4 percentage points to 24.6% (23.2). The margin was positively impacted by higher prices, a better mix and cost savings. Higher costs for raw materials and energy, lower volumes and salary inflation had a negative impact on the margin. The adjusted EBITA margin increased 1.4 percentage points to 9.5% (8.1). Sales costs were higher due to salary inflation and higher marketing costs. Sales costs were somewhat lower as a share of net sales. Adjusted EBITA increased 34% (20% excluding currency translation effects, acquisitions and divestments) to SEK 2,493m (1,861).

Share of Group, net sales  
2306Share of Group, adjusted EBITA  
2306

Change in net sales (%)

	2306 vs 2206	23:2 vs 22:2
<b>Total</b>	<b>24.8</b>	<b>19.6</b>
Volume	-4.2	-5.0
Price/mix	19.9	16.2
Currency	8.9	8.4
Acquisitions	0.2	0.0
Divestments	0.0	0.0

Change in adjusted EBITA (%)

	2306 vs 2206	23:2 vs 22:2
<b>Total</b>	<b>96</b>	<b>74</b>
Volume	-10	-11
Price/mix	216	158
Raw materials	-39	-20
Energy	-20	-12
Other goods sold	-42	-33
Sales & admin	-23	-18
Currency	13	10
Other	1	0

## PROFESSIONAL HYGIENE

SEKm	2306	2206	%	2023:2	2022:2	%
Net sales	20,349	16,304	25	10,539	8,811	20
Adjusted gross profit margin, %*	26.7	21.7		27.5	22.5	
Adjusted EBITA*	2,895	1,479	96	1,594	916	74
Adjusted EBITA margin, %*	14.2	9.1		15.1	10.4	
Adjusted operating profit*	2,884	1,470	96	1,589	911	74
Adjusted operating margin, %*	14.2	9.0		15.1	10.3	
Adjusted return on capital employed, %*	18.9	12.1		22.7	13.3	
Operating cash flow	2,722	870		1,793	740	

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

### January–June 2023 compared with the corresponding period a year ago

Net sales increased 24.8% to SEK 20,349m (16,304). Sales growth, including organic sales growth and acquisitions, amounted to 15.9%, of which volume accounted for -4.2%, price/mix for 19.9% and acquisitions for 0.2%. Volumes declined on account of the company's prioritization of higher profitability ahead of volume and restructuring measures in the European operation. In addition, volumes were negatively impacted by lower volumes in Russia. Organic sales growth amounted to 16.8% in mature markets. In emerging markets, which accounted for 18% of net sales, organic sales growth was 14.4%. Exchange rate effects increased net sales by 8.9%.

The adjusted gross margin increased by 5.0 percentage points to 26.7% (21.7). The margin was positively impacted by higher prices and a better mix. Higher costs for raw materials and energy, lower volumes and salary inflation had a negative impact on the margin. The adjusted EBITA margin increased 5.1 percentage points to 14.2% (9.1). Sales costs were higher due to salary inflation and somewhat higher marketing costs. Sales costs declined slightly as a share of net sales. Adjusted EBITA increased 96% (82% excluding currency translation effects, acquisitions and divestments) to SEK 2,895m (1,479).

The operating cash surplus amounted to SEK 4,141m (2,632).

### Second quarter of 2023 compared with the corresponding period a year ago

Net sales increased 19.6% to SEK 10,539m (8,811). Sales growth, including organic sales growth and acquisitions, amounted to 11.2%, of which volume accounted for -5.0%, price/mix for 16.2% and acquisitions for 0.0%. Volumes declined on account of the company's prioritization of higher profitability ahead of volume and restructuring measures in the European operation. Organic sales growth amounted to 11.7% in mature markets. In emerging markets, which accounted for 19% of net sales, organic sales growth was 13.9%. Exchange rate effects increased net sales by 8.4%.

The adjusted gross margin increased by 5.0 percentage points to 27.5% (22.5). The margin was positively impacted by higher prices and a better mix. Higher costs for raw materials and energy, lower volumes and salary inflation had a negative impact on the margin. The adjusted EBITA margin increased 4.7 percentage points to 15.1% (10.4). Sales costs were higher due to salary inflation and somewhat higher marketing costs. Sales costs increased as a share of net sales. Adjusted EBITA increased 74% (64% excluding currency translation effects, acquisitions and divestments) to SEK 1,594m (916).

Essity is continuing to improve profitability by focusing production and sales on the company's more innovative and value-creating customer offerings. As part of this process, Essity is planning to implement restructuring measures in Professional Hygiene in the US that include the closure of two production plants in New York state. Restructuring costs are estimated to amount to approximately SEK 1.2bn and will be recognized as an item affecting comparability in the third quarter of 2023. Of these costs, approximately SEK 350m is expected to impact cash flow. The restructuring measures are expected to have a low single-digit negative impact on volume in the second half of 2023 and full-year 2024.

## Board of Directors' assurance

The Board of Directors and 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 20, 2023

Essity Aktiebolag (publ)

Ewa Björling  
Board member

Pär Boman  
Chairman of the Board

Maria Carell  
Board member

Annemarie Gardshol  
Board member

Magnus Groth  
President  
and CEO  
Board member

Jan Gurander  
Board member

Susanna Lind  
Board member,  
employee representative

Torbjörn Lööf  
Board member

Bert Nordberg  
Board member

Örjan Svensson  
Board member,  
employee representative

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, 2023 and for the six-month 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 20, 2023

Ernst & Young AB

Erik Sandström  
Authorized Public Accountant

## DISTRIBUTION OF SHARES

June 30, 2023	Class A	Class B	Total
Registered number of shares	61,158,914	641,183,575	702,342,489

At the end of the period, the proportion of Class A shares was 8.7%. In the second quarter, no Class A shares were converted to Class B shares. The total number of votes in the company amounts to 1,252,772,715.

## FUTURE REPORTS

In 2023, an interim report will be published on October 26. The year-end report for 2023 will be published on January 25, 2024.

## INVITATION TO PRESENTATION OF THE HALF-YEAR REPORT FOR 2023

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

### Presentation:

Date: Thursday, 20 July 2023

Time: 09:00 CET

Link to web presentation: <https://essity.videosync.fi/2023-07-20-q2>

Telephone: UK: +44 (0) 33 0551 02 00, USA: +1 786 697 35 01, SWE: +46 (0) 8 505 204 24. Please call in well in advance of the start of the presentation. Indicate: "Essity".

### For further information, please contact:

Fredrik Rystedt, CFO and Executive Vice President, +46 (0) 8 788 51 31

Johan Karlsson, Vice President Investor Relations, Group Function Finance, +46 (0) 70 511 15 81

Per Lorentz, Vice President Corporate Communications, Group Function Communications, +46 (0) 73 313 30 55

### NB:

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This information is such 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 CET on July 20, 2023.

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## CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	2023:2	2022:2	2023:1	2306	2206
Net sales	43,930	37,929	42,926	86,856	72,230
Cost of goods sold <sup>1,2</sup>	-31,851	-28,321	-31,378	-63,229	-53,922
Items affecting comparability - cost of goods sold <sup>2</sup>	-355	-383	38	-317	-1,466
<b>Gross profit</b>	<b>11,724</b>	<b>9,225</b>	<b>11,586</b>	<b>23,310</b>	<b>16,842</b>
Sales, general and administration <sup>1,2</sup>	-7,386	-6,460	-7,192	-14,578	-12,348
Items affecting comparability - sales, general and administration <sup>2</sup>	-131	-125	49	-82	-205
Share of profits of associates and joint ventures	8	10	2	10	24
<b>Operating profit before amortization of acquisition-related intangible assets (EBITA)</b>	<b>4,215</b>	<b>2,650</b>	<b>4,445</b>	<b>8,660</b>	<b>4,313</b>
Amortization of acquisition-related intangible assets	-281	-276	-286	-567	-539
Items affecting comparability - acquisition-related intangible assets <sup>2</sup>	-33	-7	0	-33	-257
<b>Operating profit</b>	<b>3,901</b>	<b>2,367</b>	<b>4,159</b>	<b>8,060</b>	<b>3,517</b>
Financial items	-633	-224	-655	-1,288	-432
<b>Profit before tax</b>	<b>3,268</b>	<b>2,143</b>	<b>3,504</b>	<b>6,772</b>	<b>3,085</b>
Income taxes	-717	-470	-801	-1,518	-891
<b>Profit for the period</b>	<b>2,551</b>	<b>1,673</b>	<b>2,703</b>	<b>5,254</b>	<b>2,194</b>
<b>Earnings attributable to:</b>					
Owners of the Parent company	2,479	1,485	2,663	5,142	1,791
Non-controlling interests	72	188	40	112	403
<b>Earnings per share - owners of the Parent company</b>					
Earnings per share before and after dilution effects, SEK	3.53	2.11	3.79	7.32	2.55
Average numbers of shares before and after dilution, million	702.3	702.3	702.3	702.3	702.3
<sup>1</sup> Of which, depreciation and amortization	-2,228	-2,068	-2,194	-4,422	-4,055
<sup>2</sup> Of which, impairment	-154	-308	27	-127	-1,690
<b>Gross margin</b>	<b>26.7</b>	<b>24.3</b>	<b>27.0</b>	<b>26.8</b>	<b>23.3</b>
<b>EBITA margin</b>	<b>9.6</b>	<b>7.0</b>	<b>10.4</b>	<b>10.0</b>	<b>6.0</b>
Operating margin	8.9	6.2	9.7	9.3	4.9
Financial net margin	-1.4	-0.6	-1.5	-1.5	-0.6
<b>Profit margin</b>	<b>7.5</b>	<b>5.6</b>	<b>8.2</b>	<b>7.8</b>	<b>4.3</b>
Income taxes	-1.6	-1.2	-1.9	-1.7	-1.2
<b>Net margin</b>	<b>5.9</b>	<b>4.4</b>	<b>6.3</b>	<b>6.1</b>	<b>3.1</b>
<b>Excluding items affecting comparability:</b>					
<b>Gross margin</b>	<b>27.5</b>	<b>25.3</b>	<b>26.9</b>	<b>27.2</b>	<b>25.3</b>
<b>EBITA margin</b>	<b>10.7</b>	<b>8.3</b>	<b>10.2</b>	<b>10.4</b>	<b>8.3</b>
Operating margin	10.1	7.6	9.5	9.8	7.5
Financial net margin	-1.4	-0.6	-1.5	-1.5	-0.6
<b>Profit margin</b>	<b>8.7</b>	<b>7.0</b>	<b>8.0</b>	<b>8.3</b>	<b>6.9</b>
Income taxes	-2.0	-1.5	-1.9	-1.9	-1.4
<b>Net margin</b>	<b>6.7</b>	<b>5.5</b>	<b>6.1</b>	<b>6.4</b>	<b>5.5</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2023:2	2022:2	2023:1	2306	2206
<b>Profit for the period</b>	<b>2,551</b>	<b>1,673</b>	<b>2,703</b>	<b>5,254</b>	<b>2,194</b>
<b>Other comprehensive income for the period</b>					
<b>Items that will not be reclassified to the income statement</b>					
Actuarial gains/losses on defined benefit pension plans	651	934	466	1,117	2,262
Fair value through other comprehensive income	1	-7	1	2	-14
Income tax attributable to components in other comprehensive income	-152	-241	-120	-272	-557
	500	686	347	847	1,691
<b>Items that have been or may be reclassified subsequently to the income statement</b>					
Cash flow hedges					
Result from remeasurement of derivatives recognized in equity	-696	2,304	-2,127	-2,823	5,695
Transferred to profit or loss for the period	643	-1,145	-212	431	-2,223
Translation differences in foreign operations	4,197	5,373	770	4,967	7,575
Gains/losses from hedges of net investments in foreign operations	-690	-1,010	138	-552	-1,378
Income tax attributable to components in other comprehensive income	155	-121	600	755	-664
	3,609	5,401	-831	2,778	9,005
<b>Other comprehensive income for the period, net of tax</b>	<b>4,109</b>	<b>6,087</b>	<b>-484</b>	<b>3,625</b>	<b>10,696</b>
<b>Total comprehensive income for the period</b>	<b>6,660</b>	<b>7,760</b>	<b>2,219</b>	<b>8,879</b>	<b>12,890</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent company	6,674	7,193	2,125	8,799	11,847
Non-controlling interests	-14	567	94	80	1,043

## CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEKm	2306	2206
<b>Equity attributable to owners of the Parent company</b>		
Value, January 1	67,346	59,874
Total comprehensive income for the period	8,799	11,847
Dividend	-5,092	-4,916
Acquisition of non-controlling interests	1	-9
Private placement to non-controlling interests	0	17
Transferred to cost of hedged investments	13	18
Revaluation effect upon acquisition of non-controlling interests	-48	0
<b>Value, June 30</b>	<b>71,019</b>	<b>66,831</b>
<b>Non-controlling interests</b>		
Value, January 1	9,218	8,633
Total comprehensive income for the period	80	1,043
Dividend	-241	-312
Private placement to non-controlling interests	0	16
Acquisition of non-controlling interests	0	-4
<b>Value, June 30</b>	<b>9,057</b>	<b>9,376</b>
<b>Total equity, value June 30</b>	<b>80,076</b>	<b>76,207</b>

## CONSOLIDATED CASH FLOW STATEMENT

SEKm	2306	2206
<b>Operating activities</b>		
Operating profit	8,060	3,517
Adjustment for non-cash items <sup>1)</sup>	5,099	6,250
Interest paid	-804	-419
Interest received	155	54
Other financial items	-651	-148
Capitalized expenditures to fulfill contracts with customers	-237	-226
Change in liabilities relating to restructuring programs, etc.	-159	-29
Paid tax	-1,704	-1,320
<b>Cash flow from operating activities before changes in working capital</b>	<b>9,759</b>	<b>7,679</b>
<b>Cash flow from changes in working capital</b>		
Change in inventories	2,095	-2,251
Change in operating receivables	-1,717	-3,182
Change in operating liabilities	-5,328	3,196
<b>Cash flow from operating activities</b>	<b>4,809</b>	<b>5,442</b>
<b>Investing activities</b>		
Acquisitions of Group companies and other operations	-10	-357
Investments in intangible assets and property, plant and equipment	-3,303	-3,026
Sale of property, plant and equipment	19	50
Investments in financial assets, etc.	-565	-2,126
Paid interest capitalized in intangible assets and property, plant and equipment	-9	-27
<b>Cash flow from investing activities</b>	<b>-3,868</b>	<b>-5,486</b>
<b>Financing activities</b>		
Private placement to non-controlling interests	0	34
Acquisition of non-controlling interests	0	-13
Dividend	-5,092	-4,916
Proceeds from borrowings	10,395	11,529
Repayment of borrowings	-3,733	-5,740
Dividend to non-controlling interests	-242	-307
<b>Cash flow from financing activities</b>	<b>1,328</b>	<b>587</b>
<b>Cash flow for the period</b>	<b>2,269</b>	<b>543</b>
Cash and cash equivalents at the beginning of the period	4,288	3,904
Translation differences in cash and cash equivalents	-44	548
<b>Cash and cash equivalents at the end of the period</b>	<b>6,513</b>	<b>4,995</b>
Cash flow from operating activities per share, SEK	6.85	7.75
<b>Reconciliation with consolidated operating cash flow statement</b>		
<b>Cash flow for the period</b>	<b>2,269</b>	<b>543</b>
Repayment of borrowings	3,733	5,740
Proceeds from borrowings	-10,395	-11,529
Investments in financial assets, etc.	565	2,126
Investments in operating assets through leases	-264	-225
Net debt in acquired and divested operations	-16	-89
Accrued interest	12	81
<b>Net cash flow according to consolidated operating cash flow statement</b>	<b>-4,096</b>	<b>-3,353</b>
<sup>1)</sup> Adjustment for non-cash items		
Depreciation/amortization and impairment of non-current assets	4,549	5,745
Gain/loss on sale of assets	4	1
Depreciation of prepaid selling expenses	244	221
Gain/loss on divestment and liquidation	0	2
Non-cash items relating to efficiency program	217	115
Other	85	166
<b>Total</b>	<b>5,099</b>	<b>6,250</b>

## CONSOLIDATED OPERATING CASH FLOW STATEMENT, SUPPLEMENTARY DISCLOSURE

SEKm	2306	2206
Operating cash surplus	13,255	9,804
Change in working capital	-4,950	-2,237
Investments in non-current assets, net	-3,293	-3,003
Restructuring costs, etc.	-505	-300
<b>Operating cash flow before Investments in operating assets through leases</b>	<b>4,507</b>	4,264
Investments in operating assets through leases	-264	-225
<b>Operating cash flow</b>	<b>4,243</b>	4,039
Financial items	-1,288	-432
Income taxes paid	-1,704	-1,320
Other	13	8
<b>Cash flow from current operations</b>	<b>1,264</b>	2,295
Acquisitions of Group companies and other operations	-26	-459
<b>Cash flow before transactions with shareholders</b>	<b>1,238</b>	1,836
Private placement to non-controlling interest	0	34
Dividend to non-controlling interests	-242	-307
Dividend	-5,092	-4,916
<b>Net cash flow</b>	<b>-4,096</b>	-3,353
<b>Net debt at the beginning of the period</b>	<b>-62,869</b>	-55,433
Net cash flow	-4,096	-3,353
Remeasurements to equity	1,119	2,248
Investments in non-operating assets through leases	-166	-276
Translation differences	-3,112	-2,845
<b>Net debt at the end of the period</b>	<b>-69,124</b>	-59,659
<b>Debt/equity ratio</b>	<b>0.86</b>	0.78
<b>Debt payment capacity, %</b>	<b>27</b>	27
<b>Net debt / EBITDA</b>	<b>2.95</b>	3.01
<b>Net debt / Adjusted EBITDA</b>	<b>2.90</b>	3.06

## CONSOLIDATED BALANCE SHEET

SEKm	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	47,005	44,786
Other intangible assets	26,202	25,346
Property, plant and equipment	66,054	62,898
Investments in associates and joint ventures	302	291
Shares and participations	6	6
Surplus in funded pension plans	2,845	1,965
Non-current financial assets	140	123
Deferred tax assets	3,032	2,545
Other non-current assets	952	1,620
<b>Total non-current assets</b>	<b>146,538</b>	<b>139,580</b>
<b>Current Assets</b>		
Inventories	28,027	28,888
Trade receivables	28,444	25,990
Current tax assets	1,064	1,152
Other current receivables	5,152	5,761
Current financial assets	5,865	4,941
Cash and cash equivalents	6,513	4,288
<b>Total current assets</b>	<b>75,065</b>	<b>71,020</b>
<b>Total assets</b>	<b>221,603</b>	<b>210,600</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	2,350	2,350
Reserves	14,299	11,477
Retained earnings	54,370	53,519
<b>Attributable to owner of the Parent</b>	<b>71,019</b>	<b>67,346</b>
Non-controlling interests	9,057	9,218
<b>Total equity</b>	<b>80,076</b>	<b>76,564</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	56,054	58,242
Provisions for pensions	2,517	2,671
Deferred tax liabilities	8,570	8,718
Other non-current provisions	374	491
Other non-current liabilities	1,336	1,196
<b>Total non-current liabilities</b>	<b>68,851</b>	<b>71,318</b>
<b>Current liabilities</b>		
Current financial liabilities	25,916	13,273
Trade payables	21,760	25,644
Current tax liabilities	1,593	1,589
Current provisions	953	1,217
Other current liabilities	22,454	20,995
<b>Total current liabilities</b>	<b>72,676</b>	<b>62,718</b>
<b>Total liabilities</b>	<b>141,527</b>	<b>134,036</b>
<b>Total equity and liabilities</b>	<b>221,603</b>	<b>210,600</b>

**CONSOLIDATED BALANCE SHEET (cont.)**

SEKm	June 30, 2023	December 31, 2022
Debt/equity ratio	0.86	0.82
Equity/assets ratio	32%	32%
Equity	80,076	76,564
Equity per share, SEK	114	109
Return on equity	11.7%	8.1%
Return on equity, excluding items affecting comparability	12.6%	11.1%
Capital employed	149,200	139,433
- of which working capital	18,124	14,033
Return on capital employed*	10.8%	8.1%
Return on capital employed*, excluding items affecting comparability	11.4%	9.7%
Net debt	69,124	62,869
Provisions for restructuring costs are included in the balance sheet as follows		
-Other non-current provisions	107	105
-Other current provisions	417	213

\*) rolling 12 months

## NET SALES (business area reporting)

SEKm	2306	2206	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Health & Medical	13,850	11,967	7,051	6,799	6,728	6,544	6,145	5,822
Consumer Goods	52,653	43,956	26,344	26,309	27,060	23,825	22,970	20,986
Professional Hygiene	20,349	16,304	10,539	9,810	10,077	9,733	8,811	7,493
Other	4	3	-4	8	-31	7	3	0
<b>Total</b>	<b>86,856</b>	<b>72,230</b>	<b>43,930</b>	<b>42,926</b>	<b>43,834</b>	<b>40,109</b>	<b>37,929</b>	<b>34,301</b>

## ORGANIC SALES GROWTH (business area reporting)

(%)	2306	2206	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Health & Medical	9.2	8.6	8.0	10.5	4.6	7.6	7.9	9.5
Consumer Goods	10.5	14.7	5.8	15.7	15.7	17.6	17.9	11.5
Professional Hygiene	15.7	27.8	11.2	21.0	18.3	19.9	26.1	29.8
<b>Total</b>	<b>11.5</b>	<b>16.3</b>	<b>7.4</b>	<b>16.0</b>	<b>14.3</b>	<b>16.3</b>	<b>17.8</b>	<b>14.6</b>

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

(%)	2306	2206	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Health & Medical	9.2	11.3	8.0	10.5	6.3	9.9	10.9	11.7
Consumer Goods	12.6	16.9	8.0	17.6	17.8	18.4	20.0	13.8
Professional Hygiene	15.9	32.0	11.2	21.3	18.8	20.3	30.2	34.1
<b>Total</b>	<b>12.8</b>	<b>19.0</b>	<b>8.7</b>	<b>17.2</b>	<b>16.0</b>	<b>17.3</b>	<b>20.6</b>	<b>17.3</b>

## ADJUSTED EBITA (business area reporting)

SEKm	2306	2206	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Health & Medical	1,712	1,509	943	769	721	673	673	836
Consumer Goods	4,964	3,506	2,493	2,471	2,245	1,460	1,861	1,645
Professional Hygiene	2,895	1,479	1,594	1,301	1,423	1,096	916	563
Other	-512	-510	-329	-183	-305	-239	-292	-218
<b>Total</b>	<b>9,059</b>	<b>5,984</b>	<b>4,701</b>	<b>4,358</b>	<b>4,084</b>	<b>2,990</b>	<b>3,158</b>	<b>2,826</b>

## ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	2306	2206	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Health & Medical	1,282	1,098	731	551	500	456	463	635
Consumer Goods	4,839	3,387	2,431	2,408	2,182	1,395	1,801	1,586
Professional Hygiene	2,884	1,470	1,589	1,295	1,417	1,091	911	559
Other	-513	-510	-331	-182	-305	-239	-293	-217
<b>Total adjusted operating profit<sup>1</sup></b>	<b>8,492</b>	<b>5,445</b>	<b>4,420</b>	<b>4,072</b>	<b>3,794</b>	<b>2,703</b>	<b>2,882</b>	<b>2,563</b>
Financial items	-1,288	-432	-633	-655	-570	-368	-224	-208
<b>Profit before tax<sup>1</sup></b>	<b>7,204</b>	<b>5,013</b>	<b>3,787</b>	<b>3,417</b>	<b>3,224</b>	<b>2,335</b>	<b>2,658</b>	<b>2,355</b>
Income taxes	-1,668	-1,002	-873	-795	-734	-509	-575	-427
<b>Net profit for the period<sup>2</sup></b>	<b>5,536</b>	<b>4,011</b>	<b>2,914</b>	<b>2,622</b>	<b>2,490</b>	<b>1,826</b>	<b>2,083</b>	<b>1,928</b>
<sup>1</sup> Excluding items affecting comparability before tax amounting to:	-432	-1,928	-519	87	-323	-212	-515	-1,413
<sup>2</sup> Excluding items affecting comparability after tax amounting to:	-282	-1,817	-363	81	-244	-202	-410	-1,407

## ADJUSTED EBITA MARGIN (business area reporting)

(%)	2306	2206	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Health & Medical	12.4	12.6	13.4	11.3	10.7	10.3	11.0	14.4
Consumer Goods	9.4	8.0	9.5	9.4	8.3	6.1	8.1	7.8
Professional Hygiene	14.2	9.1	15.1	13.3	14.1	11.3	10.4	7.5
<b>Total</b>	<b>10.4</b>	<b>8.3</b>	<b>10.7</b>	<b>10.2</b>	<b>9.3</b>	<b>7.5</b>	<b>8.3</b>	<b>8.2</b>

## STATEMENT OF PROFIT OR LOSS

SEKm	2023:2	2023:1	2022:4	2022:3	2022:2
Net sales	43,930	42,926	43,834	40,109	37,929
Cost of goods sold	-31,851	-31,378	-32,499	-30,625	-28,321
Items affecting comparability - cost of goods sold	-355	38	-302	-131	-383
<b>Gross profit</b>	<b>11,724</b>	<b>11,586</b>	<b>11,033</b>	<b>9,353</b>	<b>9,225</b>
Sales, general and administration	-7,386	-7,192	-7,259	-6,500	-6,460
Items affecting comparability - sales, general and administration	-131	49	8	-75	-125
Share of results of associates and joint ventures	8	2	8	6	10
<b>EBITA</b>	<b>4,215</b>	<b>4,445</b>	<b>3,790</b>	<b>2,784</b>	<b>2,650</b>
Amortization of acquisition-related intangible assets	-281	-286	-290	-287	-276
Items affecting comparability - acquisition-related intangible assets	-33	0	-29	-6	-7
<b>Operating profit</b>	<b>3,901</b>	<b>4,159</b>	<b>3,471</b>	<b>2,491</b>	<b>2,367</b>
Financial items	-633	-655	-570	-368	-224
<b>Profit before tax</b>	<b>3268</b>	<b>3,504</b>	<b>2,901</b>	<b>2,123</b>	<b>2,143</b>
Income taxes	-717	-801	-655	-499	-470
<b>Net profit for the period</b>	<b>2,551</b>	<b>2,703</b>	<b>2,246</b>	<b>1,624</b>	<b>1,673</b>

## CONDENSED INCOME STATEMENT PARENT COMPANY

SEKm	2306	2206
Administrative expenses	-432	-380
Other operating income	25	22
<b>Operating loss</b>	<b>-407</b>	<b>-358</b>
Financial items	1,341	214
<b>Profit before tax</b>	<b>934</b>	<b>-144</b>
Tax on profit for the period	71	435
<b>Profit for the period</b>	<b>1,005</b>	<b>291</b>

## CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	June 30, 2023	December 31, 2022
Intangible assets	0	0
Property, plant and equipment	11	12
Financial non-current assets	176,746	176,780
<b>Total non-current assets</b>	<b>176,757</b>	<b>176,792</b>
<b>Total current assets</b>	<b>2,388</b>	<b>3,046</b>
<b>Total assets</b>	<b>179,145</b>	<b>179,838</b>
Restricted equity	2,350	2,350
Non-restricted equity	72,159	76,246
<b>Total equity</b>	<b>74,509</b>	<b>78,596</b>
Untaxed reserves	195	195
Provisions	867	846
Non-current liabilities	48,321	52,470
Current liabilities	55,253	47,731
<b>Total equity, provisions and liabilities</b>	<b>179,145</b>	<b>179,838</b>

## 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 on January 1, 2023 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 2022.

### 2 RISKS AND UNCERTAINTIES

#### Processes for risk management

Essity's Board 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 40–45 of Essity's Annual and Sustainability Report for 2022. 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.

### 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 <sup>1</sup>	
						1	2
<b>June 30, 2023</b>							
Derivatives	2,518	1,854	664	-	-	-	2,518
Non-current financial assets	100	-	-	100	-	100	-
<b>Total assets</b>	<b>2,618</b>	<b>1,854</b>	<b>664</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>2,518</b>
Derivatives	7,979	1,446	6,533	-	-	-	7,979
Financial liabilities							
Current financial liabilities	24,318	-	-	-	24,318	-	-
Non-current financial liabilities	51,722	25,546	-	-	26,176	-	25,546
<b>Total liabilities</b>	<b>84,019</b>	<b>26,992</b>	<b>6,533</b>	<b>-</b>	<b>50,494</b>	<b>-</b>	<b>33,525</b>
<b>December 31, 2022</b>							
Derivatives	4,416	1,631	2,785	-	-	-	4,416
Non-current financial assets	92	-	-	92	-	92	-
<b>Total assets</b>	<b>4,508</b>	<b>1,631</b>	<b>2,785</b>	<b>92</b>	<b>-</b>	<b>92</b>	<b>4,416</b>
Derivatives	6,126	765	5,361	-	-	-	6,126
Financial liabilities							
Current financial liabilities	12,501	4,489	-	-	8,012	-	4,489
Non-current financial liabilities	54,090	23,763	-	-	30,327	-	23,763
<b>Total liabilities</b>	<b>72,717</b>	<b>29,017</b>	<b>5,361</b>	<b>-</b>	<b>38,339</b>	<b>-</b>	<b>34,378</b>

<sup>1</sup> No financial instruments have been classified to level 3

The total fair value of the above financial liabilities, excluding lease liabilities, is SEK 75,647m (64,324). 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 February 2, 2022, Essity acquired the USA-based professional wiping and cleaning company Legacy Converting, Inc. The purchase price allocation for this acquisition has been finalized. No significant adjustments were made compared with the preliminary purchase price allocation.

On August 1, 2022, Essity acquired the Australian company Modibodi, a leading leakproof apparel company. The purchase price allocation for this acquisition has not yet been finalized. No significant adjustments have been made compared with the preliminary purchase price allocation presented in the Annual and Sustainability Report for 2022.

On September 1, 2022, Essity acquired the Canadian company Knix, a leading supplier of leakproof apparel for periods and incontinence. The purchase price allocation for this acquisition has not yet been finalized. No significant adjustments have been made compared with the preliminary purchase price allocation presented in the Annual and Sustainability Report for 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 half-year 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 Annual and Sustainability Report for 2022, pages 82–86, 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	2306	2212
Total assets	221,603	210,600
-Financial assets	-15,363	-11,317
-Non-current non-interest bearing liabilities	-10,280	-10,405
-Current non-interest bearing liabilities	-46,760	-49,445
<b>Capital employed</b>	<b>149,200</b>	<b>139,433</b>

SEKm	2023:2	2023:1	2022:4	2022:3	2022:2
Health & Medical	37,223	34,944	34,557	35,708	34,799
Consumer Goods	82,035	77,776	76,672	81,936	73,267
Professional Hygiene	28,467	27,722	27,911	30,622	28,750
Other	1,475	-4,651	293	-326	-950
<b>Capital employed</b>	<b>149,200</b>	<b>135,791</b>	<b>139,433</b>	<b>147,940</b>	<b>135,866</b>

### Working capital

SEKm	2306	2212
Inventories	28,027	28,888
Trade receivables	28,444	25,990
Other current receivables	5,152	5,761
Trade payables	-21,760	-25,644
Other current liabilities	-22,454	-20,995
Other	715	33
<b>Working capital</b>	<b>18,124</b>	<b>14,033</b>

### Net debt

SEKm	2306	2212
Surplus in funded pension plans	2,845	1,965
Non-current financial assets	140	123
Current financial assets	5,865	4,941
Cash and cash equivalents	6,513	4,288
<b>Financial assets</b>	<b>15,363</b>	<b>11,317</b>
Non-current financial liabilities	56,054	58,242
Provisions for pensions	2,517	2,671
Current financial liabilities	25,916	13,273
<b>Financial liabilities</b>	<b>84,487</b>	<b>74,186</b>
<b>Net debt</b>	<b>69,124</b>	<b>62,869</b>

## EBITDA

SEKm	2306	2206	2023:2	2022:2
Operating profit	8,060	3,517	3,901	2,367
-Amortization of acquisition-related intangible assets	567	539	281	276
-Depreciation/amortization	3,275	2,993	1,652	1,526
-Depreciation right-of-use asset	580	523	295	266
-Impairment	37	7	1	4
-Items affecting comparability - impairment net	57	1,426	120	297
-Items affecting comparability - impairment of acquisition-related intangible assets	33	257	33	7
<b>EBITDA</b>	<b>12,609</b>	<b>9,262</b>	<b>6,283</b>	<b>4,743</b>
-Items affecting comparability excluding depreciation/amortization and impairment	342	245	366	211
<b>Adjusted EBITDA</b>	<b>12,951</b>	<b>9,507</b>	<b>6,649</b>	<b>4,954</b>

## EBITA

SEKm	2306	2206	2023:2	2022:2
Operating profit	8,060	3,517	3,901	2,367
-Amortization of acquisition-related intangible assets	567	539	281	276
-Items affecting comparability - impairment of acquisition-related intangible assets	33	257	33	7
<b>-Operating profit before amortization and impairment of acquisition-related intangible assets (EBITA)</b>	<b>8,660</b>	<b>4,313</b>	<b>4,215</b>	<b>2,650</b>
EBITA margin (%)	10.0	6.0	9.6	7.0
-Items affecting comparability - cost of goods sold	317	1,466	355	383
-Items affecting comparability - sales, general and administration	82	205	131	125
<b>Adjusted EBITA</b>	<b>9,059</b>	<b>5,984</b>	<b>4,701</b>	<b>3,158</b>
Adjusted EBITA margin (%)	10.4	8.3	10.7	8.3

## Operating cash flow

SEKm	2306	2206	2023:2	2022:2
<b>Health &amp; Medical</b>				
Operating cash surplus	2,186	1,935	1,184	891
Change in working capital	-1,298	-959	-722	-604
Investment in non-current assets, net	-353	-364	-185	-217
Restructuring costs, etc.	63	50	14	37
<b>Operating cash flow before investments in operating assets through leases</b>	<b>598</b>	<b>662</b>	<b>291</b>	<b>107</b>
Investment in operating assets through leases	-42	-33	-17	-2
<b>Operating cash flow</b>	<b>556</b>	<b>629</b>	<b>274</b>	<b>105</b>
<b>Consumer Goods</b>				
Operating cash surplus	7,311	5,625	3,645	2,943
Change in working capital	-2,967	-327	-1,529	-578
Investment in non-current assets, net	-1,759	-1,676	-905	-853
Restructuring costs, etc.	-277	-140	-219	-82
<b>Operating cash flow before investments in operating assets through leases</b>	<b>2,308</b>	<b>3,482</b>	<b>992</b>	<b>1,430</b>
Investment in operating assets through leases	-240	-145	-55	-67
<b>Operating cash flow</b>	<b>2,068</b>	<b>3,337</b>	<b>937</b>	<b>1,363</b>
<b>Professional Hygiene</b>				
Operating cash surplus	4,141	2,632	2,221	1,503
Change in working capital	-467	-971	82	-300
Investment in non-current assets, net	-711	-523	-371	-296
Restructuring costs, etc.	-260	-222	-139	-134
<b>Operating cash flow before investments in operating assets through leases</b>	<b>2,704</b>	<b>916</b>	<b>1,793</b>	<b>773</b>
Investment in operating assets through leases	18	-46	-1	-33
<b>Operating cash flow</b>	<b>2,722</b>	<b>870</b>	<b>1,792</b>	<b>740</b>

## Sales growth

SEKm	2306	2023:2
<b>Health &amp; Medical</b>		
Organic sales growth	1,100	489
Acquisitions	0	0
<b>Sales growth including organic sales growth and acquisitions</b>	<b>1,100</b>	<b>489</b>
Divestments	0	0
Exchange rate effect <sup>1</sup>	784	418
<b>Recognized change</b>	<b>1,884</b>	<b>907</b>
<b>Consumer Goods</b>		
Organic sales growth	4,613	1,324
Acquisitions	910	513
<b>Sales growth including organic sales growth and acquisitions</b>	<b>5,523</b>	<b>1,837</b>
Divestments	0	0
Exchange rate effect <sup>1</sup>	3,174	1,537
<b>Recognized change</b>	<b>8,697</b>	<b>3,374</b>
<b>Professional Hygiene</b>		
Organic sales growth	2,565	988
Acquisitions	23	1
<b>Sales growth including organic sales growth and acquisitions</b>	<b>2,588</b>	<b>989</b>
Divestments	0	0
Exchange rate effect <sup>1</sup>	1,457	739
<b>Recognized change</b>	<b>4,045</b>	<b>1,728</b>
<b>Essity</b>		
Organic sales growth	8,278	2,793
Acquisitions	932	512
<b>Sales growth including organic sales growth and acquisitions</b>	<b>9,210</b>	<b>3,305</b>
Divestments	0	0
Exchange rate effect <sup>1</sup>	5,416	2,696
<b>Recognized change</b>	<b>14,626</b>	<b>6,001</b>

<sup>1</sup>Consists solely of currency translation effects