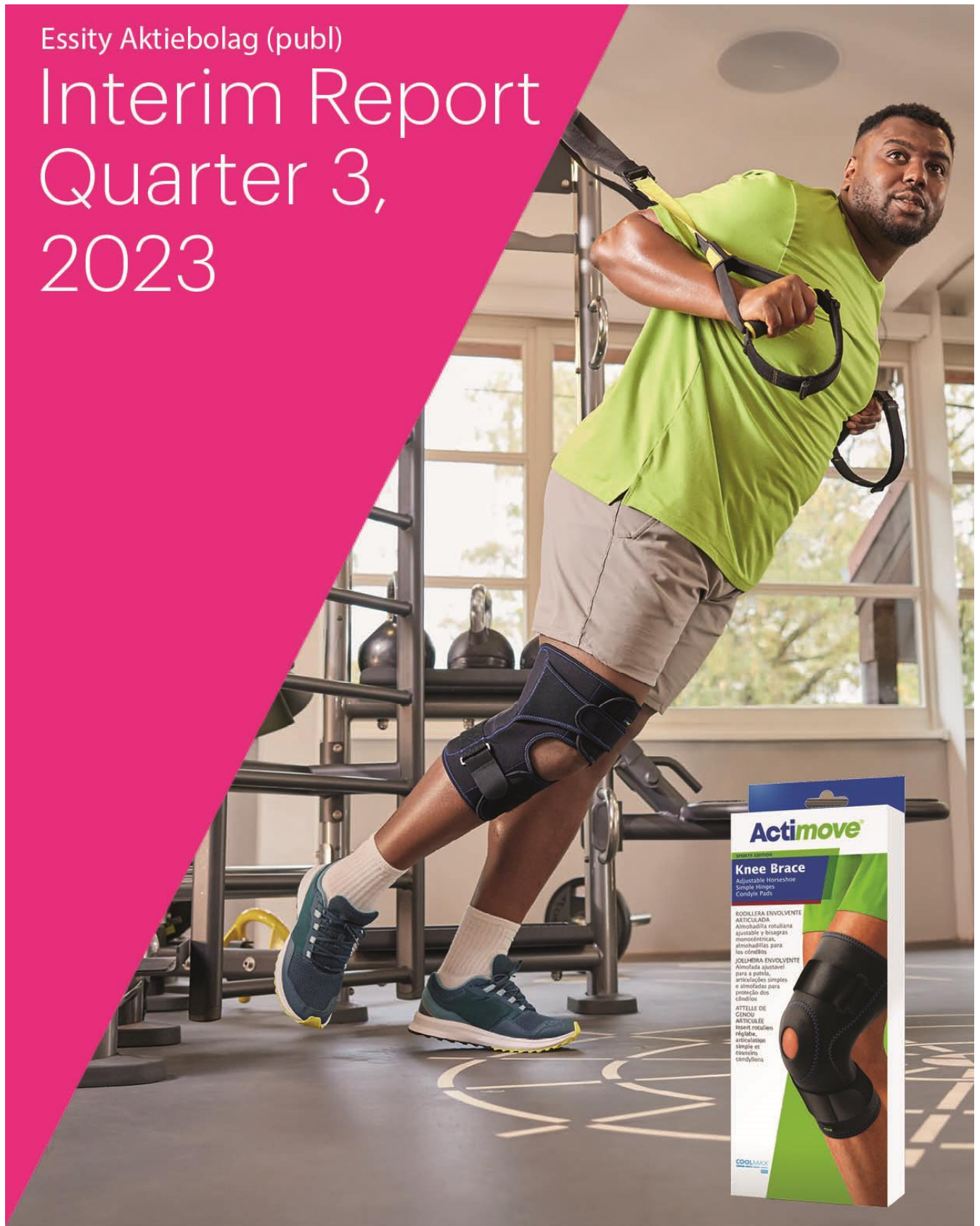


Essity Aktiebolag (publ)

Interim Report Quarter 3, 2023



JANUARY 1 – SEPTEMBER 30, 2023 (compared with the corresponding period a year ago)

- Net sales increased 16.1% to SEK 130,372m (112,339). Sales growth, including organic sales growth and acquisitions, amounted to 9.8%, of which volume accounted for -3.2%, price/mix for 11.9% and acquisitions for 1.1%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) increased 74% to SEK 12,323m (7,097)
- Adjusted EBITA increased 60% to SEK 14,372m (8,974) and the adjusted EBITA margin increased 3.0 percentage points to 11.0% (8.0)
- Profit for the period increased 81% to SEK 6,905m (3,818)
- Earnings per share increased to SEK 9.58 (4.78) and adjusted earnings per share increased 55% to SEK 13.20 (8.50)
- Operating cash flow increased 75% to SEK 11,755m (6,704)
- Return on capital employed increased to 11.3% (7.7) and the adjusted return on capital employed increased 3.7 percentage points to 12.9% (9.2)

THIRD QUARTER OF 2023 (compared with the corresponding period a year ago)

- Net sales increased 8.5% to SEK 43,516m (40,109). Sales growth, including organic sales growth and acquisitions, amounted to 4.6%, of which volume accounted for -3.1%, price/mix for 6.9% and acquisitions for 0.8%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) increased 32% to SEK 3,663m (2,784)
- Adjusted EBITA increased 78% to SEK 5,313m (2,990) and the adjusted EBITA margin increased 4.7 percentage points to 12.2% (7.5)
- Operating cash flow increased 182% to SEK 7,512m (2,665)
- Return on capital employed increased to 10.1% (7.8) and the adjusted return on capital employed increased 6.2 percentage points to 14.6% (8.4)

EARNINGS TREND

SEKm	2309	2209	%	2023:3	2022:3	%
Net sales	130,372	112,339	16	43,516	40,109	8
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) ¹	14,372	8,974	60	5,313	2,990	78
Operating profit before amortization of acquisition-related intangible assets (EBITA)	12,323	7,097	74	3,663	2,784	32
Amortization of acquisition-related intangible assets	-846	-826		-279	-287	
Adjusted operating profit ¹	13,526	8,148	66	5,034	2,703	86
Items affecting comparability	-2,399	-2,140		-1,967	-212	
Operating profit	11,127	6,008	85	3,067	2,491	23
Financial items	-1,979	-800		-691	-368	
Profit before tax	9,148	5,208	76	2,376	2,123	12
Adjusted profit before tax ¹	11,547	7,348	57	4,343	2,335	86
Income taxes	-2,243	-1,390		-725	-499	
Profit for the period	6,905	3,818	81	1,651	1,624	2
Earnings per share, SEK	9.58	4.78		2.26	2.23	
Adjusted earnings per share, SEK ²	13.20	8.50		4.90	2.81	

¹Excluding items affecting comparability; more info, see page 12.

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

CEO'S COMMENTS

Strong quarter with high profitable growth

Essity delivered strong earnings for the third quarter of 2023. Net sales continued to increase and adjusted EBITA increased by 78% to SEK 5.3bn. The adjusted EBITA margin was higher for the fourth consecutive quarter and amounted to 12.2%. As leading in the growing global hygiene and health market, we are taking further steps toward achieving our Group targets concerning sales growth, return and a reduced environmental footprint.

Higher selling prices, a positive product mix, cost savings and lower costs for raw materials, energy and distribution had a positive impact on earnings. All three business areas developed well with higher sales and higher adjusted EBITA margin. Operating cash flow increased 182% to SEK 7.5bn. Adjusted earnings per share increased to SEK 4.90. The adjusted return on capital employed increased to 14.6%, which means we are well on our way to achieving the return target of >17%.

Our strategic review of ownership in Vinda and Consumer Tissue Private Label Europe, with the aim of reducing Consumer Tissue's share of the company's total sales, is proceeding according to plan.

Higher sales and innovation

Sales growth, including organic sales growth and acquisitions, amounted to 4.6%. Selling prices were higher and the product mix was better. Volumes were lower, mainly due to the company's focus on profitable growth and thereby decisions to implement restructuring measures in Professional Hygiene and to exit contracts with insufficient profitability in Incontinence Products Health Care and Baby Care. We reported very high organic sales growth for Incontinence Products Retail, Feminine Care and Medical Solutions. The earlier acquisitions of, for example, Knix and Hydrofera, have strengthened our offerings and market positions. With improved margins in all of the business areas, we are endeavoring to continue to increase the company's profitable growth. The pace of innovation is high in all categories and we are investing in marketing and sales for higher growth and market shares. During the quarter, we launched value-creating innovations for customers and consumers under the TENA, JOBST, Actimove, Tempo and Plenty brands.

Sustainability at the core

We are striving to achieve our targets in ESG and for net zero emissions by 2050. In France, we have inaugurated the world's first production line that manufactures tissue from used food and beverage cartons. This means Essity recycles more than half of all sorted and recycled food and beverage cartons in France. During the quarter, we began to use electricity from solar cells in the production at our site in the Netherlands.

Summary

We can look back on another quarter with high sales growth and higher EBITA margin, where all business areas made positive contributions through profitable growth and margin improvements. In line with our strategy, we continued to grow in the categories and sales channels with the fastest market growth and highest returns. At the same time, the decisions regarding restructuring in Professional Hygiene and exiting contracts with insufficient profitability in Incontinence Products Health Care and Baby Care, had a negative impact on the sales growth of approximately 2% during the quarter. However, these decisions have improved the structural margin long-term. Going forward, we expect the markets to normalize and through focus on innovation, leading brands, efficiency and sustainability increase the company's profitable growth.

Magnus Groth
President and CEO

EARNINGS TREND

SEKm	2309	2209	%	2023:3	2022:3	%
Net sales	130,372	112,339	16	43,516	40,109	8
Cost of goods sold	-93,751	-84,547		-30,522	-30,625	
Items affecting comparability - cost of goods sold	-1,304	-1,597		-987	-131	
Gross profit	35,317	26,195	35	12,007	9,353	28
Adjusted gross profit¹	36,621	27,792	32	12,994	9,484	37
Sales, general and administration	-22,281	-18,848		-7,703	-6,500	
Items affecting comparability - sales, general and administration	-745	-280		-663	-75	
Share of profits of associates and joint ventures	32	30		22	6	
Operating profit before amortization of acquisition-related intangible assets (EBITA)	12,323	7,097	74	3,663	2,784	32
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹	14,372	8,974	60	5,313	2,990	78
Amortization of acquisition-related intangible assets	-846	-826		-279	-287	
Items affecting comparability - acquisition-related intangible assets	-350	-263		-317	-6	
Operating profit	11,127	6,008	85	3,067	2,491	23
Adjusted operating profit¹	13,526	8,148	66	5,034	2,703	86
Financial items	-1,979	-800		-691	-368	
Profit before tax	9,148	5,208	76	2,376	2,123	12
Adjusted profit before tax¹	11,547	7,348	57	4,343	2,335	86
Income taxes	-2,243	-1,390		-725	-499	
Profit for the period	6,905	3,818	81	1,651	1,624	2
Adjusted profit for the period¹	8,856	5,837	52	3,320	1,826	82
¹ Excluding items affecting comparability						
Tax on amortization of acquisition-related intangible assets	251	234		93	80	
Margins (%)						
Gross margin	27.1	23.3		27.6	23.3	
Adjusted gross margin¹	28.1	24.7		29.9	23.6	
EBITA margin	9.5	6.3		8.4	6.9	
Adjusted EBITA margin¹	11.0	8.0		12.2	7.5	
Operating margin	8.5	5.3		7.0	6.2	
Adjusted operating margin¹	10.4	7.3		11.6	6.7	
Financial net margin	-1.5	-0.7		-1.6	-0.9	
Profit margin	7.0	4.6		5.4	5.3	
Adjusted profit margin¹	8.9	6.6		10.0	5.8	
Income taxes	-1.7	-1.2		-1.7	-1.2	
Adjusted income taxes ¹	-2.1	-1.3		-2.4	-1.3	
Net margin	5.3	3.4		3.7	4.1	
Adjusted net margin¹	6.8	5.3		7.6	4.5	
¹ Excluding items affecting comparability						
Return on capital employed (%)						
Return on capital employed	11.3	7.7		10.1	7.8	
Return on capital employed excluding items affecting comparability	12.9	9.2		14.6	8.4	

ADJUSTED EBITA BY BUSINESS AREA

SEKm	2309	2209	%	2023:3	2022:3	%
Health & Medical	2,902	2,182	33	1,190	673	77
Consumer Goods	7,516	4,966	51	2,552	1,460	75
Professional Hygiene	4,790	2,575	86	1,895	1,096	73
Other	-836	-749		-324	-239	
Total¹	14,372	8,974	60	5,313	2,990	78

¹ Excluding items affecting comparability; for more info, see page 12.

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

SEKm	2309	2209	%	2023:3	2022:3	%
Health & Medical	2,262	1,554	46	980	456	115
Consumer Goods	7,327	4,782	53	2,488	1,395	78
Professional Hygiene	4,774	2,561	86	1,890	1,091	73
Other	-837	-749		-324	-239	
Total¹	13,526	8,148	66	5,034	2,703	86

¹ Excluding items affecting comparability; for more info, see page 12.

OPERATING CASH FLOW BY BUSINESS AREA

SEKm	2309	2209	%	2023:3	2022:3	%
Health & Medical	2,251	1,470	53	1,695	841	102
Consumer Goods	5,571	4,015	39	3,503	678	417
Professional Hygiene	5,261	2,138	146	2,539	1,268	100
Other	-1,328	-919		-225	-122	
Total	11,755	6,704	75	7,512	2,665	182

GROUP

NET SALES AND EARNINGS

January–September 2023 compared with the corresponding period a year ago

Net sales increased 16.1% to SEK 130,372m (112,339). Sales growth, including organic sales growth and acquisitions, amounted to 9.8%, of which volume accounted for -3.2%, price/mix for 11.9% and acquisitions for 1.1%. Selling prices were higher and the mix better in all business areas. The lower volumes were mainly a result of the company's focus on profitable growth and thereby decisions to implement restructuring measures in Professional Hygiene and to exit contracts with insufficient profitability in Incontinence Products Health Care and Baby Care. 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 7.7% and in emerging markets to 10.4%. Emerging markets accounted for 37% of net sales. Exchange rate effects increased net sales by 7.0%. Divestments reduced net sales by 0.7% and were largely attributable to the divestment of Russian operations.

The Group's gross margin increased to 27.1% (23.3). The Group's adjusted gross margin increased 3.4 percentage points to 28.1% (24.7). The margin was positively impacted by higher selling prices and a better mix in all business areas, as well as cost savings. Higher costs for raw materials and energy reduced the margin by 3.9 percentage points. The margin was also negatively impacted by higher salary inflation and lower volumes.

The Group's EBITA margin increased to 9.5% (6.3). The Group's adjusted EBITA margin increased 3.0 percentage points to 11.0% (8.0). Sales costs were higher, mainly due to salary inflation and higher marketing costs. Sales costs were also higher as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) increased to SEK 12,323m (7,097). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 60% (47% excluding currency translation effects, acquisitions and divestments) to SEK 14,372m (8,974).

Items affecting comparability amounted to SEK -2,399m (-2,140). Costs include the earnings impact from the divestment of Russian operations of approximately SEK -500m, and costs related to restructuring measures in Professional Hygiene in the USA and Europe of approximately SEK -1.5bn. Other costs amounted to approximately SEK -400m.

Financial items increased to SEK -1,979m (-800) due to higher average net debt and higher interest rates.

Profit before tax increased to SEK 9,148m (5,208). Adjusted profit before tax increased 57% (44% excluding currency translation effects, acquisitions and divestments) to SEK 11,547m (7,348).

The tax expense was SEK 2,243m (1,390). The tax expense, excluding effects of items affecting comparability, was SEK 2,691m (1,511).

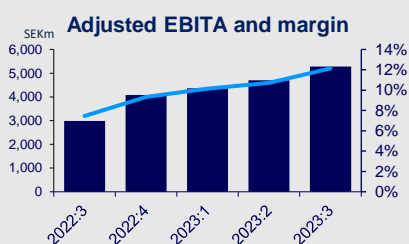
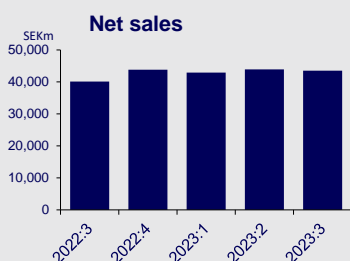
Profit for the period increased 81% (67% excluding currency translation effects, acquisitions and divestments) to SEK 6,905m (3,818). Adjusted profit for the period increased 52% (38% excluding currency translation effects, acquisitions and divestments) to SEK 8,856m (5,837).

Earnings per share increased to SEK 9.58 (4.78). Adjusted earnings per share increased to SEK 13.20 (8.50).

Return on capital employed was 11.3% (7.7). The adjusted return on capital employed was 12.9% (9.2). Return on equity was 11.6% (8.3). The adjusted return on equity was 14.4% (11.2).

Third quarter of 2023 compared with the corresponding period a year ago

Net sales increased 8.5% to SEK 43,516m (40,109). Sales growth, including organic sales growth and acquisitions, amounted to 4.6%, of which volume accounted for -3.1%, price/mix for 6.9% and acquisitions for 0.8%. Selling prices were higher and the mix better in all business areas. The lower volumes were mainly a result of the company's focus on profitable growth and thereby decisions to implement restructuring measures in Professional Hygiene and to exit contracts with insufficient profitability in Incontinence Products Health Care and Baby Care. Organic sales growth in mature markets amounted to 1.0% and in emerging markets to 8.1%. Emerging markets accounted for 36% of net sales.



Excluding items affecting comparability

Change in net sales (%)

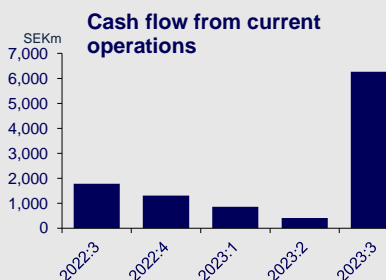
	2309 vs 2209	23:3 vs 22:3
Total	16.1	8.5
Volume	-3.2	-3.1
Price/mix	11.9	6.9
Currency	7.0	5.9
Acquisitions	1.1	0.8
Divestments	-0.7	-2.0

Change in adjusted EBITA (%)

	2309 vs 2209	23:3 vs 22:3
Total	60	78
Volume	-5	-4
Price/mix	148	91
Raw materials	-43	15
Energy	-10	3
Other goods sold	-23	-13
Sales & admin	-24	-23
Currency	14	17
Other	3	-8



Excluding items affecting comparability



Exchange rate effects increased net sales by 5.9%. Divestments reduced net sales by 2.0% and were largely attributable to the divestment of Russian operations.

The Group's gross margin increased to 27.6% (23.3). The Group's adjusted gross margin increased 6.3 percentage points to 29.9% (23.6). Higher selling prices, better mix, cost savings as well as lower costs for raw materials, energy and distribution had a positive impact on the margin. The cost savings amounted to approximately SEK 224m. The margin was negatively impacted by higher salary inflation and lower volumes.

The Group's EBITA margin increased to 8.4% (6.9). The Group's adjusted EBITA margin increased 4.7 percentage points to 12.2% (7.5). Sales costs were higher, mainly due to salary inflation and higher marketing costs in Consumer Goods. Sales costs also increased as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) increased to SEK 3,663m (2,784). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 78% (67% excluding currency translation effects, acquisitions and divestments) to SEK 5,313m (2,990).

Profit for the period increased by 2% (9% decrease excluding currency translation effects, acquisitions and divestments) to SEK 1,651m (1,624). Adjusted profit for the period increased 82% (71% excluding currency translation effects, acquisitions and divestments) to SEK 3,320m (1,826).

Earnings per share increased to SEK 2.26 (2.23). Adjusted earnings per share increased to SEK 4.90 (2.81).

Return on capital employed was 10.1% (7.8). The adjusted return on capital employed was 14.6% (8.4). Return on equity was 8.2% (8.1). The adjusted return on equity was 16.5% (9.1).

CASH FLOW AND FINANCING

January–September 2023 compared with the corresponding period a year ago

The operating cash surplus amounted to SEK 20,669m (14,819). The cash flow effect of changes in working capital was SEK -2,205m (-2,525). Working capital was negatively impacted by lower trade payables on account of lower purchasing volumes and lower prices for raw materials. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -5,478m (-4,769). Operating cash flow before investments in operating assets through leases amounted to SEK 12,118m (7,173). Operating cash flow amounted to SEK 11,755m (6,704).

Financial items increased to SEK -1,979m (-800) on account of higher average net debt and higher interest rates.

Tax payments had an impact on cash flow of SEK -2,277m (-1,843).

The net sum of acquisitions and divestments was SEK 1,216m (-5,015). Net cash flow totaled SEK 3,332m (-6,215).

Net debt decreased by SEK 2,236m during the period to SEK 60,633m. Excluding pension liabilities, net debt amounted to SEK 60,967m. Net cash flow reduced net debt by SEK 3,332m. 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 1,143m. Exchange rate movements increased net debt by SEK 1,927m. Investments in non-operating assets through leases increased net debt by SEK 312m. The debt/equity ratio was 0.75 (0.77). Excluding pension liabilities, the debt/equity ratio was 0.75 (0.76). The debt payment capacity was 32% (24). Net debt in relation to EBITDA amounted to 2.45 (3.42). Net debt in relation to adjusted EBITDA amounted to 2.31 (3.37).

EQUITY

January–September 2023

The Group's equity increased by SEK 4,555m during the period, to SEK 81,119m. Profit for the period increased equity by SEK 6,905m. Equity decreased due to dividends to shareholders of SEK 5,412m. Equity increased net after tax by SEK 850m 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 1,621m after tax. Exchange rate movements, including the effect of hedges of net foreign

investments, after tax, increased equity by SEK 3,891m. Other items reduced equity by SEK 58m.

TAX

January–September 2023

A tax expense of SEK 2,691m was reported, excluding items affecting comparability, corresponding to a tax rate of 23.3% for the period. The tax expense including items affecting comparability was SEK 2,243m, corresponding to a tax rate of 24.5% for the period.

EVENTS DURING THE QUARTER

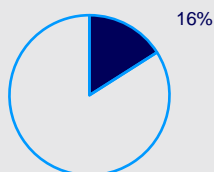
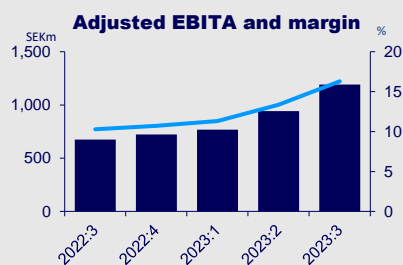
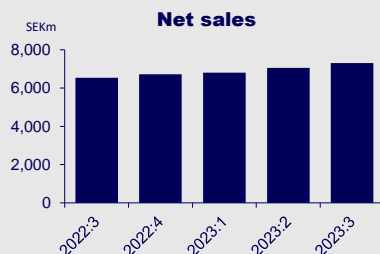
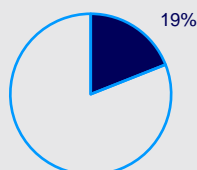
Essity has exited the Russian market

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.

EVENTS AFTER THE QUARTER

Jan Gurander proposed as new Chairman of Essity

On October 23, 2023, the Nomination Committee of Essity announced that it proposes Jan Gurander to be appointed Chairman and member of Essity's Board of Directors at the Annual General Meeting in March 2024. Essity's current Chairman of the Board, Pär Boman, has declined re-election.

Share of Group, net sales
2309Share of Group, adjusted EBITA
2309

Change in net sales (%)

	2309 vs 2209	23:3 vs 22:3
Total	14.3	11.6
Volume	-2.3	-3.3
Price/mix	10.3	9.1
Currency	6.7	7.0
Acquisitions	0.0	0.0
Divestments	-0.4	-1.2

Change in adjusted EBITA (%)

	2309 vs 2209	23:3 vs 22:3
Total	33	77
Volume	-6	-7
Price/mix	84	86
Raw materials	-29	1
Energy	-1	1
Other goods sold	-9	-5
Sales & admin	-16	-12
Currency	10	15
Other	0	-2

HEALTH & MEDICAL

SEKm	2309	2209	%	2023:3	2022:3	%
Net sales	21,155	18,511	14	7,305	6,544	12
Adjusted gross profit margin, %*	39.1	37.3		41.4	35.6	
Adjusted EBITA*	2,902	2,182	33	1,190	673	77
Adjusted EBITA margin, %*	13.7	11.8		16.3	10.3	
Adjusted operating profit*	2,262	1,554	46	980	456	115
Adjusted operating margin, %*	10.7	8.4		13.4	7.0	
Adjusted return on capital employed, %*	10.2	9.5		13.1	7.6	
Operating cash flow	2,251	1,470		1,695	841	

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

January–September 2023 compared with the corresponding period a year ago

Net sales increased 14.3% to SEK 21,155m (18,511). Sales growth, including organic sales growth and acquisitions, amounted to 8.0%, of which volume accounted for -2.3%, price/mix for 10.3% and acquisitions for 0.0%. The organic sales growth amounted to 7.2% in mature markets. In emerging markets, which accounted for 20% of net sales, organic sales growth was 10.9%. Exchange rate effects increased net sales by 6.7%. Divestments reduced net sales by 0.4% and include the divestment of Russian operations.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 8.5% 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 7.2% as a result of higher prices.

The adjusted gross margin increased 1.8 percentage points to 39.1% (37.3). 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 1.9 percentage points to 13.7% (11.8). Sales costs were higher, mainly due to salary inflation and higher marketing costs. Sales costs declined as a share of net sales. Adjusted EBITA increased 33% (23% excluding currency translation effects, acquisitions and divestments) to SEK 2,902m (2,182).

The operating cash surplus amounted to SEK 3,633m (2,829).

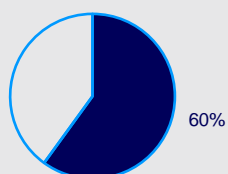
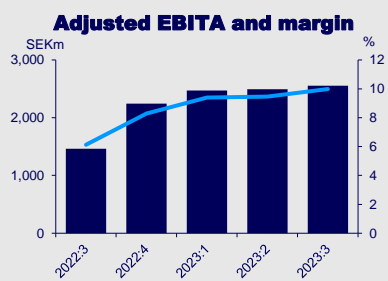
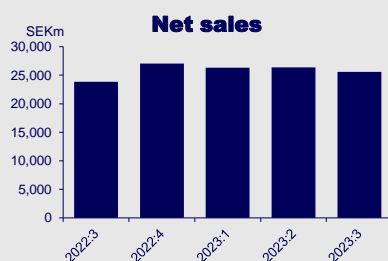
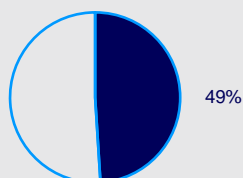
Third quarter of 2023 compared with the corresponding period a year ago

Net sales increased 11.6% to SEK 7,305m (6,544). Sales growth, including organic sales growth and acquisitions, amounted to 5.8%, of which volume accounted for -3.3%, price/mix for 9.1% and acquisitions for 0.0%. The organic sales growth amounted to 4.9% in mature markets. In emerging markets, which accounted for 20% of net sales, organic sales growth was 8.3%. Exchange rate effects increased net sales by 7.0%. Divestments reduced net sales by 1.2% and include the divestment of Russian operations.

For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 5.2% due to higher prices and a better mix. Volumes decreased as a result of the decision to exit contracts with insufficient profitability. In Medical Solutions, organic sales growth amounted to 6.6% mainly as a result of higher prices. Sales growth was high in the Wound Care and Compression Therapy product segments.

The adjusted gross margin increased 5.8 percentage points to 41.4% (35.6). The margin was positively impacted by higher prices, better mix, cost savings as well as lower costs for raw materials, energy and distribution. Lower volumes and salary inflation had a negative impact on the margin.

The adjusted EBITA margin increased 6.0 percentage points to 16.3% (10.3). Sales costs increased primarily due to salary inflation. Sales costs declined as a share of net sales. Adjusted EBITA increased 77% (64% excluding currency translation effects, acquisitions and divestments) to SEK 1,190m (673).

Share of Group, net sales
2309Share of Group, adjusted EBITA
2309

Change in net sales (%)

	2309 vs 2209	23:3 vs 22:3
Total	15.4	7.3
Volume	-2.8	-2.1
Price/mix	10.5	4.6
Currency	6.8	6.0
Acquisitions	1.8	1.3
Divestments	-0.9	-2.5

Change in adjusted EBITA (%)

	2309 vs 2209	23:3 vs 22:3
Total	51	75
Volume	-2	2
Price/mix	147	81
Raw materials	-56	23
Energy	-12	3
Other goods sold	-19	-7
Sales & admin	-25	-32
Currency	13	15
Other	5	-10

CONSUMER GOODS

SEKm	2309	2209	%	2023:3	2022:3	%
Net sales	78,212	67,781	15	25,559	23,825	7
Adjusted gross profit margin, %*	25.3	22.3		26.7	20.9	
Adjusted EBITA*	7,516	4,966	51	2,552	1,460	75
Adjusted EBITA margin, %*	9.6	7.3		10.0	6.1	
Adjusted operating profit*	7,327	4,782	53	2,488	1,395	78
Adjusted operating margin, %*	9.4	7.1		9.7	5.9	
Adjusted return on capital employed, %*	12.3	9.3		12.7	7.5	
Operating cash flow	5,571	4,015		3,503	678	

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

January–September 2023 compared with the corresponding period a year ago

Net sales increased 15.4% to SEK 78,212m (67,781). Sales growth, including organic sales growth and acquisitions, amounted to 9.5%, of which volume accounted for -2.8%, price/mix for 10.5% and acquisitions for 1.8%. The lower volumes were mainly a result of the company's focus on profitable growth. In addition, volumes were negatively impacted by lower volumes in Russia. Organic sales growth amounted to 5.3% in mature markets. In emerging markets, which accounted for 49% of net sales, organic sales growth was 10.2%. Exchange rate effects increased net sales by 6.8%. Divestments reduced net sales by 0.9% and pertain to the divestment of Russian operations.

The adjusted gross margin increased 3.0 percentage points to 25.3% (22.3). The margin was positively impacted by higher prices, a better mix and cost savings. 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 2.3 percentage points to 9.6% (7.3). Sales costs were higher due to salary inflation and higher marketing costs. Sales costs also increased as a share of net sales. Adjusted EBITA increased 51% (39% excluding currency translation effects, acquisitions and divestments) to SEK 7,516m (4,966).

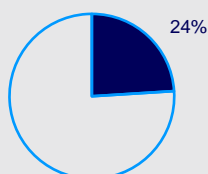
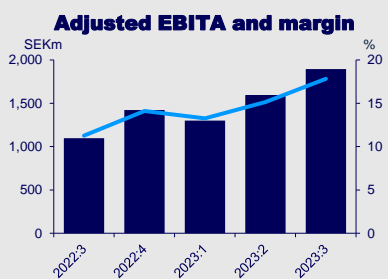
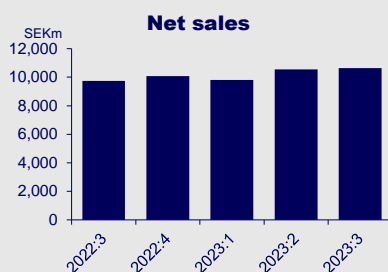
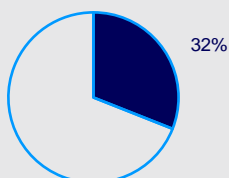
The operating cash surplus amounted to SEK 11,002m (8,187).

Third quarter of 2023 compared with the corresponding period a year ago

Net sales increased 7.3% to SEK 25,559m (23,825). Sales growth, including organic sales growth and acquisitions, amounted to 3.8%, of which volume accounted for -2.1%, price/mix for 4.6% and acquisitions for 1.3%. Organic sales growth amounted to -2.9% in mature markets. In emerging markets, which accounted for 48% of net sales, organic sales growth was 8.2%. Exchange rate effects increased net sales by 6.0%. Divestments reduced sales by 2.5% and pertain to the divestment of Russian operations.

For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 14.9% due to higher volumes and higher prices. In Feminine Care, organic sales growth amounted to 9.1% as a result of higher volumes, higher prices and better mix. In Baby Care, organic sales growth was -5.6%, 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 contracts with insufficient profitability in Europe. Sales prices in Baby Care were higher. In Consumer Tissue, organic sales growth amounted to 0.6% as a result of higher prices and 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 -11.0% due to lower volumes.

The adjusted gross margin increased 5.8 percentage points to 26.7% (20.9). The margin was positively impacted by higher prices, volume effects, better mix, cost savings as well as lower costs for raw materials, energy and distribution. Salary inflation had a negative impact on the margin. The adjusted EBITA margin increased 3.9 percentage points to 10.0% (6.1). Sales costs were higher due to salary inflation and higher marketing costs. Sales costs were also higher as a share of net sales. Adjusted EBITA increased 75% (72% excluding currency translation effects, acquisitions and divestments) to SEK 2,552m (1,460).

Share of Group, net sales
2309Share of Group, adjusted EBITA
2309

Change in net sales (%)

	2309 vs 2209	23:3 vs 22:3
Total	19.0	9.3
Volume	-4.6	-5.4
Price/mix	16.5	10.9
Currency	7.4	4.9
Acquisitions	0.1	0.0
Divestments	-0.4	-1.1

Change in adjusted EBITA (%)

	2309 vs 2209	23:3 vs 22:3
Total	86	73
Volume	-10	-10
Price/mix	161	87
Raw materials	-18	10
Energy	-10	4
Other goods sold	-34	-22
Sales & admin	-18	-11
Currency	15	16
Other	0	-1

PROFESSIONAL HYGIENE

SEKm	2309	2209	%	2023:3	2022:3	%
Net sales	30,983	26,037	19	10,634	9,733	9
Adjusted gross profit margin, %*	27.6	21.9		29.5	22.4	
Adjusted EBITA*	4,790	2,575	86	1,895	1,096	73
Adjusted EBITA margin, %*	15.5	9.9		17.8	11.3	
Adjusted operating profit*	4,774	2,561	86	1,890	1,091	73
Adjusted operating margin, %*	15.4	9.8		17.8	11.2	
Adjusted return on capital employed, %*	22.1	12.1		27.9	14.8	
Operating cash flow	5,261	2,138		2,539	1,268	

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

January–September 2023 compared with the corresponding period a year ago

Net sales increased 19.0% to SEK 30,983m (26,037). Sales growth, including organic sales growth and acquisitions, amounted to 12.0%, of which volume accounted for -4.6%, price/mix for 16.5% and acquisitions for 0.1%. The lower volumes were mainly a result of the company's focus on profitable growth and thereby decisions on restructuring measures in Professional Hygiene in the USA and Europe. In addition, volumes were negatively impacted by lower volumes in Russia. Organic sales growth amounted to 12.1% in mature markets. In emerging markets, which accounted for 18% of net sales, organic sales growth was 11.6%. Exchange rate effects increased net sales by 7.4%. Divestments reduced sales by 0.4% and pertain to the divestment of Russian operations.

The adjusted gross margin increased by 5.7 percentage points to 27.6% (21.9). The margin was positively impacted by higher prices, a better mix and lower costs for distribution. Higher costs for raw materials and energy, lower volumes and salary inflation had a negative impact on the margin.

The adjusted EBITA margin increased 5.6 percentage points to 15.5% (9.9). Sales costs were higher due to salary inflation and higher marketing costs. Sales costs also increased as a share of net sales. Adjusted EBITA increased 86% (72% excluding currency translation effects, acquisitions and divestments) to SEK 4,790m (2,575).

The operating cash surplus amounted to SEK 6,675m (4,363).

Third quarter of 2023 compared with the corresponding period a year ago

Net sales increased 9.3% to SEK 10,634m (9,733). Sales growth, including organic sales growth and acquisitions, amounted to 5.5%, of which volume accounted for -5.4%, price/mix for 10.9% and acquisitions for 0.0%. Organic sales growth amounted to 4.2% in mature markets. In emerging markets, which accounted for 18% of net sales, organic sales growth was 6.9%. Exchange rate effects increased net sales by 4.9%. Divestments reduced net sales by 1.1% and pertain to the divestment of Russian operations.

The adjusted gross margin increased by 7.1 percentage points to 29.5% (22.4). Higher prices, better mix, cost savings as well as lower costs for raw materials, energy and distribution had a positive impact on the margin. Lower volumes and salary inflation had a negative impact on the margin.

The adjusted EBITA margin increased 6.5 percentage points to 17.8% (11.3). Sales costs were higher due to salary inflation. Sales costs also increased as a share of net sales. Adjusted EBITA increased 73% (58% excluding currency translation effects, acquisitions and divestments) to SEK 1,895m (1,096).

DISTRIBUTION OF SHARES

September 30, 2023	Class A	Class B	Total
Registered number of shares	61,158,047	641,184,442	702,342,489

At the end of the period, the proportion of Class A shares was 8.7%. In the third quarter, 867 Class A shares were converted to Class B shares. The total number of votes in the company amounts to 1,252,764,912.

FUTURE REPORTS

The year-end report for 2023 will be published on January 25, 2024. Essity's Annual Report for 2023 is intended to be published during the week starting February 26, 2024. In 2024, interim reports will be published on April 25, July 18 and October 24.

ANNUAL GENERAL MEETING

Essity's Annual General Meeting will be held in Stockholm, Sweden, on March 21, 2024.

INVITATION TO PRESENTATION OF THE THIRD QUARTER 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, October 26, 2023

Time: 09:00 CET

Link to web presentation: <https://essity.videosync.fi/2023-10-26-q3>

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". The presentation of the interim report will also be broadcast live on [LinkedIn](#) and [X \(Twitter\)](#).

Stockholm, October 26, 2023

Essity Aktiebolag (publ)

Magnus Groth
President and CEO

For further information, please contact:

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NB:

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

This information is such that Essity Aktiebolag (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. 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 October 26, 2023.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	2023:3	2022:3	2023:2	2309	2209
Net sales	43,516	40,109	43,930	130,372	112,339
Cost of goods sold ^{1,2}	-30,522	-30,625	-31,851	-93,751	-84,547
Items affecting comparability - cost of goods sold ²	-987	-131	-355	-1,304	-1,597
Gross profit	12,007	9,353	11,724	35,317	26,195
Sales, general and administration ^{1,2}	-7,703	-6,500	-7,386	-22,281	-18,848
Items affecting comparability - sales, general and administration ²	-663	-75	-131	-745	-280
Share of profits of associates and joint ventures	22	6	8	32	30
Operating profit before amortization of acquisition-related intangible assets (EBITA)	3,663	2,784	4,215	12,323	7,097
Amortization of acquisition-related intangible assets	-279	-287	-281	-846	-826
Items affecting comparability - acquisition-related intangible assets ²	-317	-6	-33	-350	-263
Operating profit	3,067	2,491	3,901	11,127	6,008
Financial items	-691	-368	-633	-1,979	-800
Profit before tax	2,376	2,123	3,268	9,148	5,208
Income taxes	-725	-499	-717	-2,243	-1,390
Profit for the period	1,651	1,624	2,551	6,905	3,818
Earnings attributable to:					
Owners of the Parent company	1,586	1,567	2,479	6,728	3,358
Non-controlling interests	65	57	72	177	460
Earnings per share - owners of the Parent company					
Earnings per share before and after dilution effects, SEK	2.26	2.23	3.53	9.58	4.78
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	-2,241	-2,162	-2,228	-6,663	-6,217
² Of which, impairment	-829	-151	-154	-956	-1,841
Gross margin	27.6	23.3	26.7	27.1	23.3
EBITA margin	8.4	6.9	9.6	9.5	6.3
Operating margin	7.0	6.2	8.9	8.5	5.3
Financial net margin	-1.6	-0.9	-1.4	-1.5	-0.7
Profit margin	5.4	5.3	7.5	7.0	4.6
Income taxes	-1.7	-1.2	-1.6	-1.7	-1.2
Net margin	3.7	4.1	5.9	5.3	3.4
Excluding items affecting comparability:					
Gross margin	29.9	23.6	27.5	28.1	24.7
EBITA margin	12.2	7.5	10.7	11.0	8.0
Operating margin	11.6	6.7	10.1	10.4	7.3
Financial net margin	-1.6	-0.9	-1.4	-1.5	-0.7
Profit margin	10.0	5.8	8.7	8.9	6.6
Income taxes	-2.4	-1.3	-2.0	-2.1	-1.3
Net margin	7.6	4.5	6.7	6.8	5.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2023:3	2022:3	2023:2	2309	2209
Profit for the period	1,651	1,624	2,551	6,905	3,818
Other comprehensive income for the period					
Items that will not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	26	56	651	1,143	2,318
Fair value through other comprehensive income	-2	-2	1	0	-16
Income tax attributable to components in other comprehensive income	-21	5	-152	-293	-552
	3	59	500	850	1,750
Items that have been or may be reclassified subsequently to the income statement					
Cash flow hedges					
Result from remeasurement of derivatives recognized in equity	-605	5,202	-696	-3,428	10,897
Transferred to profit or loss for the period	730	-1,908	643	1,161	-4,131
Translation differences in foreign operations	-842	3,969	4,197	4,125	11,544
Gains/losses from hedges of net investments in foreign operations	253	-827	-690	-299	-2,205
Income tax attributable to components in other comprehensive income	-73	-701	155	682	-1,365
	-537	5,735	3,609	2,241	14,740
Other comprehensive income for the period, net of tax	-534	5,794	4,109	3,091	16,490
Total comprehensive income for the period	1,117	7,418	6,660	9,996	20,308
Total comprehensive income attributable to:					
Owners of the Parent company	1,160	7,173	6,674	9,959	19,020
Non-controlling interests	-43	245	-14	37	1,288

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEKm	2309	2209
Equity attributable to owners of the Parent company		
Value, January 1	67,346	59,874
Total comprehensive income for the period	9,959	19,020
Dividend	-5,092	-4,916
Acquisition of non-controlling interests	1	-10
Private placement to non-controlling interests	0	17
Transferred to cost of hedged investments	28	28
Revaluation effect upon acquisition of non-controlling interests	-58	0
Value, September 30	72,184	74,013
Non-controlling interests		
Value, January 1	9,218	8,633
Total comprehensive income for the period	37	1,288
Dividend	-320	-393
Private placement to non-controlling interests	0	16
Acquisition of non-controlling interests	0	-4
Value, September 30	8,935	9,540
Total equity, value September 30	81,119	83,553

CONSOLIDATED CASH FLOW STATEMENT

SEKm	2309	2209
Operating activities		
Operating profit	11,127	6,008
Adjustment for non-cash items ¹⁾	9,207	8,713
Interest paid	-1,206	-557
Interest received	277	102
Other financial items	-1,035	-345
Capitalized expenditures to fulfill contracts with customers	-362	-360
Change in liabilities relating to restructuring programs, etc.	-139	116
Paid tax	-2,277	-1,843
Cash flow from operating activities before changes in working capital	15,592	11,834
Cash flow from changes in working capital		
Change in inventories	4,198	-4,801
Change in operating receivables	-672	-4,541
Change in operating liabilities	-5,731	6,817
Cash flow from operating activities	13,387	9,309
Investing activities		
Acquisitions of Group companies and other operations	-14	-4,857
Divestments of Group companies and other operations	1,227	0
Investments in intangible assets and property, plant and equipment	-5,491	-4,811
Sale of property, plant and equipment	30	81
Investments in financial assets, etc.	-682	-2,855
Paid interest capitalized in intangible assets and property, plant and equipment	-17	-39
Cash flow from investing activities	-4,947	-12,481
Financing activities		
Private placement to non-controlling interests	0	34
Acquisition of non-controlling interests	0	-14
Dividend	-5,092	-4,916
Proceeds from borrowings	2,553	18,287
Repayment of borrowings	-3,474	-4,311
Dividend to non-controlling interests	-322	-389
Cash flow from financing activities	-6,335	8,691
Cash flow for the period	2,105	5,519
Cash and cash equivalents at the beginning of the period	4,288	3,904
Translation differences in cash and cash equivalents	-2	690
Cash and cash equivalents at the end of the period	6,391	10,113
Cash flow from operating activities per share, SEK	19.06	13.25
Reconciliation with consolidated operating cash flow statement		
Cash flow for the period	2,105	5,519
Repayment of borrowings	3,474	4,311
Proceeds from borrowings	-2,553	-18,287
Investments in financial assets, etc.	682	2,855
Investments in operating assets through leases	-363	-469
Net debt in acquired and divested operations	3	-144
Accrued interest	-14	0
Other	-2	0
Net cash flow according to consolidated operating cash flow statement	3,332	-6,215
¹⁾ Adjustment for non-cash items		
Depreciation/amortization and impairment of non-current assets	7,619	8,058
Gain/loss on sale of assets	9	7
Depreciation of prepaid selling expenses	369	342
Gain/loss on divestment and liquidation	531	2
Non-cash items relating to efficiency program	494	133
Other	185	171
Total	9,207	8,713

CONSOLIDATED OPERATING CASH FLOW STATEMENT, SUPPLEMENTARY DISCLOSURE

SEKm	2309	2209
Operating cash surplus	20,669	14,819
Change in working capital	-2,205	-2,525
Investments in non-current assets, net	-5,478	-4,769
Restructuring costs, etc.	-868	-352
Operating cash flow before investments in operating assets through leases	12,118	7,173
Investments in operating assets through leases	-363	-469
Operating cash flow	11,755	6,704
Financial items	-1,979	-800
Income taxes paid	-2,277	-1,843
Other	31	10
Cash flow from current operations	7,530	4,071
Acquisitions of Group companies and other operations	-26	-5,015
Divestments of Group companies and other operations	1,242	0
Cash flow before transactions with shareholders	8,746	-944
Private placement to non-controlling interests	0	34
Dividend to non-controlling interests	-322	-389
Dividend	-5,092	-4,916
Net cash flow	3,332	-6,215
Net debt at the beginning of the period	-62,869	-55,433
Net cash flow	3,332	-6,215
Remeasurements to equity	1,143	2,302
Investments in non-operating assets through leases	-312	-387
Translation differences	-1,927	-4,654
Net debt at the end of the period	-60,633	-64,387
Debt/equity ratio	0.75	0.77
Debt payment capacity, %	32	24
Net debt / EBITDA	2.45	3.42
Net debt / Adjusted EBITDA	2.31	3.37

CONSOLIDATED BALANCE SHEET

SEKm	September 30, 2023	December 31, 2022
ASSETS		
Non-current assets		
Goodwill	45,777	44,786
Other intangible assets	25,431	25,346
Property, plant and equipment	64,719	62,898
Investments in associates and joint ventures	299	291
Shares and participations	6	6
Surplus in funded pension plans	2,780	1,965
Non-current financial assets	130	123
Deferred tax assets	3,071	2,545
Other non-current assets	884	1,620
Total non-current assets	143,097	139,580
Current Assets		
Inventories	24,784	28,888
Trade receivables	26,824	25,990
Current tax assets	1,159	1,152
Other current receivables	4,481	5,761
Current financial assets	5,127	4,941
Cash and cash equivalents	6,391	4,288
Total current assets	68,766	71,020
Total assets	211,863	210,600
EQUITY AND LIABILITIES		
Equity		
Share capital	2,350	2,350
Reserves	13,883	11,477
Retained earnings	55,951	53,519
Attributable to owners of the Parent company	72,184	67,346
Non-controlling interests	8,935	9,218
Total equity	81,119	76,564
Non-current liabilities		
Non-current financial liabilities	54,486	58,242
Provisions for pensions	2,446	2,671
Deferred tax liabilities	8,117	8,718
Other non-current provisions	395	491
Other non-current liabilities	1,187	1,196
Total non-current liabilities	66,631	71,318
Current liabilities		
Current financial liabilities	18,129	13,273
Trade payables	19,529	25,644
Current tax liabilities	2,353	1,589
Current provisions	1,328	1,217
Other current liabilities	22,774	20,995
Total current liabilities	64,113	62,718
Total liabilities	130,744	134,036
Total equity and liabilities	211,863	210,600

CONSOLIDATED BALANCE SHEET (cont.)

SEKm	September 30, 2023	December 31, 2022
Debt/equity ratio	0.75	0.82
Equity/assets ratio	34%	32%
Equity	81,119	76,564
Equity per share, SEK	115	109
Return on equity	11.6%	8.1%
Return on equity excluding items affecting comparability	14.4%	11.1%
Capital employed	141,752	139,433
- of which working capital	14,356	14,033
Return on capital employed	11.3%	8.1%
Return on capital employed excluding items affecting comparability	12.9%	9.7%
Net debt	60,633	62,869
Provisions for restructuring costs are included in the balance sheet as follows		
-Other non-current provisions	98	105
-Current provisions	684	213

NET SALES (business area reporting)

SEKm	2309	2209	2023:3	2023:2	2023:1	2022:4	2022:3	2022:2
Health & Medical	21,155	18,511	7,305	7,051	6,799	6,728	6,544	6,145
Consumer Goods	78,212	67,781	25,559	26,344	26,309	27,060	23,825	22,970
Professional Hygiene	30,983	26,037	10,634	10,539	9,810	10,077	9,733	8,811
Other	22	10	18	-4	8	-31	7	3
Total net sales	130,372	112,339	43,516	43,930	42,926	43,834	40,109	37,929

ORGANIC SALES GROWTH (business area reporting)

(%)	2309	2209	2023:3	2023:2	2023:1	2022:4	2022:3	2022:2
Health & Medical	8.0	8.3	5.8	8.0	10.5	4.6	7.6	7.9
Consumer Goods	7.7	15.7	2.5	5.8	15.7	15.7	17.6	17.9
Professional Hygiene	11.9	24.7	5.5	11.2	21.0	18.3	19.9	26.1
Total	8.7	16.3	3.8	7.4	16.0	14.3	16.3	17.8

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

(%)	2309	2209	2023:3	2023:2	2023:1	2022:4	2022:3	2022:2
Health & Medical	8.0	10.8	5.8	8.0	10.5	6.3	9.9	10.9
Consumer Goods	9.5	17.4	3.8	8.0	17.6	17.8	18.4	20.0
Professional Hygiene	12.0	27.4	5.5	11.2	21.3	18.8	20.3	30.2
Total	9.8	18.4	4.6	8.7	17.2	16.0	17.3	20.6

ADJUSTED EBITA (business area reporting)

SEKm	2309	2209	2023:3	2023:2	2023:1	2022:4	2022:3	2022:2
Health & Medical	2,902	2,182	1,190	943	769	721	673	673
Consumer Goods	7,516	4,966	2,552	2,493	2,471	2,245	1,460	1,861
Professional Hygiene	4,790	2,575	1,895	1,594	1,301	1,423	1,096	916
Other	-836	-749	-324	-329	-183	-305	-239	-292
Total adjusted EBITA	14,372	8,974	5,313	4,701	4,358	4,084	2,990	3,158

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	2309	2209	2023:3	2023:2	2023:1	2022:4	2022:3	2022:2
Health & Medical	2,262	1,554	980	731	551	500	456	463
Consumer Goods	7,327	4,782	2,488	2,431	2,408	2,182	1,395	1,801
Professional Hygiene	4,774	2,561	1,890	1,589	1,295	1,417	1,091	911
Other	-837	-749	-324	-331	-182	-305	-239	-293
Total adjusted operating profit¹	13,526	8,148	5,034	4,420	4,072	3,794	2,703	2,882
Financial items	-1,979	-800	-691	-633	-655	-570	-368	-224
Profit before tax¹	11,547	7,348	4,343	3,787	3,417	3,224	2,335	2,658
Income taxes	-2,691	-1,511	-1,023	-873	-795	-734	-509	-575
Net profit for the period²	8,856	5,837	3,320	2,914	2,622	2,490	1,826	2,083
¹ Excluding items affecting comparability before tax amounting to:	-2,399	-2,140	-1,967	-519	87	-323	-212	-515
² Excluding items affecting comparability after tax amounting to:	-1,951	-2,019	-1,669	-363	81	-244	-202	-410

ADJUSTED EBITA MARGIN (business area reporting)

(%)	2309	2209	2023:3	2023:2	2023:1	2022:4	2022:3	2022:2
Health & Medical	13.7	11.8	16.3	13.4	11.3	10.7	10.3	11.0
Consumer Goods	9.6	7.3	10.0	9.5	9.4	8.3	6.1	8.1
Professional Hygiene	15.5	9.9	17.8	15.1	13.3	14.1	11.3	10.4
Total	11.0	8.0	12.2	10.7	10.2	9.3	7.5	8.3

STATEMENT OF PROFIT OR LOSS

SEKm	2023:3	2023:2	2023:1	2022:4	2022:3
Net sales	43,516	43,930	42,926	43,834	40,109
Cost of goods sold	-30,522	-31,851	-31,378	-32,499	-30,625
Items affecting comparability - cost of goods sold	-987	-355	38	-302	-131
Gross profit	12,007	11,724	11,586	11,033	9,353
Sales, general and administration	-7,703	-7,386	-7,192	-7,259	-6,500
Items affecting comparability - sales, general and administration	-663	-131	49	8	-75
Share of results of associates and joint ventures	22	8	2	8	6
EBITA	3,663	4,215	4,445	3,790	2,784
Amortization of acquisition-related intangible assets	-279	-281	-286	-290	-287
Items affecting comparability - acquisition-related intangible assets	-317	-33	0	-29	-6
Operating profit	3,067	3,901	4,159	3,471	2,491
Financial items	-691	-633	-655	-570	-368
Profit before tax	2,376	3,268	3,504	2,901	2,123
Income taxes	-725	-717	-801	-655	-499
Net profit for the period	1,651	2,551	2,703	2,246	1,624

CONDENSED INCOME STATEMENT PARENT COMPANY

SEKm	2309	2209
Administrative expenses	-774	-589
Other operating income	34	40
Operating loss	-740	-549
Financial items	329	-775
Profit before tax	-411	-1,324
Tax on profit for the period	132	682
Profit for the period	-279	-642

CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	September 30, 2023	December 31, 2022
Intangible assets	0	0
Property, plant and equipment	10	12
Financial non-current assets	176,705	176,780
Total non-current assets	176,715	176,792
Total current assets	588	3,046
Total assets	177,303	179,838
Restricted equity	2,350	2,350
Non-restricted equity	70,875	76,246
Total equity	73,225	78,596
Untaxed reserves	195	195
Provisions	874	846
Non-current liabilities	47,264	52,470
Current liabilities	55,745	47,731
Total equity, provisions and liabilities	177,303	179,838

NOTES

1 ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 and recommendation RFR 1 of the Swedish Financial Reporting Board (RFR), and with regards to the Parent company, RFR 2. A few amended accounting standards published by the IASB entered into force on January 1, 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 ¹	
						1	2
September 30, 2023							
Derivatives	1,450	702	748	-	-	-	1,450
Non-current financial assets	95	-	-	95	-	95	-
Total assets	1,545	702	748	95	-	95	1,450
Derivatives	7,333	1,669	5,664	-	-	-	7,333
Financial liabilities							
Current financial liabilities	16,505	-	-	-	16,505	-	-
Non-current financial liabilities	50,344	24,688	-	-	25,656	-	24,688
Total liabilities	74,182	26,357	5,664	-	42,161	-	32,021
December 31, 2022							
Derivatives	4,416	1,631	2,785	-	-	-	4,416
Non-current financial assets	92	-	-	92	-	92	-
Total assets	4,508	1,631	2,785	92	-	92	4,416
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
Total liabilities	72,717	29,017	5,361	-	38,339	-	34,378

¹ No financial instruments have been classified to level 3

The total fair value of the above financial liabilities, excluding lease liabilities, is SEK 66,800m (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 been finalized. No significant adjustments were made compared with the preliminary purchase price allocation.

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 been finalized. No significant adjustments were made compared with the preliminary purchase price allocation.

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 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 earnings impact, including accumulated currency translation differences, amounts to approximately SEK -0.5bn and is reported as an item affecting comparability in the third quarter of 2023.

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 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	2309	2212
Total assets	211,863	210,600
-Financial assets	-14,428	-11,317
-Non-current non-interest bearing liabilities	-9,699	-10,405
-Current non-interest bearing liabilities	-45,984	-49,445
Capital employed	141,752	139,433

SEKm	2023:3	2023:2	2023:1	2022:4	2022:3
Health & Medical	35,618	37,223	34,944	34,557	35,708
Consumer Goods	78,738	82,035	77,776	76,672	81,936
Professional Hygiene	25,877	28,467	27,722	27,911	30,622
Other	1,519	1,475	-4,651	293	-326
Capital employed	141,752	149,200	135,791	139,433	147,940

Working capital

SEKm	2309	2212
Inventories	24,784	28,888
Trade receivables	26,824	25,990
Other current receivables	4,481	5,761
Trade payables	-19,529	-25,644
Other current liabilities	-22,774	-20,995
Other	570	33
Working capital	14,356	14,033

Net debt

SEKm	2309	2212
Surplus in funded pension plans	2,780	1,965
Non-current financial assets	130	123
Current financial assets	5,127	4,941
Cash and cash equivalents	6,391	4,288
Financial assets	14,428	11,317
Non-current financial liabilities	54,486	58,242
Provisions for pensions	2,446	2,671
Current financial liabilities	18,129	13,273
Financial liabilities	75,061	74,186
Net debt	60,633	62,869

EBITDA

SEKm	2309	2209	2023:3	2022:3
Operating profit	11,127	6,008	3,067	2,491
-Amortization of acquisition-related intangible assets	846	826	279	287
-Depreciation/amortization	4,932	4,596	1,657	1,603
-Depreciation right-of-use asset	885	795	305	272
-Impairment	49	11	12	4
-Items affecting comparability - impairment net	557	1,567	500	141
-Items affecting comparability - impairment of acquisition-related intangible assets	350	263	317	6
EBITDA	18,746	14,066	6,137	4,804
-Items affecting comparability excluding depreciation/amortization and impairment	1,492	310	1,150	65
Adjusted EBITDA	20,238	14,376	7,287	4,869

EBITA

SEKm	2309	2209	2023:3	2022:3
Operating profit	11,127	6,008	3,067	2,491
-Amortization of acquisition-related intangible assets	846	826	279	287
-Items affecting comparability - impairment of acquisition-related intangible assets	350	263	317	6
Operating profit before amortization and impairment of acquisition-related intangible assets (EBITA)	12,323	7,097	3,663	2,784
EBITA margin (%)	9.5	6.3	8.4	6.9
-Items affecting comparability - cost of goods sold	1,304	1,597	987	131
-Items affecting comparability - sales, general and administration	745	280	663	75
Adjusted EBITA	14,372	8,974	5,313	2,990
Adjusted EBITA margin (%)	11.0	8.0	12.2	7.5

Operating cash flow

SEKm	2309	2209	2023:3	2022:3
Health & Medical				
Operating cash surplus	3,633	2,829	1,447	894
Change in working capital	-795	-869	503	90
Investment in non-current assets, net	-627	-540	-274	-176
Restructuring costs, etc.	102	99	39	49
Operating cash flow before investments in operating assets through leases	2,313	1,519	1,715	857
Investment in operating assets through leases	-62	-49	-20	-16
Operating cash flow	2,251	1,470	1,695	841
Consumer Goods				
Operating cash surplus	11,002	8,187	3,691	2,562
Change in working capital	-1,688	-908	1,279	-581
Investment in non-current assets, net	-3,017	-2,783	-1,258	-1,107
Restructuring costs, etc.	-453	-129	-176	11
Operating cash flow before investments in operating assets through leases	5,844	4,367	3,536	885
Investment in operating assets through leases	-273	-352	-33	-207
Operating cash flow	5,571	4,015	3,503	678
Professional Hygiene				
Operating cash surplus	6,675	4,363	2,534	1,731
Change in working capital	259	-1,002	726	-31
Investment in non-current assets, net	-1,161	-811	-450	-288
Restructuring costs, etc.	-483	-344	-223	-122
Operating cash flow before investments in operating assets through leases	5,290	2,206	2,587	1,290
Investment in operating assets through leases	-29	-68	-47	-22
Operating cash flow	5,261	2,138	2,540	1,268

Sales growth

SEKm	2309	2023:3
Health & Medical		
Organic sales growth	1,478	378
Acquisitions	0	0
Sales growth including organic sales growth and acquisitions	1,478	378
Divestments	-80	-80
Exchange rate effect ¹	1,245	461
Recognized change	2,643	759
Consumer Goods		
Organic sales growth	5,218	605
Acquisitions	1,204	294
Sales growth including organic sales growth and acquisitions	6,422	899
Divestments	-601	-601
Exchange rate effect ¹	4,610	1,436
Recognized change	10,431	1,734
Professional Hygiene		
Organic sales growth	3,102	537
Acquisitions	24	1
Sales growth including organic sales growth and acquisitions	3,126	538
Divestments	-104	-104
Exchange rate effect ¹	1,924	467
Recognized change	4,946	901
Essity		
Organic sales growth	9,811	1,533
Acquisitions	1,228	296
Sales growth including organic sales growth and acquisitions	11,039	1,829
Divestments	-785	-785
Exchange rate effect ¹	7,780	2,364
Recognized change	18,034	3,408

¹Consists solely of currency translation effects