

# Half-year Report 2021



Essity Aktiebolag (publ)



# JANUARY 1 – JUNE 30, 2021

(compared with the corresponding period a year ago)

- Organic net sales declined 1.0% and were negatively impacted by the COVID-19 pandemic and related restrictions and lockdowns. Net sales declined 9.1% to SEK 56,496m (62,119). Sales growth was strong for the second quarter of 2021 and organic net sales increased by 9.5% compared with the second quarter of 2020.
- Market shares increased for more than 60% of branded sales in the retail trade for the most recent 12-month period
- E-commerce sales increased organically by 13.7% to approximately 14% of net sales, corresponding to approximately SEK 8bn.
- In emerging markets, which accounted for 38% of net sales, organic net sales increased 6.6%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) decreased 24% to SEK 6,937m (9,159)
- Adjusted EBITA decreased 23% to SEK 7,017m (9,115)
- Adjusted EBITA margin decreased 2.3 percentage points to 12.4% (14.7)
- Adjusted return on capital employed decreased 1.5 percentage points to 14.1% (15.6)
- Profit for the period was SEK 4,627m (6,118)
- Earnings per share were SEK 5.56 (7.58) and adjusted earnings per share were SEK 6.03 (7.95)
- Cash flow from current operations was SEK 1,741m (6,361)
- Entered into agreement to acquire approximately 44% of the Colombian hygiene company Productos Familia S.A.
- Started process to create a private label division in the Consumer Tissue business area
- After the end of the first half-year:
  - Acquisition of the Australian hygiene company Asaleo Care finalized
  - New and updated sustainability targets including the commitment to reach net-zero greenhouse gas emissions by 2050 at the latest.

## EARNINGS TREND

| SEKm  | 2106   | 2006   | %   | 2021:2 | 2020:2 | %   |
|---|--------|--------|-----|--------|--------|-----|
| Net sales   | 56,496 | 62,119 | -9  | 28,968 | 28,407 | 2   |
| Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) <sup>1</sup> | 7,017  | 9,115  | -23 | 3,409  | 3,782  | -10 |
| Operating profit before amortization of acquisition-related intangible assets (EBITA)                       | 6,937  | 9,159  | -24 | 3,273  | 3,843  | -15 |
| Amortization of acquisition-related intangible assets   | -367   | -409   |     | -181   | -208   |     |
| Adjusted operating profit <sup>1</sup>  | 6,650  | 8,706  | -24 | 3,228  | 3,574  | -10 |
| Items affecting comparability   | -80    | 44     |     | -136   | 61     |     |
| Operating profit  | 6,570  | 8,750  | -25 | 3,092  | 3,635  | -15 |
| Financial items   | -335   | -602   |     | -177   | -283   |     |
| Profit before tax   | 6,235  | 8,148  | -23 | 2,915  | 3,352  | -13 |
| Adjusted Profit before tax <sup>1</sup>   | 6,315  | 8,104  | -22 | 3,051  | 3,291  | -7  |
| Income taxes  | -1,608 | -2,030 |     | -840   | -844   |     |
| Profit for the period   | 4,627  | 6,118  | -24 | 2,075  | 2,508  | -17 |
| Earnings per share, SEK   | 5.56   | 7.58   |     | 2.52   | 2.97   |     |
| Adjusted earnings per share, SEK <sup>2</sup>   | 6.03   | 7.95   |     | 2.89   | 3.12   |     |

<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.

## SUMMARY OF SECOND QUARTER OF 2021

Sales growth was strong in the second quarter and organic net sales rose 9.5% compared with the corresponding period a year ago, of which volume accounted for 9.9% and price/mix for -0.4%. There was a gradual increase in sales during the quarter as a result of more favorable market conditions and the continued growing awareness of the importance of hygiene and health. Organic net sales in mature markets increased 9.0%. In emerging markets, which accounted for 38% of net sales, organic net sales increased 9.1%.

Personal Care and Professional Hygiene noted highly favorable organic sales growth during the second quarter of 2021 compared with the second quarter of 2020. In Personal Care and Consumer Tissue, sales were at a higher level than in the second quarter of 2019. Medical Solutions demonstrated strong organic sales growth compared with the second quarter of 2020, and sales were also higher than in the second quarter of 2019 as a result of the positive performance in Wound Care.

During the second quarter Essity has:

- Launched innovations in all business areas under strong brands such as TENA, Tork, Leukoplast, Jobst, Libresse, Tempo and Regio.
- Increased market shares for more than 60% of branded sales in the retail trade for the most recent 12-month period through successful product launches, award-winning marketing campaigns and a strengthened presence in digital sales channels.
- Increased e-commerce sales organically by 13.3% to about 14% of net sales, corresponding to approximately SEK 4bn.
- Announced price increases in Consumer Tissue as a result of higher costs for raw materials, energy and distribution. A certain effect of the price increases was seen at the end of the second quarter of 2021 but the majority will be realized in the second half of 2021. Essity has also implemented and is preparing price increases in other product categories affected by higher costs.
- Achieved continuous costs savings for the second quarter of SEK 239m. The Manufacturing Roadmap program extends until 2025 and is expected to contribute to Essity's total annual cost savings of SEK 500-1,000m.
- Entered into an agreement to acquire approximately 44% of the Colombian hygiene company Productos Familia S.A. After closing of the transaction, Essity's ownership in Familia will amount to at least 94%. Furthermore, an acquisition was made of the remaining 25% of the shares in the medical solutions company ABIGO Medical AB.
- Started process to create the Consumer Tissue Private Label Europe division in the Consumer Tissue business area. Proforma 2020 net sales of the division was approximately SEK 6.7bn. About 1,700 employees and seven production facilities in Belgium, France, Germany and Italy are in scope. The work with creating the division is expected to be finalized by year end 2021.

After the end of the second quarter:

- Finalized the acquisition of the Australian hygiene company Asaleo Care
- Commitment to reach net-zero greenhouse gas emissions by 2050 at the latest. This includes raising the ambition level of Essity's current Science Based Targets. Other updated targets include sustainable innovations, occupational safety and responsible sourcing.

The Group's adjusted gross margin for the second quarter of 2021 decreased by 1.8 percentage points year on year to 30.4%. The gross margin was positively impacted by higher volumes, an improved mix and cost savings. Higher raw material and energy costs reduced the margin by 1.9 percentage points. The gross margin was also negatively impacted by higher distribution costs and lower prices in Consumer Tissue. The lower prices were primarily the result of higher campaign activity compared with a low level in the preceding year as well as price adjustments in Europe in the second half of 2020. Announced and agreed price increases in Consumer Tissue in Europe had a certain effect at the end of the second quarter but the majority will be realized in the second half of 2021. The Group's adjusted EBITA margin decreased 1.5 percentage points to 11.8%. Sales costs increased in absolute terms but decreased as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a percentage of net sales. Adjusted EBITA, excluding exchange rate effects, decreased 2%. Adjusted return on capital employed amounted to 12.4 percent and earnings per share were SEK 2.52.

**ADJUSTED EARNINGS TREND**

| SEKm  | 2106          | 2006          | %          | 2021:2       | 2020:2       | %          |
|---|---------------|---------------|------------|--------------|--------------|------------|
| Net sales   | 56,496        | 62,119        | -9         | 28,968       | 28,407       | 2          |
| Cost of goods sold <sup>1</sup>   | -38,809       | -41,923       |            | -20,149      | -19,260      |            |
| <b>Adjusted gross profit<sup>1</sup></b>  | <b>17,687</b> | <b>20,196</b> | <b>-12</b> | <b>8,819</b> | <b>9,147</b> | <b>-4</b>  |
| Sales, general and administration <sup>1</sup>  | -10,670       | -11,081       |            | -5,410       | -5,365       |            |
| <b>Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)<sup>1</sup></b> | <b>7,017</b>  | <b>9,115</b>  | <b>-23</b> | <b>3,409</b> | <b>3,782</b> | <b>-10</b> |
| Amortization of acquisition-related intangible assets   | -367          | -409          |            | -181         | -208         |            |
| <b>Adjusted operating profit<sup>1</sup></b>  | <b>6,650</b>  | <b>8,706</b>  | <b>-24</b> | <b>3,228</b> | <b>3,574</b> | <b>-10</b> |
| Financial items   | -335          | -602          |            | -177         | -283         |            |
| <b>Adjusted profit before tax<sup>1</sup></b>   | <b>6,315</b>  | <b>8,104</b>  | <b>-22</b> | <b>3,051</b> | <b>3,291</b> | <b>-7</b>  |
| Adjusted Income taxes <sup>1</sup>  | -1,622        | -2,012        |            | -849         | -823         |            |
| <b>Adjusted profit for the period<sup>1</sup></b>   | <b>4,693</b>  | <b>6,092</b>  | <b>-23</b> | <b>2,202</b> | <b>2,468</b> | <b>-11</b> |
| <sup>1</sup> Excluding items affecting comparability; for amounts see page 13.                                    |               |               |            |              |              |            |
| <b>Adjusted Margins (%)</b>   |               |               |            |              |              |            |
| <b>Gross margin<sup>1</sup></b>   | <b>31.3</b>   | <b>32.5</b>   |            | <b>30.4</b>  | <b>32.2</b>  |            |
| <b>EBITA margin<sup>1</sup></b>   | <b>12.4</b>   | <b>14.7</b>   |            | <b>11.8</b>  | <b>13.3</b>  |            |
| <b>Operating margin<sup>1</sup></b>   | <b>11.8</b>   | <b>14.0</b>   |            | <b>11.1</b>  | <b>12.6</b>  |            |
| Financial net margin  | -0.6          | -1.0          |            | -0.6         | -1.0         |            |
| <b>Profit margin<sup>1</sup></b>  | <b>11.2</b>   | <b>13.0</b>   |            | <b>10.5</b>  | <b>11.6</b>  |            |
| Income taxes <sup>1</sup>   | -2.9          | -3.2          |            | -2.9         | -2.9         |            |
| <b>Net margin<sup>1</sup></b>   | <b>8.3</b>    | <b>9.8</b>    |            | <b>7.6</b>   | <b>8.7</b>   |            |
| <sup>1</sup> Excluding items affecting comparability; for amounts see page 13.                                    |               |               |            |              |              |            |

**ADJUSTED EBITA BY BUSINESS AREA**

| SEKm   | 2106         | 2006         | %          | 2021:2       | 2020:2       | %          |
|--|--------------|--------------|------------|--------------|--------------|------------|
| Personal Care  | 3,418        | 3,477        | -2         | 1,710        | 1,438        | 19         |
| Consumer Tissue  | 2,892        | 4,216        | -31        | 1,207        | 2,124        | -43        |
| Professional Hygiene   | 1,129        | 1,874        | -40        | 710          | 481          | 48         |
| Other  | -422         | -452         |            | -218         | -261         |            |
| <b>Total<sup>1</sup></b>   | <b>7,017</b> | <b>9,115</b> | <b>-23</b> | <b>3,409</b> | <b>3,782</b> | <b>-10</b> |
| <sup>1</sup> Excluding items affecting comparability; for amounts see page 13. |              |              |            |              |              |            |

**ADJUSTED OPERATING PROFIT BY BUSINESS AREA**

| SEKm   | 2106         | 2006         | %          | 2021:2       | 2020:2       | %          |
|--|--------------|--------------|------------|--------------|--------------|------------|
| Personal Care  | 3,059        | 3,091        | -1         | 1,531        | 1,241        | 23         |
| Consumer Tissue  | 2,889        | 4,212        | -31        | 1,205        | 2,122        | -43        |
| Professional Hygiene   | 1,124        | 1,855        | -39        | 709          | 472          | 50         |
| Other  | -422         | -452         |            | -217         | -261         |            |
| <b>Total<sup>1</sup></b>   | <b>6,650</b> | <b>8,706</b> | <b>-24</b> | <b>3,228</b> | <b>3,574</b> | <b>-10</b> |
| <sup>1</sup> Excluding items affecting comparability; for amounts see page 13. |              |              |            |              |              |            |

**OPERATING CASH FLOW BY BUSINESS AREA**

| SEKm                 | 2106         | 2006         | %          | 2021:2       | 2020:2       | %          |
|----------------------|--------------|--------------|------------|--------------|--------------|------------|
| Personal Care        | 2,621        | 3,336        | -21        | 1,238        | 1,646        | -25        |
| Consumer Tissue      | 1,750        | 4,522        | -61        | 444          | 2,429        | -82        |
| Professional Hygiene | 626          | 1,631        | -62        | 655          | 769          | -15        |
| Other                | -761         | -662         |            | -377         | -498         |            |
| <b>Total</b>         | <b>4,236</b> | <b>8,827</b> | <b>-52</b> | <b>1,960</b> | <b>4,346</b> | <b>-55</b> |

## GROUP

### NET SALES AND EARNINGS

#### January–June 2021 compared with the corresponding period a year ago

Net sales declined 9.1% compared with the corresponding period a year ago to SEK 56,496m (62,119). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, declined 1.0%, of which volume accounted for -0.3% and price/mix for -0.7%. Sales were negatively impacted by the COVID-19 pandemic and the related lockdowns and restrictions, primarily within Professional Hygiene. Organic net sales declined 5.8% in mature markets and increased 6.6% in emerging markets. Emerging markets accounted for 38% of net sales. Exchange rate effects reduced net sales by 7.4%. Acquisitions, divestments and deconsolidation reduced net sales by 0.7%.

The Group's adjusted gross margin decreased by 1.2 percentage points year on year to 31.3% (32.5). The gross margin was positively impacted by an improved mix and cost savings. Continuous cost savings amounted to SEK 251m. Higher costs for raw materials, energy and distribution, and lower prices in Consumer Tissue had a negative impact on the margin.

The Group's adjusted EBITA margin decreased 2.3 percentage points to 12.4% (14.7). Sales costs increased in absolute terms and as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a share of net sales.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 23% (15% excluding currency translation effects, acquisitions and divestments) to SEK 7,017m (9,115).

Items affecting comparability amounted to SEK -80m (44) primarily related to restructuring and transaction costs.

Financial items decreased to SEK -335m (-602). Lower interest and lower average net debt had a positive impact.

Adjusted profit before tax decreased 22% (14% excluding currency translation effects, acquisitions and divestments) and amounted to SEK 6,315m (8,104).

The tax expense, excluding effects of items affecting comparability, was SEK 1,622m (2,012).

Adjusted profit for the period decreased 23% (15% excluding currency translation effects, acquisitions and divestments) to SEK 4,693m (6,092).

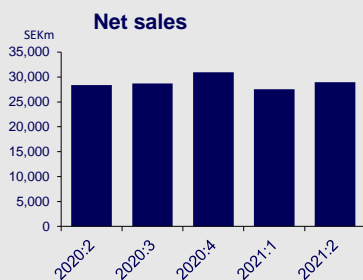
Profit for the period decreased 24% (16% excluding currency translation effects, acquisitions and divestments) to SEK 4,627m (6,118). Earnings per share were SEK 5.56 (7.58). The adjusted earnings per share were SEK 6.03 (7.95).

The adjusted return on capital employed was 14.1% (15.6). The adjusted return on equity was 16.1% (19.5).

#### Second quarter of 2021 compared with the corresponding period a year ago

Net sales increased 2.0% compared with the corresponding period a year ago to SEK 28,968m (28,407). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 9.5%, of which volume accounted for 9.9% and price/mix for -0.4%. The negative effect of the COVID-19 pandemic and the related lockdowns and restrictions was less severe in the second quarter of 2021 compared with the preceding year. Sales in the second quarter of 2020 were negatively impacted by inventory adjustments among consumers and distributors. Organic net sales increased 9.0% in mature markets and increased 9.1% in emerging markets. Emerging markets accounted for 38% of net sales. Exchange rate effects reduced net sales by 6.8%. Acquisitions, divestments and deconsolidation reduced net sales by 0.7%.

The Group's adjusted gross margin for the second quarter of 2021 decreased by 1.8 percentage points year on year to 30.4% (32.2). The gross margin was positively impacted by higher volumes, an improved mix and cost savings. Higher raw material and energy costs reduced the margin by 1.9 percentage points. The continuous costs savings amounted to SEK 239m. The gross margin was also negatively impacted by higher distribution costs and lower prices in Consumer Tissue. The lower prices were primarily the result of higher campaign activity compared with a low level in the preceding year as well as price adjustments in Europe in the second half of 2020. Announced and agreed price increases in Consumer Tissue in Europe had



Excluding items affecting comparability

#### Change in net sales (%)

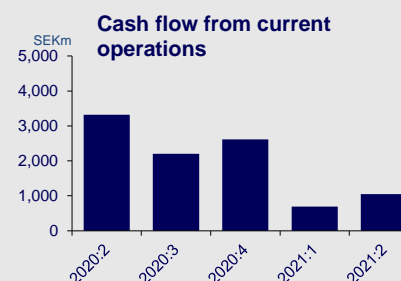
|              | 2106 vs 2006 | 21:2 vs 20:2 |
|--------------|--------------|--------------|
| <b>Total</b> | <b>-9.1</b>  | <b>2.0</b>   |
| Volume       | -0.3         | 9.9          |
| Price/mix    | -0.7         | -0.4         |
| Currency     | -7.4         | -6.8         |
| Acquisitions | 0.1          | 0.1          |
| Divestments  | -0.8         | -0.8         |

#### Change in adjusted EBITA (%)

|               | 2106 vs 2006 | 21:2 vs 20:2 |
|---------------|--------------|--------------|
| <b>Total</b>  | <b>-23</b>   | <b>-10</b>   |
| Volume        | 0            | 26           |
| Price/mix     | -5           | -3           |
| Raw materials | -2           | -12          |
| Energy        | -2           | -4           |
| Currency      | -8           | -8           |
| Other         | -6           | -9           |



Excluding items affecting comparability



a certain effect at the end of the second quarter but the majority will be realized in the second half of 2021. The Group's adjusted EBITA margin decreased 1.5 percentage points to 11.8% (13.3). Sales costs increased in absolute terms but decreased as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a share of net sales.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 10% (2% excluding currency translation effects, acquisitions and divestments) to SEK 3,409m (3,782).

Adjusted profit before tax decreased 7% (increased 1% excluding currency translation effects, acquisitions and divestments) and amounted to SEK 3,051m (3,291).

Profit for the period decreased 17% (9% excluding currency translation effects, acquisitions and divestments) to SEK 2,075m (2,508). Earnings per share were SEK 2.52 (2.97). The adjusted earnings per share were SEK 2.89 (3.12).

The adjusted return on capital employed was 12.4% (13.1). The adjusted return on equity was 13.5% (15.1).

## CASH FLOW AND FINANCING

### January–June 2021 compared with the corresponding period a year ago

The operating cash surplus amounted to SEK 10,255m (12,670). The cash flow effect of changes in working capital was SEK -2,450m (-1,019). Working capital was negatively impacted by an increase in trade receivables as a result of higher sales and a higher inventory value on account of rising raw material prices. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -3,193m (-2,338). Operating cash flow before investments in operating assets through leases amounted to SEK 4,300m (8,997). Investments in operating assets through leases amounted to SEK -64m (-170). Operating cash flow was SEK 4,236m (8,827).

Financial items decreased to SEK -335m (-602). Lower interest and lower average net debt had a positive impact.

Tax payments had an impact on cash flow of SEK -2,232m (-1,890).

The net sum of acquisitions and divestments was SEK -271m (-716). Net cash flow totaled SEK -3,619m (5,586).

Net debt increased SEK 3,709m during the period and amounted to SEK 46,397m. Excluding pension liabilities, net debt amounted to SEK 45,047m. Net cash flow increased net debt by SEK 3,619m. 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 1,099m. Exchange rate movements increased net debt by SEK 939m. Investments in non-operating assets through leases increased net debt by SEK 250m. The debt/equity ratio was 0.70 (0.75). Excluding pension liabilities, the debt/equity ratio was 0.68 (0.66). The debt payment capacity was 36% (42). Net debt in relation to adjusted EBITDA amounted to 2.12 (1.93).

## EQUITY

### January–June 2021

The Group's equity increased by SEK 2,943m during the period, to SEK 66,285m. Net profit for the period increased equity by SEK 4,627m. Equity decreased due to dividends to shareholders of SEK 5,178m. Equity increased net after tax by SEK 959m as a result of fair value measurement of pension assets and updated assumptions and assessments that affect the valuation of the pension liability. Fair value measurement of financial instruments increased equity by SEK 604m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 1,904m. Other items increased equity by SEK 27m.

## TAX

### January–June 2021

A tax expense of SEK 1,622m was reported, excluding items affecting comparability, corresponding to a tax rate of 25.7% for the period. The tax expense including items affecting comparability was SEK 1,608m, corresponding to a tax rate of 25.8% for the period.

## EVENTS DURING THE QUARTER

### Essity acquires distribution rights to Sorbact in Australia and New Zealand

On April 6, 2021, Essity announced that the company is acquiring the distribution rights to the wound care technology Sorbact® in Australia and New Zealand from the Australian company Bayport Brands. In 2020, sales of Sorbact® in the region amounted to AUD 1.7m (approximately SEK 11m). Sorbact® is a clinically established innovation for advanced wound care and is used in wound care products to prevent and treat infections. It does this using a natural mode of action that binds bacteria and fungi. Sorbact® does not contain antiseptics or other toxic substances, which is positive for both the patient and the environment.

### Essity announces price increases

On April 7, 2021, Essity communicated that the company is announcing price increases in Consumer Tissue as a result of higher raw material costs. The price increases are announced in Essity's key markets and the percentage increases are on average in the mid-to-high single digits. In addition, Essity is preparing price increases in other product categories impacted by higher raw material costs.

### Essity to increase ownership in Productos Familia S.A.

Essity announced on April 22, 2021, that the company had made an agreement to acquire approximately 44% of the Colombian hygiene company Productos Familia S.A. After closing of the transaction Essity's ownership in Familia will amount to at least 94%. Essity has been an owner in Familia since 1985, and currently owns 50% of the company. The purchase price amounts to USD 1,540m (approximately SEK 13bn) for 100% of the company on a debt free basis. With the acquisition Essity is building a stronger platform in Latin America to increase growth, profitability and efficiency as well as accelerating the digital transformation. The acquisition will be fully debt funded and Essity has committed credit facilities in place. The completion of the transaction is subject to customary regulatory approvals and is expected to be finalized in the second half of 2021.

### Progress within Manufacturing Roadmap

On April 23, 2021, Essity presented additional information regarding the program Manufacturing Roadmap, including optimizing and streamlining all of the Group's approximately 60 wholly owned production facilities and logistics and distribution. The program extends until 2025 and is expected to contribute to Essity's total annual cost savings of SEK 500-1,000m through the optimization of the production structure, productivity improvements and raw material and energy savings.

### Essity acquires remaining shares in ABIGO Medical AB

On April 27, 2021, Essity announced that the company had signed an agreement to acquire the remaining 25% of the shares in the Swedish medical solutions company ABIGO Medical AB. Essity acquired 75% of ABIGO Medical in February 2020. Following the acquisition, ABIGO Medical will be a wholly owned subsidiary of Essity in the product category Medical Solutions. The shares are being acquired from founder and chairman of the board Jan G. Smith at a valuation of SEK 900m for 100% of the company on a debt-free basis. The acquisition was finalized in May 2021.

### Asaleo Care's shareholders accept Essity's offer to acquire remaining shares in the company

On June 1, 2021, Essity announced that the shareholders in Asaleo Care voted in favor of accepting Essity's offer to acquire all shares in the company. Essity will acquire the remaining 63.8% of the shares in Asaleo Care for AUD 1.40 cash per share. The consideration implied an equity value on a 100% basis of approximately AUD 760m (approximately SEK 4.9bn) and an enterprise value of AUD 855m (approximately SEK 5.5bn). In 2020, Asaleo Care reported sales of AUD 419m (approximately SEK 2.7bn) and underlying EBITDA of AUD 89m (approximately SEK 574m). Based on this, Asaleo Care would have contributed to Essity's net sales and EBITDA by approximately 2% for 2020.

### **Sahil Tesfu joins Essity's Executive Management Team**

On June 2, 2021, Essity announced that Sahil Tesfu will join Essity's Executive Management Team in the newly created position of Senior Vice President Group Function Strategy & Business Development.

## **EVENTS AFTER THE QUARTER**

### **Australian hygiene company Asaleo Care becomes Essity**

On July 1, 2021, Essity announced that it had finalized its acquisition of Australian hygiene company Asaleo Care. Essity AustralAsia, which is the name of the regional unit going forward, will be consolidated into Essity's accounts as of July 1, 2021.

### **Essity invests in improved recycling of food and beverage cartons in France**

On July 6, 2021, Essity announced that the company is investing approximately EUR 11m (approximately SEK 110m) in its Hondouville tissue mill in France, allowing the extraction of 98% of paper fibers contained in food and beverage cartons. Since 2008, Essity's Hondouville mill has been the leading recycler in France of food and beverage cartons. This new investment will allow Essity to increase the recycling capacity of cartons to 24,000 tons a year. The fibers from these cartons are used in the fiber mix to manufacture Tork-branded products within Professional Hygiene. The improved recycling system will be operational during the first half of 2022.

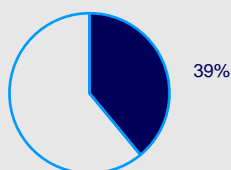
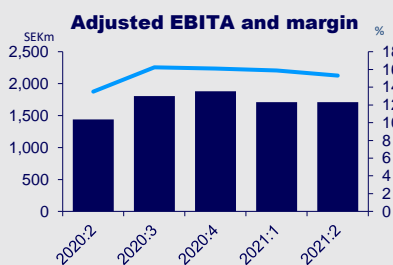
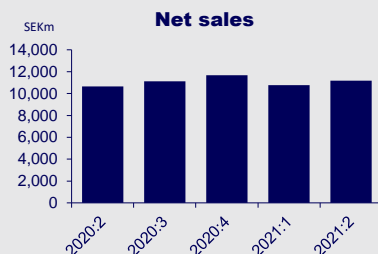
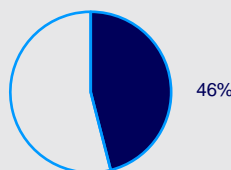
### **Essity commits to net-zero greenhouse gas emissions by 2050**

On July 16, 2021, Essity announced new and updated sustainability targets including a commitment to develop targets to reach net-zero greenhouse gas emissions by 2050 at the latest. This includes raising the ambition level of Essity's current Science Based Targets. Other updated targets include sustainable innovations, occupational safety and responsible sourcing.

The net-zero ambition means that Essity will join the U.N. Global Compact's "Business Ambition for 1.5°C" to develop targets to reach net-zero emissions by 2050 for the entire value chain, in line with Science Based Targets initiative (SBTi) criteria. This includes an upgraded target in line with "Well-below 2°C" scenario and means the company commits to reducing its Scope 1 and Scope 2 emissions with 35% by 2030 from 2016. Essity will reach the net-zero emissions target and reduce its environmental impact by increasing focus on energy efficiency, removal of fossil fuels, and increasing the use of renewable energy.

In addition, Essity has increased its ambition for sustainable innovations. The new target is that at least 50% of all innovations should yield a social and/or environmental improvement. Sustainable innovations are measured as share of revenue from innovations launched in the last three years. For occupational safety, Essity has an updated target to reduce the total recordable injuries rate by 75% by 2025 compared to 2019. Essity has also updated its responsible sourcing target to 95% of Essity's total purchase cost is to be from suppliers that comply with Essity's Global Supplier Standard by 2025.



Share of Group, net sales  
2106Share of Group, adjusted EBITA  
2106

Change in net sales (%)

|              | 2106 vs 2006 | 21:2 vs 20:2 |
|--------------|--------------|--------------|
| <b>Total</b> | <b>-6.0</b>  | <b>4.8</b>   |
| Volume       | 1.2          | 11.0         |
| Price/mix    | 1.4          | 1.7          |
| Currency     | -7.9         | -7.0         |
| Acquisitions | 0.4          | 0.2          |
| Divestments  | -1.1         | -1.1         |

Change in adjusted EBITA (%)

|               | 2106 vs 2006 | 21:2 vs 20:2 |
|---------------|--------------|--------------|
| <b>Total</b>  | <b>-2</b>    | <b>19</b>    |
| Volume        | 5            | 36           |
| Price/mix     | 7            | 11           |
| Raw materials | -3           | -13          |
| Energy        | -1           | -1           |
| Currency      | -10          | -10          |
| Other         | 0            | -4           |

## PERSONAL CARE

| SEKm                                    | 2106   | 2006   | %  | 2021:2 | 2020:2 | %  |
|---|--------|--------|----|--------|--------|----|
| Net sales                               | 21,922 | 23,320 | -6 | 11,163 | 10,651 | 5  |
| Adjusted gross profit margin, %*        | 41.9   | 40.8   |    | 41.1   | 40.6   |    |
| Adjusted EBITA*                         | 3,418  | 3,477  | -2 | 1,710  | 1,438  | 19 |
| Adjusted EBITA margin, %*               | 15.6   | 14.9   |    | 15.3   | 13.5   |    |
| Adjusted operating profit*              | 3,059  | 3,091  | -1 | 1,531  | 1,241  | 23 |
| Adjusted operating margin, %*           | 14.0   | 13.3   |    | 13.7   | 11.7   |    |
| Adjusted return on capital employed, %* | 16.7   | 15.5   |    | 16.1   | 12.8   |    |
| Operating cash flow                     | 2,621  | 3,336  |    | 1,238  | 1,646  |    |

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

### January–June 2021 compared with the corresponding period a year ago

Net sales declined 6.0% to SEK 21,922m (23,320). Organic net sales increased 2.6%, of which volume accounted for 1.2% and price/mix for 1.4%. Organic net sales in mature markets increased 1.0%. In emerging markets, which accounted for 35% of net sales, organic net sales increased 4.5%. Exchange rate effects reduced net sales by 7.9%. Acquisitions and divestments reduced net sales by 0.7%.

For Incontinence Products, with Essity's globally leading TENA brand, organic net sales decreased 0.2%. In Medical Solutions, organic net sales increased 13.5%. For Baby Care, organic net sales declined 1.4%. For Feminine Care, organic net sales increased 5.0%.

The adjusted gross margin increased 1.1 percentage points to 41.9% (40.8). The gross margin was positively impacted by higher volumes, higher prices, an improved mix and cost savings. Higher costs for raw materials and distribution had a negative impact on the margin. The adjusted EBITA margin increased 0.7 of a percentage point to 15.6% (14.9). Sales costs decreased in absolute terms but increased as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a share of net sales. Adjusted EBITA decreased 2% (increased 8% excluding currency translation effects, acquisitions and divestments) to SEK 3,418m (3,477).

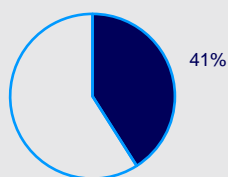
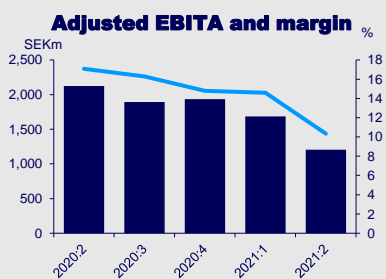
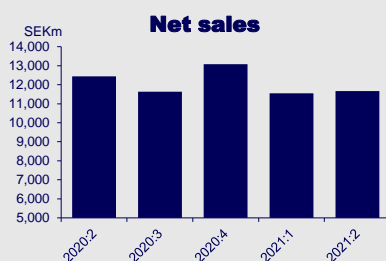
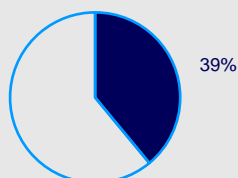
The operating cash surplus amounted to SEK 4,269m (4,454).

### Second quarter of 2021 compared with the corresponding period a year ago

Net sales increased 4.8% to SEK 11,163m (10,651). Organic net sales increased 12.7%, of which volume accounted for 11.0% and price/mix for 1.7%. The negative effect of the COVID-19 pandemic and the related lockdowns and restrictions was less severe in the second quarter of 2021 compared with the preceding year. Sales in the second quarter of 2020 were negatively impacted by inventory adjustments among consumers. Organic net sales in mature markets increased 12.3%. In emerging markets, which accounted for 35% of net sales, organic net sales increased 11.0%. Exchange rate effects reduced net sales by 7.0%. Acquisitions and divestments reduced net sales by 0.9%.

For Incontinence Products, with Essity's globally leading TENA brand, organic net sales increased 6.4%. The increase was attributable to Europe and emerging markets. In Medical Solutions, organic net sales increased 35.4% and all product categories demonstrated strong sales growth. For Baby Care, organic net sales increased 12.4%, primarily related to Europe. For Feminine Care, organic net sales increased 11.0% related to Europe and emerging markets.

The adjusted gross margin increased 0.5 of a percentage points to 41.1% (40.6). The gross margin was positively impacted by higher volumes, higher prices, an improved mix and cost savings. Higher raw material and distribution costs had a negative impact on the margin. The adjusted EBITA margin increased 1.8 percentage points to 15.3% (13.5). Sales costs increased in absolute terms but decreased as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a share of net sales. Adjusted EBITA increased 19% (29% excluding currency translation effects, acquisitions and divestments) to SEK 1,710m (1,438).

Share of Group, net sales  
2106Share of Group, adjusted EBITA  
2106

Change in net sales (%)

|              | 2106 vs 2006 | 21:2 vs 20:2 |
|--------------|--------------|--------------|
| <b>Total</b> | <b>-9.0</b>  | <b>-6.2</b>  |
| Volume       | 1.6          | 3.2          |
| Price/mix    | -3.2         | -3.4         |
| Currency     | -6.4         | -5.1         |
| Acquisitions | 0.0          | 0.0          |
| Divestments  | -1.0         | -0.9         |

Change in adjusted EBITA (%)

|               | 2106 vs 2006 | 21:2 vs 20:2 |
|---------------|--------------|--------------|
| <b>Total</b>  | <b>-31</b>   | <b>-43</b>   |
| Volume        | 5            | 5            |
| Price/mix     | -20          | -19          |
| Raw materials | 2            | -8           |
| Energy        | -3           | -5           |
| Currency      | -6           | -5           |
| Other         | -9           | -11          |

## CONSUMER TISSUE

| SEKm                                    | 2106   | 2006   | %   | 2021:2 | 2020:2 | %   |
|---|--------|--------|-----|--------|--------|-----|
| Net sales                               | 23,223 | 25,517 | -9  | 11,669 | 12,437 | -6  |
| Adjusted gross profit margin, %*        | 24.5   | 27.2   |     | 22.6   | 28.2   |     |
| Adjusted EBITA*                         | 2,892  | 4,216  | -31 | 1,207  | 2,124  | -43 |
| Adjusted EBITA margin, %*               | 12.5   | 16.5   |     | 10.3   | 17.1   |     |
| Adjusted operating profit*              | 2,889  | 4,212  | -31 | 1,205  | 2,122  | -43 |
| Adjusted operating margin, %*           | 12.4   | 16.5   |     | 10.3   | 17.1   |     |
| Adjusted return on capital employed, %* | 14.4   | 15.4   |     | 10.1   | 18.1   |     |
| Operating cash flow                     | 1,750  | 4,522  |     | 444    | 2,429  |     |

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

### January–June 2021 compared with the corresponding period a year ago

Net sales decreased 9.0% to SEK 23,223m (25,517). Organic net sales decreased 1.6%. Volumes accounted for an increase of 1.6% and the price/mix a decrease of 3.2%. Organic net sales decreased 10.0% in mature markets. In emerging markets, which accounted for 50% of net sales, organic net sales increased by 7.4%. Exchange rate effects decreased net sales by 6.4%. Divestments and deconsolidation decreased net sales by 1.0%.

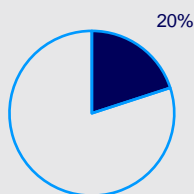
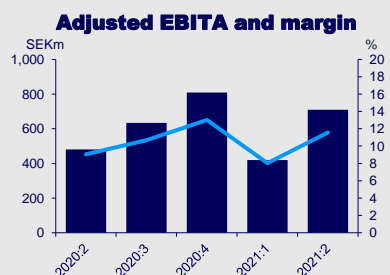
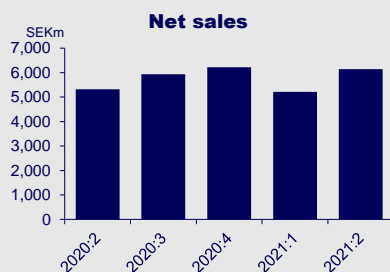
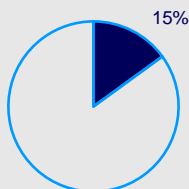
The adjusted gross margin decreased by 2.7 percentage points to 24.5% (27.2). The gross margin was positively impacted by higher volumes, an improved mix, cost savings and lower raw material costs related to Asia. Higher energy and distribution costs and lower prices had a negative impact on the margin. The adjusted EBITA margin decreased 4.0 percentage points to 12.5% (16.5). Sales and marketing costs increased in absolute terms and as a share of net sales. Adjusted EBITA decreased 31% (25% excluding currency translation effects, acquisitions and divestments) to SEK 2,892m (4,216).

The operating cash surplus totaled SEK 4,187m (5,632).

### Second quarter of 2021 compared with the corresponding period a year ago

Net sales decreased 6.2% to SEK 11,669m (12,437). Organic net sales decreased 0.2%. Volumes accounted for an increase of 3.2% and the price/mix a decrease of 3.4% as a result of lower prices but an improved mix. Organic net sales decreased 4.1% in mature markets. In emerging markets, which accounted for 51% of net sales, organic net sales increased by 3.3%. Exchange rate effects decreased net sales by 5.1%.

The adjusted gross margin decreased by 5.6 percentage points to 22.6% (28.2). The gross margin was positively impacted by higher volumes, an improved mix and cost savings. Higher raw material and energy costs reduced the margin by 2.3 percentage points. Higher distribution costs and lower prices had a negative impact on the margin. The lower prices were primarily the result of higher campaign activity compared with a low level in the preceding year as well as price adjustments in Europe in the second half of 2020. Price increases announced and agreed in Europe had a certain effect at the end of the second quarter, but the majority will be realized in the second half of 2021. The adjusted EBITA margin decreased 6.8 percentage points to 10.3% (17.1). Sales and marketing costs increased in absolute terms and as a share of net sales. Adjusted EBITA decreased 43% (39% excluding currency translation effects, acquisitions and divestments) to SEK 1,207m (2,124).

Share of Group, net sales  
2106Share of Group, adjusted EBITA  
2106

## Change in net sales (%)

|              | 2106 vs<br>2006 | 21:2 vs<br>20:2 |
|--------------|-----------------|-----------------|
| <b>Total</b> | <b>-14.4</b>    | <b>15.5</b>     |
| Volume       | -6.8            | 23.5            |
| Price/mix    | 0.7             | 2.6             |
| Currency     | -8.2            | -10.5           |
| Acquisitions | 0.0             | 0.0             |
| Divestments  | -0.1            | -0.1            |

## Change in adjusted EBITA (%)

|               | 2106 vs<br>2006 | 21:2 vs<br>20:2 |
|---------------|-----------------|-----------------|
| <b>Total</b>  | <b>-40</b>      | <b>48</b>       |
| Volume        | -19             | 75              |
| Price/mix     | 10              | 28              |
| Raw materials | -7              | -17             |
| Energy        | 3               | -8              |
| Currency      | -6              | -13             |
| Other         | -15             | -17             |

## PROFESSIONAL HYGIENE

| SEKm                                    | 2106   | 2006   | %   | 2021:2 | 2020:2 | %  |
|---|--------|--------|-----|--------|--------|----|
| Net sales                               | 11,356 | 13,272 | -14 | 6,140  | 5,315  | 16 |
| Adjusted gross profit margin, %*        | 24.8   | 28.1   |     | 25.7   | 24.7   |    |
| Adjusted EBITA*                         | 1,129  | 1,874  | -40 | 710    | 481    | 48 |
| Adjusted EBITA margin, %*               | 9.9    | 14.1   |     | 11.6   | 9.0    |    |
| Adjusted operating profit*              | 1,124  | 1,855  | -39 | 709    | 472    | 50 |
| Adjusted operating margin, %*           | 9.9    | 14.0   |     | 11.5   | 8.9    |    |
| Adjusted return on capital employed, %* | 11.6   | 19.1   |     | 12.7   | 8.1    |    |
| Operating cash flow                     | 626    | 1,631  |     | 655    | 769    |    |

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

## January–June 2021 compared with the corresponding period a year ago

Net sales declined 14.4% to SEK 11,356m (13,272). Organic net sales declined 6.1%, of which volume accounted for -6.8% and price/mix for 0.7%. Sales were negatively impacted by the COVID-19 pandemic and related lockdowns and restrictions. This has mainly had a negative impact on demand in the customer segments of hotel, restaurant, catering, commercial buildings as well as schools and universities. Organic net sales declined 9.8% in mature markets. In emerging markets, which accounted for 21% of net sales, organic net sales increased by 10.0%. Exchange rate effects reduced net sales by 8.2%. Divestments decreased net sales by 0.1%.

The adjusted gross margin decreased 3.3 percentage points to 24.8% (28.1). The gross margin was positively impacted by higher prices, an improved mix and cost savings. Lower volumes and higher raw material, energy and distribution costs had a negative impact on the margin. The adjusted EBITA margin decreased 4.2 percentage points to 9.9% (14.1). Sales and marketing costs decreased in absolute terms but increased as a share of net sales. Adjusted EBITA decreased 40% (33% excluding currency translation effects, acquisitions and divestments) to SEK 1,129m (1,874).

The operating cash surplus was SEK 2,113m (2,963).

## Second quarter of 2021 compared with the corresponding period a year ago

Net sales increased 15.5% to SEK 6,140m (5,315). Organic net sales, which excludes currency effects, acquisitions and divestments, increased 26.1%. Volumes accounted for an increase of 23.5% and price/mix of 2.6%. The negative effect of the COVID-19 pandemic and the related lockdowns and restrictions was less severe in the second quarter of 2021 compared with the preceding year. Sales in the second quarter of 2020 were negatively impacted by inventory adjustments among distributors. Organic net sales increased 23.1% in mature markets. In emerging markets, which accounted for 21% of net sales, organic net sales increased by 37.4%. Exchange rate effects reduced net sales by 10.5%. Divestments decreased net sales by 0.1%.

The adjusted gross margin increased 1.0 percentage points to 25.7% (24.7). The gross margin was positively impacted by higher volumes, higher prices, an improved mix and cost savings. Higher raw material, energy and distribution costs had a negative impact on the margin. The adjusted EBITA margin increased 2.6 percentage points to 11.6% (9.0). Sales and marketing costs increased in absolute terms but decreased as a share of net sales. Adjusted EBITA increased 48% (61% excluding currency translation effects, acquisitions and divestments) to SEK 710m (481).

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 16, 2021

Essity Aktiebolag (publ)

Ewa Björling  
Board member

Pär Boman  
Chairman of the  
Board

Annemarie Gardshol  
Board member

Magnus Groth  
President and CEO,  
Board member

Susanna Lind  
Board member,  
appointed by the  
employees

Torbjörn Lööf  
Board member

Bert Nordberg  
Board member

Louise Svanberg  
Board member

Örjan Svensson  
Board member,  
appointed by the  
employees

Lars Rebien  
Sørensen  
Board member

Barbara Milian  
Thoralfsson  
Board member

Niclas Thulin  
Board member,  
appointed by the  
employees

## 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, 2021 and for the six months period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of the review

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

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

### Conclusion

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

Stockholm, July 16, 2021

Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant

## DISTRIBUTION OF SHARES

| June 30, 2021               | Class A    | Class B     | Total       |
|-----------------------------|------------|-------------|-------------|
| Registered number of shares | 61,734,372 | 640,608,117 | 702,342,489 |

At the end of the period, the proportion of Class A shares was 8.8%. During the second quarter, 100 Class A shares were converted into Class B shares at the request of shareholders. The total number of votes in the company amounts to 1,257,951,837.

## FUTURE REPORTS

In 2021, interim reports will be published on October 22. The 2021 Year-end report will be published on January 26, 2022.

## CAPITAL MARKETS DAY 2021

Essity will arrange a capital markets day on November 3, 2021.

## INVITATION TO PRESENTATION OF THE HALF-YEAR REPORT FOR 2021

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

### Presentation

Date: Friday, July 16, 2021

Time: 9:00 a.m. CET

Link to web presentation: <https://essity.videosync.fi/2021-07-16-q2>

To participate by telephone, call: +44 (0)207 192 80 00, +1 631 510 74 95 or +46 (0)8 506 921 80. Please call well in advance of the start of the presentation. Specify "Essity" or conference ID no. 2896420.

### 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 Communications, +46 (0)8 788 51 30

Joséphine Edwall Björklund, Senior Vice President, Group Function Communications, +46 (0)8 788 52 34

Per Lorentz, Vice President Corporate Communications, Group Function Communications, +46 (0)8 788 52 51

### NB:

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This information is such information that Essity Aktiebolag (publ) is obligated to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. This report has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. The information was submitted for publication, through the agency of the contact person set out below, at 7:00 a.m. CET on July 16, 2021.

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Karl Stoltz, Media Relations Manager, +46 (0)8 788 51 55

**CONDENSED CONSOLIDATED INCOME STATEMENT**

| SEKm   | 2021:2       | 2020:2  | 2021:1  | 2106          | 2006    |
|--|--------------|---------|---------|---------------|---------|
| Net sales  | 28,968       | 28,407  | 27,528  | 56,496        | 62,119  |
| Cost of goods sold <sup>1,2</sup>  | -20,149      | -19,260 | -18,660 | -38,809       | -41,923 |
| Items affecting comparability - cost of goods sold <sup>2</sup>                              | -43          | -100    | -10     | -53           | -109    |
| <b>Gross profit</b>  | <b>8,776</b> | 9,047   | 8,858   | <b>17,634</b> | 20,087  |
| Sales, general and administration <sup>1,2</sup>   | -5,446       | -5,381  | -5,272  | -10,718       | -11,130 |
| Items affecting comparability - sales, general and administration <sup>2</sup>               | -93          | 161     | 66      | -27           | 153     |
| Share of profits of associated companies and joint ventures                                  | 36           | 16      | 12      | 48            | 49      |
| <b>Operating profit before amortization of acquisition-related intangible assets (EBITA)</b> | <b>3,273</b> | 3,843   | 3,664   | <b>6,937</b>  | 9,159   |
| Amortization of acquisition-related intangible assets  | -181         | -208    | -186    | -367          | -409    |
| <b>Operating profit</b>  | <b>3,092</b> | 3,635   | 3,478   | <b>6,570</b>  | 8,750   |
| Financial items  | -177         | -283    | -158    | -335          | -602    |
| <b>Profit before tax</b>   | <b>2,915</b> | 3,352   | 3,320   | <b>6,235</b>  | 8,148   |
| Income taxes   | -840         | -844    | -768    | -1,608        | -2,030  |
| <b>Profit for the period</b>   | <b>2,075</b> | 2,508   | 2,552   | <b>4,627</b>  | 6,118   |
| <b>Earnings attributable to:</b>   |              |         |         |               |         |
| Owners of the Parent company   | 1,770        | 2,088   | 2,132   | 3,902         | 5,323   |
| Non-controlling interests  | 305          | 420     | 420     | 725           | 795     |
| <b>Earnings per share - owners of the Parent company</b>                                     |              |         |         |               |         |
| Earnings per share before and after dilution effects, SEK                                    | 2.52         | 2.97    | 3.04    | 5.56          | 7.58    |
| 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   | -1,725       | -1,857  | -1,706  | -3,431        | -3,741  |
| <sup>2</sup> Of which, impairment  | -26          | -112    | -1      | -27           | -116    |
| <b>Gross margin</b>  | <b>30.3</b>  | 31.8    | 32.2    | <b>31.2</b>   | 32.3    |
| <b>EBITA margin</b>  | <b>11.3</b>  | 13.5    | 13.3    | <b>12.3</b>   | 14.7    |
| Operating margin   | 10.7         | 12.8    | 12.6    | 11.6          | 14.1    |
| Financial net margin   | -0.6         | -1.0    | -0.6    | -0.6          | -1.0    |
| <b>Profit margin</b>   | <b>10.1</b>  | 11.8    | 12.0    | <b>11.0</b>   | 13.1    |
| Income taxes   | -2.9         | -3.0    | -2.8    | -2.8          | -3.3    |
| <b>Net margin</b>  | <b>7.2</b>   | 8.8     | 9.2     | <b>8.2</b>    | 9.8     |
| <b>Excluding items affecting comparability:</b>  |              |         |         |               |         |
| <b>Gross margin</b>  | <b>30.4</b>  | 32.2    | 32.2    | <b>31.3</b>   | 32.5    |
| <b>EBITA margin</b>  | <b>11.8</b>  | 13.3    | 13.1    | <b>12.4</b>   | 14.7    |
| Operating margin   | 11.1         | 12.6    | 12.4    | 11.8          | 14.0    |
| Financial net margin   | -0.6         | -1.0    | -0.6    | -0.6          | -1.0    |
| <b>Profit margin</b>   | <b>10.5</b>  | 11.6    | 11.8    | <b>11.2</b>   | 13.0    |
| Income taxes   | -2.9         | -2.9    | -2.8    | -2.9          | -3.2    |
| <b>Net margin</b>  | <b>7.6</b>   | 8.7     | 9.0     | <b>8.3</b>    | 9.8     |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEKm  | 2021:2       | 2020:2 | 2021:1 | 2106         | 2006   |
|---|--------------|--------|--------|--------------|--------|
| <b>Profit for the period</b>  | <b>2,075</b> | 2,508  | 2,552  | <b>4,627</b> | 6,118  |
| <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                                 | 761          | -1,226 | 337    | 1,098        | -3,121 |
| Fair value through other comprehensive income   | 1            | 5      | 0      | 1            | -2     |
| Income tax attributable to components in other comprehensive income                     | 54           | 302    | -193   | -139         | 661    |
|   | 816          | -919   | 144    | 960          | -2,462 |
| <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                           | 772          | 55     | 195    | 967          | -292   |
| Transferred to profit or loss for the period  | -93          | 176    | -53    | -146         | 297    |
| Translation differences in foreign operations   | -925         | -4,578 | 3,205  | 2,280        | -2,066 |
| Gains/losses from hedges of net investments in foreign operations                       | 223          | 702    | -690   | -467         | 76     |
| Other comprehensive income from associated companies                                    | 11           | -22    | 1      | 12           | -10    |
| Income tax attributable to components in other comprehensive income                     | -237         | -200   | 106    | -131         | -5     |
|   | -249         | -3,867 | 2,764  | 2,515        | -2,000 |
| <b>Other comprehensive income for the period, net of tax</b>                            | <b>567</b>   | -4,786 | 2,908  | <b>3,475</b> | -4,462 |
| <b>Total comprehensive income for the period</b>  | <b>2,642</b> | -2,278 | 5,460  | <b>8,102</b> | 1,656  |
| <b>Total comprehensive income attributable to:</b>                                      |              |        |        |              |        |
| Owners of the Parent company  | 2,496        | -2,107 | 4,616  | 7,112        | 1,146  |
| Non-controlling interests   | 146          | -171   | 844    | 990          | 510    |

## CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

| SEKm   | 2106          | 2006   |
|--|---------------|--------|
| <b>Equity attributable to owners of the Parent company</b>       |               |        |
| Value, January 1   | 54,352        | 54,125 |
| Total comprehensive income for the period                        | 7,112         | 1,146  |
| Dividend   | -4,741        | 0      |
| Private placement to non-controlling interests                   | 9             | 17     |
| Transferred to cost of hedged investments                        | 4             | -8     |
| Revaluation effect upon acquisition of non-controlling interests | -3            | -1     |
| <b>Value, end of period</b>                                      | <b>56,733</b> | 55,279 |
| <b>Non-controlling interests</b>                                 |               |        |
| Value, January 1   | 8,990         | 8,676  |
| Total comprehensive income for the period                        | 990           | 510    |
| Dividend   | -437          | -222   |
| Private placement to non-controlling interests                   | 9             | 16     |
| Divestment of non-controlling interests                          | 0             | 35     |
| <b>Value, end of period</b>                                      | <b>9,552</b>  | 9,015  |
| <b>Total equity, value end of period</b>                         | <b>66,285</b> | 64,294 |

**CONSOLIDATED OPERATING CASH FLOW STATEMENT**

| <b>SEKm</b>  | <b>2106</b>    | <b>2006</b>    |
|--|----------------|----------------|
| Operating cash surplus   | 10,255         | 12,670         |
| Change in working capital  | -2,450         | -1,019         |
| Investment in non current assets, net  | -3,193         | -2,338         |
| Restructuring costs, etc.  | -312           | -316           |
| <b>Operating cash flow before Investments in operating assets through leases</b> | <b>4,300</b>   | <b>8,997</b>   |
| Investments in operating assets through leases                                   | -64            | -170           |
| <b>Operating cash flow</b>   | <b>4,236</b>   | <b>8,827</b>   |
| Financial items  | -335           | -602           |
| Income taxes paid  | -2,232         | -1,890         |
| Other  | 72             | 26             |
| <b>Cash flow from current operations</b>   | <b>1,741</b>   | <b>6,361</b>   |
| Acquisitions of Group companies and other operations                             | -242           | -715           |
| Divestments of Group companies and other operations                              | -29            | -1             |
| <b>Cash flow before transactions with shareholders</b>                           | <b>1,470</b>   | <b>5,645</b>   |
| Private placement to non-controlling interest                                    | 18             | 32             |
| Dividend to non-controlling interests  | -366           | -91            |
| Dividend   | -4,741         | 0              |
| <b>Net cash flow</b>   | <b>-3,619</b>  | <b>5,586</b>   |
| <b>Net debt at the start of the period</b>                                       | <b>-42,688</b> | <b>-50,940</b> |
| Net cash flow  | -3,619         | 5,586          |
| Remeasurements to equity   | 1,099          | -3,123         |
| Investments in non-operating assets through leases                               | -250           | -292           |
| Translation differences  | -939           | 665            |
| <b>Net debt at the end of the period</b>   | <b>-46,397</b> | <b>-48,104</b> |
| <b>Debt/equity ratio</b>   | <b>0.70</b>    | <b>0.75</b>    |
| <b>Debt payment capacity, %</b>  | <b>36</b>      | <b>42</b>      |
| <b>Net debt / EBITDA</b>   | <b>2.12</b>    | <b>1.95</b>    |
| <b>Net debt / Adjusted EBITDA</b>  | <b>2.12</b>    | <b>1.93</b>    |



**CONSOLIDATED CASH FLOW STATEMENT**

| <b>SEKm</b>   | <b>2106</b>   | <b>2006</b>   |
|---|---------------|---------------|
| <b>Operating activities</b>   |               |               |
| Operating profit  | 6,570         | 8,750         |
| Adjustment for non-cash items <sup>1</sup>                                      | 3,705         | 3,941         |
| Interest paid   | -454          | -579          |
| Interest received   | 44            | 53            |
| Other financial items   | -18           | -171          |
| Change in liabilities relating to restructuring programs, etc.                  | -261          | -501          |
| Paid tax  | -2,232        | -1,890        |
| <b>Cash flow from operating activities before changes in working capital</b>    | <b>7,354</b>  | <b>9,603</b>  |
| <b>Cash flow from changes in working capital</b>                                |               |               |
| Change in inventories   | -1,403        | -2,328        |
| Change in operating receivables   | -871          | 1,336         |
| Change in operating liabilities   | -176          | -28           |
| <b>Cash flow from operating activities</b>                                      | <b>4,904</b>  | <b>8,583</b>  |
| <b>Investing activities</b>   |               |               |
| Acquisitions of Group companies and other operations                            | -242          | -635          |
| Divestments of Group companies and other operations                             | -44           | 0             |
| Investments in intangible assets and property, plant and equipment              | -3,195        | -2,340        |
| Sale of property, plant and equipment   | 29            | 10            |
| Loans granted to external parties   | -3,227*       | -122          |
| Paid interest capitalized in intangible asset and property, plant and equipment | -26           | -7            |
| <b>Cash flow from investing activities</b>                                      | <b>-6,705</b> | <b>-3,094</b> |
| <b>Financing activities</b>   |               |               |
| Private placement to non-controlling interests                                  | 18            | 32            |
| Dividend  | -4,741        | 0             |
| Proceeds from borrowings  | 11,777        | 5,143         |
| Repayment of borrowings   | -2,028        | -7,894        |
| Dividend to non-controlling interests   | -366          | -91           |
| <b>Cash flow from financing activities</b>                                      | <b>4,660</b>  | <b>-2,810</b> |
| <b>Cash flow for the period</b>   | <b>2,859</b>  | <b>2,679</b>  |
| Cash and cash equivalents at the beginning of the period                        | 4,982         | 2,928         |
| Translation differences in cash and cash equivalents                            | 48            | -107          |
| <b>Cash and cash equivalents at the end of the period</b>                       | <b>7,889</b>  | <b>5,500</b>  |
| Cash flow from operating activities per share, SEK                              | 6.98          | 12.22         |
| <b>Reconciliation with consolidated operating cash flow statement</b>           |               |               |
| <b>Cash flow for the period</b>   | <b>2,859</b>  | <b>2,679</b>  |
| Repayment of borrowings   | 2,028         | 7,894         |
| Proceeds from borrowings  | -11,777       | -5,143        |
| Loans granted to external parties   | 3,227         | 122           |
| Impact from settlement of pension liability                                     | 0             | 190           |
| Investment in operating assets through leases                                   | -65           | -170          |
| Net debt in acquired and divested operations                                    | 15            | -81           |
| Accrued interest  | 94            | 95            |
| <b>Net cash flow according to consolidated operating cash flow statement</b>    | <b>-3,619</b> | <b>5,586</b>  |
| <sup>1)</sup> Adjustment for non-cash items                                     |               |               |
| Depreciation/amortization and impairment of non-current assets                  | 3,458         | 3,857         |
| Gain/loss on asset sales  | -9            | 8             |
| Change in provision for ongoing competition case                                | -56           | 0             |
| Impact from settlement of pension liability                                     | 0             | -190          |
| Gain/loss on divestments and liquidation  | 1             | 8             |
| Non-cash items relating to efficiency program                                   | -6            | -6            |
| Change, one-time foreign tax on non-current assets                              | -19           | 0             |
| Other   | 336           | 264           |
| <b>Total</b>  | <b>3,705</b>  | <b>3,941</b>  |

\* ) 3,104 of the amount relates to cash and cash equivalents set aside for payment of 64% of the shares in Asaleo Care on July 1, see Note 4.

**CONSOLIDATED BALANCE SHEET**

| SEKm   | June 30, 2021  | December 31, 2020 |
|--|----------------|-------------------|
| <b>ASSETS</b>                                  |                |                   |
| <b>Non-current assets</b>                      |                |                   |
| Goodwill                                       | 33,216         | 32,324            |
| Other intangible assets                        | 18,814         | 18,574            |
| Property, plant and equipment                  | 55,087         | 53,631            |
| Participation in joint ventures and associates | 789            | 847               |
| Shares and participations                      | 7              | 7                 |
| Surplus in funded pension plans                | 2,199          | 2,817             |
| Non-current financial assets                   | 459            | 738               |
| Deferred tax assets                            | 1,924          | 1,823             |
| Other non-current assets                       | 1,001          | 768               |
| <b>Total non-current assets</b>                | <b>113,496</b> | <b>111,529</b>    |
| <b>Current Assets</b>                          |                |                   |
| Inventories                                    | 18,284         | 16,383            |
| Trade receivables                              | 18,938         | 17,825            |
| Current tax assets                             | 912            | 760               |
| Other current receivables                      | 3,040          | 2,173             |
| Current financial assets                       | 3,630          | 993               |
| Cash and cash equivalents                      | 7,889          | 4,982             |
| <b>Total current assets</b>                    | <b>52,693</b>  | <b>43,116</b>     |
| <b>Total assets</b>                            | <b>166,189</b> | <b>154,645</b>    |
| <b>EQUITY AND LIABILITIES</b>                  |                |                   |
| <b>Equity</b>                                  |                |                   |
| Share capital                                  | 2,350          | 2,350             |
| Reserves                                       | 2,821          | 581               |
| Retained earnings                              | 51,562         | 51,421            |
| <b>Attributable to owner of the Parent</b>     | <b>56,733</b>  | <b>54,352</b>     |
| Non-controlling interests                      | 9,552          | 8,990             |
| <b>Total equity</b>                            | <b>66,285</b>  | <b>63,342</b>     |
| <b>Non-current liabilities</b>                 |                |                   |
| Non-current financial liabilities              | 42,701         | 38,202            |
| Provisions for pensions                        | 3,549          | 5,328             |
| Deferred tax liabilities                       | 6,944          | 6,150             |
| Other non-current provisions                   | 447            | 445               |
| Other non-current liabilities                  | 84             | 105               |
| <b>Total non-current liabilities</b>           | <b>53,725</b>  | <b>50,230</b>     |
| <b>Current liabilities</b>                     |                |                   |
| Current financial liabilities                  | 14,324         | 8,688             |
| Trade payables                                 | 15,326         | 14,791            |
| Current tax liabilities                        | 1,516          | 2,301             |
| Current provisions                             | 580            | 748               |
| Other current liabilities                      | 14,433         | 14,545            |
| <b>Total current liabilities</b>               | <b>46,179</b>  | <b>41,073</b>     |
| <b>Total liabilities</b>                       | <b>99,904</b>  | <b>91,303</b>     |
| <b>Total equity and liabilities</b>            | <b>166,189</b> | <b>154,645</b>    |

**CONSOLIDATED BALANCE SHEET (cont.)**

| SEKm  | June 30, 2021 | December 31, 2020 |
|---|---------------|-------------------|
| Debt/equity ratio   | 0.70          | 0.67              |
| Equity/assets ratio   | 34%           | 35%               |
| Equity  | 66,285        | 63,342            |
| Equity per share  | 94            | 90                |
| Return on equity  | 15.8%         | 18.2%             |
| Return on equity excluding items affecting comparability                        | 16.1%         | 18.3%             |
| Capital employed  | 112,682       | 106,030           |
| - of which working capital  | 10,410        | 7,146             |
| Return on capital employed*   | 14.0%         | 15.6%             |
| Return on capital employed* excluding items affecting comparability             | 14.1%         | 15.7%             |
| Net debt  | 46,397        | 42,688            |
| Provisions for restructuring costs are included in the balance sheet as follows |               |                   |
| -Other non-current provisions   | 133           | 137               |
| -Other current provisions   | 186           | 263               |

\*) rolling 12 months

**NET SALES (business area reporting)**

| SEKm                   | 2106          | 2006          | 2021:2        | 2021:1        | 2020:4        | 2020:3        | 2020:2        | 2020:1        |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Personal Care          | 21,922        | 23,320        | 11,163        | 10,759        | 11,660        | 11,115        | 10,651        | 12,669        |
| Consumer Tissue        | 23,223        | 25,517        | 11,669        | 11,554        | 13,070        | 11,634        | 12,437        | 13,080        |
| Professional Hygiene   | 11,356        | 13,272        | 6,140         | 5,216         | 6,216         | 5,930         | 5,315         | 7,957         |
| Other                  | -5            | 10            | -4            | -1            | 10            | -2            | 4             | 6             |
| <b>Total net sales</b> | <b>56,496</b> | <b>62,119</b> | <b>28,968</b> | <b>27,528</b> | <b>30,956</b> | <b>28,677</b> | <b>28,407</b> | <b>33,712</b> |

**ADJUSTED EBITA (business area reporting)**

| SEKm                        | 2106         | 2006         | 2021:2       | 2021:1       | 2020:4       | 2020:3       | 2020:2       | 2020:1       |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Personal Care               | 3,418        | 3,477        | 1,710        | 1,708        | 1,879        | 1,805        | 1,438        | 2,039        |
| Consumer Tissue             | 2,892        | 4,216        | 1,207        | 1,685        | 1,935        | 1,894        | 2,124        | 2,092        |
| Professional Hygiene        | 1,129        | 1,874        | 710          | 419          | 809          | 634          | 481          | 1,393        |
| Other                       | -422         | -452         | -218         | -204         | -231         | -214         | -261         | -191         |
| <b>Total adjusted EBITA</b> | <b>7,017</b> | <b>9,115</b> | <b>3,409</b> | <b>3,608</b> | <b>4,392</b> | <b>4,119</b> | <b>3,782</b> | <b>5,333</b> |

**ADJUSTED OPERATING PROFIT (business area reporting)**

| SEKm  | 2106         | 2006         | 2021:2       | 2021:1       | 2020:4       | 2020:3       | 2020:2       | 2020:1       |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Personal Care   | 3,059        | 3,091        | 1,531        | 1,528        | 1,690        | 1,614        | 1,241        | 1,850        |
| Consumer Tissue   | 2,889        | 4,212        | 1,205        | 1,684        | 1,933        | 1,894        | 2,122        | 2,090        |
| Professional Hygiene  | 1,124        | 1,855        | 709          | 415          | 801          | 624          | 472          | 1,383        |
| Other   | -422         | -452         | -217         | -205         | -231         | -214         | -261         | -191         |
| <b>Total adjusted operating profit<sup>1</sup></b>                            | <b>6,650</b> | <b>8,706</b> | <b>3,228</b> | <b>3,422</b> | <b>4,193</b> | <b>3,918</b> | <b>3,574</b> | <b>5,132</b> |
| Financial items   | -335         | -602         | -177         | -158         | -172         | -184         | -283         | -319         |
| <b>Profit before tax<sup>1</sup></b>  | <b>6,315</b> | <b>8,104</b> | <b>3,051</b> | <b>3,264</b> | <b>4,021</b> | <b>3,734</b> | <b>3,291</b> | <b>4,813</b> |
| Income taxes  | -1,622       | -2,012       | -849         | -773         | -993         | -1,049       | -823         | -1,189       |
| <b>Net profit for the period<sup>2</sup></b>                                  | <b>4,693</b> | <b>6,092</b> | <b>2,202</b> | <b>2,491</b> | <b>3,028</b> | <b>2,685</b> | <b>2,468</b> | <b>3,624</b> |
| <sup>1</sup> Excluding items affecting comparability before tax amounting to: | -80          | 44           | -136         | 56           | -2           | -101         | 61           | -17          |
| <sup>2</sup> Excluding items affecting comparability after tax amounting to:  | -66          | 26           | -127         | 61           | 1            | -85          | 40           | -14          |

**ADJUSTED EBITA MARGIN (business area reporting)**

| %                    | 2106 | 2006 | 2021:2 | 2021:1 | 2020:4 | 2020:3 | 2020:2 | 2020:1 |
|----------------------|------|------|--------|--------|--------|--------|--------|--------|
| Personal Care        | 15.6 | 14.9 | 15.3   | 15.9   | 16.1   | 16.2   | 13.5   | 16.1   |
| Consumer Tissue      | 12.5 | 16.5 | 10.3   | 14.6   | 14.8   | 16.3   | 17.1   | 16.0   |
| Professional Hygiene | 9.9  | 14.1 | 11.6   | 8.0    | 13.0   | 10.7   | 9.0    | 17.5   |

**STATEMENT OF PROFIT OR LOSS**

| SEKm  | 2021:2       | 2021:1       | 2020:4        | 2020:3       | 2020:2       |
|---|--------------|--------------|---------------|--------------|--------------|
| Net sales   | 28,968       | 27,528       | 30,956        | 28,677       | 28,407       |
| Cost of goods sold  | -20,149      | -18,660      | -20,820       | -19,389      | -19,260      |
| Items affecting comparability - cost of goods sold                | -43          | -10          | 22            | -94          | -100         |
| <b>Gross profit</b>   | <b>8,776</b> | <b>8,858</b> | <b>10,158</b> | <b>9,194</b> | <b>9,047</b> |
| Sales, general and administration                                 | -5,446       | -5,272       | -5,777        | -5,181       | -5,381       |
| Items affecting comparability - sales, general and administration | -93          | 66           | -24           | -7           | 161          |
| Share of profits of associates and joint ventures                 | 36           | 12           | 33            | 12           | 16           |
| <b>EBITA</b>  | <b>3,273</b> | <b>3,664</b> | <b>4,390</b>  | <b>4,018</b> | <b>3,843</b> |
| Amortization of acquisition-related intangible assets             | -181         | -186         | -199          | -201         | -208         |
| <b>Operating profit</b>   | <b>3,092</b> | <b>3,478</b> | <b>4,191</b>  | <b>3,817</b> | <b>3,635</b> |
| Financial items   | -177         | -158         | -172          | -184         | -283         |
| <b>Profit before tax</b>  | <b>2,915</b> | <b>3,320</b> | <b>4,019</b>  | <b>3,633</b> | <b>3,352</b> |
| Income taxes  | -840         | -768         | -990          | -1,033       | -844         |
| <b>Net profit for the period</b>                                  | <b>2,075</b> | <b>2,552</b> | <b>3,029</b>  | <b>2,600</b> | <b>2,508</b> |

**CONDENSED INCOME STATEMENT PARENT COMPANY**

| <b>SEKm</b>                  | <b>2106</b>  | <b>2006</b> |
|------------------------------|--------------|-------------|
| Administrative expenses      | -338         | -391        |
| Other operating income       | 107          | 17          |
| <b>Operating loss</b>        | <b>-231</b>  | <b>-374</b> |
| Financial items              | 3,915        | -541        |
| <b>Profit before tax</b>     | <b>3,684</b> | <b>-915</b> |
| Income taxes                 | 206          | 182         |
| <b>Profit for the period</b> | <b>3,890</b> | <b>-733</b> |

**CONDENSED BALANCE SHEET PARENT COMPANY**

| <b>SEKm</b>                                     | <b>June 30, 2021</b> | <b>December 31, 2020</b> |
|---|----------------------|--------------------------|
| Intangible assets                               | 0                    | 0                        |
| Property, plant and equipment                   | 13                   | 14                       |
| Financial non-current assets                    | 176,186              | 176,401                  |
| Total non-current assets                        | 176,199              | 176,415                  |
| Total current assets                            | 440                  | 2,140                    |
| <b>Total assets</b>                             | <b>176,639</b>       | <b>178,555</b>           |
| Restricted equity                               | 2,350                | 2,350                    |
| Non-restricted equity                           | 85,338               | 86,189                   |
| Total equity                                    | 87,688               | 88,539                   |
| Untaxed reserves                                | 5                    | 5                        |
| Provisions                                      | 886                  | 874                      |
| Non-current liabilities                         | 35,957               | 31,710                   |
| Current liabilities                             | 52,103               | 57,427                   |
| <b>Total equity, provisions and liabilities</b> | <b>176,639</b>       | <b>178,555</b>           |

## 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.

Effective January 1, 2021, Essity applies the following new and amended IFRS:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

All other applied accounting principles and calculation methods correspond to those presented in Essity Aktiebolag's (publ) Annual and Sustainability Report for 2020.

#### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

Amendments were introduced due to the transition from Interbank Offered Rates (IBORs) to alternative benchmark interest rates. The amendments address issues that may arise when an existing interest rate benchmark is replaced with an alternative benchmark interest rate and describe how any effects resulting from the change of interest rate benchmark is to be recognized. The amendments also include disclosures related to the transition. Essity is monitoring all changes concerning the development of alternative interest rate benchmarks and is continuously evaluating the effects on the financial statements. The EU endorsed the amendments on January 13, 2021 and they came into effect on January 1, 2021.

The assessment is that the above amendments will not have any material effect on the Group's or the Parent Company's earnings or financial position.

#### **Amendment to the consolidation principle for ProNARO**

Essity has previously recognized ProNARO as a joint operation according to the proportional method. ProNARO's principal task is to negotiate better prices and optimize inventory levels by pooling timber purchases. ProNARO has expanded its operations and now also sells to external customers other than Essity and Sappi (the other owner). This change of focus means that the company is more independent and Essity has thus made the assessment that the company is to be recognized according to the equity method as of January 1, 2021. This change means that Essity's participation in ProNARO's assets and liabilities is deconsolidated from the accounts. ProNARO's reported net sales amounted to SEK 435m and EBITA to SEK 0m in Essity's accounts for 2020.

## 2 RISKS AND UNCERTAINTIES

### **Processes for risk management**

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

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

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

Essity's risk exposure and risk management are described on pages 36–41 of Essity's Annual and Sustainability Report 2020. No significant changes have taken place that have affected the reported risks. This also relates to the uncertainty and risks that have arisen on account of the COVID-19 pandemic that may affect Essity's sales, earnings and financial position.

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 | 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, 2021</b>              |                                      |   |                                       |                                    |  |   |               |
| Derivatives                       | 1,695                                | 323   | 1,372                                 | -                                  | -  | -   | 1,695         |
| Non-current financial assets      | 98                                   | -   | -                                     | 98                                 | -  | 98  | -             |
| <b>Total assets</b>               | <b>1,793</b>                         | <b>323</b>                                    | <b>1,372</b>                          | <b>98</b>                          | <b>0</b>   | <b>98</b>                                 | <b>1,695</b>  |
| Derivatives                       | 549                                  | 309   | 240                                   | -                                  | -  | -   | 549           |
| Financial liabilities             |                                      |   |                                       |                                    |  |   |               |
| Current financial liabilities     | 13,918                               | 41  | -                                     | -                                  | 13,877   | -   | 41            |
| Non-current financial liabilities | 42,570                               | 15,169  | -                                     | -                                  | 27,401   | -   | 15,169        |
| <b>Total liabilities</b>          | <b>57,037</b>                        | <b>15,519</b>                                 | <b>240</b>                            | <b>-</b>                           | <b>41,278</b>                                    | <b>-</b>                                  | <b>15,759</b> |
| <b>December 31, 2020</b>          |                                      |   |                                       |                                    |  |   |               |
| Derivatives                       | 1,650                                | 571   | 1,079                                 | -                                  | -  | -   | 1,650         |
| Non-current financial assets      | 96                                   | -   | -                                     | 96                                 | -  | 96  | -             |
| <b>Total assets</b>               | <b>1,746</b>                         | <b>571</b>                                    | <b>1,079</b>                          | <b>96</b>                          | <b>0</b>   | <b>96</b>                                 | <b>1,650</b>  |
| Derivatives                       | 753                                  | 682   | 71                                    | -                                  | -  | -   | 753           |
| Financial liabilities             |                                      |   |                                       |                                    |  |   |               |
| Current financial liabilities     | 7,895                                | 5,038   | -                                     | -                                  | 2,857  | -   | 5,038         |
| Non-current financial liabilities | 38,199                               | 10,615  | -                                     | -                                  | 27,584   | -   | 10,615        |
| <b>Total liabilities</b>          | <b>46,847</b>                        | <b>16,335</b>                                 | <b>71</b>                             | <b>-</b>                           | <b>30,441</b>                                    | <b>-</b>                                  | <b>16,406</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 53,789m (43,947). 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 May 14, Essity Aktiebolag acquired the remaining 25% of the shares of ABIGO Medical AB, making the company a wholly owned subsidiary. The purchase consideration paid for the remaining 25% amounted to SEK 228m. As per the terms of the transaction, ABIGO Medical's pharma business has been divested and sold to the company's founder Jan G. Smith on July 1.

On July 1, Essity acquired the remaining 63.8% of the shares in hygiene company Asaleo Care. Up until June 30, Essity – with its holding of 36.2% of the shares – has been the largest shareholder of Asaleo Care, which prior to the acquisition was listed on the Australian Securities Exchange. Up until the acquisition of the remaining shares, Asaleo Care was recognized as an associate according to the equity method.

Essity has paid 1.40 cash per share, a total of AUD 485m. The consideration entails an implicit value for all shares, including the previous holding, of AUD 760m (approximately SEK 4.9bn) and assumed net debt amounts to approximately AUD 195m. Essity's previous holding in Asaleo Care of 36.2% will, according to IFRS, be remeasured on July 1, resulting in an positive extraordinary remeasurement effect of AUD 110m (approximately SEK 710m) in the third quarter 2021. The remeasurement effect was calculated on the basis of the cash offer, less the assessed control premium contained therein.

Had Asaleo Care been consolidated as of January 1, 2021, the company would have contributed to Essity's net sales in the amount of AUD 171m, to Essity's adjusted EBITDA in the amount of AUD 31m and adjusted EBITA in the amount of AUD 18m.

| Purchase price allocation, Asaleo Care  | Preliminary   |
|---|---------------|
| <b>SEKm</b>   |               |
| Intangible assets   | 2,429         |
| Non-current assets  | 1,113         |
| Current assets  | 1,098         |
| Cash and cash equivalents   | 159           |
| Loan liabilities  | -1,405        |
| Provisions and other non-current liabilities  | -663          |
| Operating liabilities   | -621          |
| <b>Net identifiable assets and liabilities</b>  | <b>2,110</b>  |
| Goodwill  | 2,265         |
| Carrying amount of share in associate   | -565          |
| Revaluation of previously owned share   | -706          |
| <b>Consideration transferred</b>  | <b>3,104</b>  |
| Consideration transferred   | -3,104        |
| Cash and cash equivalents in acquired operations  | 159           |
| <b>Effect on Group's cash and cash equivalents (Consolidated cash flow statement)</b>                   | <b>-2,945</b> |
| Acquired net debt excluding cash and cash equivalents   | -1,405        |
| <b>Acquisition of operation including assumed net debt (Consolidated operating cash flow statement)</b> | <b>-4,350</b> |

## 5 Use of non-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 the European Securities and Markets Authority (ESMA). 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 2020 Annual Report, pages 71–76, 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  | 2106    | 2012    |
|---|---------|---------|
| Total assets                                  | 166,189 | 154,645 |
| -Financial assets                             | -14,177 | -9,530  |
| -Non-current non-interest bearing liabilities | -7,475  | -6,700  |
| -Current non-interest bearing liabilities     | -31,855 | -32,385 |
| Capital employed                              | 112,682 | 106,030 |

| SEKm                 | 2021:2  | 2021:1  | 2020:4  | 2020:3  | 2020:2  |
|----------------------|---------|---------|---------|---------|---------|
| Personal Care        | 42,165  | 42,644  | 40,505  | 43,268  | 44,150  |
| Consumer Tissue      | 48,493  | 47,084  | 45,283  | 46,464  | 45,524  |
| Professional Hygiene | 22,305  | 22,607  | 20,915  | 22,221  | 23,051  |
| Other                | -281    | -5,092  | -673    | -322    | -327    |
| Capital employed     | 112,682 | 107,243 | 106,030 | 111,631 | 112,398 |

### Working capital

| SEKm                      | 2106    | 2012    |
|---------------------------|---------|---------|
| Inventories               | 18,284  | 16,383  |
| Trade receivables         | 18,938  | 17,825  |
| Other current receivables | 3,040   | 2,173   |
| Trade payables            | -15,326 | -14,791 |
| Other current liabilities | -14,433 | -14,545 |
| Other                     | -93     | 101     |
| Working capital           | 10,410  | 7,146   |



## Net debt

| SEKm                              | 2106   | 2012   |
|-----------------------------------|--------|--------|
| Surplus in funded pension plans   | 2,199  | 2,817  |
| Non-current financial assets      | 459    | 738    |
| Current financial assets          | 3,630  | 993    |
| Cash and cash equivalents         | 7,889  | 4,982  |
| Financial assets                  | 14,177 | 9,530  |
| Non-current financial liabilities | 42,701 | 38,202 |
| Provisions for pensions           | 3,549  | 5,328  |
| Current financial liabilities     | 14,324 | 8,688  |
| Financial liabilities             | 60,574 | 52,218 |
| Net debt                          | 46,397 | 42,688 |

## EBITDA

| SEKm  | 2106   | 2006   | 2021:2 | 2020:2 |
|---|--------|--------|--------|--------|
| Operating profit  | 6,570  | 8,750  | 3,092  | 3,635  |
| -Amortization of acquisition-related intangible assets                            | 367    | 409    | 181    | 208    |
| -Depreciation/amortization  | 2,617  | 2,874  | 1,321  | 1,415  |
| -Depreciation right-of-use asset  | 447    | 458    | 223    | 234    |
| -Impairment   | -2     | 46     | -2     | 42     |
| -Items affecting comparability - impairment net                                   | 29     | 70     | 28     | 70     |
| EBITDA  | 10,028 | 12,607 | 4,843  | 5,604  |
| -Items affecting comparability excluding depreciation/amortization and impairment | 51     | -114   | 108    | -131   |
| Adjusted EBITDA   | 10,079 | 12,493 | 4,951  | 5,473  |

## EBITA

| SEKm   | 2106  | 2006  | 2021:2 | 2020:2 |
|--|-------|-------|--------|--------|
| Operating profit   | 6,570 | 8750  | 3092   | 3635   |
| -Amortization of acquisition-related intangible assets                                 | 367   | 409   | 181    | 208    |
| -Operating profit before amortization of acquisition-related intangible assets (EBITA) | 6,937 | 9,159 | 3,273  | 3,843  |
| EBITA margin (%)   | 12.3  | 14.7  | 11.3   | 13.5   |
| -Items affecting comparability - cost of goods sold                                    | 53    | 109   | 43     | 100    |
| -Items affecting comparability - sales, general and administration                     | 27    | -153  | 93     | -161   |
| Adjusted EBITA   | 7,017 | 9,115 | 3,409  | 3,782  |
| Adjusted EBITA margin (%)  | 12.4  | 14.7  | 11.8   | 13.3   |

## Operating cash flow

| SEKm  | 2106   | 2006   | 2021:2 | 2020:2 |
|---|--------|--------|--------|--------|
| <b>Personal Care</b>  |        |        |        |        |
| Operating cash surplus  | 4,269  | 4,454  | 2,109  | 1,932  |
| Change in working capital   | -874   | -524   | -413   | -36    |
| Investment in non-current assets, net                                     | -688   | -641   | -417   | -355   |
| Restructuring costs, etc.   | -64    | 77     | -37    | 119    |
| Operating cash flow before investments in operating assets through leases | 2,643  | 3,366  | 1,242  | 1,660  |
| Investment in operating assets through leases                             | -22    | -30    | -4     | -14    |
| Operating cash flow   | 2,621  | 3,336  | 1,238  | 1,646  |
| <b>Consumer Tissue</b>  |        |        |        |        |
| Operating cash surplus  | 4,187  | 5,632  | 1,892  | 2,843  |
| Change in working capital   | -683   | 181    | -385   | 297    |
| Investment in non-current assets, net                                     | -1,651 | -1,105 | -1,032 | -690   |
| Restructuring costs, etc.   | -64    | -87    | -3     | 36     |
| Operating cash flow before investments in operating assets through leases | 1,789  | 4,621  | 472    | 2,486  |
| Investment in operating assets through leases                             | -39    | -99    | -28    | -57    |
| Operating cash flow   | 1,750  | 4,522  | 444    | 2,429  |
| <b>Professional Hygiene</b>   |        |        |        |        |
| Operating cash surplus  | 2,113  | 2,963  | 1,190  | 1,017  |
| Change in working capital   | -885   | -493   | -185   | 93     |
| Investment in non-current assets, net                                     | -354   | -490   | -224   | -223   |
| Restructuring costs, etc.   | -244   | -308   | -127   | -104   |
| Operating cash flow before investments in operating assets through leases | 630    | 1,672  | 654    | 783    |
| Investment in operating assets through leases                             | -4     | -41    | 1      | -14    |
| Operating cash flow   | 626    | 1,631  | 655    | 769    |

## Organic net sales

| SEKm                              | 2106   | 2021:2 |
|-----------------------------------|--------|--------|
| <b>Personal Care</b>              |        |        |
| Organic net sales                 | 600    | 1,351  |
| Exchange rate effect <sup>1</sup> | -1,837 | -744   |
| Acquisition/Divestments           | -161   | -94    |
| Recognized change                 | -1,398 | 513    |
| <b>Consumer Tissue</b>            |        |        |
| Organic net sales                 | -420   | -20    |
| Exchange rate effect <sup>1</sup> | -1,623 | -643   |
| Acquisition/Divestments           | -252   | -106   |
| Recognized change                 | -2,295 | -769   |
| <b>Professional Hygiene</b>       |        |        |
| Organic net sales                 | -805   | 1,385  |
| Exchange rate effect <sup>1</sup> | -1,098 | -557   |
| Acquisition/Divestments           | -13    | -3     |
| Recognized change                 | -1,916 | 825    |
| <b>Essity</b>                     |        |        |
| Organic net sales                 | -639   | 2,708  |
| Exchange rate effect <sup>1</sup> | -4,557 | -1,944 |
| Acquisition/Divestments           | -426   | -203   |
| Recognized change                 | -5,622 | 561    |

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