

Essity Aktiebolag (publ)

Year-end Report 2023



Essity classifies Vinda's financial reporting as discontinued operations as of the fourth quarter of 2023. The amounts stated pertain to continuing operations unless otherwise indicated. For further information, see Note 1 on page 24.

JANUARY 1 – DECEMBER 31, 2023 (compared with the corresponding period a year ago)

- Net sales increased 12.1% to SEK 147,147m (131,320). Sales growth, including organic sales growth and acquisitions, amounted to 6.7%, of which volume accounted for -3.7%, price/mix for 9.5% and acquisitions for 0.9%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) increased 68% to SEK 16,607m (9,876)
- Adjusted EBITA increased 57% to SEK 18,898m (12,047) and the adjusted EBITA margin increased 3.6 percentage points to 12.8% (9.2)
- Profit for the period continuing operations increased 84% to SEK 9,517m (5,165)
- Earnings per share continuing operations increased to SEK 13.44 (7.28) and adjusted earnings per share continuing operations increased 51% to SEK 17.56 (11.60)
- Operating cash flow increased 130% to SEK 17,685m (7,680)
- Return on capital employed increased to 14.4% (8.9) and the adjusted return on capital employed increased 5.5 percentage points to 16.4% (10.9)
- Isola Castle Ltd, a company indirectly wholly owned by Asia Pacific Resources International Limited (APRIL), has announced that it will make a pre-conditional public offer to the shareholders of Vinda International Holdings Limited (Vinda) to acquire 100% of the shares in Vinda for a price per share of HKD 23.50. Essity supports the offer and has signed an irrevocable undertaking to accept the offer in respect of all of its 51.59% shareholding in Vinda.
- The Board of Directors proposes an increase in the dividend of 7% to SEK 7.75 (7.25) per share

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

- Net sales were on a par with the preceding year and amounted to SEK 36,625m (36,629). Sales growth, including organic sales growth and acquisitions, amounted to -0.7%, of which volume accounted for -1.4%, price/mix for 0.7% and acquisitions for 0.0%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) increased 21% to SEK 4,611m (3,818)
- Adjusted EBITA increased 18% to SEK 4,853m (4,112) and the adjusted EBITA margin increased 2.1 percentage points to 13.3% (11.2)
- Operating cash flow increased 126% to SEK 5,914m (2,621)
- Return on capital employed increased to 16.2% (12.9) and the adjusted return on capital employed increased 3.2 percentage points to 17.1% (13.9)

EARNINGS TREND

SEKm	2312	2212	%	2023:4	2022:4	%
Net sales	147,147	131,320	12	36,625	36,629	0
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) ¹	18,898	12,047	57	4,853	4,112	18
Operating profit before amortization of acquisition-related intangible assets (EBITA)	16,607	9,876	68	4,611	3,818	21
Amortization of acquisition-related intangible assets	-1,109	-1,111		-270	-288	
Adjusted operating profit ¹	17,789	10,936	63	4,583	3,824	20
Items affecting comparability	-2,641	-2,445		-242	-305	
Operating profit	15,148	8,491	78	4,341	3,519	23
Financial items	-2,356	-1,320		-499	-561	
Profit before tax	12,792	7,171	78	3,842	2,958	30
Adjusted profit before tax ¹	15,433	9,616	60	4,084	3,263	25
Income taxes	-3,275	-2,006		-984	-736	
Profit for the period continuing operations	9,517	5,165	84	2,858	2,222	29
Profit for the period discontinued operations	279	899	-69	33	24	38
Profit for the period, total operations	9,796	6,064	62	2,891	2,246	29
Earnings per share continuing operations, SEK	13.44	7.28		4.04	3.14	
Adjusted earnings per share continuing operations, SEK ²	17.56	11.60		4.54	3.75	
Earnings per share discontinued operations, SEK	0.16	0.65		-0.02	0.01	
Earnings per share total operations, SEK	13.60	7.93		4.02	3.15	

¹Excluding items affecting comparability; for amounts see page 14.

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

CEO'S COMMENTS

Highest profit ever and strong platform for growth

Essity reached a net sale in 2023 of SEK 147bn and adjusted EBITA of SEK 18.9bn, excluding Vinda. Having offset cost inflation through price increases and improved the structural profitability, we increased focus during the fourth quarter on volume growth and market shares. The company Isola Castle Ltd has announced that it will make a pre-conditional public offer for the shares in Vinda, entailing a shift for Essity toward a product portfolio with a higher margin and lower volatility.

Structurally improved profitability

We can look back at a year with high sales growth and a significantly higher EBITA margin, where all business areas made positive contributions through profitable growth and margin improvements. Measures aimed at structurally improving profitability have had an effect. In Health & Medical, decisive price increases have led to a sharp increase in the margin. For Professional Hygiene, restructuring measures in North America and Europe increased the structural margin by approximately 2 percentage points. In Consumer Goods, the strong volume growth for Incontinence Products Retail and Feminine Care continued. Moreover, in 2023 we successfully reversed the trend for Baby Care, which is now demonstrating a strong improvement. For Consumer Tissue, price increases have yielded higher and more stable margins.

The adjusted return on capital employed improved in 2023 by 5.5 percentage points to 16.4%. Adjusted earnings per share were SEK 17.56, an increase of 51%. For the 2023 fiscal year, the Board of Directors proposes an increase in the dividend of 7% to SEK 7.75 per share.

Strong fourth quarter

For the fourth quarter, sales growth, including organic sales growth and acquisitions, was -0.7%. Volumes were lower, mainly due to the focus on profitable growth and decisions earlier in the year to carry out restructuring measures and exit contracts with insufficient profitability. These decisions have long-term improved Essity's structural margin and, excluding these measures, volumes increased by 1.2%. Adjusted EBITA increased 18% and the margin by 2.1 percentage points to 13.3%. Our efforts to increase productivity and achieve a more efficient

use of resources have led to savings in cost of goods sold of SEK 377m in the fourth quarter. Meanwhile, we have invested for future volume growth and higher market shares by intensifying sales and marketing activities. We have launched innovations in all business areas that improved customer and consumer offerings and increased our market shares during the quarter.

Portfolio shift

We have continued to grow in the categories and sales channels with the highest market growth and returns. The earlier acquisitions of, for example, Knix, Hydrofera and Legacy, have strengthened our offerings and contributed with high growth.

We have undertaken to accept the offer from Isola Castle Ltd in respect of all shares in Vinda. It represents a very attractive offer for Essity and our shareholders, and also provides a product portfolio with higher and more stable returns. Consumer Tissue's share of net sales in 2023 will decrease from 41% to 33%.

An even more sustainable Essity

By providing hygiene and health solutions to a billion people every day across the globe, Essity has a substantial opportunity to influence people and the environment. We have taken further steps toward net zero emissions of greenhouse gas emissions by 2050 and for Science Based Targets, Scope 1 and 2, the decrease is -26% for the 2016-2023 period. Essity has been named one of the world's most sustainable companies by Corporate Knights by its inclusion in the Global 100 list representing the top 1% of companies in the world in terms of sustainability performance. For the third consecutive year, we were designated a Diversity Leader by the Financial Times and were included in the S&P Global Sustainability Yearbook for the second consecutive year.

Focus on profitable growth in 2024

Following many measures in 2023 and a structurally improved profitability, we have a strong platform for future growth.

Magnus Groth
President and CEO

EARNINGS TREND

SEKm	2312	2212	%	2023:4	2022:4	%
Net sales	147,147	131,320	12	36,625	36,629	0
Cost of goods sold	-102,627	-97,395		-24,905	-26,392	
Items affecting comparability - cost of goods sold	-1,349	-1,899		-45	-302	
Gross profit	43,171	32,026	35	11,675	9,935	18
Adjusted gross profit¹	44,520	33,925	31	11,720	10,237	14
Sales, general and administration	-25,661	-21,916		-6,874	-6,132	
Items affecting comparability - sales, general and administration	-942	-272		-197	8	
Share of profits of associates and joint ventures	39	38		7	7	
Operating profit before amortization of acquisition-related intangible assets (EBITA)	16,607	9,876	68	4,611	3,818	21
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹	18,898	12,047	57	4,853	4,112	18
Amortization of acquisition-related intangible assets	-1,109	-1,111		-270	-288	
Items affecting comparability - acquisition related intangible assets	-350	-274		0	-11	
Operating profit	15,148	8,491	78	4,341	3,519	23
Adjusted operating profit¹	17,789	10,936	63	4,583	3,824	20
Financial items	-2,356	-1,320		-499	-561	
Profit before tax	12,792	7,171	78	3,842	2,958	30
Adjusted profit before tax¹	15,433	9,616	60	4,084	3,263	25
Income taxes	-3,275	-2,006		-984	-736	
Profit continuing operations	9,517	5,165	84	2,858	2,222	29
Profit discontinued operations	279	899	-69	33	24	38
Profit for the period, total operations	9,796	6,064	62	2,891	2,246	29
Adjusted profit for the period, continuing operations¹	11,634	7,410	57	3,024	2,448	24
¹ Excluding items affecting comparability						
Tax on amortization of acquisition-related intangible assets	330	319		81	86	
Margins (%)						
Gross margin	29.3	24.4		31.9	27.1	
Adjusted gross margin¹	30.3	25.8		32.0	27.9	
EBITA margin	11.3	7.5		12.6	10.4	
Adjusted EBITA margin¹	12.8	9.2		13.3	11.2	
Operating margin	10.3	6.5		11.9	9.6	
Adjusted operating margin¹	12.1	8.3		12.5	10.4	
Financial net margin	-1.6	-1.0		-1.4	-1.5	
Profit margin	8.7	5.5		10.5	8.1	
Adjusted profit margin¹	10.5	7.3		11.1	8.9	
Income taxes	-2.2	-1.5		-2.7	-2.0	
Adjusted income taxes ¹	-2.6	-1.7		-2.9	-2.2	
Net margin	6.5	4.0		7.8	6.1	
Adjusted net margin¹	7.9	5.6		8.2	6.7	
¹ Excluding items affecting comparability						
Return on capital employed (%) continuing operations						
Return on capital employed	14.4	8.9		16.2	12.9	
Return on capital employed excluding items affecting comparability	16.4	10.9		17.1	13.9	

ADJUSTED EBITA BY BUSINESS AREA

SEKm	2312	2212	%	2023:4	2022:4	%
Health & Medical	4,037	2,904	39	1,125	719	57
Consumer Goods	9,797	6,354	54	2,585	2,293	13
Professional Hygiene	6,288	3,843	64	1,531	1,405	9
Other	-1,224	-1,054		-388	-305	
Total¹	18,898	12,047	57	4,853	4,112	18

¹ Excluding items affecting comparability; for amounts see page 14.

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

SEKm	2312	2212	%	2023:4	2022:4	%
Health & Medical	3,199	2,058	55	923	499	85
Consumer Goods	9,549	6,109	56	2,523	2,231	13
Professional Hygiene	6,266	3,823	64	1,526	1,400	9
Other	-1,225	-1,054		-389	-306	
Total¹	17,789	10,936	63	4,583	3,824	20

¹ Excluding items affecting comparability; for amounts see page 14.

OPERATING CASH FLOW BY BUSINESS AREA

SEKm	2312	2212	%	2023:4	2022:4	%
Health & Medical	3,680	2,396	54	1,411	818	72
Consumer Goods	8,233	3,567	131	2,506	1,043	140
Professional Hygiene	7,330	3,219	128	2,227	1,344	66
Other	-1,558	-1,502		-230	-584	
Total	17,685	7,680	130	5,914	2,621	126

GROUP

NET SALES AND EARNINGS

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

Net sales increased 12.1% to SEK 147,147m (131,320). Sales growth, including organic sales growth and acquisitions, amounted to 6.7%, of which volume accounted for -3.7%, price/mix for 9.5% and acquisitions for 0.9%. The lower volumes were mainly a result of the company's focus on profitable growth and thereby its decisions to implement restructuring measures in Professional Hygiene and to exit contracts with insufficient profitability in Incontinence Products Health Care and Baby Care. Furthermore, volumes were negatively impacted by lower volumes in Russia prior to the divestment and the discontinuation of the baby diaper business in Latin America. Organic sales growth in mature markets amounted to 4.7% and in emerging markets to 9.2%. Emerging markets accounted for 26% of net sales. Exchange rate effects increased net sales by 6.7%. Divestments reduced net sales by 1.3% and were largely attributable to the divestment of Russian operations.

The Group's gross margin increased to 29.3% (24.4). The Group's adjusted gross margin increased 4.5 percentage points to 30.3% (25.8). The margin was positively impacted by higher selling prices, a better mix and cost savings. Cost savings amounted to SEK 433m. Higher costs for raw materials and energy reduced the margin by 1.2 percentage points. The margin was also negatively impacted by lower volumes and higher salary inflation.

The Group's EBITA margin increased to 11.3% (7.5). The Group's adjusted EBITA margin increased 3.6 percentage points to 12.8% (9.2). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs were also higher as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) increased to SEK 16,607m (9,876). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 57% (48% excluding currency translation effects, acquisitions and divestments) to SEK 18,898m (12,047).

Items affecting comparability amounted to SEK -2,641m (-2,445). Costs include the earnings impact from the divestment of Russian operations of approximately SEK -500m and costs mainly related to restructuring measures in Professional Hygiene in the USA and Europe of approximately SEK -2.0bn. Other costs amounted to approximately SEK -100m.

Financial items increased to SEK -2,356m (-1,320), on account of higher interest rates, at the same time as average net debt was lower, which positively impacted net interest items.

Profit before tax increased to SEK 12,792m (7,171). Adjusted profit before tax increased 60% (51% excluding currency translation effects, acquisitions and divestments) to SEK 15,433m (9,616). The tax expense was SEK 3,275m (2,006). The tax expense, excluding effects of items affecting comparability, was SEK 3,799m (2,206).

Profit for the period for continuing operations was SEK 9,517m (5,165). Adjusted profit for the period for continuing operations increased 57% (48% excluding currency translation effects, acquisitions and divestments) to SEK 11,634m (7,410). Profit for the period for total operations increased to SEK 9,796m (6,064).

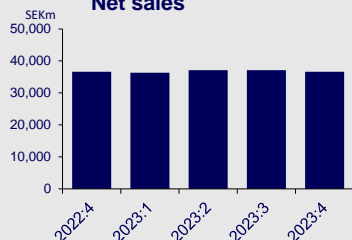
Earnings per share for continuing operations increased to SEK 13.44 (7.28). Adjusted earnings per share for continuing operations increased to SEK 17.56 (11.60). Earnings per share for total operations increased to SEK 13.60 (7.93).

Return on capital employed was 14.4% (8.9). The adjusted return on capital employed was 16.4% (10.9). Return on equity for total operations was 12.5% (8.1). The adjusted return on equity for total operations was 15.3% (11.1).

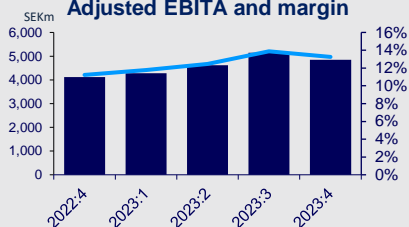
Fourth quarter of 2023 compared with the corresponding period a year ago

Net sales were on a par with the preceding year and amounted to SEK 36,625m (36,629). Sales growth, including organic sales growth and acquisitions, amounted to -0.7%, of which volume accounted for -1.4%, price/mix for 0.7% and acquisitions for 0.0%. The lower volumes were mainly a result of the company's focus on profitable growth and thereby its decisions to implement restructuring measures in Professional Hygiene and to exit contracts with insufficient profitability in Incontinence Products Health Care and Baby Care. Organic sales growth in mature markets amounted to -3.5% and in emerging markets to 8.0%. Emerging markets

Net sales



Adjusted EBITA and margin



Excluding items affecting comparability

Change in net sales (%)

	23:4 vs 22:4	23:4 vs 22:4
Total	12.1	0.0
Volume	-3.7	-1.4
Price/mix	9.5	0.7
Currency	6.7	3.2
Acquisitions	0.9	0.0
Divestments	-1.3	-2.5

Change in adjusted EBITA (%)

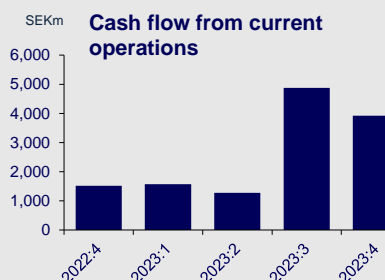
	23:4 vs 22:4	23:4 vs 22:4
Total	57	18
Volume	-6	-1
Price/mix	104	5
Raw materials	-4	44
Energy	-9	-6
Other goods sold	-20	-12
Sales & admin	-19	-12
Currency	11	6
Other	0	-6

Adjusted profit before tax



Excluding items affecting comparability

Cash flow from current operations



accounted for 26% of net sales. Exchange rate effects increased net sales by 3.2%. Divestments reduced net sales by 2.5% and were largely attributable to the divestment of Russian operations.

The Group's gross margin increased to 31.9% (27.1). The Group's adjusted gross margin increased 4.1 percentage points to 32.0% (27.9). A better mix, lower costs for raw materials and distribution, and cost savings had a positive impact on the margin. Cost savings amounted to SEK 377m. Lower volumes and sales prices, and higher energy costs and salary inflation, had a negative impact on the margin.

The Group's EBITA margin increased to 12.6% (10.4). The Group's adjusted EBITA margin increased 2.1 percentage points to 13.3% (11.2). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs also increased as a share of net sales.

Operating profit before amortization of acquisition-related intangible assets (EBITA) increased to SEK 4,611m (3,818). Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 18% (18% excluding currency translation effects, acquisitions and divestments) to SEK 4,853m (4,112).

Profit for the period for continuing operations was SEK 2,858m (2,222). Adjusted profit for the period for continuing operations increased 24% (24% excluding currency translation effects, acquisitions and divestments) to SEK 3,024m (2,448). Profit for the period for total operations increased to SEK 2,891m (2,246).

Earnings per share for continuing operations increased to SEK 4.04 (3.14). Adjusted earnings per share for continuing operations increased to SEK 4.54 (3.75). Earnings per share for total operations increased to SEK 4.02 (3.15).

Return on capital employed was 16.2% (12.9). The adjusted return on capital employed was 17.1% (13.9). Return on equity for total operations was 14.4% (11.2). The adjusted return on equity for total operations was 15.5% (12.4).

CASH FLOW AND FINANCING

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

The operating cash surplus amounted to SEK 25,569m (18,401). The cash flow effect of changes in working capital was SEK 1,085m (-4,224). Working capital was positively impacted by lower inventory levels. Lower trade payables on account of lower purchasing volumes and lower prices for raw materials had a negative impact. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -6,819m (-5,362). Operating cash flow before investments in operating assets through leases amounted to SEK 18,293m (8,156). Operating cash flow amounted to SEK 17,685m (7,680).

Financial items increased to SEK -2,356m (-1,320), on account of higher interest rates, at the same time as average net debt was lower, which positively impacted net interest items.

Tax payments had an impact on cash flow of SEK -3,615m (-2,175).

The net sum of acquisitions and divestments was SEK 1,067m (-4,955). Net cash flow for continuing operations was SEK 7,598m (-5,804). Net cash flow for total operations was SEK 8,464m (-4,852).

Net debt for total operations decreased by SEK 9,166m during the period to SEK 53,703m. Net debt for continuing operations was SEK 49,964m. Net cash flow for total operations reduced net debt for total operations by SEK 8,464m. Fair value measurement of pension assets and changed assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, reduced net debt for total operations by SEK 1,339m. Exchange rate movements increased net debt for total operations by SEK 146m. Investments in non-operating assets through leases increased net debt by SEK 491m. The debt/equity ratio for total operations was 0.68 (0.82). The debt payment capacity for continuing operations was 34% (24). Net debt for continuing operations in relation to EBITDA amounted to 2.16 (3.39). Net debt for continuing operations in relation to adjusted EBITDA amounted to 2.00 (3.33).

EQUITY

January–December 2023

The Group's equity increased by SEK 2,841m during the period, to SEK 79,405m. Profit for the period for total operations increased equity by SEK 9,796m. Equity decreased due to dividends to shareholders of SEK 5,411m. Equity increased net after tax by SEK 1,172m as a result of fair value measurement of pension assets and changed assumptions and assessments that affect the valuation of the pension liability. Fair value measurement of financial instruments decreased equity by SEK 1,851m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 787m. Other items reduced equity by SEK 78m.

TAX

January–December 2023

A tax expense of SEK 3,799m was reported, excluding items affecting comparability, corresponding to a tax rate of 24.6% for the period. The tax expense, including items affecting comparability, was SEK 3,275m, corresponding to a tax rate of 25.6% for the period.

DIVIDEND

The Board of Directors proposes an increase in the dividend of 7% to SEK 7.75 (7.25) per share or SEK 5,443m (5,092). March 25, 2024, is proposed as the record date for the right to receive dividends, and the dividend is expected to be paid on March 28, 2024.

SUSTAINABILITY

To lead in sustainability is a strategic priority for Essity and the company has set ambitious targets in several areas. Essity reports the outcome of these targets in the company's annual report. This year-end report presents the outcome for three of the targets: Health and safety, Science Based Targets, Scope 1 and 2, and Gender distribution at management levels. For more information, refer to supplementary information on pages 28-29.

Health and safety

Essity's workplace safety target is to achieve a reduction in the total recordable incident rate (TRI-R) of 75% by 2025 compared with 2019. The outcome for 2023 was a decrease of 58% compared with 2019.

Science Based Targets

Essity's targets to reduce greenhouse gas emissions were approved by the Science Based Targets initiative (SBTi) in 2018. During 2021, Essity raised its targets with the aim of achieving net zero emissions of greenhouse gases by 2050. In terms of energy consumption (Scope 1 and 2), the goal is to reduce greenhouse gas emissions by 35% by 2030 compared with 2016. The outcome for 2023 was -26% for Scope 1 and 2 compared to 2016.

Gender distribution at management levels

Essity's target is that gender distribution at all management levels (Executive Management Team, senior management, middle management) is to be within the interval 40/60%. The target is reported at an aggregate outcome level for the three management levels and the outcome for 2023 was 32/68%.

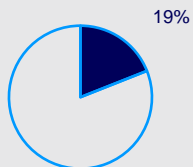
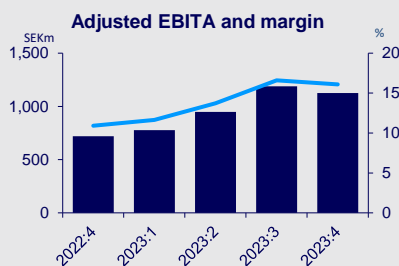
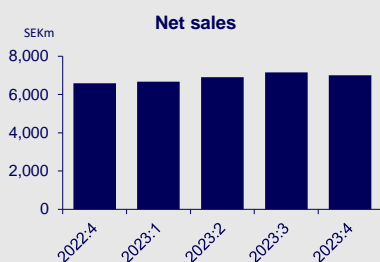
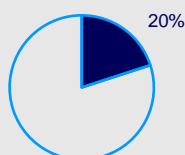
EVENTS DURING THE QUARTER

Strategic review of the Consumer Tissue Private Label Europe business concluded

On December 14, 2023, Essity announced that the Consumer Tissue Private Label Europe business would remain a part of the Essity Group and that the strategic review of the division, which began on April 26, 2023, had thereby been concluded. In the strategic review of Consumer Tissue Private Label Europe, it was concluded that the business, as a result of the implemented divisionalization, is a competitive and value-creating part of Essity.

Pre-conditional public offer announced for 100% of the shares in Essity's subsidiary Vinda

On December 15, 2023, Essity announced that Isola Castle Ltd, a company indirectly wholly owned by Asia Pacific Resources International Limited (APRIL), has announced that it will make a pre-conditional public offer to the shareholders of Vinda International Holdings Limited (Vinda) to acquire 100% of the shares in Vinda for a price per share of HKD 23.50. Essity supports the offer and has signed an irrevocable undertaking to accept the offer in respect of all of its 51.59% shareholding in Vinda. The price in the public offer will correspond to an equity value of Vinda of approximately HKD 28.3bn (SEK 37.3bn). The transaction is expected to generate cash proceeds to Essity of approximately HKD 15bn (SEK 19bn). An exclusive license to continue to market and sell certain Essity branded products will be offered to Vinda after closing of the transaction to replace the existing license agreement. The launch of the offer and completion of the transaction are subject to approval by regulatory authorities in China and other relevant markets. The transaction is expected to be completed mid-2024.

Share of Group, net sales
2312Share of Group, adjusted EBITA
2312

Change in net sales (%)

	2312 vs 2212	23:4 vs 22:4
Total	12.2	6.3
Volume	-2.6	-2.8
Price/mix	9.6	7.1
Currency	5.8	3.2
Acquisitions	0.0	0.0
Divestments	-0.6	-1.2

Change in adjusted EBITA (%)

	2312 vs 2212	23:4 vs 22:4
Total	39	57
Volume	-6	-7
Price/mix	78	64
Raw materials	-14	24
Energy	-1	-1
Other goods sold	-9	-11
Sales & admin	-16	-17
Currency	9	6
Other	-2	-1

HEALTH & MEDICAL

SEKm	2312	2212	%	2023:4	2022:4	%
Net sales	27,729	24,708	12	7,001	6,589	6
Adjusted gross profit margin, %*	40.3	37.4		42.3	36.3	
Adjusted EBITA*	4,037	2,904	39	1,125	719	57
Adjusted EBITA margin, %*	14.6	11.8		16.1	10.9	
Adjusted operating profit*	3,199	2,058	55	923	499	85
Adjusted operating margin, %*	11.5	8.3		13.2	7.6	
Adjusted return on capital employed, %*	11.7	8.7		13.3	8.3	
Operating cash flow	3,680	2,396		1,411	818	

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

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

Net sales increased 12.2% to SEK 27,729m (24,708). Sales growth, including organic sales growth and acquisitions, amounted to 7.0%, of which volume accounted for -2.6%, price/mix for 9.6% and acquisitions for 0.0%. The lower volumes were mainly a result of the company's focus on profitable growth. Furthermore, volumes were negatively affected by lower volumes in Russia prior to the divestment. The organic sales growth amounted to 6.3% in mature markets. In emerging markets, which accounted for 19% of net sales, organic sales growth was 10.0%. Exchange rate effects increased net sales by 5.8%. Divestments reduced net sales by 0.6% and include the divestment of Russian operations.

The adjusted gross margin increased 2.9 percentage points to 40.3% (37.4). The margin was positively impacted by higher prices, a better mix, lower distribution costs and cost savings. Higher costs for raw materials and energy, lower volumes and salary inflation had a negative impact on the margin.

The adjusted EBITA margin increased 2.8 percentage points to 14.6% (11.8). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs were also higher as a share of net sales. Adjusted EBITA increased 39% (31% excluding currency translation effects, acquisitions and divestments) to SEK 4,037m (2,904).

The operating cash surplus amounted to SEK 5,015m (3,774).

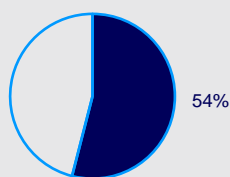
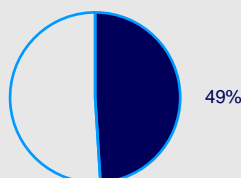
Fourth quarter of 2023 compared with the corresponding period a year ago

Net sales increased 6.3% to SEK 7,001m (6,589). Sales growth, including organic sales growth and acquisitions, amounted to 4.3%, of which volume accounted for -2.8%, price/mix for 7.1% and acquisitions for 0.0%. The organic sales growth amounted to 3.9% in mature markets. In emerging markets, which accounted for 19% of net sales, organic sales growth was 5.2%. Exchange rate effects increased net sales by 3.2%. Divestments reduced net sales by 1.2% and include the divestment of Russian operations.

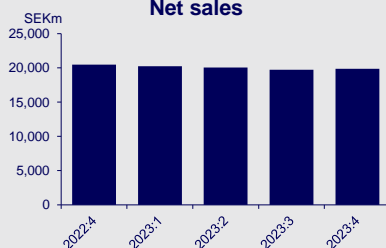
For Incontinence Products Health Care, with Essity's globally leading TENA brand, organic sales growth amounted to 3.4% due to higher prices and a better mix. Volumes decreased as a result of the decision to exit contracts with insufficient profitability. In Medical Solutions, organic sales growth amounted to 5.4% as a result of higher prices and higher volumes. Sales growth was high in all three product segments: Wound Care, Compression Therapy and Orthopedics.

The adjusted gross margin increased 6.0 percentage points to 42.3% (36.3). The margin was positively impacted by higher prices, better mix, lower costs for raw materials and distribution, and cost savings. Lower volumes, higher energy costs and salary inflation had a negative impact on the margin.

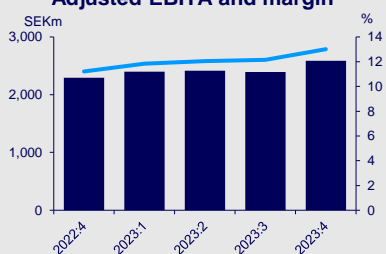
The adjusted EBITA margin increased 5.2 percentage points to 16.1% (10.9). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs were also higher as a share of net sales. Adjusted EBITA increased 57% (52% excluding currency translation effects, acquisitions and divestments) to SEK 1,125m (719).

Share of Group, net sales
2312Share of Group, adjusted EBITA
2312

Net sales



Adjusted EBITA and margin



Change in net sales (%)

	2312 vs 2212	23:4 vs 22:4
Total	10.6	-2.9
Volume	-4.4	-0.8
Price/mix	8.1	-2.0
Currency	7.0	3.4
Acquisitions	1.7	0.0
Divestments	-1.8	-3.5

Change in adjusted EBITA (%)

	2312 vs 2212	23:4 vs 22:4
Total	54	13
Volume	-5	-1
Price/mix	96	-16
Raw materials	-5	51
Energy	-12	-10
Other goods sold	-16	-5
Sales & admin	-16	-4
Currency	11	7
Other	1	-9

CONSUMER GOODS

SEKm	2312	2212	%	2023:4	2022:4	%
Net sales	79,912	72,241	11	19,870	20,454	-3
Adjusted gross profit margin, %*	27.5	23.0		29.3	25.7	
Adjusted EBITA*	9,797	6,354	54	2,585	2,293	13
Adjusted EBITA margin, %*	12.3	8.8		13.0	11.2	
Adjusted operating profit*	9,549	6,109	56	2,523	2,231	13
Adjusted operating margin, %*	11.9	8.5		12.7	10.9	
Adjusted return on capital employed, %*	18.2	12.8		19.4	16.7	
Operating cash flow	8,233	3,567		2,506	1,043	

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

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

Net sales increased 10.6% to SEK 79,912m (72,241). Sales growth, including organic sales growth and acquisitions, amounted to 5.4%, of which volume accounted for -4.4%, price/mix for 8.1% and acquisitions for 1.7%. The lower volumes were mainly a result of the company's focus on profitable growth and lower volumes in Russia prior to the divestment. Organic sales growth amounted to 1.7% in mature markets. In emerging markets, which accounted for 33% of net sales, organic sales growth was 7.8%. Exchange rate effects increased net sales by 7.0%. Divestments reduced net sales by 1.8% and pertain to the divestment of Russian operations.

The adjusted gross margin increased 4.5 percentage points to 27.5% (23.0). The margin was positively impacted by higher prices and cost savings. Higher costs for raw materials and energy, lower volumes and salary inflation, had a negative impact on the margin.

The adjusted EBITA margin increased 3.5 percentage points to 12.3% (8.8). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs also increased as a share of net sales. Adjusted EBITA increased 54% (47% excluding currency translation effects, acquisitions and divestments) to SEK 9,797m (6,354).

The operating cash surplus amounted to SEK 12,836m (9,289).

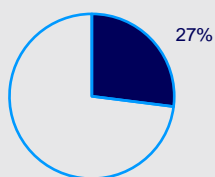
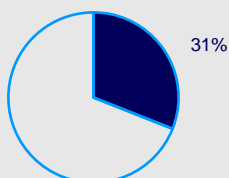
Fourth quarter of 2023 compared with the corresponding period a year ago

Net sales decreased by 2.9% to SEK 19,870m (20,454). Sales growth, including organic sales growth and acquisitions, amounted to -2.8%, of which volume accounted for -0.8%, price/mix for -2.0% and acquisitions for 0.0%. Organic sales growth amounted to -7.7% in mature markets. In emerging markets, which accounted for 33% of net sales, organic sales growth was 7.3%. Exchange rate effects increased net sales by 3.4%. Divestments reduced sales by 3.5% and pertain to the divestment of Russian operations.

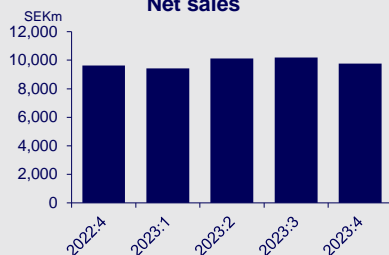
For Incontinence Products Retail, with Essity's globally leading TENA brand, organic sales growth amounted to 9.8% due to higher volumes, higher prices and a better mix. In Feminine Care, organic sales growth amounted to 16.5% as a result of higher volumes, higher prices and better mix. In Baby Care, organic sales growth amounted to 2.0% mainly as a result of higher prices and a better mix. Volumes were negatively impacted by the decision to exit retailer brands contracts with insufficient profitability in Europe. In Consumer Tissue, organic sales growth amounted to -10.3% as a result of a lower volumes and lower prices.

The adjusted gross margin increased 3.6 percentage points to 29.3% (25.7). The margin was positively impacted by lower costs for raw materials and distribution, and cost savings. Lower prices, higher energy costs and salary inflation had a negative impact on the margin.

The adjusted EBITA margin increased 1.8 percentage points to 13.0% (11.2). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs were also higher as a share of net sales. Adjusted EBITA increased 13% (14% excluding currency translation effects, acquisitions and divestments) to SEK 2,585m (2,293).

Share of Group, net sales
2312Share of Group, adjusted EBITA
2312

Net sales



Adjusted EBITA and margin



Change in net sales (%)

	2312 vs 2212	23:4 vs 22:4
Total	14.8	1.4
Volume	-3.4	-1.7
Price/mix	12.5	1.8
Currency	6.3	2.6
Acquisitions	0.1	0.0
Divestments	-0.7	-1.3

Change in adjusted EBITA (%)

	2312 vs 2212	23:4 vs 22:4
Total	64	9
Volume	-5	1
Price/mix	106	7
Raw materials	5	34
Energy	-7	-2
Other goods sold	-27	-15
Sales & admin	-18	-17
Currency	11	2
Other	-1	-1

PROFESSIONAL HYGIENE

SEKm	2312	2212	%	2023:4	2022:4	%
Net sales	39,481	34,393	15	9,752	9,617	1
Adjusted gross profit margin, %*	28.8	23.4		30.5	26.8	
Adjusted EBITA*	6,288	3,843	64	1,531	1,405	9
Adjusted EBITA margin, %*	15.9	11.2		15.7	14.6	
Adjusted operating profit*	6,266	3,823	64	1,526	1,400	9
Adjusted operating margin, %*	15.9	11.1		15.6	14.6	
Adjusted return on capital employed, %*	23.6	14.0		24.6	19.3	
Operating cash flow	7,330	3,219		2,227	1,344	

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

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

Net sales increased 14.8% to SEK 39,481m (34,393). Sales growth, including organic sales growth and acquisitions, amounted to 9.2%, of which volume accounted for -3.4%, price/mix for 12.5% and acquisitions for 0.1%. The lower volumes were mainly a result of the company's focus on profitable growth and thereby decisions on restructuring measures in the USA and Europe. In addition, volumes were negatively impacted by lower volumes in Russia prior to the divestment. Organic sales growth amounted to 8.3% in mature markets. In emerging markets, which accounted for 15% of net sales, organic sales growth was 15.3%. Exchange rate effects increased net sales by 6.3%. Divestments reduced sales by 0.7% and pertain to the divestment of Russian operations.

The adjusted gross margin increased by 5.4 percentage points to 28.8% (23.4). The margin was positively impacted by higher prices, a better mix and lower costs for raw materials. Higher energy costs, lower volumes and salary inflation had a negative impact on the margin.

The adjusted EBITA margin increased 4.7 percentage points to 15.9% (11.2). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs also increased as a share of net sales. Adjusted EBITA increased 64% (54% excluding currency translation effects, acquisitions and divestments) to SEK 6,288m (3,843).

The operating cash surplus amounted to SEK 8,676m (6,132).

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

Net sales increased 1.4% to SEK 9,752m (9,617). Sales growth, including organic sales growth and acquisitions, amounted to 0.1%, of which volume accounted for -1.7%, price/mix for 1.8% and acquisitions for 0.0%. Organic sales growth amounted to -1.7% in mature markets. In emerging markets, which accounted for 16% of net sales, organic sales growth was 14.0%. Exchange rate effects increased net sales by 2.6%. Divestments reduced net sales by 1.3% and pertain to the divestment of Russian operations.

The adjusted gross margin increased by 3.7 percentage points to 30.5% (26.8). Volume effects, a better mix, lower costs for raw materials and cost savings had a positive impact on the margin. Lower prices, higher costs for energy and distribution, and salary inflation, had a negative impact on the margin.

The adjusted EBITA margin increased 1.1 percentage points to 15.7% (14.6). Sales costs were higher, mainly due to higher marketing costs and salary inflation. Sales costs also increased as a share of net sales. Adjusted EBITA increased 9% (8% excluding currency translation effects, acquisitions and divestments) to SEK 1,531m (1,405).

DISTRIBUTION OF SHARES

December 31, 2023	Class A	Class B	Total
Registered number of shares	60,977,881	641,364,608	702,342,489

At the end of the period, the proportion of Class A shares was 8.7%. In the fourth quarter, 180,166 Class A shares were converted to Class B shares. The total number of votes in the company amounts to 1,251,143,418.

FUTURE REPORTS

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

ANNUAL GENERAL MEETING

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

INVITATION TO PRESENTATION OF THE YEAR-END REPORT FOR 2023

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

Presentation:

Date: Thursday, January 25, 2024

Time: 09:00 CET

Link to web presentation: <https://essity.videosync.fi/2024-01-25>

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

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

Stockholm, January 25, 2024
Essity Aktiebolag (publ)

Magnus Groth
President and CEO

For further information, please contact:

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

NB:

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

This information is such that Essity Aktiebolag (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. This report has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. The information was submitted for publication, through the agency of Karl Stoltz, Media Relations Director, at 07:00 CET on January 25, 2024.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	2023:4	2022:4	2023:3	2312	2212
Net sales	36,625	36,629	37,092	147,147	131,320
Cost of goods sold ^{1,2}	-24,905	-26,392	-25,422	-102,627	-97,395
Items affecting comparability - cost of goods sold ²	-45	-302	-987	-1,349	-1,899
Gross profit	11,675	9,935	10,683	43,171	32,026
Sales, general and administration ^{1,2}	-6,874	-6,132	-6,545	-25,661	-21,916
Items affecting comparability - sales, general and administration ²	-197	8	-663	-942	-272
Share of profits of associates and joint ventures	7	7	22	39	38
Operating profit before amortization of acquisition-related intangible assets (EBITA)	4,611	3,818	3,497	16,607	9,876
Amortization of acquisition-related intangible assets	-270	-288	-277	-1,109	-1,111
Items affecting comparability - acquisition-related intangible assets ²	0	-11	-317	-350	-274
Operating profit	4,341	3,519	2,903	15,148	8,491
Financial items	-499	-561	-644	-2,356	-1,320
Profit before tax	3,842	2,958	2,259	12,792	7,171
Income taxes	-984	-736	-696	-3,275	-2,006
Profit for the period continuing operations	2,858	2,222	1,563	9,517	5,165
Profit for the period discontinued operations	33	24	88	279	899
Profit for the period total operations	2,891	2,246	1,651	9,796	6,064
Earnings attributable to:					
Owners of the Parent company					
Profit for the period continuing operations	2,836	2,206	1,542	9,440	5,110
Profit for the period discontinued operations	-10	3	44	114	457
Profit for the period total operations	2,826	2,209	1,586	9,554	5,567
Non-controlling interests					
Profit for the period continuing operations	22	16	21	77	55
Profit for the period discontinued operations	43	21	44	165	442
Profit for the period total operations	65	37	65	242	497
Earnings per share - owners of the Parent company					
Earnings per share before and after dilution effects continuing operations, SEK	4.04	3.14	2.20	13.44	7.28
Earnings per share before and after dilution discontinued operations, SEK	-0.02	0.01	0.06	0.16	0.65
Earnings per share before and after dilution total operations, SEK	4.02	3.15	2.26	13.60	7.93
Average numbers of shares before and after dilution, million	702.3	702.3	702.3	702.3	702.3
¹ Of which, depreciation and amortization	-1,793	-1,786	-1,816	-7,170	-6,838
² Of which, impairment	127	-332	-828	-828	-2,173

CONDENSED CONSOLIDATED INCOME STATEMENT (cont.)

SEKm	2023:4	2022:4	2023:3	2312	2212
Gross margin	31.9	27.1	28.8	29.3	24.4
EBITA margin	12.6	10.4	9.4	11.3	7.5
Operating margin	11.9	9.6	7.8	10.3	6.5
Financial net margin	-1.4	-1.5	-1.7	-1.6	-1.0
Profit margin	10.5	8.1	6.1	8.7	5.5
Income taxes	-2.7	-2.0	-1.9	-2.2	-1.5
Net margin	7.8	6.1	4.2	6.5	4.0
Excluding items affecting comparability:					
Gross margin	32.0	27.9	31.5	30.3	25.8
EBITA margin	13.3	11.2	13.9	12.8	9.2
Operating margin	12.5	10.4	13.1	12.1	8.3
Financial net margin	-1.4	-1.5	-1.7	-1.6	-1.0
Profit margin	11.1	8.9	11.4	10.5	7.3
Income taxes	-2.9	-2.2	-2.7	-2.6	-1.7
Net margin	8.2	6.7	8.7	7.9	5.6

INCOME STATEMENT DISCONTINUED OPERATIONS

SEKm	2312	2212
Net sales	26,770	24,853
Cost	-26,475	-23,916
Operating profit	295	937
Income taxes	-16	-38
Profit for the period discontinued operations	279	899

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2023:4	2022:4	2023:3	2312	2212
Profit for the period continuing operations	2,858	2,222	1,563	9,517	5,165
Profit for the period discontinued operations	33	24	88	279	899
Profit for the period total operations	2,891	2,246	1,651	9,796	6,064
Other comprehensive income for the period					
Items that will not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	191	-20	26	1,334	2,298
Fair value through other comprehensive income	5	0	-2	5	-16
Income tax attributable to components in other comprehensive income	132	-107	-21	-161	-659
Total continuing operations	328	-127	3	1,178	1,623
Total discontinued operations	0	1	0	0	1
Total other comprehensive income that will not be reclassified to the income statement	328	-126	3	1,178	1,624
Items that have been or may be reclassified subsequently to the income statement					
Cash flow hedges					
Result from remeasurement of derivatives recognized in equity	-932	-7,787	-605	-4,360	3,110
Transferred to profit or loss for the period	520	-1,121	730	1,681	-5,252
Translation differences in foreign operations	-4,709	-1,951	-644	-270	8,216
Gains/losses from hedges of net investments in foreign operations	899	635	224	572	-1,435
Income tax attributable to components in other comprehensive income	-76	2,249	-67	612	856
Total continuing operations	-4,298	-7,975	-362	-1,765	5,495
Total discontinued operations	-640	-1,145	-175	-932	125
Total operations	-4,938	-9,120	-537	-2,697	5,620
Other comprehensive income for the period, net of tax	-4,610	-9,246	-534	-1,519	7,244
Of which continuing operations	-3,970	-8,102	-359	-587	7,118
Of which discontinued operations	-640	-1,144	-175	-932	126
Total comprehensive income for the period	-1,719	-7,000	1,117	8,277	13,308
Of which continuing operations	-1,112	-5,880	1,207	8,930	12,283
Of which discontinued operations	-607	-1,120	-90	-653	1,025
Total comprehensive income attributable to:					
Owners of the Parent company	-1,342	-6,682	1,160	8,617	12,338
Non-controlling interests	-377	-318	-43	-340	970

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEKm	2312	2212
Equity attributable to owners of the Parent company		
Value, January 1	67,346	59,874
Total comprehensive income for the period	8,617	12,338
Dividend	-5,092	-4,916
Acquisition of non-controlling interests	1	-10
Private placement to non-controlling interests	0	17
Transferred to cost of hedged investments	52	31
Revaluation effect upon acquisition of non-controlling interests	-78	12
Value, December 31	70,846	67,346
Non-controlling interests		
Value, January 1	9,218	8,633
Total comprehensive income for the period	-340	970
Dividend	-319	-398
Private placement to non-controlling interests	0	16
Acquisition of non-controlling interests	0	-3
Value, December 31	8,559	9,218
Total equity, value December 31	79,405	76,564

CONSOLIDATED CASH FLOW STATEMENT

SEKm	2312	2212
Operating activities		
Operating profit	15,148	8,491
Adjustment for non-cash items ¹	9,459	9,669
Operating profit excluding non-cash items	24,607	18,160
Interest paid	-2,421	-717
Interest received	410	139
Other financial items	-320	-670
Capitalized expenditures to fulfill contracts with customers	-466	-474
Change in liabilities relating to restructuring programs, etc.	-203	-41
Paid tax	-3,615	-2,175
Cash flow from operating activities before changes in working capital	17,992	14,222
Cash flow from changes in working capital		
Change in inventories	2,505	-4,750
Change in operating receivables	-19	-3,492
Change in operating liabilities	-1,401	4,018
Cash flow from operating activities	19,077	9,998
Investing activities		
Acquisitions of Group companies and other operations	-178	-4,797
Divestments of Group companies and other operations	1,234	0
Investments in intangible assets and property, plant and equipment	-6,850	-5,416
Sale of property, plant and equipment	71	68
Paid interest capitalized in intangible assets and property, plant and equipment	-40	-14
Investments in financial assets, etc.	-48	-2,827
Cash flow from investing activities	-5,811	-12,986
Financing activities		
Acquisition of non-controlling interests	0	-14
Dividend	-5,092	-4,916
Proceeds from borrowings	5,878	15,137
Repayment of borrowings	-13,448	-7,081
Dividend to non-controlling interests	-2	-21
Cash flow from financing activities	-12,664	3,105
Cash flow continuing operations	602	117
Cash flow discontinued operations²	2,306	65
Cash flow for the period total operations	2,908	182
Cash and cash equivalents at the beginning of the period	4,288	3,904
Translation differences in cash and cash equivalents	-269	202
Cash and cash equivalents at the end of the period total operations	6,927	4,288
Cash flow operating activities per share, continuing operations, SEK	27.16	14.24

CONSOLIDATED CASH FLOW STATEMENT, (cont.)

SEKm	2312	2212
Reconciliation with consolidated operating cash flow statement		
Cash flow for the period	602	117
Repayment of borrowings	13,448	7,081
Proceeds from borrowings	-5,878	-15,137
Investments in financial assets, etc.	48	2,827
Investments in operating assets through leases	-608	-476
Net debt in acquired and divested operations	11	-144
Accrued interest	-25	-71
Other	0	-1
Net cash flow according to consolidated operating cash flow statement	7,598	-5,804
<i>1) Adjustment for non-cash items</i>		
<i>Depreciation/amortization and impairment of non-current assets</i>	<i>7,998</i>	<i>9,012</i>
<i>Gain/loss on sale of assets</i>	<i>36</i>	<i>32</i>
<i>Depreciation of prepaid selling expenses</i>	<i>490</i>	<i>465</i>
<i>Gain/loss on divestment and liquidation</i>	<i>524</i>	<i>2</i>
<i>Non-cash items relating to efficiency program</i>	<i>393</i>	<i>84</i>
<i>Other</i>	<i>18</i>	<i>74</i>
<i>Total</i>	<i>9,459</i>	<i>9,669</i>
<i>2) Cash flow discontinued operations</i>		
Cash flow from operating activities, net	2,491	2,876
Cash flow from investing activities, net	-1,298	-1,514
Cash flow from financing activities, net	1,113	-1,297
Cash flow discontinued operations	2,306	65

CONSOLIDATED OPERATING CASH FLOW STATEMENT, SUPPLEMENTARY DISCLOSURE

SEKm	2312	2212
Operating cash surplus	25,569	18,401
Change in working capital	1,085	-4,224
Investments in non-current assets, net	-6,819	-5,362
Restructuring costs, etc.	-1,542	-659
Operating cash flow before investments in operating assets through leases	18,293	8,156
Investments in operating assets through leases	-608	-476
Operating cash flow	17,685	7,680
Financial items	-2,356	-1,320
Income taxes paid	-3,615	-2,175
Other	-89	-97
Cash flow current operations	11,625	4,088
Acquisitions of Group companies and other operations	-182	-4,955
Divestments of Group companies and other operations	1,249	0
Cash flow before transactions with shareholders	12,692	-867
Dividend to non-controlling interests	-2	-21
Dividend	-5,092	-4,916
Net cash flow continuing operations	7,598	-5,804
Net cash flow discontinued operations	866	952
Net cash flow, total operations	8,464	-4,852
Net debt at the beginning of the period	-62,869	-55,433
Net cash flow	8,464	-4,852
Remeasurements to equity	1,339	2,281
Investments in non-operating assets through leases	-491	-562
Translation differences	-146	-4,303
Net debt at the end of the period total operations¹	-53,703	-62,869
¹⁾ Of which;		
Net debt in continuing operations	-49,964	-59,315
Net debt in discontinued operations	-3,739	-3,554
Net debt at the end of the period total operations	-53,703	-62,869
Debt/equity ratio total operations	0.68	0.82
Debt payment capacity continuing operations, %	34	24
Net debt² / EBITDA continuing operations	2.16	3.39
Net debt² / Adjusted EBITDA continuing operations	2.00	3.33

²⁾ Net debt in continuing operations

CONSOLIDATED BALANCE SHEET

SEKm	December 31, 2023	December 31, 2022
ASSETS		
Non-current assets		
Goodwill	39,337	44,786
Other intangible assets	21,345	25,346
Property, plant and equipment	48,843	62,898
Investments in associates and joint ventures	294	291
Shares and participations	6	6
Surplus in funded pension plans	3,072	1,965
Non-current financial assets	117	123
Deferred tax assets	2,343	2,545
Other non-current assets	745	1,620
Total non-current assets	116,102	139,580
Current Assets		
Inventories	17,546	28,888
Trade receivables	21,920	25,990
Current tax assets	1,289	1,152
Other current receivables	3,391	5,761
Current financial assets	5,259	4,941
Cash and cash equivalents	5,159	4,288
Total current assets	54,564	71,020
Total assets continuing operations	170,666	0
Assets held for sale	32,327	0
Total assets total operations	202,993	210,600
EQUITY AND LIABILITIES		
Equity		
Share capital	2,350	2,350
Reserves	9,421	11,477
Retained earnings	59,075	53,519
Attributable to owner of the Parent company	70,846	67,346
Non-controlling interests	8,559*	9,218
Total equity	79,405	76,564
Non-current liabilities		
Non-current financial liabilities	45,336	58,242
Provisions for pensions	2,587	2,671
Deferred tax liabilities	6,935	8,718
Other non-current provisions	466	491
Other non-current liabilities	1,073	1,196
Total non-current liabilities	56,397	71,318
Current liabilities		
Current financial liabilities	15,648	13,273
Trade payables	15,119	25,644
Current tax liabilities	2,165	1,589
Current provisions	1,408	1,217
Other current liabilities	19,143	20,995
Total current liabilities	53,483	62,718
Total liabilities continuing operations	109,880	0
Liabilities directly associated with assets held for sale	13,708	0
Total equity and liabilities total operations	202,993	210,600

*Of which attributable to discontinued operations 8,145

CONSOLIDATED BALANCE SHEET (cont.)

SEKm	December 31, 2023	December 31, 2022
Debt/equity ratio total operations	0.68	0.82
Equity/assets ratio total operations	35%	32%
Equity	79,405	76,564
Equity per share, SEK	113	109
Return on equity	12.5%	8.1%
Return on equity excluding items affecting comparability	15.3%	11.1%
Capital employed		139,433
- of which working capital		14,033
Capital employed, continuing operations	110,750	
- of which working capital continuing operations	8,771	
Return on capital employed continuing operations	14.4%	8.9%
Return on capital employed continuing operations excluding items affecting comparability	16.4%	10.9%
Net debt total operations	53,703	62,869
Provisions for restructuring costs are included in the balance sheet as follows		
-Other non-current provisions	142	105
-Other current provisions	525	213

BALANCE SHEET DISCONTINUED OPERATIONS

SEKm	December 31, 2023
ASSETS	
Intangible assets	7,080
Property, plant and equipment	14,300
Financial assets, excl. cash and cash equivalents	1
Operating assets	9,178
Cash and cash equivalents	1,768
Total assets held for sale	32,327
LIABILITIES	
Financial liabilities	5,508
Operating liabilities	7,283
Deferred tax liabilities	917
Total liabilities directly associated with assets held for sale	13,708

NET SALES (business area reporting)

SEKm	2312	2212	2023:4	2023:3	2023:2	2023:1	2022:4	2022:3
Health & Medical	27,729	24,708	7,001	7,158	6,905	6,665	6,589	6,404
Consumer Goods	79,912	72,241	19,870	19,729	20,056	20,257	20,454	18,537
Professional Hygiene	39,481	34,393	9,752	10,184	10,123	9,422	9,617	9,279
Other	25	-22	2	21	-6	8	-31	6
Total	147,147	131,320	36,625	37,092	37,078	36,352	36,629	34,226

ORGANIC SALES GROWTH (business area reporting)

(%)	2312	2212	2023:4	2023:3	2023:2	2023:1	2022:4	2022:3
Health & Medical	7.0	7.2	4.3	5.8	8.0	10.6	4.5	7.3
Consumer Goods	3.7	17.6	-2.8	-0.4	5.7	14.8	18.4	18.3
Professional Hygiene	9.1	25.4	0.1	5.7	11.7	22.6	20.7	21.5
Total	5.8	17.3	-0.7	2.4	7.7	15.9	16.0	16.9

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

(%)	2312	2212	2023:4	2023:3	2023:2	2023:1	2022:4	2022:3
Health & Medical	7.0	9.6	4.3	5.8	8.0	10.6	6.4	9.8
Consumer Goods	5.4	20.0	-2.8	1.1	8.7	17.2	21.1	19.4
Professional Hygiene	9.2	27.7	0.1	5.7	11.7	22.9	21.3	21.9
Total	6.7	19.7	-0.7	3.3	9.3	17.4	18.0	18.1

ADJUSTED EBITA (business area reporting)

SEKm	2312	2212	2023:4	2023:3	2023:2	2023:1	2022:4	2022:3
Health & Medical	4,037	2,904	1,125	1,188	947	777	719	678
Consumer Goods	9,797	6,354	2,585	2,395	2,417	2,400	2,293	1,368
Professional Hygiene	6,288	3,843	1,531	1,887	1,582	1,288	1,405	1,057
Other	-1,224	-1,054	-388	-323	-329	-184	-305	-240
Total	18,898	12,047	4,853	5,147	4,617	4,281	4,112	2,863

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	2312	2212	2023:4	2023:3	2023:2	2023:1	2022:4	2022:3
Health & Medical	3,199	2,058	923	979	737	560	499	462
Consumer Goods	9,549	6,109	2,523	2,332	2,356	2,338	2,231	1,305
Professional Hygiene	6,266	3,823	1,526	1,881	1,577	1,282	1,400	1,051
Other	-1,225	-1,054	-389	-322	-332	-182	-306	-239
Total adjusted operating profit¹	17,789	10,936	4,583	4,870	4,338	3,998	3,824	2,579
Financial items	-2,356	-1,320	-499	-644	-588	-625	-561	-351
Profit before tax¹	15,433	9,616	4,084	4,226	3,750	3,373	3,263	2,228
Income taxes	-3,799	-2,206	-1,060	-995	-941	-803	-815	-496
Net profit for the period²	11,634	7,410	3,024	3,231	2,809	2,570	2,448	1,732
¹ Excluding items affecting comparability before tax amounting to:	-2,641	-2,445	-242	-1,967	-519	87	-305	-212
² Excluding items affecting comparability after tax amounting to:	-2,117	-2,245	-166	-1,668	-364	81	-226	-202

ADJUSTED EBITA MARGIN (business area reporting)

(%)	2312	2212	2023:4	2023:3	2023:2	2023:1	2022:4	2022:3
Health & Medical	14.6	11.8	16.1	16.6	13.7	11.7	10.9	10.6
Consumer Goods	12.3	8.8	13.0	12.1	12.1	11.8	11.2	7.4
Professional Hygiene	15.9	11.2	15.7	18.5	15.6	13.7	14.6	11.4
Total	12.8	9.2	13.3	13.9	12.5	11.8	11.2	8.4

STATEMENT OF PROFIT OR LOSS

SEKm	2023:4	2023:3	2023:2	2023:1	2022:4
Net sales	36,625	37,092	37,078	36,352	36,629
Cost of goods sold	-24,905	-25,422	-26,269	-26,031	-26,392
Items affecting comparability - cost of goods sold	-45	-987	-355	38	-302
Gross profit	11,675	10,683	10,454	10,359	9,935
Sales, general and administration	-6,874	-6,545	-6,200	-6,042	-6,132
Items affecting comparability - sales, general and administration	-197	-663	-131	49	8
Share of profits of associates and joint ventures	7	22	8	2	7
EBITA	4,611	3,497	4,131	4,368	3,818
Amortization of acquisition-related intangible assets	-270	-277	-279	-283	-288
Items affecting comparability - acquisition-related intangible assets	0	-317	-33	0	-11
Operating profit	4,341	2,903	3,819	4,085	3,519
Financial items	-499	-644	-588	-625	-561
Profit before tax	3,842	2,259	3,231	3,460	2,958
Income taxes	-984	-696	-786	-809	-736
Net profit for the period continuing operations	2,858	1,563	2,445	2,651	2,222
Net profit for the period discontinued operations	33	88	106	52	24
Net profit for the period total operations	2,891	1,651	2,551	2,703	2,246

CONDENSED INCOME STATEMENT PARENT COMPANY

SEKm	2312	2212
Administrative expenses	-1,048	-755
Other operating income	382	237
Operating loss	-666	-518
Financial items	2,487	-2,194
Profit before tax	1,821	-2,712
Appropriations and tax on profit for the period	-1,445	316
Profit for the period	376	-2,396

CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	December 31, 2023	December 31, 2022
Intangible assets	0	0
Property, plant and equipment	10	12
Financial non-current assets	176,774	176,780
Total non-current assets	176,784	176,792
Total current assets	2,178	3,046
Total assets	178,962	179,838
Restricted equity	2,350	2,350
Non-restricted equity	71,530	76,246
Total equity	73,880	78,596
Untaxed reserves	828	195
Provisions	880	846
Non-current liabilities	42,901	52,470
Current liabilities	60,473	47,731
Total equity, provisions and liabilities	178,962	179,838

NOTES

1 ACCOUNTING PRINCIPLES

This Year-end report has been prepared in accordance with IAS 34 and recommendation RFR 1 of the Swedish Corporate Reporting Board (RFR), and with regards to the Parent company, RFR 2. A few amended accounting standards published by the IASB entered into force on January 1, 2023 following approval by the EU. Essity Aktiebolag (publ) applies these amendments, which have not had any material impact on the Group's or the Parent company's financial statements. All other applied accounting principles and calculation methods correspond to those presented in Essity Aktiebolag's (publ) Annual and Sustainability Report for 2022.

Reporting of discontinued operations

As of the fourth quarter of 2023, Essity will classify the financial reporting of Vinda as discontinued operations, meaning that assets and liabilities related to Vinda are presented on separate lines in the balance sheet and that the profit/loss after tax for the period from discontinued operations is reported on a separate line in the income statement. Internal balances and transactions between continuing and discontinued operations have been eliminated. The income statement and cash flow statement are adjusted for comparative periods as though the discontinued operation had already been classified as discontinued operations at the beginning of the comparative periods.

2 RISKS AND UNCERTAINTIES

Processes for risk management

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

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

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

Essity's risk exposure and risk management are described on pages 40–45 of Essity's Annual and Sustainability Report for 2022. No significant changes have taken place that have affected the reported risks.

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

3 FINANCIAL INSTRUMENTS PER CATEGORY

Distribution by level for measurement at fair value

SEKm	Carrying amount in the balance sheet	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Financial assets measured at fair value through OCI	Financial liabilities measured at amortized cost	Of which fair value by level ¹		
December 31, 2023							1	2
Derivatives	1,989	540	1,449	-	-	-	1,989	
Non-current financial assets	98	-	-	98	-	98	-	
Total assets	2,087	540	1,449	98	-	98	1,989	
Derivatives	6,788	2,224	4,564	-	-	-	6,788	
Financial liabilities								
Current financial liabilities	13,488	-	-	-	13,488	-	-	
Non-current financial liabilities	42,387	24,993	-	-	17,394	-	24,993	
Total liabilities	62,663	27,217	4,564	-	30,882	-	31,781	
December 31, 2022								
Derivatives	4,416	1,631	2,785	-	-	-	4,416	
Non-current financial assets	92	-	-	92	-	92	-	
Total assets	4,508	1,631	2,785	92	-	92	4,416	
Derivatives	6,126	765	5,361	-	-	-	6,126	
Financial liabilities								
Current financial liabilities	12,501	4,489	-	-	8,012	-	4,489	
Non-current financial liabilities	54,090	23,763	-	-	30,327	-	23,763	
Total liabilities	72,717	29,017	5,361	-	38,339	-	34,378	

¹ No financial instruments have been classified to level 3

The total fair value of the above financial liabilities for continuing operations, excluding lease liabilities, is SEK 55,984m (64,324). The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, trade payables and other current and non-current liabilities is estimated to be equal to their carrying amount.

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

4 ACQUISITIONS AND DIVESTMENTS

On February 2, 2022, Essity acquired the USA-based professional wiping and cleaning company Legacy Converting, Inc. The purchase price allocation for this acquisition has been finalized. No significant adjustments were made compared with the preliminary purchase price allocation.

On August 1, 2022, Essity acquired the Australian company Modibodi, a leading leakproof apparel company. The purchase price allocation for this acquisition has been finalized. No significant adjustments were made compared with the preliminary purchase price allocation.

On September 1, 2022, Essity acquired the Canadian company Knix, a leading supplier of leakproof apparel for periods and incontinence. The purchase price allocation for this acquisition has been finalized. No significant adjustments were made compared with the preliminary purchase price allocation.

On July 17, 2023, Essity announced that it had completed the divestment of its operations in Russia for a purchase price of approximately SEK 1.2bn on a cash and debt-free basis. Essity began work in April 2022 to exit the Russian market and in 2022 an impairment was carried out of the company's assets in Russia of approximately SEK 1.7bn. In 2022, Essity's net sales in Russia corresponded to about 2% of its total consolidated net sales. The earnings impact, including accumulated currency translation differences, amounts to approximately SEK -0.5bn and was reported as an item affecting comparability in the third quarter of 2023.

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

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

This interim report refers to a number of performance measures not defined in IFRS. These performance measures are used to help investors, management and other stakeholders analyze the company's operations. These non-IFRS measures may differ from similarly titled measures among other companies. Essity's Annual and Sustainability Report for 2022, pages 82–86, describes the various non-IFRS performance measures that are used as a complement to the financial information presented in accordance with IFRS. Tables are presented below that show how the performance measures have been calculated.

Capital employed

SEKm	2312	2212
Total assets	202,993	210,600
-Total asset in discontinued operations	-32,327	0
-Financial assets	-13,607	-11,317
-Non-current non-interest bearing liabilities	-8,474	-10,405
-Current non-interest bearing liabilities	-37,835	-49,445
Capital employed	110,750	139,433
Capital employed in continuing operations	110,750	114,793

SEKm	2023:4	2023:3	2023:2	2023:1	2022:4
Health & Medical	32,762	34,974	36,550	34,489	34,080
Consumer Goods	52,009	54,658	56,707	52,909	52,649
Professional Hygiene	24,021	25,765	28,225	27,500	27,741
Other	1,958	1,531	1,335	-4,633	323
Capital employed in continuing operations	110,750	116,928	122,817	110,265	114,793

Working capital

SEKm	2312	2212
Inventories	17,546	28,888
Trade receivables	21,920	25,990
Other current receivables	3,391	5,761
Trade payables	-15,119	-25,644
Other current liabilities	-19,143	-20,995
Other	176	33
Working capital	8,771	14,033
Working capital in continuing operations	8,771	12,493

Net debt

SEKm	2312	2212
Surplus in funded pension plans	3,072	1,965
Non-current financial assets	117	123
Current financial assets	5,259	4,941
Cash and cash equivalents	5,159	4,288
Financial assets	13,607	11,317
Non-current financial liabilities	45,336	58,242
Provisions for pensions	2,587	2,671
Current financial liabilities	15,648	13,273
Financial liabilities	63,571	74,186
Net debt in continuing operations	49,964	59,315
Net debt in discontinued operations	3,739	3,554
Net debt, total operations	53,703	62,869

EBITDA

SEKm	2312	2212	2023:4	2022:4
Operating profit	15,148	8,491	4,341	3,519
-Amortization of acquisition-related intangible assets	1,109	1,111	270	288
-Depreciation/amortization	5,000	4,779	1,254	1,249
-Depreciation right-of-use asset	1,061	948	269	249
-Impairment	65	41	17	30
-Items affecting comparability - impairment net	413	1,858	-144	291
-Items affecting comparability - impairment of acquisition-related intangible assets	350	274	0	11
EBITDA	23,146	17,502	6,007	5,637
-Items affecting comparability excluding depreciation/amortization and impairment	1,878	313	386	3
Adjusted EBITDA	25,024	17,815	6,393	5,640

EBITA

SEKm	2312	2212	2023:4	2022:4
Operating profit	15,148	8,491	4,341	3,519
-Amortization of acquisition-related intangible assets	1,109	1,111	270	288
-Items affecting comparability - impairment of acquisition-related intangible assets	350	274	0	11
Operating profit before amortization and impairment of acquisition-related intangible assets (EBITA)	16,607	9,876	4,611	3,818
EBITA margin (%)	11.3	7.5	12.6	10.4
-Items affecting comparability - cost of goods sold	1,349	1,899	45	302
-Items affecting comparability - sales, general and administration	942	272	197	-8
Adjusted EBITA	18,898	12,047	4,853	4,112
Adjusted EBITA margin (%)	12.8	9.2	13.3	11.2

Operating cash flow

SEKm	2312	2212	2023:4	2022:4
Health & Medical				
Operating cash surplus	5,015	3,774	1,383	953
Change in working capital	-433	-797	379	42
Investment in non-current assets, net	-931	-727	-334	-244
Restructuring costs, etc.	121	181	19	71
Operating cash flow before investments in operating assets through leases	3,772	2,431	1,447	822
Investment in operating assets through leases	-92	-35	-36	-4
Operating cash flow	3,680	2,396	1,411	818
Consumer Goods				
Operating cash surplus	12,836	9,289	3,328	3,081
Change in working capital	223	-2,363	1,134	-842
Investment in non-current assets, net	-3,373	-2,647	-1,240	-979
Restructuring costs, etc.	-1,129	-349	-638	-194
Operating cash flow before investments in operating assets through leases	8,557	3,930	2,584	1,066
Investment in operating assets through leases	-324	-363	-78	-23
Operating cash flow	8,233	3,567	2,506	1,043
Professional Hygiene				
Operating cash surplus	8,676	6,132	2,112	1,984
Change in working capital	1,425	-991	1,213	62
Investment in non-current assets, net	-1,696	-1,213	-536	-402
Restructuring costs, etc.	-886	-631	-402	-289
Operating cash flow before investments in operating assets through leases	7,519	3,297	2,387	1,355
Investment in operating assets through leases	-189	-78	-160	-11
Operating cash flow	7,330	3,219	2,227	1,344

Sales growth

SEKm	2312	2023:4
Health & Medical		
Organic sales growth	1,741	280
Acquisitions	0	0
Sales growth including organic sales growth and acquisitions	1,741	280
Divestments	-156	-76
Exchange rate effect ¹	1,436	207
Recognized change	3,021	411
Consumer Goods		
Organic sales growth	2,690	-583
Acquisitions	1,224	20
Sales growth including organic sales growth and acquisitions	3,914	-563
Divestments	-1,308	-707
Exchange rate effect ¹	5,065	685
Recognized change	7,671	-585
Professional Hygiene		
Organic sales growth	3,130	10
Acquisitions	24	0
Sales growth including organic sales growth and acquisitions	3,154	10
Divestments	-228	-124
Exchange rate effect ¹	2,162	249
Recognized change	5,088	135
Essity		
Organic sales growth	7,608	-259
Acquisitions	1,248	20
Sales growth including organic sales growth and acquisitions	8,856	-239
Divestments	-1,692	-907
Exchange rate effect ¹	8,664	1,142
Recognized change	15,828	-4

¹Consists solely of currency translation effects

6 SUPPLEMENTARY INFORMATION

In 2023, Essity's continuing operations had sales in approximately 150 countries and about 36,000 employees. In 2023, Essity's total operations had sales in approximately 150 countries and about 47,000 employees.

Net sales 2023 by category, continuing operations

Health and Medical	19%
of which	
Incontinence Products Health Care	11%
Medical Solutions	8%
Consumer Goods	54%
of which	
Incontinence Products Retail	7%
Feminine Care	9%
Baby Care	5%
Consumer Tissue	33%
Professional Hygiene	27%

Net sales 2023 by region, continuing operations

Europe	60%
North America	17%
Latin America	17%
Asia	2%
Other	4%

Health and safety

Essity's workplace safety target is to achieve a reduction in the total recordable incident rate (TRI-R) of 75% by 2025 compared with 2019. Total recordable incidents (TRI) include lost time accidents (LTA), restricted work cases (RWC) and medical treatment cases (MTC). The outcome for 2023 was a decrease of 58% compared with 2019. The figures pertain to wholly owned companies of Essity and exclude sales and administrative offices as well as discontinued operations.

	2023
Total recordable incident rate (TRI-R, TRI / millions of hours worked)	3.2

Science-based targets

Essity's targets to reduce greenhouse gas emissions were verified by the Science Based Targets initiative (SBTi) in 2018. In terms of energy consumption (Scope 1 and 2), Essity has undertaken to reduce greenhouse gas emissions by 35% by 2030 compared to 2016. The outcome for 2023 was -26% for Scope 1 and 2 compared to 2016. Essity has, moreover, undertaken to reduce greenhouse gas emissions from the most important purchased raw materials, transportation, waste arising from operations and handling at the end of the life cycle of sold products (Scope 3) by 18% by 2030 compared to 2016. The outcome is reported with a delay of one year and will be presented in conjunction with the Annual Report for 2023. Targets and outcomes relate to wholly owned companies.

	2023
Scope 1, CO ₂ e, ktons	1,240
Scope 2, CO ₂ e, ktons	1,005

Gender distribution at management levels

	2023
Share/number of women on the Board elected by the Annual General Meeting	44% / 4 (9)
Share/number of women on the Board elected by employee organizations	33% / 1 (3)
Share/number of women in the Executive Management Team	31% / 4 (13)
Share/number of women in senior management	35% / 39 (111)
Share/number of women in middle management	32% / 215 (670)

Essity's target is that gender distribution at all management levels (Executive Management Team, senior management, middle management) is to be within the interval 40/60%. The target is reported at an aggregate outcome level for the three management levels and the outcome for 2023 was 32/68%.