



ANNUAL REPORT 2023

Essity Capital BV
Corp. Reg. No. 82525897

BOARD OF DIRECTORS' REPORT

Report of the Board of Directors´ for the year ended 31 December 2023.

The Board of Directors herewith submits its report and the Financial Statements of Essity Capital B.V. for the book year ended 31 December 2023. These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with Part 9 of Book 2 of the Dutch Civil Code.

Ownership

Essity Capital B.V. has its registered seat in Amsterdam, the Netherlands, its registered office at Arnhemse Bovenweg 120, 3708AH Zeist, the Netherlands and its postal address is Postbus 670, 3700AR Zeist, the Netherlands. Essity Capital B.V. is registered with the Commercial Register of the Dutch Chamber of Commerce under registration number 82525897. Essity Capital B.V. is a wholly owned company of Essity Aktiebolag (publ), with the Corp. Reg.No 556325-5511 and its registered office in Stockholm, Sweden. Essity Aktiebolag (publ) is also the Parent Company of the Essity Group.

Principal activities

The Company was mainly founded in order for the Essity Group to be able to issue bonds in the European market which are eligible for purchase under the European Central Bank's different asset purchasing program. The Company then on-lended all funds from the issued bonds to another subsidiary of Essity Aktiebolag (publ). During 2022 these agreements changed counterparty to Essity Aktiebolag (publ). The main income of the Company is the interest income on the loans to the related company. The main expense is the interest to be paid on the Bonds issued during 2021 and 2022 by the Company and which are listed on the Luxembourg Stock Exchange.

Objectives

The Company's main activity is to raise funding in the form of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into any related agreements and to finance businesses and companies within the Essity group.

Key events during the year

No major events have happened in the Company during 2023. No new bond loans have been issued under the Euro Medium Term Note (EMTN) programme during 2023.

On 20 June 2023 Richard van Sintemaartensdijk was appointed as Director of the Board and Marten Schut resigned as Director on the same date.

Risk management

The Essity Group is exposed to a number of strategic, operational and financial business risks, which could have a negative impact on the Group's operations. Accordingly, it is of major importance that the Group has a systematic and effective process to identify, manage and mitigate the effects of these risks, including fraud risks. Essity's risk exposure and risk management are described on pages 40-45 of Essity's Annual and Sustainability Report for 2023. A formal fraud risk assessment is carried out yearly and it is Management's assessment that the risk is low due to the limited activity combined with strong processes and controls.

The Essity Group's financial risk management is centralized to capitalize on economies of scale and synergy effects and to minimize management risks. The financial risks are managed in accordance with the Group's finance policy, which is adopted by Essity's Board of Directors. The financial risks are compiled and continuously monitored. Besides that, the Essity Group has an internal audit function, which ensures up that the organization complies with the adopted policies.

The Board of Directors in Essity Capital B.V. is in charge of the management of the Company meaning that the responsibilities include the policy and business progress within the Company and with this achievement of the goals, strategy and profit development that are relevant for the Company. As an individual Company Essity Capital B.V. is exposed to financial risks which the Board of Directors in the Company manages in accordance with the finance policies established by the Board of Essity Aktiebolag (publ). A yearly fraud risk assessment is prepared and approved by the Board of Directors in Essity Capital B.V.

The Euro bonds issues has been guaranteed by Essity Aktiebolag (publ). The loans from the Company to Essity Aktiebolag (publ) are subject to the expected credit loss model. The Company's financial assets are considered to have the same credit risk as for the whole Essity Group.

Risk appetite and impact

The willingness to assume (fraud) risks and uncertainties (the risk appetite) may differ for each category but is in general very low. The risk overview table shows the risk appetite and the expected impact on the Company's achievement of its objectives if one or more of the main risks and uncertainties were to materialized. The likelihood of the risk taking place is also disclosed.

Risk Category	Risk	Risk appetite	Impact	Likelihood
Strategic risk	Reputation damage	O	OO	O
Operational risk	Counterpart - and Credit risk	O	OO	OO
Legal and compliance risk	Market information risk	O	O	O
	Tax risk (transfer pricing)	O	OO	O
Financial risk	Cash flow and liquidity risk	O	O	OO
	Interest risk	O	O	O
	Foreign currency risk	O	O	O

O low / OO medium / 000 large

Risk profile

The table above discloses the risks that the Company's management believes are most relevant to the achievement of the strategy. The sequence of risks below does not reflect an order of importance, vulnerability or materiality. The overview is not exhaustive and should be considered with forward looking statements. There may be risks not yet known to the Board of Directors of which currently are not deemed to be material.

Reputation damage

The fact that the Company would not be able to fulfill its obligations (Operational, Compliance, Financial) may cause serious damage to the brand "Essity" and may have a material adverse effect on the financial condition of the entire Essity Group. The Company employs a rigorous quality and compliance management process before entering into new instruments or deals. Internal policies and Code of Conduct are designed to further mitigate incidents that could result in reputation of brand damage.

Counterpart- and Credit risk

The Company is exposed to credit risk to the extent of non-performance by its counterparty Essity Aktiebolag (publ). The Company considers the risk to be low since the related company has an equity around 7bn EUR and is the Parent Company of the Essity Group. In addition, the Company has limited the risk by entering into a Limitation of Recourse Agreement with Essity Aktiebolag (publ).

Market information risk

The Company has clear deadlines to inform the market about its performance. Not meeting the deadlines may cause suspicion on the Company's financial health and ability to meet all its requirements. In order to meet the deadlines of filing the annual report to the Luxembourg and Dutch regulators, management is working closely together with external advisors.

Tax risk (transfer pricing)

Intercompany loans to Group companies are all being granted at arm's length and validated by transfer pricing study reports. According to the transfer pricing study report performed by an external advisor, the Company is obliged to make a minimum return on its loan portfolio. Taxation will in any case be calculated on this minimum basis of the exceeding profit before tax.

Cash flow and liquidity risk

All cash flows are collected to Essity's internal bank Essity Treasury AB. The balance is recorded in the Company as Cash pool balances from Related Parties. The cash flow and liquidity risk in the Company is considered to be low due to the solid financials in the Essity Group and the active work the Group's financial risk management is performing .

Interest risk

Interest-rate risks result from changes in interest rates, which could have a negative impact on the Company's financial position, cash flow and earnings situation. The Company's exposure to Interest-rate risk is limited through the issue of fixed-interest long-term bonds which are issued back to back with loans to a Group Company at fixed rates which are aligned with the long-term bonds. A change in the rate of interest would therefore alter neither annual financial expenses nor shareholder's equity materially. Interest rate developments are closely monitored by management.

Foreign currency risk

No currency risk has been identified since both the bonds and the corresponding Intragroup loans are denominated in Euro, the Company's functional currency.

Impact of the war in Ukraine

Both 2022 and 2023 were dominated by the war in Ukraine and the resulting human suffering. For the Company as a standalone, the war in Ukraine had not a major impact on its net results from financing activities. The war in Ukraine has impacted the Essity Group and in 2023 Essity completed the divestment of its operations in Russia for a purchase price of approximately MEUR 102 on a cash and debt-free basis. Essity has thus exited Russia.

Strategic review of investment in and sale of Vinda in Essity

As disclosed in the press release of Essity Aktiebolag (publ) dated 21 March 2024, the divestment of the entire holding of 51,59% of shares in Vinda International Holdings Limited (Vinda) was completed on 21 March 2024.

As disclosed in the financial statements of Essity Aktiebolag (publ), Essity communicated on 15 December 2023 that Isola Castle Ltd, a company indirectly wholly owned by Asia Pacific Resources International Limited (APRIL), had announced that it intended to make a pre-conditional public offer to the shareholders of Vinda to acquire 100% of the company's issued shares. Essity signed an irrevocable undertaking to accept the offer in respect of all of its 51,59% shareholding. The offer was announced on 8 March 2024, and Essity has accepted it in line with its undertaking.

Essity has several legal opinions confirming that the divestment of the shares in Vinda does not constitute a 'cessation of business' under Essity's EMTN program. These opinions considered several qualitative and quantitative factors, such as the continued business with Vinda under licenses, etc. However, already the fact that Essity only owns 51,59% of the shares and sales account for 8.5% of Essity's total sales, means that the divestment of the shares does not qualify as 'cessation of business'.

Future Outlook

Macro-economic developments

During 2023 the interest rates continued to increase in the euro area. The European Central Bank has now paused interest rate increases for the time being as inflation continues to come under control, prompting speculation regarding potential interest rate cuts in Spring 2024. However, the financial stability outlook remains fragile in the euro area.

Looking at the nature of the Company we expect total financial result for next year to be in line with the total financial result 2023. It is expected that the nature of the activities of the Company will remain unchanged next year. Based on the funding needs for Essity in total new bonds might be issued under the existing EMTN programme. The EMTN programme is expected to be updated during 2024. However, no immediate new financing activities are expected to occur and we do not expect changes in personnel. In coming years the impact in the profit or loss of the expected credit loss calculation is expected to be less substantial than for 2022 and 2023.

Post Balance sheet events

Long-term consequences of the war in Ukraine are difficult to evaluate but has a substantial impact in the world and in the Essity Group. For Essity Capital B.V. no immediate events have been identified after the balance sheet date that has impacted the financial statements.

Other items

The Company did not incur any expenses for research and development. The Company does not have any personnel on the pay list. The Company is paying a fee to Essity Nederlands B.V. for office rent and salary charges. The board members do not receive a remuneration from the Company as they are employed by other Essity companies.

Result of the year

The interest income and similar income of the Company for the year 2023 amounts to €18.4 million (2022: €6.8 million). The interest expense and similar charges amounts to €-17.4 million (2022: €-6.2 million). The interest margin of the Company increased by €0.4 million to €1.0 million (2022: €0.6 million). The increase was mainly due to twelve months of interests on the Notes EUR 500m with the corresponding intercompany loan from September 2022.

Total other operating income and expenses was on the same level as in 2022, €-200 thousand (2022: €-200 thousand).

The equity/asset ratio of the Company is due to the business of the Company and the full guarantee of Essity Aktiebolag (publ) in relation to its external stakeholders irrelevant. We refer to page 184 of the Annual and Sustainability report of Essity Aktiebolag (publ). The issued bonds of the Company have a credit rating which is in line with the credit rating of its guarantor Essity Aktiebolag (publ).

The Company's result for the year ended on December 31, 2023 amounts to a profit of €603 thousand (2022: profit of €283 thousand).

Statement

Each of the Board of Directors confirms, to the best of their knowledge, that

The Financial statements, prepared in accordance with International Financing Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, for the year ended 31 December 2023, give a true and fair view of the assets, liabilities, financial position and profit or losses of the company; and

The Directors' report includes a fair review of the development and performance of the business during the financial year and the position of the Company as at 31 December 2023 together with description of the principal risks and uncertainties that it faces.

Amsterdam, 29 April 2024

Signed by Board of Directors:

Johan Rydin

Richard van Sintemaartensdijk

Per Johansson

Freek van den Ham

Financial statements

Statement of profit and loss

€000s	Note	1 January to 31 December 2023	1 January to 31 December 2022
Interest income	4	18 363	6 855
Interest expense	4	<u>-17 377</u>	<u>-6 236</u>
Net interest income		986	619
Expected credit losses	8	12	-39
Total financial result (loss)		998	580
Other operating income	5	20	51
Operating expenses	6	<u>-220</u>	<u>-251</u>
Total other operating income and expenses (loss)		-200	-200
Result (loss) before income tax		798	380
Income taxes	7	-195	-97
Net result (loss) for the year		603	283

Statement of comprehensive income

€000s	1 January to 31 December 2023	1 January to 31 December 2022
Net result (loss) for the year	603	283
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	603	283

Statement of financial position
(before profit appropriation)

€000s	Note	2023-12-31	2022-12-31
ASSETS			
Non-current assets			
Loans to Related companies	8	1 095 984	1 095 063
Deferred tax asset	7	<u>33</u>	<u>36</u>
Total non-current assets		1 096 017	1 095 099
Current assets			
Loans to Related companies	8	4 828	4 842
Other financial receivables from Related Companies	8	2 907	2 367
Other receivables from Related Companies	5	20	67
Other receivables		<u>-</u>	<u>6</u>
Total current assets		7 755	7 282
TOTAL ASSETS		<u>1 103 772</u>	<u>1 102 381</u>
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital	9	2 000	2 000
Retained earnings		272	-11
Net result (loss) for the year		<u>603</u>	<u>283</u>
Total equity		2 875	2 272
Liabilities			
Non-current liabilities			
Non-current financial liabilities	8	<u>1 096 078</u>	<u>1 095 190</u>
Total non-current liabilities		1 096 078	1 095 190
Current liabilities			
Current tax liabilities	7	189	129
Accrued interest payables	8	4 578	4 591
Trade payables to Related companies	8	-	121
Trade payables	8	-	0
Accrued expenses	10	<u>52</u>	<u>78</u>
Total current liabilities		4 819	4 919
Total liabilities		1 100 897	1 100 109
TOTAL EQUITY AND LIABILITIES		<u>1 103 772</u>	<u>1 102 381</u>

Statement of changes in Equity

€000s	Share capital	Retained earnings	Profit (loss) for the year	Total equity
Equity at 31 December 2021	2 000	0	-11	1 989
Transfer of Profit (Loss) to Retained earnings		-11	11	0
Profit (loss) for the year from the statement of profit and loss			283	283
Other comprehensive income			-	-
Total comprehensive income	0	0	283	283
Equity at 31 December 2022	2 000	-11	283	2 272
Transfer of Profit (Loss) to Retained earnings		283	-283	0
Profit (loss) for the year from the statement of profit and loss			603	603
Other comprehensive income			-	-
Total comprehensive income	0	0	603	603
Equity at 31 December 2023	2 000	272	603	2 875

Cash-flow Statement

€000s	1 January to 31 December 2023	1 January to 31 December 2022
Result before tax	798	380
<i>Adjustments for:</i>		
Interest income	-18 363	-6 855
Interest expense	17 377	6 236
Impairment gain (loss)	<u>-12</u>	<u>39</u>
Operating profit	-200	-200
<i>Changes in:</i>		
Changes in operating receivables	-487	-341
Changes in operating liabilities	<u>-148</u>	<u>44</u>
Cash flow from changes in working capital	-635	-297
Paid tax	-132	0
Interest received	17 467	2 000
Interest paid	-16 500	-1 503
Cash flow from operating activities	<u>0</u>	<u>0</u>
Non-current loans to related companies	-	-497 255
Cash flow from investing activities	<u>0</u>	<u>-497 255</u>
Proceeds from borrowings	-	497 255
Proceeds from issuance of shares	<u>-</u>	<u>-</u>
Cash flow from financing activities	<u>0</u>	<u>497 255</u>
Cash flow for the year	0	0
Cash and cash equivalents, 1 January	0	0
Change in cash and cash equivalents	<u>0</u>	<u>0</u>
Cash and cash equivalents, 31 December	0	0

Notes to the Financial statements

For the year ended 31 December 2023

NOTE 1 GENERAL

Essity Capital B.V., with the Corp.Reg.No 82525897 and its registered office in Amsterdam, the Netherlands, is a wholly owned company of Essity Aktiebolag (publ), with the Corp. Reg.No 556325-5511 and its registered office in Stockholm, Sweden. Essity Aktiebolag (publ) is the ultimate Parent Company of the Essity Group and includes the financial information of the Company in its consolidated financial statements. Copies of these consolidated financial statements can be acquired from the website www.essity.com.

The Company's main activity is to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into any related agreements and to finance businesses and companies within the Essity group .

The financial statements comprise only the separate financial statements of the Company.

The financial statements relate to the reporting period 1 January up to 31 December 2023 with comparative figures for the period 1 January 2022 up to 31 December 2022. The Company was incorporated on 14 April 2021.

The financial statements have been approved for issue by the Board of Management on 29 April 2024.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES

Basis of preparation

The Company's Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) and in compliance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code as far as applicable. The Company's Financial statements have been prepared under the assumption of going concern (refer next paragraph).

The financial statements are presented in Euros and all values are rounded to the nearest thousand (€000), except when indicated otherwise. The Company's functional currency is Euros.

Furthermore, the Company's Financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period.

The presentation format of the statement of financial position and statement of profit and loss has been adapted to reflect the Company's operations in the financial sector.

The preparation of financial statements in agreement with the applied rules and regulations requires the use of a number of important accounting estimates. In addition, senior management is required to make certain judgements in connection with the application of the Company's accounting policies.

Estimates

Explanations of the key assumptions concerning forward-looking elements and other estimation uncertainties are provided below. These include the risk that a material adjustment to the carrying amounts of assets and liabilities may become necessary within the next financial year.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES (cont.)

The critical accounting policies which involve significant estimates, assumptions or judgements, the actual outcome of which could have a material impact on the Company's results and financial position, relate to the following item(s):

Impairment of financial assets

The expected credit loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on existing market conditions, as well as forward-looking estimates at the end of the reporting period.

Going concern

Essity Capital B.V. is partly providing funding for the activities of Essity for which the Directors have assessed the relevant factors surrounding going concern and concluded that there are no material events or uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. The Company does not carry out any trading activities, has no employees and the ultimate Parent company has provided a guarantee in relation to the Company's bond issuance. In addition, Essity Aktiebolag and Essity Capital B.V. had entered into an agreement to limit the Right of Recourse to limit the total economic risk borne by the Company with respect to the Intercompany Loan that were previously provided to Essity Treasury AB. Accordingly, the Directors have adopted the going concern basis in preparing the Financial statements.

Strategic review of investment in and sale of Vinda in Essity

As disclosed in the press release of Essity Aktiebolag (publ) dated 21 March 2024, the divestment of the entire holding of 51,59% of shares in Vinda International Holdings Limited (Vinda) was completed on 21 March 2024.

As disclosed in the financial statements of Essity Aktiebolag (publ), Essity communicated on 15 December 2023 that Isola Castle Ltd, a company indirectly wholly owned by Asia Pacific Resources International Limited (APRIL), had announced that it intended to make a pre-conditional public offer to the shareholders of Vinda to acquire 100% of the company's issued shares. Essity signed an irrevocable undertaking to accept the offer in respect of all of its 51,59% shareholding. The offer was announced on 8 March 2024, and Essity has accepted it in line with its undertaking.

Essity has several legal opinions confirming that the divestment of the shares in Vinda does not constitute a 'cessation of business' under Essity's EMTN program. These opinions considered several qualitative and quantitative factors, such as the continued business with Vinda under licenses, etc. However, already the fact that Essity only owns 51,59% of the shares and sales account for 8.5% of Essity's total sales, means that the divestment of the shares does not qualify as 'cessation of business'.

New, revised or amended standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods starting on or after 1 January 2024 and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants, effective 1 January 2024
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial instruments: Disclosures, Supplier finance arrangements, effective 1 January 2024
- Amendments to IFRS 16 Leases, Lease Liability in a Sale and Leaseback, effective 1 January 2024
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, Lack of exchangeability, effective 1 January 2025

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES (cont.)

The Essity Group is subject to the OECD Pillar Two model rules and the Dutch Parliament adopted legislation on top-up tax for companies in large-scale groups in December 2023, which will enter into force on 1 January 2024.

According to the legislation, the Company is to pay a top-up tax on the profits that are taxed at an effective tax rate of less than 15%. As the Pillar Two legislation was not in force on the balance sheet date, the Company has no related current tax exposure. Based on Safe Harbour tests and further analysis, the Company does not foresee any material impact from future top-up tax payments. The Company has applied the mandatory exemption to recognize and disclose information on deferred tax assets and deferred tax liabilities arising from income taxes under Pillar Two.

Interest income recognition

Interest income is recognized in accordance with the effective interest method.

Other operating income and expenses

Income and expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

Translation of foreign currency

Financial instruments in foreign currency are measured in the financial statements at the exchange rate in effect on the closing date. Exchange rate differences are recognized under other operating items.

Financial instruments

Classification and measurement of financial assets

The classification is determined at initial recognition and depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. This applied to the financial assets measured at amortized costs.

Subsequently, financial assets are measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified, or impaired. Financial assets at amortized cost comprise loans to related companies. This applies to all financial assets of the Company.

The other current assets relate to a receivable to related companies for the cash pool and other tax and statutory assets.

Financial assets are derecognized when the Company loses the rights to receive cash flows that comprise the financial asset. Normally this occurs through the sale of assets or the repayment of loans and accounts receivable.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES (cont.)

Impairment of financial assets:

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The Company applies the low credit risk exemption allowing the Company to assume that there is no significant increase in credit risk since initial recognition of a financial instrument, if the instrument is determined to have low credit risk at the reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company measures expected credit loss allowances at an amount that represents credit losses resulting from default events that are possible within the next 12 months; unless the credit risk on a financial instrument has increased significantly since initial recognition. In the event of such significant increase in credit risk the Company's measures loss allowances for that financial instrument at an amount equal to its lifetime expected losses, i.e.. at an amount equal to the expected credit losses that results from an possible default events over the expected life of that financial instrument. The risk of default is considered to be low, taking into account Essity Aktiebolag "investment grade" S&P credit rating, strong liquidity position and positive cash generation from operating activities in 2023.

Classification and measurement of financial liabilities

All financial liabilities are initially recognized at fair value less directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss when the liabilities are amortized or derecognized. Amortized cost is calculated taking into account any premium or discount and any fees or costs that are an integral part of the effective interest rate. Financial liabilities recognized at amortized costs include Financial liabilities and trade and other payables.

The trade and other payables amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

A financial liability is derecognized when the underlying obligation has been fulfilled, cancelled, or expired. If an existing financial obligation is replaced by another financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability.

Offsetting

Financial assets and financial liabilities are only offset in the financial statements if and to the extent that:

- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously, and
- The Company intends is to settle the assets and liabilities on a net basis or simultaneously

Derivatives

The Company has not entered into any derivative contracts and hence the Company does not have any interest rate hedging relationships, nor does the Company hold any variable interest rate exposures. The interest rate benchmark reform therefore has no impact on the financial statements of the Company.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES (cont.)

Taxes

Recognized income tax includes tax to be paid or received for the current year, adjustments of prior year current tax and changes in deferred tax.

All tax liabilities and assets are measured at their nominal amount and are based on the tax rules and tax rates in effect on the balance sheet date.

For items recognized in profit or loss, related tax effects are also recognized in profit or loss. Items recognized in other comprehensive income or directly against equity are recognized in a net amount after tax.

Deferred tax is calculated on all temporary differences between the carrying amounts and the taxable values of assets and liabilities according to the balance sheet method.

Statement of financial position

Current assets and current liabilities mature in less than twelve months. Non-current assets and liabilities include positions for a term of more than one year.

Segment reporting

The Company determined one operating segment based on the information that is internally provided to the management and the chief operating decision maker.

The Company generates interest income by providing loans to Essity Aktiebolag (publ). The significant operations of the Company take place in The Netherlands.

NOTE 3 FINANCIAL RISK MANAGEMENT

The Essity Group's financial risk management is centralized to capitalize on economies of scale and synergy effects and to minimize management risks. The central treasury function is responsible for the Essity Group's borrowing, liquidity management, currency and interest rate risk management, and to ensuring that the Essity Group has secure financing, financial transactions are conducted with the aim of limiting the Group's financial risks. External borrowing is conducted to a certain extent in Essity Capital B.V.

As an individual company Essity Capital B.V. is exposed to financial risks which it manages in accordance with the finance policies established by the Board of Essity Aktiebolag (publ). The Group's financial risk management is described in the Essity Annual and Sustainability Report 2023.

On September 15th 2021 Essity Capital B.V. issued an eight year bond loan with a nominal value of 600 MEUR. On September 21st 2022 Essity Capital B.V. issued a four year bond loan with a nominal value of 500 MEUR. The denominations are above 100 000 EUR on both bond loans.

Currency risk

No currency risk has been identified since both the bond and the corresponding Intercompany loan are denominated in Euro, the Company's functional currency.

NOTE 3 FINANCIAL RISK MANAGEMENT (cont.)

Interest-rate risk

Interest rate risks result from changes in interest rates, which could have a negative impact on the Company's financial position, cash flow and earnings situation.

Interest rate risk is limited through the issue of fixed-interest long-term bonds which are issued back to back with loans to a Group company at fixed rates which are aligned with the long-term bonds. A change in the rate of interest would therefore alter neither annual financial expenses nor shareholder's equity materially. Interest rate developments are closely monitored by management.

Credit risk

Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge its obligations, thereby causing the Company to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. The loan assets are localized to a single counterparty, Essity Aktiebolag (publ).

In order to limit Essity Capital B.V.'s exposure to aggregate risks related to the intercompany loan agreement, Essity Capital B.V and Essity Aktiebolag (publ) had entered into a Limitation of Recourse Agreement. Per this agreement, Essity Capital B.V. would have limited the total economic risk borne by the Company with respect to the intercompany loan earlier provided to Essity Treasury AB and funded with the bond issuance to the lower of i) the amount of default under the intercompany loan; ii) 1% of the intercompany loan in default including any accrued interests; or iii) an amount of EUR 2 million. Consequently, any additional risks above the risks assumed by Essity Capital B.V. would have been absorbed by Essity Aktiebolag (publ). On the 30th of November 2022 the intercompany loans were transferred to Essity Aktiebolag (publ) with the same terms and conditions as with Essity Treasury AB. As the company is dependent on the parent company Essity Aktiebolag (publ), there is a concentration risk which is in line with the business of the Company.

The Company has financial assets carried at amortized cost (Loans to Related companies) that are subject to the expected credit loss model. The Company considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. In accordance with IFRS 9, the entire portfolio of financial assets are classified as stage 1 given the creditworthiness and payment history of the related companies. Current year movement in the ECL relates to a reserve based upon an expected credit loss calculation regarding the loan balance. Probability of default rate (pd) of Essity, as published by Bloomberg, is a significant part of the ECL calculation. The calculation is done based on a 12-month expected credit loss horizon. No significant change in credit risk is deemed to have occurred since initial recognition.

As of 31 December 2023 and 2022, no receivables had fallen due for payment. The Company's financial assets are considered to have a low credit risk, and the expected loss calculation made amounted to 126 KEUR (2022: 138 KEUR) and the change from last year were recognized in profit or loss. Credit risk in accounts receivable is managed in accordance with Essity's proactive credit checks.

NOTE 4 INTEREST INCOME AND INTEREST EXPENSE

€000s	2023	2022
Financial liabilities Non-related companies - external parties		
Interest expense	-17 377	-6 233
Interest expense, Non-related companies	-17 377	-6 233
Loans to Related companies		
Interest income, Related companies	18 363	6 855
Interest expense, Related companies	0	-3
Net interest income, Related companies	18 363	6 852
Net interest income	986	619

NOTE 5 OTHER OPERATING INCOME

€000s	2023	2022
Other operating income, Related companies	20	51
Total other operating income	20	51

Other operating income is a compensation for costs incurred by Essity Capital BV during 2023 and 2022.

NOTE 6 OPERATING EXPENSES

€000s	2023	2022
Management services, Related companies	-151	-160
Consultancy and legal fees	-5	-42
Audit fees	-62	-48
Other costs	-2	-1
Total operating expenses	-220	-251

Ernst & Young Accountants LLP has acted as external auditor for the Company since the company was formed on the 14 April 2021. With reference to section 2:382 a (1) and (2) of the Dutch Civil Code, the fees related to professional services rendered by the Company's independent auditor were EUR 51 465 (2022: 48 000). These fees relate to audit services only. In addition, fee for procedures in relation to the issuance of a consent letter in connection with the Base Prospectus was EUR 10.890 (2022:0).

NOTE 7 TAXES

Tax on profit for the year €000s	2023	2022
Current tax expense	-192	-108
Deferred tax income	-3	11
Total	-195	-97

Difference between recognized effective tax expense and expected tax expense based on the tax rate in effect €000s

	2023	2022
Result before appropriations and tax	798	380
The expected tax income(+)/expense(-) calculated on the tax rate in effect	-206	-98
Other non-deductible items	0	0
Taxes related to acquired interest expenses	-	-
Taxes related to prior periods	11	1
Total recognized tax income(+)/expense(-)	-195	-97

The expected tax rate in effect is 25.8 (2022: 25.8) percent. The effective tax rate for the period is 24.4 (2022: 25.6) percent.

NOTE 7 TAXES (cont)

Current tax expense €000s	2023	2022
Income tax for the period	-203	-108
Adjustments for prior periods	11	0
Total	-192	-108

CURRENT TAX LIABILITY (+), CURRENT TAX ASSET (-)

The change in the current tax liability during the period is explained below:

€000s	2023	2022
Balance, 1 January	129	21
Current tax expense/income	192	108
Paid tax	-132	-
Tax liability, 31 December	189	129

Deferred tax income €000s	2023	2022
Deferred tax for the period	-3	11
Total	-3	11

DEFERRED TAX LIABILITY (+), DEFERRED TAX ASSET (-)

Origin of deferred tax assets €000s	2023	2022
Non-current assets	-33	-36
Deferred tax asset, 31 December	-33	-36

Deferred tax is related to expected credit loss, which is not deductible from tax perspective.

The Company has applied the mandatory exemption to recognize and disclose information on deferred tax assets and deferred tax liabilities arising from income taxes under Pillar Two.

NOTE 8 FINANCIAL INSTRUMENTS

The Company measures all financial assets and financial liabilities subsequently at amortized cost using the effective interest method. In this section the fair value of those instruments are disclosed. The hierarchy below classifies financial instruments, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
procedures in which all input parameters having an essential effect on the registered market value are
- Level 2: either directly or indirectly observable. The fair values for the loans to related companies and the bond loan are determined using quoted prices for similar assets or liabilities in active markets.
- Level 3: procedures applied to input parameters that have an essential effect on the registered market value but are not based on observable market data.

An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing data on an ongoing basis. The Company does not hold any financial instruments requiring evaluation according to level 3 procedures.

Financial assets

The fair value calculation for loans to related companies is based on discounting expected future cash flows using an estimated discount rate that reflects the expected future interest rates, derived from quoted market rates at the reporting date. Early settlements, credit losses and credit spread assumptions are reviewed periodically.

NOTE 8 FINANCIAL INSTRUMENTS (cont)

Financial liabilities

The fair values of bond liabilities are based on current market prices where available. Fair value of EMTN is based on the discounted cash flow model that incorporates observable inputs including interest rate yield curves and the appropriate discount rate for the currency and tenor of the cash flow. Where active market prices are not available, the fair values of fixed interest borrowings are based on future cash flows discounted at the current rate for similar debts or assets with the same remaining maturities.

The fair values of other assets and trade and other payables approximate their carrying value due to their short term nature.

FINANCIAL INSTRUMENTS, RELATED COMPANIES

		2023	2023	2022	2022
	Level	Carrying amount	Fair value	Carrying amount	Fair value
Loans to Related companies €000s					
Non-current assets					
Loans to Related companies	2	1 096 110	1 008 582	1 095 201	940 992
Less: expected credit loss allowance		<u>-126</u>	=	<u>-138</u>	=
Total		1 095 984	1 008 582	1 095 063	940 992
Current asset					
Loans to Related companies - Accrued interest income		<u>4 828</u>	<u>4 829</u>	<u>4 842</u>	<u>4 842</u>
Total		4 828	4 829	4 842	4 842
Total loans to Related companies		1 100 812	1 013 411	1 099 905	945 834

Non-current assets, loans to Related companies €000s	2023	2022
Value, 1 January	1 095 063	596 253
New loan	-	498 255
Amortization transaction costs	909	593
Expected credit losses	12	-38
Value, 31 December	1 095 984	1 095 063

The expected credit loss allowance for financial assets at amortised cost as at 31 December reconciles as follows:

Expected credit loss allowance €000s	2023	2022
Value, 1 January	-138	-100
Change of expected credit loss allowance recognised in profit or loss during the period	12	-38
Value, 31 December	-126	-138

	2023	2023	2022	2022
	Carrying amount	Fair value	Carrying amount	Fair value
Other financial receivables from Related companies €000s				
Current assets				
Cash pool balance	2 839	2 839	2 356	2 356
Trade receivables	<u>68</u>	<u>68</u>	<u>11</u>	<u>11</u>
Total	2 907	2 907	2 367	2 367
Total receivables from Related companies	2 907	2 907	2 367	2 367

NOTE 8 FINANCIAL INSTRUMENTS (cont)

	2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
Liabilities to Related companies €000s				
Current liabilities				
Trade payables	0	0	121	121
Total	0	0	121	121
Total liabilities to Related companies	0	0	121	121

	2023	2022
Maturity loans to Related companies €000s		
Loans with maturities of less than one year - Accrued interest income	4 828	4 842
Loans with maturities > 1 year < 5 years	498 754	498 313
Loans with maturities > 5 years	597 230	596 750
Total	1 100 812	1 099 905

Loans to Related companies, non-current, excluding expected credit loss allowance €000s

Related company	Maturity	Carrying amount	Fair value	Interest rate, %
Essity Aktiebolag (publ) EUR 600m	2029	597 298	512 719	0.33
Essity Aktiebolag (publ) EUR 500m	2026	498 812	495 863	3,08

The proceeds of the bond issuances were initially used to fund intercompany loans to Essity Treasury AB. The terms and conditions of the intercompany loan were largely mirrored that of the bonds issued, except the interest rate. The interest rate on the loans are fixed and received annually in arrears. The interest income received covers the interest and administrative expenses of the company in full. On the 30th of November 2022 the intercompany loans were transferred to Essity Aktiebolag (publ) with the same terms and conditions as with Essity Treasury AB.

FINANCIAL INSTRUMENTS, NON-RELATED COMPANIES - EXTERNAL PARTIES

		2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
Liabilities, Non-related companies - external parties €000s					
	Level				
Non-current liabilities					
Bond liability, 600 MEUR nominal value	2	597 289	512 710	596 820	461 804
Bond liability, 500 MEUR nominal value	2	498 789	495 840	498 370	479 177
Total		1 096 078	1 008 550	1 095 190	940 981
Current liabilities					
Accrued interest expense on Bond liability		4 578	4 578	4 590	4 590
Trade payables		0	0	0	0
Total		4 578	4 578	4 590	4 590
Total liabilities, Non-related companies - external parties		1 100 656	1 013 128	1 099 780	945 571

	2023	2022
Non-current liabilities, loans to external parties €000s		
Value, 1 January	1 095 190	596 352
New loan	-	498 255
Amortization transaction costs	889	583
Value, 31 December	1 096 078	1 095 190

NOTE 8 FINANCIAL INSTRUMENTS (cont.)

Maturity external financial liabilities €000s	2023	2022
Loans with maturities > 1 year < 5 years	498 789	498 370
Loans with maturities > 5 years	597 289	596 820
Total	1 096 078	1 095 190

Public bond issues €000s

Issued	Maturity	Carrying amount	Fair value	Interest rate, %
Notes EUR 500m	Sep 2026	498 789	495 840	3,00
Notes EUR 600m	Sep 2029	597 289	512 710	0,25

The Essity Group has a Euro Medium Term Note (EMTN) programme with a framework amount of EUR 6,000m. On September 15th, 2021 600 million of public bonds were issued by the Company. The bonds are senior unsecured debt bearing a coupon rate of 0,25%. The bonds are denominated in EUR and are callable. The maturity date is September 15th, 2029. On September 21st, 2022 500 million of public bonds were issued by the Company. The bonds are senior unsecured debt bearing a coupon rate of 3,00%. The bonds are denominated in EUR and are callable. The maturity date is September 21st, 2026. The bond issuances are guaranteed by Essity Aktiebolag (publ).

LIQUIDITY RISK

The tables below shows the the projected contractual undiscounted total cash outflows (principal and interest) arising from the Company's trade and other payables and gross debt as of 31 December 2023 and 31 December 2022, based on the interest rates applied at the end of each year ended 31 December.

Liquidity risk 2023 €000s	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bond liability including interest	16 500	533 000	3 000	601 500	1 154 000
Trade payables to Related parties	-	-	-	-	0
Trade payables	-	-	-	-	0
Total	16 500	533 000	3 000	601 500	1 154 000

Liquidity risk 2022 €000s	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bond liability including interest	16 500	33 000	518 000	603 000	1 170 500
Trade payables to Related parties	121	-	-	-	121
Trade payables	0	-	-	-	0
Total	16 621	33 000	518 000	603 000	1 170 621

Current assets and the other current liabilities are expected to be received within 12 months (less than 1 year), except for the cash pool balance which can be used under the existing facility of the Group.

NOTE 9 SHARE CAPITAL

The issued and paid-up share capital of the Company consists of 2,000,000 ordinary shares with a nominal value of € 1 each. Seeing the nature of the activities and structure of the Company within the Essity Group, the capital structure of the Company is managed on the level of Essity Aktiebolag (publ) and not on the level of the Company itself.

NOTE 10 ACCRUED EXPENSES

€000s	2023	2022
Accrued audit fees	52	48
Accrued consulting fees	-	30
Total	52	78

NOTE 11 PLEDGED ASSETS AND CONTINGENT LIABILITIES

No pledged assets or contingent liabilities exists.

NOTE 12 TRANSACTIONS WITH RELATED PARTIES

Parent entity

The company is controlled by the following entity:

Company	Type	Place of incorporation	Ownership interest for the period 1 January to 31 December 2023
Essity Aktiebolag (publ)	Parent entity	Sweden	100%

The Company's payment obligations under the Bonds issued under the EMTN programme are guaranteed by Essity Aktiebolag (publ).

Transactions and dealings with other related companies - Essity Aktiebolag (publ)

€000s	Note	For the period 1 January to 31 December 2023	For the period 1 January to 31 December 2022
Interest income	4	18 276	1 553
Other operating income, compensation of costs incurred	5	20	67
Operating expenses	6	0	0
Non-current loans	8	1 096 110	1 095 201
Current loans	8	4 829	4 842
Other financial receivables	8	68	11
Other receivables	5	20	67
Trade payables	8	0	0

The transactions and outstanding balances are detailed in the notes.

NOTE 12 TRANSACTIONS WITH RELATED PARTIES (cont.)

Transactions and dealings with other related companies - Essity Treasury AB

€000s	Note	For the	For the
		period 1	period 1
		January to	January to
		31	31
		December	December
		2023	2022
Interest income	4	87	5 302
Interest expense	4	0	-3
Other operating income, compensation of costs incurred	5	-	-16
Non-current loans	8	-	-
Current loans	8	-	-
Other financial receivables	8	2 839	2 356
Other receivables	5	-	-

The transactions and outstanding balances are detailed in the notes.

Transactions and dealings with other related companies - Essity Netherlands B.V.

€000s	Note	For the	For the
		period 1	period 1
		January to	January to
		31	31
		December	December
		2023	2022
Purchase of management services	6,8	-151	-160
Trade payables	8	-	121

The Company, through the payment of management services, acquired professional services and the use of general office equipment and office space from Essity Netherlands B.V. These expenses are included in the "operating expenses" in the statement of profit and loss and the unpaid part as Trade payables to related companies in the balance sheet.

Key management personnel are also related parties and comprise the Board of Directors of the Company. There were no transactions with key management personnel.

NOTE 13 NUMBER OF EMPLOYEES AND EMPLOYMENT COSTS

The Company employed no personnel in the years ended on 31 December 2023 and 2022.

NOTE 14 REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The board members have not received remuneration from the Company as they are employed by other Essity companies. In the management services charged to the Company is included costs for personnel amounting to 121.0 (2022: 128.0) kEUR for Board members.

NOTE 15 EVENTS AFTER THE BALANCE SHEET DATE

No immediate events have been identified after the balance sheet date that has impacted the financial statements for Essity Capital B.V.

NOTE 16 PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors propose to the Annual General Meeting that the available unrestricted equity in the balance sheet of Essity Capital B.V. of EUR 874 598 be carried forward.

31 December 2023

Retained earnings, EUR	271 683
Profit for the year, EUR	<u>602 915</u>
	874 598

NOTE 17 REGISTERED OFFICE OF THE COMPANY

Essity Capital B.V.'s registered office is: Arnhemse Bovenweg 120, 3708AH Zeist, the Netherlands and the postal address is: Postbus 670, 3700AR Zeist, the Netherlands.

Amsterdam, 29 April 2024

Johan Rydin
Board member

Per Johansson
Board member

Richard van Sintemaartensdijk
Board member

Freek van den Ham
Board member

Other information

STATUTORY STIPULATIONS CONCERNING THE APPROPRIATION OF RESULTS

- 1) The General Meeting is authorized to appropriate the profits that follow from the adoption of the annual accounts or to determine how a deficit will be accounted for as well as to determine distributions, provided that the Company's equity exceeds the total amount of the reserves to be maintained by virtue of the law.
- 2) A resolution to distribute is subject to the approval of the management board. The management board shall only withhold its approval if it is aware or could reasonably anticipate that following the distribution the company will be unable to continue to pay its payable debts.
- 3) Distributions shall be payable from the day determined by the General Meeting.
- 4) The General Meeting may resolve that distributions from profits or reserves shall be made in whole or in part in a form other than cash.
- 5) The shares held by the Company in its capital are not included in the calculation for the profit distribution.
- 6) For the computation of the amount to be distributed on each share, only the amount of the obligatory payments on the par value of the shares shall be taken into account.
- 7) A claim of a shareholder for payment of dividend shall be barred after five (5) years have elapsed.
- 8) No distributions shall be made on shares held by the Company in its own capital, unless these shares have been pledged or a usufruct has been created on these shares and the authority to collect distributions or the right to receive distributions respectively accrued to the pledgee or the usufructuary respectively. For the computation of distributions, the shares on which no distributions shall be made pursuant to this paragraph, shall not be taken into account.

INDEPENDENT AUDITOR'S REPORT

The independent Auditor's Report is set out on the next pages.

Independent auditor's report

To: the shareholder and the board of directors of Essity Capital B.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements for the financial year ended 31 December 2023 of Essity Capital B.V. based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Essity Capital B.V. as at 31 December 2023 and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code

The financial statements comprise:

- The statement of financial position as at 31 December 2023
- The following statements for 2023: the statements of profit and loss, comprehensive income, changes in equity and the cash flow statement
- The notes comprising material accounting policy information and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Essity Capital B.V. (the company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Essity Capital B.V. was founded on 24 April 2021 by its sole shareholder Essity Aktiebolag (publ), based in Stockholm, Sweden (hereinafter Essity or together with its subsidiaries Essity Group). Essity Capital B.V.'s sole purpose is to act as a finance company for the Essity Group by being an issuer of debt instruments (notes) and on-lending the proceeds to one or more related companies within the Essity Group. Essity has guaranteed the due and punctual payment of all sums from time to time payable by the company in respect to the notes issued. Essity is a global hygiene and health company that develops, produces and sells products and solutions within the following business areas: Personal Care, Consumer Tissue and Professional Hygiene. The main income of Essity Capital B.V. is the interest income on loans to related companies. The company's ability to pay interest and repay principal in respect of its borrowings, including the notes, depends upon the financial condition and liquidity of the Essity Group. Interest risk and foreign exchange risks related to notes issued are offset by the loans to related companies in the same currency and having similar terms and conditions, except for an additional margin, covering the administrative expenses of the company in full. We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€8.3 million (2022: €8.25 million)
Benchmark applied	0.75% of total assets as at 31 December 2023
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflects the source of income and the company's ability to pay interest and repay principal in respect of its borrowings, including the notes. We determined materiality consistent with previous year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €0.4 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed finance company. We have made use of specialists in the area of income taxes (including transfer pricing).

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal control as well as the outcomes. We refer to section 'Risk management' of the board of director's report for the board of directors' risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as Essity's Code of Conduct. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Estimates in note 2 to the financial statements, including the impairment of financial assets. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties. We particularly evaluated whether transactions with related parties were accounted for at-arm's-length and in accordance with transfer pricing documentation and contractual agreements.

We did not identify a risk of fraud in revenue recognition, other than the forementioned risks related to management override of controls.

We considered available information and made enquiries of relevant executives of the group, the group auditor of Essity Group and the company's board of directors.

The consideration of the potential risk of management override of controls or other inappropriate influence over the financial reporting process, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We have been informed by the board of directors that there was no correspondence with regulatory authorities. Furthermore, we enquired with the group auditor of Essity Group and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section Going concern in note 2 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism. We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern, including considerations relating to the financial position and liquidity of Essity Group in cooperation with the group auditor. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the board of directors. The key audit matter is not a comprehensive reflection of all matters discussed.

In comparison with previous year, the nature of our key audit matter did not change.

Valuation of loans to related companies	
Risk	<p>Essity Capital B.V. is exposed to the risk that the parent, Essity, defaults on meeting its obligations. As loans to the parent company (non-current and current loans to related companies) represent the most significant portion of the company's assets, a default may have a material impact on the company's financial position and result.</p> <p>We consider the valuation of the loans to related companies and determination of the expected credit losses a key audit matter because this is an area that involves significant judgment and determines the ability of the company to fulfil its obligations and to continue as a going concern.</p> <p>We refer to note 2 under Estimates and under Impairment of financial assets, note 3 under Credit risk, note 8 on Financial instruments, related companies and note 13 on Transactions with related parties.</p>
Our audit approach	<p>Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policies related to recognition of expected credit losses in accordance with IFRS 9 Financial Instruments, and the low credit risk simplification of paragraph 5.5.10 in particular. We evaluated whether the accounting policies and methods applied for making estimates have been applied consistently. We also evaluated the design of controls of the processes underlying the estimation process insofar relevant to our audit of the financial statements.</p> <p>In order to verify that the board of directors appropriately measured the expected credit loss allowance at an amount equal to 12-month expected credit losses, instead of the lifetime expected credit losses, we verified the external credit rating of Essity, the fair valuation of notes issued by the company and guaranteed by Essity, and evaluated events subsequent to 31 December 2023 in order to determine that the credit risk has not increased significantly since the loans were issued to the group company.</p> <p>Furthermore, we tested mathematical accuracy of the expected credit losses loss allowance calculations, and we challenged key assumptions in the model, i.e. the probability of default and loss given default rates. We also performed sensitivity analyses on these key assumptions.</p> <p>Finally, we evaluated the related disclosures in the financial statements in accordance with IFRS 7 Financial instruments: disclosures.</p>
Key observations	<p>Based on procedures performed, we consider the valuation of loans to related companies to be reasonable and concur with the related disclosures in accordance with EU-IFRSs.</p>

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of directors as auditor of Essity Capital B.V. on 19 October 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of Essity in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee of Essity and the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Utrecht, 29 April 2024

Ernst & Young Accountants LLP

signed by H.B.S. Meerwijk