

Interim Report First Quarter 2021



Essity Aktiebolag (publ)



JANUARY 1 – MARCH 31, 2021

(compared with the corresponding period a year ago)

- Net sales declined 18.3% to SEK 27,528m (33,712)
- Organic net sales declined 9.9% and was negatively impacted by the COVID-19 pandemic and related restrictions and lockdowns, and in comparison the stockpiling in the first quarter of the preceding year.
- Market shares increased in many markets for the most recent 12-month period
- E-commerce sales increased organically by 14% and accounted for approximately 13% of net sales
- In emerging markets, which accounted for 39% of net sales, organic net sales increased 4.2%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) decreased 31% to SEK 3,664m (5,316)
- Adjusted EBITA decreased 32% to SEK 3,608m (5,333)
- Adjusted EBITA margin decreased 2.7 percentage points to 13.1% (15.8)
- Adjusted return on capital employed decreased 4.9 percentage points to 13.5% (18.4)
- Profit for the period was SEK 2,552m (3,610)
- Earnings per share were SEK 3.04 (4.61)
- Adjusted earnings per share were SEK 3.14 (4.83)
- Cash flow from current operations was SEK 695m (3,044)
- Entered into agreement with Australian hygiene company Asaleo Care to acquire remaining shares
- After the end of the quarter, Essity entered into agreement to acquire approximately 44% of the Colombian hygiene company Productos Familia S.A. Essity has also announced price increases due to higher raw material costs.

EARNINGS TREND

SEKm	2103	2003	%
Net sales	27,528	33,712	-18
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) ¹	3,608	5,333	-32
Operating profit before amortization of acquisition-related intangible assets (EBITA)	3,664	5,316	-31
Amortization of acquisition-related intangible assets	-186	-201	
Adjusted operating profit ¹	3,422	5,132	-33
Items affecting comparability	56	-17	
Operating profit	3,478	5,115	-32
Financial items	-158	-319	
Profit before tax	3,320	4,796	-31
Adjusted Profit before tax ¹	3,264	4,813	-32
Income taxes	-768	-1,186	
Profit for the period	2,552	3,610	-29
Earnings per share, SEK	3.04	4.61	
Adjusted earnings per share, SEK ²	3.14	4.83	

¹Excluding items affecting comparability; for amounts see page 11.

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

SUMMARY OF FIRST QUARTER OF 2021

Improved market conditions resulting from the ongoing vaccination programs are expected to result in increased demand for several of Essity's product categories. One example of this is the increase in demand in Professional Hygiene in North America in the first two weeks of April 2021. Another example is the recovery in China, where sales were significantly higher during the first quarter of 2021 compared with the first quarter of 2019.

During the first quarter, Essity has continued to position the company for future profitable growth, for example, by:

- Entered into an agreement with the Australian hygiene company Asaleo Care to acquire the remaining 63.8% of the shares in the company. Essity is the largest shareholder with a holding of 36.2% of the shares. The acquisition of Asaleo Care will enable profitable growth in Australia, New Zealand and the Pacific region.
- Expanded the offering of reusable products through the launch of TENA Silhouette washable absorbent underwear within Incontinence Products, the Libresse® V-Cup menstrual cup within Feminine Care and the Tork microfiber cleaning cloth within Professional Hygiene.
- Increased market shares in many markets over the most recent 12-month period.
- E-commerce sales increased organically by 14% and accounted for about 13% of net sales.

After the end of the first quarter:

- Entered into an agreement to acquire approximately 44% of the Colombian hygiene company Productos Familia S.A. After closing of the transaction Essity's ownership in Familia will amount to at least 94%. Essity has been an owner in Familia since 1985, and currently owns 50% of the company. The purchase price amounts to USD 1,540m (approximately SEK 13bn) for 100% of the company on a debt free basis. With the acquisition Essity is building a stronger platform in Latin America.
- Essity has also acquired the distribution rights to the wound care technology Sorbact® in Australia and New Zealand.
- The Manufacturing Roadmap program extends until 2025 and is expected to contribute to Essity's total annual cost savings of SEK 500-1,000m through the optimization of the production structure, productivity improvements and raw material and energy savings. These measures facilitate growth without investments increasing at the same pace. Working capital is expected to decrease by more than SEK 1,000m. The objective is to also utilize new production methods to reduce exposure to wood-based fresh-fiber pulp by approximately 10%, which will result in reduced volatility for the company's profitability. The program will also lead to that the company's sustainability targets within the Science Based Targets will be achieved faster.
- Announcement of price increases within Consumer Tissue due to higher raw material costs. These were announced in Essity's key markets and the percentage increases are on average in the mid to high single digits. Some effect from the price increases is expected already at the end of the second quarter of 2021 but with the main impact in the second half of 2021. Essity is preparing price increases in other product categories impacted by higher raw material costs.

The Group's organic net sales in the first quarter of 2021 declined by 9.9% compared with the corresponding period a year ago, of which volume accounted for -8.9% and price mix for -1.0%. The COVID-19 pandemic with the extensive restrictions and lockdowns had a negative impact on sales, primarily within Professional Hygiene and Medical Solutions. Furthermore, the comparative figures were affected by the strong sales growth that resulted from stockpiling in the first quarter of the preceding year by consumers and distributors. Stockpiling in the first quarter of the preceding year explains approximately half of the reduction in organic net sales. Organic net sales in mature markets declined 18.3%. In emerging markets, which accounted for 39% of net sales, organic net sales increased 4.2%.

The Group's adjusted gross margin for the first quarter of 2021 decreased by 0.6 of a percentage point year on year to 32.2%. The gross margin was positively impacted by lower raw material costs and an improved mix. Lower prices, lower volumes and higher distribution costs had a negative impact on the gross margin.

The Group's adjusted EBITA margin decreased 2.7 percentage points to 13.1%. The margin was negatively impacted by lower absorption of fixed costs as a result of lower sales. Sales costs decreased in absolute terms but increased as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a percentage of net sales. Adjusted EBITA, excluding exchange rate effects, decreased 24%. Adjusted return on capital employed decreased 4.9 percentage points to 13.5%. Earnings per share amounted to SEK 3.04.

ADJUSTED EARNINGS TREND

SEKm	2103	2003	%
Net sales	27,528	33,712	-18
Cost of goods sold ¹	-18,660	-22,663	
Adjusted gross profit¹	8,868	11,049	-20
Sales, general and administration ¹	-5,260	-5,716	
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹	3,608	5,333	-32
Amortization of acquisition-related intangible assets	-186	-201	
Adjusted operating profit¹	3,422	5,132	-33
Financial items	-158	-319	
Adjusted profit before tax¹	3,264	4,813	-32
Adjusted income taxes ¹	-773	-1,189	
Adjusted profit for the period¹	2,491	3,624	-31
¹ Excluding items affecting comparability; for amounts see page 11.			
Adjusted Margins (%)			
Gross margin¹	32.2	32.8	
EBITA margin¹	13.1	15.8	
Operating margin¹	12.4	15.2	
Financial net margin	-0.6	-0.9	
Profit margin¹	11.8	14.3	
Income taxes ¹	-2.8	-3.5	
Net margin¹	9.0	10.8	
¹ Excluding items affecting comparability; for amounts see page 11.			

ADJUSTED EBITA BY BUSINESS AREA

SEKm	2103	2003	%
Personal Care	1,708	2,039	-16
Consumer Tissue	1,685	2,092	-19
Professional Hygiene	419	1,393	-70
Other	-204	-191	
Total¹	3,608	5,333	-32
¹ Excluding items affecting comparability; for amounts see page 11.			

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

SEKm	2103	2003	%
Personal Care	1,528	1,850	-17
Consumer Tissue	1,684	2,090	-19
Professional Hygiene	415	1,383	-70
Other	-205	-191	
Total¹	3,422	5,132	-33
¹ Excluding items affecting comparability; for amounts see page 11.			

OPERATING CASH FLOW BY BUSINESS AREA

SEKm	2103	2003	%
Personal Care	1,383	1,690	-18
Consumer Tissue	1,306	2,093	-38
Professional Hygiene	-29	862	-103
Other	-384	-164	
Total	2,276	4,481	-49

GROUP

NET SALES AND EARNINGS

January–March 2021 compared with the corresponding period a year ago

Net sales declined 18.3% compared with the corresponding period a year ago to SEK 27,528m (33,712). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, declined 9.9%, of which volume accounted for -8.9% and price/mix for -1.0%. Sales were negatively impacted by the COVID-19 pandemic and the extensive lockdowns and restrictions, primarily within Professional Hygiene and Medical Solutions. Furthermore, the comparative figures were affected by the strong sales growth that resulted from stockpiling in the first quarter of the preceding year by consumers and distributors. Stockpiling in the first quarter of the preceding year explains approximately half of the reduction in organic net sales. Organic net sales declined 18.3% in mature markets and increased 4.2% in emerging markets. Emerging markets accounted for 39% of net sales. Exchange rate effects reduced net sales by 7.7%. Acquisitions, divestments and deconsolidation reduced net sales by 0.7%.

The Group's adjusted gross margin for the first quarter of 2021 decreased by 0.6 of a percentage point year on year to 32.2% (32.8). The gross margin was positively impacted by lower raw material costs and an improved mix. Continuous cost savings amounted to SEK 13m. Lower prices, lower volumes and higher distribution costs had a negative impact on the gross margin.

The Group's adjusted EBITA margin decreased 2.7 percentage points to 13.1% (15.8). The margin was negatively impacted by lower absorption of fixed costs as a result of lower sales. Sales costs decreased in absolute terms but increased as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a percentage of net sales.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 32% (24% excluding currency translation effects, acquisitions and divestments) to SEK 3,608m (5,333).

Items affecting comparability amounted to SEK 56m (-17).

Financial items decreased to SEK -158m (-319). Lower interest and lower average net debt had a positive impact.

Adjusted profit before tax decreased 32% (24% excluding currency translation effects, acquisitions and divestments) and amounted to SEK 3,264m (4,813).

The tax expense, excluding effects of items affecting comparability, was SEK 773m (1,189).

Adjusted profit for the period decreased 31% (23% excluding currency translation effects, acquisitions and divestments) to SEK 2,491m (3,624).

Profit for the period decreased 29% (21% excluding currency translation effects, acquisitions and divestments) to SEK 2,552m (3,610). Earnings per share were SEK 3.04 (4.61). The adjusted earnings per share were SEK 3.14 (4.83).

The adjusted return on capital employed was 13.5% (18.4). The adjusted return on equity was 15.7% (22.4).

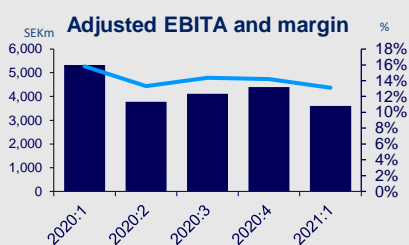
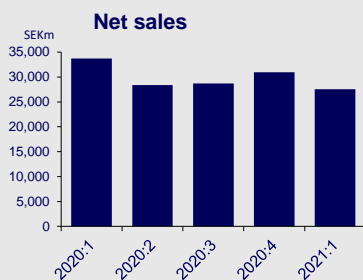
CASH FLOW AND FINANCING

January–March 2021 compared with the corresponding period a year ago

The operating cash surplus amounted to SEK 5,227m (7,101). The cash flow effect of changes in working capital was SEK -1,446m (-1,156). Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -1,299m (-994). Operating cash flow before investments in operating assets through leases amounted to SEK 2,310m (4,566). Investments in operating assets through leases amounted to SEK -34m (-85). Operating cash flow was SEK 2,276m (4,481).

Financial items decreased to SEK -158m (-319). Lower interest and lower average net debt had a positive impact.

Tax payments had an impact on cash flow of SEK -1,424m (-1,118).



Excluding items affecting comparability

Change in net sales (%)

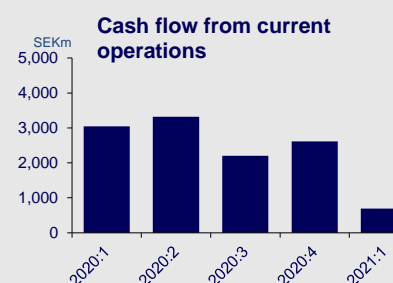
	2103 vs 2003
Total	-18.3
Volume	-8.9
Price/mix	-1.0
Currency	-7.7
Acquisitions	0.2
Divestments	-0.9

Change in adjusted EBITA (%)

	2103 vs 2003
Total	-32
Volume	-18
Price/mix	-5
Raw materials	5
Energy	-1
Currency	-8
Other	-5



Excluding items affecting comparability



The net sum of acquisitions and divestments was SEK -29m (-1). Net cash flow totaled SEK 627m (3,053).

Net debt increased SEK 687m during the period and amounted to SEK 43,375m. Excluding pension liabilities, net debt amounted to SEK 41,345m. Net cash flow reduced net debt by SEK 627m. Fair value measurement of pension assets and updated assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, reduced net debt by SEK 337m. Exchange rate movements increased net debt by SEK 1,515m. Investments in non-operating assets through leases increased net debt by SEK 136m. The debt/equity ratio was 0.68 (0.78). Excluding pension liabilities, the debt/equity ratio was 0.65 (0.71). The debt payment capacity was 41% (39). Net debt in relation to adjusted EBITDA amounted to 1.94 (2.09).

EQUITY

January–March 2021

The Group's equity increased by SEK 526m during the period, to SEK 63,868m. Net profit for the period increased equity by SEK 2,552m. Equity decreased due to dividends to shareholders of SEK 4,937m. Equity increased net after tax by SEK 144m as a result of fair value measurement of pension assets and updated assumptions and assessments that affect the valuation of the pension liability. Fair value measurement of financial instruments increased equity by SEK 114m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 2,649m. Other items increased equity by SEK 4m.

TAX

January–March 2021

A tax expense of SEK 773m was reported, excluding items affecting comparability. The reported tax expense corresponds to a tax rate of about 23.7% for the period. The tax expense including items affecting comparability was SEK 768m, corresponding to a tax rate of 23.1% for the period.

EVENTS DURING THE QUARTER

Essity launches absorbent underwear for menstruation and incontinence

On January 20, 2021, Essity announced that the company is launching washable absorbent underwear within its feminine care and incontinence products categories. The launch of the products has commenced in Latin America and continued in other markets in selected stores and online during the first quarter of 2021.

Essity ranked as one of the most sustainable companies in the world

On January 25, 2021 Essity announced that the company has been recognized as one of the world's 100 most sustainable companies by Corporate Knights. The list was announced during the World Economic Forum's annual meeting.

Essity raises EUR 700m in the bond market

On February 1, 2021, Essity announced that the company had raised EUR 700m in the bond market under its Euro Medium Term Note (EMTN) program. The reoffering yield for the bond was 0.289% with a maturity on February 8, 2031, corresponding to mid swaps +0.47 percentage points.

Essity enters agreement to acquire Australian hygiene company Asaleo Care

On February 16, 2021, Essity announced that the company entered an agreement with hygiene company Asaleo Care to acquire the remaining 63.8% of the shares in the company for AUD 1.40 cash per share. Asaleo Care is listed on the Australian Securities Exchange and Essity is the largest shareholder, holding 36.2% of the shares.

Essity launches menstrual cup in the Nordics under its Libresse brand

On March 19, 2021, Essity announced that the company is continuing to expand its range toward more sustainable products through the launch of Libresse® V-Cup, a reusable menstrual cup, in Denmark, Finland, Norway and Sweden.

Essity starts testing of CO₂ emission-free large-scale paper production

On March 22, 2021, Essity announced that the company's tissue production facility in Lilla Edet, Sweden wants to become the world's first large-scale tissue facility with fossil CO₂ emission-free production. By completely replacing natural gas with biogas, the production facility will reduce its fossil CO₂ emissions to zero during normal operations.

2021 Annual General Meeting

On March 25, 2021, Essity's Annual General Meeting resolved to pay a dividend of SEK 6.75 per share for the 2020 fiscal year. Board members Ewa Björling, Pär Boman, Annemarie Gardshol, Magnus Groth, Bert Nordberg, Louise Svanberg, Lars Rebien Sørensen and Barbara Milian Thoralfsson were re-elected. Torbjörn Lööf was elected as a new director. Pär Boman was re-elected Chairman of the Board. The Annual General Meeting authorized the Board of Directors to decide on buy-back of Essity B shares and to transfer shares bought back by the company in connection with acquisitions. These authorizations are valid until the next Annual General Meeting.

EVENTS AFTER THE QUARTER

Essity acquires distribution rights to Sorbact in Australia and New Zealand

On April 6, 2021, Essity announced that the company is acquiring the distribution rights to the wound care technology Sorbact® in Australia and New Zealand from the Australian company Bayport Brands. In 2020, sales of Sorbact® in the region amounted to AUD 1.7m (approximately SEK 11m).

Essity announces price increases

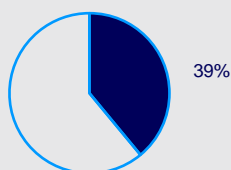
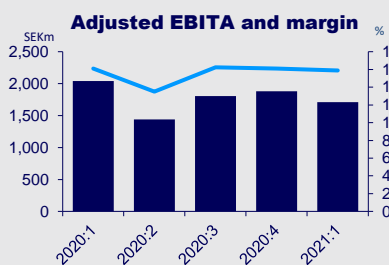
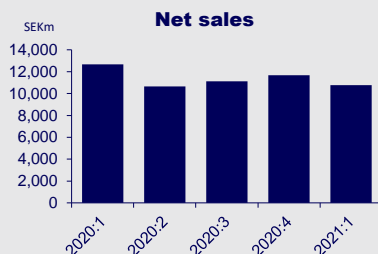
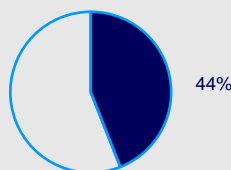
On April 7, 2021, Essity communicated that the company is announcing price increases in Consumer Tissue as a result of higher raw material costs. The price increases are announced in Essity's key markets and the percentage increases are on average in the mid-to-high single digits. In addition, Essity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

Essity to increase ownership in Productos Familia S.A.

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

Progress within Manufacturing Roadmap

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

Share of Group, net sales
2103Share of Group, adjusted EBITA
2103

Change in net sales (%)

2103 vs
2003

	2103 vs 2003
Total	-15.1
Volume	-7.0
Price/mix	1.1
Currency	-8.7
Acquisitions	0.5
Divestments	-1.0

Change in adjusted EBITA (%)

2103 vs
2003

	2103 vs 2003
Total	-16
Volume	-17
Price/mix	5
Raw materials	5
Energy	0
Currency	-10
Other	1

PERSONAL CARE

SEKm	2103	2003	%
Net sales	10,759	12,669	-15
Adjusted gross profit margin, %*	42.6	40.9	
Adjusted EBITA*	1,708	2,039	-16
Adjusted EBITA margin, %*	15.9	16.1	
Adjusted operating profit*	1,528	1,850	-17
Adjusted operating margin, %*	14.2	14.6	
Adjusted return on capital employed, %*	16.4	18.1	
Operating cash flow	1,383	1,690	

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

January–March 2021 compared with the corresponding period a year ago

Net sales declined 15.1% to SEK 10,759m (12,669). Organic net sales declined 5.9%, of which volume accounted for -7.0% and price/mix for 1.1%. Sales were negatively impacted by the COVID-19 pandemic as demand was temporarily negatively impacted by restrictions and lockdowns as consumption decreased slightly when consumers spent more time in the home. Furthermore, the comparative figures were affected by the strong sales growth in the first quarter of the preceding year that resulted from stockpiling by consumers. Organic net sales in mature markets declined 9.1%. In emerging markets, which accounted for 35% of net sales, organic net sales declined 1.1%. Exchange rate effects reduced net sales by 8.7%. Acquisitions and divestments reduced net sales by 0.5%.

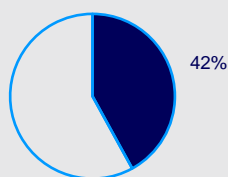
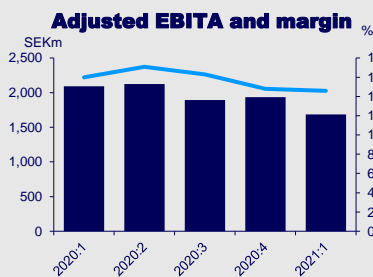
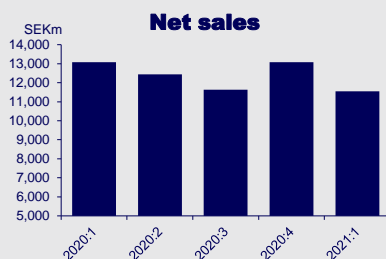
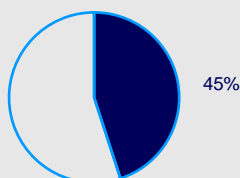
For Incontinence Products, with Essity's globally leading TENA brand, organic net sales decreased 6.1%. In Medical Solutions, organic net sales decreased 3.3%. Sales in orthopedics and compression therapy were negatively impacted by COVID-19-related lockdowns and restrictions, while organic net sales increased 2.1% in wound care. For Baby Care, organic net sales declined 12.2%. For Feminine Care, organic net sales decreased 0.1%.

The adjusted gross margin increased 1.7 percentage points to 42.6% (40.9). The margin was positively impacted by a better mix, lower raw material costs and cost savings. Lower volumes and higher distribution costs had a negative impact on the margin. The adjusted EBITA margin decreased 0.2 of a percentage point to 15.9% (16.1). Sales costs decreased in absolute terms but increased as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a percentage of net sales.

Adjusted EBITA decreased 16% (6% excluding currency translation effects, acquisitions and divestments) to SEK 1,708m (2,039).

The operating cash surplus amounted to SEK 2,160m (2,522).

Essity is preparing price increases as a result of higher raw material costs.

Share of Group, net sales
2103Share of Group, adjusted EBITA
2103

Change in net sales (%)

	2103 vs 2003
Total	-11,7
Volume	0.1
Price/mix	-3.2
Currency	-7.5
Acquisitions	0.0
Divestments	-1.1

Change in adjusted EBITA (%)

	2103 vs 2003
Total	-19
Volume	5
Price/mix	-21
Raw materials	11
Energy	0
Currency	-8
Other	-6

CONSUMER TISSUE

SEKm	2103	2003	%
Net sales	11,554	13,080	-12
Adjusted gross profit margin, %*	26.4	26.4	
Adjusted EBITA*	1,685	2,092	-19
Adjusted EBITA margin, %*	14.6	16.0	
Adjusted operating profit*	1,684	2,090	-19
Adjusted operating margin, %*	14.6	16.0	
Adjusted return on capital employed, %*	14.6	17.5	
Operating cash flow	1,306	2,093	

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

January–March 2021 compared with the corresponding period a year ago

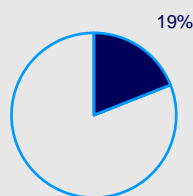
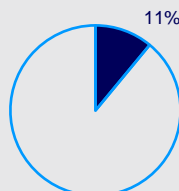
Net sales decreased 11.7% to SEK 11,554m (13,080). Organic net sales decreased 3.1%. Volumes accounted for an increase of 0.1% and the price/mix a decrease of -3.2%. Organic net sales decreased 16.6% in mature markets and were negatively affected by the strong sales growth in the first quarter of the preceding year that resulted from stockpiling by consumers. In emerging markets, which accounted for 49% of net sales, organic net sales increased by 11.9%. Exchange rate effects decreased net sales by 7.5%. Divestments and deconsolidation decreased net sales by 1.1%.

The adjusted gross margin was level with the preceding year and amounted to 26.4% (26.4). The gross margin was positively impacted by higher volumes and lower raw material costs, mainly related to Asia. Higher distribution costs and lower prices had a negative impact on the margin. The lower prices were primarily the result of an increase in promotional activities compared with a low level in the preceding year. The adjusted EBITA margin decreased 1.4 percentage points to 14.6% (16.0). Sales and marketing costs increased in absolute terms and as a share of net sales.

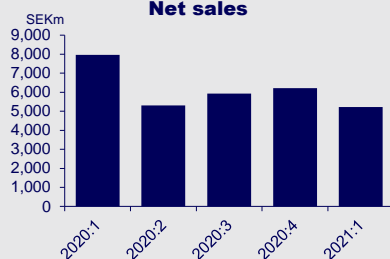
Adjusted EBITA decreased 19% (12% excluding currency translation effects, acquisitions and divestments) to SEK 1,685m (2,092).

The operating cash surplus totaled SEK 2,295m (2,789).

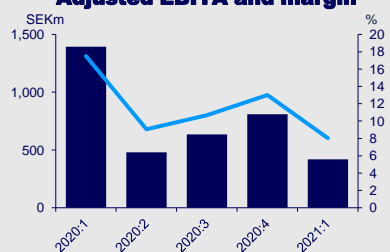
Essity has announced price increases within Consumer Tissue due to higher raw material costs. The price increases were announced in Essity's key markets and the percentage increases are on average in the mid-to-high single digits. Some effect from the price increases is expected already at the end of the second quarter of 2021 but with the main impact in the second half of 2021.

Share of Group, net sales
2103Share of Group, adjusted EBITA
2103

Net sales



Adjusted EBITA and margin



Change in net sales (%)

2103 vs
2003

	2103 vs 2003
Total	-34.4
Volume	-26.9
Price/mix	-0.6
Currency	-6.8
Acquisitions	0.0
Divestments	-0.1

Change in adjusted EBITA (%)

2103 vs
2003

	2103 vs 2003
Total	-70
Volume	-52
Price/mix	4
Raw materials	-4
Energy	-1
Currency	-4
Other	-13

PROFESSIONAL HYGIENE

SEKm	2103	2003	%
Net sales	5,216	7,957	-34
Adjusted gross profit margin, %*	23.7	30.4	
Adjusted EBITA*	419	1,393	-70
Adjusted EBITA margin, %*	8.0	17.5	
Adjusted operating profit*	415	1,383	-70
Adjusted operating margin, %*	8.0	17.4	
Adjusted return on capital employed, %*	7.7	23.3	
Operating cash flow	-29	862	

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

January–March 2021 compared with the corresponding period a year ago

Net sales declined 34.4% to SEK 5,216m (7,957). Organic net sales declined 27.5%, of which volume accounted for -26.9% and price/mix for -0.6%. Sales were negatively impacted by the COVID-19 pandemic and related lockdowns and restrictions. This has mainly had a negative impact on demand in the customer segments of hotel, restaurant, catering, commercial buildings as well as schools and universities. It is positive that many customers have replaced air dryers with Essity's tissue dispensers as a result of a greater focus on hygiene. Organic net sales declined 31.5% in mature markets. In emerging markets, which accounted for 22% of net sales, organic net sales declined by 9.3%. Exchange rate effects reduced net sales by 6.8%. Divestments decreased net sales by 0.1%.

The adjusted gross margin decreased 6.7 percentage points to 23.7% (30.4). The gross margin was positively impacted by higher prices and cost savings. Lower volumes, higher raw materials and energy costs and higher distribution costs had a negative impact on the margin. The adjusted EBITA margin decreased 9.5 percentage points to 8.0% (17.5). Sales and marketing costs decreased in absolute terms but increased as a share of net sales.

Adjusted EBITA decreased 70% (66% excluding currency translation effects, acquisitions and divestments) to SEK 419m (1,393).

The operating cash surplus was SEK 923m (1,946).

Improved market conditions resulting from the ongoing vaccination programs is expected to result in increased demand in Professional Hygiene. One example is the increase in demand in North America in the first two weeks of April 2021.

Essity is preparing price increases as a result of higher raw material costs.

DISTRIBUTION OF SHARES

March 31, 2021	Class A	Class B	Total
Registered number of shares	61,734,472	640,608,017	702,342,489

At the end of the period, the proportion of Class A shares was 8.8%. During the first quarter, 700 Class A shares were converted into Class B shares at the request of shareholders. The total number of votes in the company amounts to 1,257,952,737.

FUTURE REPORTS

In 2021, interim reports will be published on July 16 and October 22. The 2021 Year-end report will be published on January 26, 2022.

INVITATION TO PRESENTATION OF THE INTERIM REPORT FOR THE FIRST QUARTER OF 2021

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

Presentation

Date: Friday, April 23, 2021

Time: 9:00 a.m. CET

Link to web presentation: <https://essity.videosync.fi/2021-04-23-q1>

To participate by telephone, call: +44 (0)207 192 80 00, +1 631 510 74 95 or +46 (0)8 506 921 80. Please call well in advance of the start of the presentation. Specify "Essity" or conference ID no. 8865436.

Stockholm, April 23, 2021
Essity Aktiebolag (publ)

Magnus Groth
President and CEO

This report has not been reviewed by Essity's auditors.

For further information, please contact:

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NB:

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 the contact person set out below, at 7:00 a.m. CET on April 23, 2021.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	2021:1	2020:1	2020:4	2103	2003
Net sales	27,528	33,712	30,956	27,528	33,712
Cost of goods sold ^{1,2}	-18,660	-22,663	-20,820	-18,660	-22,663
Items affecting comparability - cost of goods sold ²	-10	-9	22	-10	-9
Gross profit	8,858	11,040	10,158	8,858	11,040
Sales, general and administration ^{1,2}	-5,272	-5,749	-5,777	-5,272	-5,749
Items affecting comparability - sales, general and administration ²	66	-8	-24	66	-8
Share of profits of associated companies and joint ventures	12	33	33	12	33
Operating profit before amortization of acquisition-related intangible assets (EBITA)	3,664	5,316	4,390	3,664	5,316
Amortization of acquisition-related intangible assets	-186	-201	-199	-186	-201
Operating profit	3,478	5,115	4,191	3,478	5,115
Financial items	-158	-319	-172	-158	-319
Profit before tax	3,320	4,796	4,019	3,320	4,796
Income taxes	-768	-1,186	-990	-768	-1,186
Profit for the period	2,552	3,610	3,029	2,552	3,610
Earnings attributable to:					
Owners of the Parent company	2,132	3,235	2,640	2,132	3,235
Non-controlling interests	420	375	389	420	375
Earnings per share - owners of the Parent company					
Earnings per share before and after dilution effects, SEK	3.04	4.61	3.76	3.04	4.61
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	-1,706	-1,884	-1,835	-1,706	-1,884
² Of which, impairment	-1	-4	-65	-1	-4
Gross margin	32.2	32.7	32.8	32.2	32.7
EBITA margin	13.3	15.8	14.2	13.3	15.8
Operating margin	12.6	15.2	13.5	12.6	15.2
Financial net margin	-0.6	-0.9	-0.6	-0.6	-0.9
Profit margin	12.0	14.3	12.9	12.0	14.3
Income taxes	-2.8	-3.5	-3.2	-2.8	-3.5
Net margin	9.2	10.8	9.7	9.2	10.8
Excluding items affecting comparability:					
Gross margin	32.2	32.8	32.7	32.2	32.8
EBITA margin	13.1	15.8	14.2	13.1	15.8
Operating margin	12.4	15.2	13.5	12.4	15.2
Financial net margin	-0.6	-0.9	-0.6	-0.6	-0.9
Profit margin	11.8	14.3	12.9	11.8	14.3
Income taxes	-2.8	-3.5	-3.2	-2.8	-3.5
Net margin	9.0	10.8	9.7	9.0	10.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2021:1	2020:1	2020:4	2103	2003
Profit for the period	2,552	3,610	3,029	2,552	3,610
Other comprehensive income for the period					
Items that will not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	337	-1,895	2,531	337	-1,895
Fair value through other comprehensive income	0	-7	3	0	-7
Income tax attributable to components in other comprehensive income	-193	359	-297	-193	359
	144	-1,543	2,237	144	-1,543
Items that have been or may be reclassified subsequently to the income statement					
Cash flow hedges					
Result from remeasurement of derivatives recognized in equity	195	-347	209	195	-347
Transferred to profit or loss for the period	-53	121	46	-53	121
Translation differences in foreign operations	3,205	2,512	-4,508	3,205	2,512
Gains/losses from hedges of net investments in foreign operations	-690	-626	1,061	-690	-626
Other comprehensive income from associated companies	1	12	-8	1	12
Income tax attributable to components in other comprehensive income	106	195	-283	106	195
	2,764	1,867	-3,483	2,764	1,867
Other comprehensive income for the period, net of tax	2,908	324	-1,246	2,908	324
Total comprehensive income for the period	5,460	3,934	1,783	5,460	3,934
Total comprehensive income attributable to:					
Owners of the Parent company	4,616	3,253	1,829	4,616	3,253
Non-controlling interests	844	681	-46	844	681

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEKm	2103	2003
Equity attributable to owners of the Parent company		
Value, January 1	54,352	54,125
Total comprehensive income for the period	4,616	3,253
Dividend	-4,741*	0
Private placement to non-controlling interests	3	15
Transferred to cost of hedged investments	0	-8
Revaluation effect upon acquisition of non-controlling interests	-3	0
Value, March 31	54,227	57,385
Non-controlling interests		
Value, January 1	8,990	8,676
Total comprehensive income for the period	844	681
Dividend	-196	-207
Private placement to non-controlling interests	3	14
Divestment of non-controlling interests	0	35
Value, March 31	9,641	9,199
Total equity, value March 31	63,868	66,584

* Dividend of SEK 4,741m decided at the Annual General Meeting on March 25, 2021. Payment on April 1, 2021.

CONSOLIDATED OPERATING CASH FLOW STATEMENT

SEKm	2103	2003
Operating cash surplus	5,227	7,101
Change in working capital	-1,446	-1,156
Investment in non-current assets, net	-1,299	-994
Restructuring costs, etc.	-172	-385
Operating cash flow before Investments in operating assets through leases	2,310	4,566
Investments in operating assets through leases	-34	-85
Operating cash flow	2,276	4,481
Financial items	-158	-319
Income taxes paid	-1,424	-1,118
Other	1	0
Cash flow from current operations	695	3,044
Divestments of Group companies and other operations	-29	-1
Cash flow before transactions with shareholders	666	3,043
Private placement to non-controlling interest	6	29
Dividend to non-controlling interests	-45	-19
Net cash flow	627	3,053
Net debt at the start of the period	-42,688	-50,940
Net cash flow	627	3,053
Remeasurements to equity	337	-1,902
Investments in non-operating assets through leases	-136	-251
Translation differences	-1,515	-1,939
Net debt at the end of the period	-43,375	-51,979
Debt/equity ratio	0.68	0.78
Debt payment capacity, %	41	39
Net debt / EBITDA	1.92	2.14
Net debt / Adjusted EBITDA	1.94	2.09

CONSOLIDATED CASH FLOW STATEMENT

SEKm	2103	2003
Operating activities		
Operating profit	3,478	5,115
Adjustment for non-cash items ¹	1,720	1,973
Interest paid	-308	-416
Interest received	22	24
Other financial items	11	-78
Change in liabilities relating to restructuring programs, etc.	-143	-372
Paid tax	-1,424	-1,118
Cash flow from operating activities before changes in working capital	3,356	5,128
Cash flow from changes in working capital		
Change in inventories	-727	575
Change in operating receivables	286	-3,198
Change in operating liabilities	-1,005	1,467
Cash flow from operating activities	1,910	3,972
Investing activities		
Divestments of Group companies and other operations	-44	0
Investments in intangible assets and property, plant and equipment	-1,305	-994
Sale of property, plant and equipment	15	3
Loans granted to external parties	-4,764*	-138
Paid interest capitalized in intangible asset and property, plant and equipment	-9	-2
Cash flow from investing activities	-6,107	-1,131
Financing activities		
Private placement to non-controlling interests	6	29
Proceeds from borrowings	8,403	4,623
Repayment of borrowings	-996	-5,066
Dividend to non-controlling interests	-45	-19
Cash flow from financing activities	7,368	-433
Cash flow for the period	3,171	2,408
Cash and cash equivalents at the beginning of the period	4,982	2,928
Translation differences in cash and cash equivalents	138	53
Cash and cash equivalents at the end of the period	8,291	5,389
Cash flow from operating activities per share, SEK	2.72	5.66
Reconciliation with consolidated operating cash flow statement		
Cash flow for the period	3,171	2,408
Repayment of borrowings	996	5,066
Proceeds from borrowings	-8,403	-4,623
Loans granted to external parties	4,764*	138
Investment in operating assets through leases	-34	-85
Net debt in acquired and divested operations	15	-1
Accrued interest	118	151
Other	0	-1
Net cash flow according to consolidated operating cash flow statement	627	3,053
¹⁾ <i>Adjustment for non-cash items</i>		
<i>Depreciation/amortization and impairment of non-current assets</i>	<i>1,707</i>	<i>1,888</i>
<i>Gain/loss on asset sales</i>	<i>-7</i>	<i>3</i>
<i>Change in provision for ongoing competition case</i>	<i>-55</i>	<i>0</i>
<i>Gain/loss on divestments and liquidation</i>	<i>-3</i>	<i>8</i>
<i>Non-cash items relating to efficiency program</i>	<i>-6</i>	<i>-6</i>
<i>Change, one-time foreign tax on non-current assets</i>	<i>-19</i>	<i>0</i>
<i>Other</i>	<i>103</i>	<i>80</i>
<i>Total</i>	<i>1,720</i>	<i>1,973</i>

* Of this amount, SEK 4,741m consists of cash and cash equivalents allocated for payment of the dividend to Essity's shareholders on April 1, 2021 as decided at the Annual General Meeting on March 25, 2021.

CONSOLIDATED BALANCE SHEET

SEKm	March 31, 2021	December 31, 2020
ASSETS		
Non-current assets		
Goodwill	33,715	32,324
Other intangible assets	19,185	18,574
Property, plant and equipment	55,288	53,631
Participation in joint ventures and associates	876	847
Shares and participations	7	7
Surplus in funded pension plans	1,960	2,817
Non-current financial assets	586	738
Deferred tax assets	1,888	1,823
Other non-current assets	844	768
Total non-current assets	114,349	111,529
Current Assets		
Inventories	17,794	16,383
Trade receivables	17,988	17,825
Current tax assets	1,000	760
Other current receivables	2,422	2,173
Current financial assets	5,395*	993
Cash and cash equivalents	8,290	4,982
Total current assets	52,889	43,116
Total assets	167,238	154,645
EQUITY AND LIABILITIES		
Equity		
Share capital	2,350	2,350
Reserves	2,917	581
Retained earnings	48,960	51,421
Attributable to owner of the Parent	54,227	54,352
Non-controlling interests	9,641	8,990
Total equity	63,868	63,342
Non-current liabilities		
Non-current financial liabilities	41,075	38,202
Provisions for pensions	3,990	5,328
Deferred tax liabilities	6,599	6,150
Other non-current provisions	460	445
Other non-current liabilities	61	105
Total non-current liabilities	52,185	50,230
Current liabilities		
Current financial liabilities	14,541	8,688
Trade payables	14,456	14,791
Current tax liabilities	1,801	2,301
Current provisions	710	748
Other current liabilities	19,677**	14,545
Total current liabilities	51,185	41,073
Total liabilities	103,370	91,303
Total equity and liabilities	167,238	154,645

* Of this amount, SEK 4,741m consists of cash and cash equivalents allocated for payment of the dividend to Essity's shareholders on April 1, 2021 as decided at the Annual General Meeting on March 25, 2021.

** Of this amount, SEK 4,741m consists of a liability related to the payment of the dividend to Essity's shareholders on April 1, 2021 as decided at the Annual General Meeting on March 25, 2021.

CONSOLIDATED BALANCE SHEET (cont.)

SEKm	March 31, 2021	December 31, 2020
Debt/equity ratio	0.68	0.67
Equity/assets ratio	32%	35%
Equity	63,868	63,342
Equity per share	91	90
Return on equity	16.0%	18.2%
Return on equity excluding items affecting comparability	15.7%	18.3%
Capital employed	107,243*	106,030
- of which working capital	4,202*	7,146
Return on capital employed**	13.7%	15.6%
Return on capital employed** excluding items affecting comparability	13.5%	15.7%
Net debt	43,375	42,688
Provisions for restructuring costs are included in the balance sheet as follows		
-Other non-current provisions	138	137
-Other current provisions	213	263

* The amount includes a current operating liability of SEK 4,741m pertaining to a dividend payment to Essity's shareholders on April ,1, 2021 as decided by the Annual General Meeting on March 25, 2021.

** Rolling 12 months

NET SALES (business area reporting)

SEKm	2103	2003	2021:1	2020:4	2020:3	2020:2	2020:1	2019:4
Personal Care	10,759	12,669	10,759	11,660	11,115	10,651	12,669	12,425
Consumer Tissue	11,554	13,080	11,554	13,070	11,634	12,437	13,080	13,269
Professional Hygiene	5,216	7,957	5,216	6,216	5,930	5,315	7,957	7,991
Other	-1	6	-1	10	-2	4	6	1
Total net sales	27,528	33,712	27,528	30,956	28,677	28,407	33,712	33,686

ADJUSTED EBITA (business area reporting)

SEKm	2103	2003	2021:1	2020:4	2020:3	2020:2	2020:1	2019:4
Personal Care	1,708	2,039	1,708	1,879	1,805	1,438	2,039	1,756
Consumer Tissue	1,685	2,092	1,685	1,935	1,894	2,124	2,092	1,767
Professional Hygiene	419	1,393	419	809	634	481	1,393	1,408
Other	-204	-191	-204	-231	-214	-261	-191	-189
Total adjusted EBITA	3,608	5,333	3,608	4,392	4,119	3,782	5,333	4,742

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	2103	2003	2021:1	2020:4	2020:3	2020:2	2020:1	2019:4
Personal Care	1,528	1,850	1,528	1,690	1,614	1,241	1,850	1,567
Consumer Tissue	1,684	2,090	1,684	1,933	1,894	2,122	2,090	1,765
Professional Hygiene	415	1,383	415	801	624	472	1,383	1,398
Other	-205	-191	-205	-231	-214	-261	-191	-190
Total adjusted operating profit¹	3,422	5,132	3,422	4,193	3,918	3,574	5,132	4,540
Financial items	-158	-319	-158	-172	-184	-283	-319	-303
Profit before tax¹	3,264	4,813	3,264	4,021	3,734	3,291	4,813	4,237
Income taxes	-773	-1,189	-773	-993	-1,049	-823	-1,189	-1,178
Net profit for the period²	2,491	3,624	2,491	3,028	2,685	2,468	3,624	3,059
¹ Excluding items affecting comparability before tax amounting to:	56	-17	56	-2	-101	61	-17	-2
² Excluding items affecting comparability after tax amounting to:	61	-14	61	1	-85	40	-14	-13

ADJUSTED EBITA MARGIN (business area reporting)

%	2103	2003	2021:1	2020:4	2020:3	2020:2	2020:1	2019:4
Personal Care	15.9	16.1	15.9	16.1	16.2	13.5	16.1	14.1
Consumer Tissue	14.6	16.0	14.6	14.8	16.3	17.1	16.0	13.3
Professional Hygiene	8.0	17.5	8.0	13.0	10.7	9.0	17.5	17.6

STATEMENT OF PROFIT OR LOSS

SEKm	2021:1	2020:4	2020:3	2020:2	2020:1
Net sales	27,528	30,956	28,677	28,407	33,712
Cost of goods sold	-18,660	-20,820	-19,389	-19,260	-22,663
Items affecting comparability - cost of goods sold	-10	22	-94	-100	-9
Gross profit	8,858	10,158	9,194	9,047	11,040
Sales, general and administration	-5,272	-5,777	-5,181	-5,381	-5,749
Items affecting comparability - sales, general and administration	66	-24	-7	161	-8
Share of profits of associates and joint ventures	12	33	12	16	33
EBITA	3,664	4,390	4,018	3,843	5,316
Amortization of acquisition-related intangible assets	-186	-199	-201	-208	-201
Operating profit	3,478	4,191	3,817	3,635	5,115
Financial items	-158	-172	-184	-283	-319
Profit before tax	3,320	4,019	3,633	3,352	4,796
Income taxes	-768	-990	-1,033	-844	-1,186
Net profit for the period	2,552	3,029	2,600	2,508	3,610

CONDENSED INCOME STATEMENT PARENT COMPANY

SEKm	2103	2003
Administrative expenses	-161	-226
Other operating income	54	8
Operating loss	-107	-218
Financial items	-477	-245
Profit before tax	-584	-463
Income taxes	119	86
Profit for the period	-465	-377

CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	March 31, 2021	December 31, 2020
Intangible assets	0	0
Property, plant and equipment	14	14
Financial non-current assets	176,273	176,401
Total non-current assets	176,287	176,415
Total current assets	5,318*	2,140
Total assets	181,605	178,555
Restricted equity	2,350	2,350
Non-restricted equity	80,983**	86,189
Total equity	83,333	88,539
Untaxed reserves	5	5
Provisions	881	874
Non-current liabilities	33,312	31,710
Current liabilities	64,074***	57,427
Total equity, provisions and liabilities	181,605	178,555

* Of this amount, SEK 4,741m consists of cash and cash equivalents allocated for payment of the dividend to Essity's shareholders on April 1, 2021, as decided at the Annual General Meeting on March 25, 2021.

** Dividend of SEK 4,741m decided at the Annual General Meeting on March 25, 2021. Payment on April 1, 2021.

*** Of this amount, SEK 4,741m consists of a liability related to the payment of the dividend to Essity's shareholders on April 1, 2021 as decided at the Annual General Meeting on March 25, 2021.

NOTES

1 ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 and recommendation RFR 1 of the Swedish Financial Reporting Board (RFR), and with regards to the Parent Company, RFR 2.

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

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

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

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

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

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

Amendment to the consolidation principle for ProNARO

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

2 RISKS AND UNCERTAINTIES

Processes for risk management

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

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

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

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

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

3 FINANCIAL INSTRUMENTS PER CATEGORY

Distribution by level for measurement at fair value

SEKm	Carrying amount in the balance sheet	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Measured at fair value through OCI	Financial liabilities measured at amortized cost	Of which fair value by level ¹	
						1	2
March 31, 2021							
Derivatives	1,299	438	861	-	-	-	1,299
Non-current financial assets	98	-	-	98	-	98	-
Total assets	1,397	438	861	98	0	98	1,299
Derivatives	726	362	364	-	-	-	726
Financial liabilities							
Current financial liabilities	13,946	5,196	-	-	8,750	-	5,196
Non-current financial liabilities	40,946	14,594	-	-	26,352	-	14,594
Total liabilities	55,618	20,152	364	-	35,102	-	20,516
December 31, 2020							
Derivatives	1,650	571	1,079	-	-	-	1,650
Non-current financial assets	96	-	-	96	-	96	-
Total assets	1,746	571	1,079	96	0	96	1,650
Derivatives	753	682	71	-	-	-	753
Financial liabilities							
Current financial liabilities	7,895	5,038	-	-	2,857	-	5,038
Non-current financial liabilities	38,199	10,615	-	-	27,584	-	10,615
Total liabilities	46,847	16,335	71	-	30,441	-	16,406

¹No financial instruments have been classified to level 3

The total fair value of the above financial liabilities, excluding lease liabilities, is SEK 52,215m (43,947). The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, trade payables and other current and non-current liabilities is estimated to be equal to their carrying amount.

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

4 Acquisitions and divestments

Following the press release on December 10, 2020, Essity has now entered into an agreement to acquire the remaining 63.8% of the shares in Asaleo Care for AUD 1.40 cash per share. Asaleo Care is listed on the Australian Securities Exchange and Essity is the largest shareholder, holding 36.2% of the shares. The consideration implies an equity value on a 100% basis of approximately AUD 760m (approximately SEK 4.9bn) and an enterprise value of AUD 855m (approximately SEK 5.5bn). Subject to approval of the transaction by shareholders and the Court and at the absolute discretion of the Asaleo Board it is intended that a further special dividend of AUD 0.02 is paid prior to completion of the transaction. The agreement is supported by the Independent Directors of Asaleo Care and is expected to be voted on at a meeting of the independent shareholders in Asaleo Care in the second quarter of 2021.

Subject to the approval of the agreement at that meeting, subsequent Court and regulatory approvals, the completion of the transaction is expected to be finalized in the second quarter of 2021. The timing is indicative and subject to change.

5 Use of non-IFRS performance measures

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

This interim report refers to a number of performance measures not defined in IFRS. These performance measures are used to help investors, management and other stakeholders analyze the company's operations. These non-IFRS measures may differ

from similarly titled measures among other companies. Essity's 2020 Annual Report (pages 71–76) describes the various non-IFRS performance measures that are used as a complement to the financial information presented in accordance with IFRS. Tables are presented below that show how the performance measures have been calculated.

Capital employed

SEKm	2103	2012
Total assets	167,238	154,645
-Financial assets	-16,231	-9,530
-Non-current, non-interest-bearing liabilities	-7,120	-6,700
-Current, non-interest-bearing liabilities	-36,644*	-32,385
Capital employed	107,243	106,030

SEKm	2021:1	2020:4	2020:3	2020:2	2020:1
Personal Care	42,644	40,505	43,268	44,150	45,684
Consumer Tissue	47,084	45,283	46,464	45,524	48,486
Professional Hygiene	22,607	20,915	22,221	23,051	24,747
Other	-5,092*	-673	-322	-327	-354
Capital employed	107,243	106,030	111,631	112,398	118,563

*Of this amount, SEK 4,741m consists of a liability related to the payment of the dividend to Essity's shareholders on April 1, 2021 as decided at the Annual General Meeting on March 25, 2021.

Working capital

SEKm	2103	2012
Inventories	17,794	16,383
Trade receivables	17,988	17,825
Other current receivables	2,422	2,173
Trade payables	-14,456	-14,791
Other current liabilities	-19,677*	-14,545
Other	131	101
Working capital	4,202	7,146

*Of this amount, SEK 4,741m consists of a liability related to the payment of the dividend to Essity's shareholders on April 1, 2021 as decided at the Annual General Meeting on March 25, 2021.

Net debt

SEKm	2103	2012
Surplus in funded pension plans	1,960	2,817
Non-current financial assets	586	738
Current financial assets	5,395	993
Cash and cash equivalents	8,290	4,982
Financial assets	16,231	9,530
Non-current financial liabilities	41,075	38,202
Provisions for pensions	3,990	5,328
Current financial liabilities	14,541	8,688
Financial liabilities	59,606	52,218
Net debt	43,375	42,688

EBITDA

SEKm	2103	2003
Operating profit	3,478	5,115
-Amortization of acquisition-related intangible assets	186	201
-Depreciation/amortization	1,296	1,459
-Depreciation right-of-use assets	224	224
-Impairment	0	4
-Items affecting comparability - impairment net	1	0
EBITDA	5,185	7,003
-Items affecting comparability excluding depreciation/amortization and impairment	-57	17
Adjusted EBITDA	5,128	7,020

EBITA

SEKm	2103	2003
Operating profit	3,478	5,115
-Amortization of acquisition-related intangible assets	186	201
Operating profit before amortization of acquisition-related intangible assets (EBITA)	3,664	5,316
EBITA margin (%)	13.3	15.8
-Items affecting comparability - cost of goods sold	10	9
-Items affecting comparability - sales, general and administration	-66	8
Adjusted EBITA	3,608	5,333
Adjusted EBITA margin (%)	13.1	15.8

Operating cash flow

SEKm	2103	2003
Personal Care		
Operating cash surplus	2,160	2,522
Change in working capital	-461	-488
Investment in non-current assets, net	-271	-286
Restructuring costs, etc.	-27	-42
Operating cash flow before investments in operating assets through leases	1,401	1,706
Investment in operating assets through leases	-18	-16
Operating cash flow	1,383	1,690
Consumer Tissue		
Operating cash surplus	2,295	2,789
Change in working capital	-298	-116
Investment in non-current assets, net	-619	-415
Restructuring costs, etc.	-61	-123
Operating cash flow before investments in operating assets through leases	1,317	2,135
Investment in operating assets through leases	-11	-42
Operating cash flow	1,306	2,093
Professional Hygiene		
Operating cash surplus	923	1,946
Change in working capital	-700	-586
Investment in non-current assets, net	-130	-267
Restructuring costs, etc.	-117	-204
Operating cash flow before investments in operating assets through leases	-24	889
Investment in operating assets through leases	-5	-27
Operating cash flow	-29	862

Organic net sales

SEKm	2103
Personal Care	
Organic net sales	-751
Exchange rate effects ¹	-1,094
Acquisitions/Divestments	-66
Recognized change	-1,911
Consumer Tissue	
Organic net sales	-400
Exchange rate effects ¹	-980
Acquisitions/Divestments	-146
Recognized change	-1,526
Professional Hygiene	
Organic net sales	-2,190
Exchange rate effects ¹	-541
Acquisitions/Divestments	-10
Recognized change	-2,741
Essity	
Organic net sales	-3,348
Exchange rate effects ¹	-2,614
Acquisitions/Divestments	-222
Recognized change	-6,184

¹Consists only of currency translation effects