

Interim Report Third Quarter 2021



Essity Aktiebolag (publ)



JANUARY 1 – SEPTEMBER 30, 2021

(compared with the corresponding period a year ago)

- Organic net sales increased 1.6% and were negatively impacted by the COVID-19 pandemic and related restrictions and lockdowns. Net sales declined 3.5% to SEK 87,641m (90,796). Sales growth was strong for the third quarter of 2021 and organic net sales increased by 7.4% compared with the third quarter of 2020.
- Market shares increased for approximately 70% of branded sales in the retail trade for the most recent 12-month period
- E-commerce sales increased organically by 16.3% to approximately 14% of net sales, corresponding to approximately SEK 12bn.
- In emerging markets, which accounted for 38% of net sales, organic net sales increased 8.2%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) decreased 16% to SEK 11,047m (13,177)
- Adjusted EBITA decreased 20% to SEK 10,603m (13,234)
- Adjusted EBITA margin decreased 2.5 percentage points to 12.1% (14.6)
- Adjusted return on capital employed decreased 2.3 percentage points to 13.4% (15.7)
- Profit for the period was SEK 7,592m (8,718)
- Earnings per share were SEK 9.45 (10.80)
- Cash flow from current operations was SEK 4,744m (8,560)
- Essity has decided on new business areas from January 1, 2022. The business areas will be Health & Medical, Consumer Goods and Professional Hygiene. As a consequence of its higher growth ambitions, Essity has also decided on a new sales growth target of more than 5%, which includes both organic sales growth and acquisitions.

EARNINGS TREND

SEKm	2109	2009	%	2021:3	2020:3	%
Net sales	87,641	90,796	-3	31,145	28,677	9
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) ¹	10,603	13,234	-20	3,586	4,119	-13
Operating profit before amortization of acquisition-related intangible assets (EBITA)	11,047	13,177	-16	4,110	4,018	2
Amortization of acquisition-related intangible assets	-602	-610		-235	-201	
Adjusted operating profit ¹	10,001	12,624	-21	3,351	3,918	-14
Items affecting comparability	444	-57		524	-101	
Operating profit	10,445	12,567	-17	3,875	3,817	2
Financial items	-472	-786		-137	-184	
Profit before tax	9,973	11,781	-15	3,738	3,633	3
Adjusted Profit before tax ¹	9,529	11,838	-20	3,214	3,734	-14
Income taxes	-2,381	-3,063		-773	-1,033	
Profit for the period	7,592	8,718	-13	2,965	2,600	14
Earnings per share, SEK	9.45	10.80		3.90	3.22	
Adjusted earnings per share, SEK ²	9.36	11.50		3.33	3.55	

¹Excluding items affecting comparability; for amounts see page 12.

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

SUMMARY OF THIRD QUARTER OF 2021

Sales growth was strong in the third quarter and organic net sales rose 7.4% compared with the corresponding period a year ago, of which volume accounted for 4.2% and price/mix for 3.2%. Sales growth, including organic sales growth and acquisitions, amounted to 9.7%. Sales were positively impacted by more favorable market conditions and growing awareness of the importance of hygiene and health. Essity's organic net sales increased 1.9% compared with the third quarter of 2019. Personal Care and Professional Hygiene noted highly favorable organic sales growth during the third quarter of 2021 compared with the third quarter of 2020. Medical Solutions demonstrated strong growth and organic net sales rose 9.7%, with good growth in all product segments.

Organic net sales in mature markets increased 5.9%. In emerging markets, which accounted for 36% of net sales, organic net sales increased 10.2%.

During the quarter Essity has:

- Launched innovations that contribute to improved well-being and increased sustainability in all product categories under leading brands such as TENA, Tork, Jobst, Libero, Plenty, Saba, Tempo and Zewa.
- Increased market shares for approximately 70% of branded sales in the retail trade for the most recent 12-month period
- Increased e-commerce sales organically by 21.7% to about 14% of net sales
- Implemented price increases and prepared further increases to offset higher costs for raw materials, energy and distribution
- Achieved continuous costs savings of SEK 219m. The Manufacturing Roadmap program extends until 2025 and is expected to contribute to Essity's total annual cost savings of SEK 500-1,000m.
- Finalized the acquisitions of the Australian hygiene company Asaleo Care and the Colombian hygiene company Productos Familia S.A.
- Continued the company's active sustainability efforts and commenced tissue production in Mannheim, Germany, based on pulp from wheat straw that will initially be used in tissue products for the German retail market under Essity's market-leading brand for household towels and toilet paper, Zewa. Also invested in the world's first tissue machine running a fully geothermal steam drying process at the production facility in Kawerau, New Zealand.
- Continued the process to establish the Consumer Tissue Private Label Europe division in the Consumer Tissue business area. Work is proceeding on schedule and is expected to be completed at the end of the year. The division's scope has been expanded. The division will include approximately 1,900 employees and seven production facilities in Belgium, France, Germany and Italy. Proforma net sales for the first nine months of 2021 amounted to approximately SEK 5bn.

After the end of the quarter Essity has:

- Decided on new business areas from January 1, 2022. The business areas will be Health & Medical, Consumer Goods and Professional Hygiene. As a consequence of its higher growth ambitions, Essity has also decided on a new sales growth target of more than 5%, which includes both organic sales growth and acquisitions.

The Group's adjusted gross margin for the third quarter of 2021 decreased by 3.7 percentage points year on year to 28.7%. The gross margin was positively impacted by higher volumes, higher prices, an improved mix and cost savings. Higher raw material, energy and distribution costs reduced the margin by 6.7 percentage points. The Group's adjusted EBITA margin decreased 2.9 percentage points to 11.5%. Sales costs, excluding marketing costs, decreased in absolute terms and as a share of net sales. Investments in growth increased marketing costs in absolute terms but decreased as a share of net sales. Adjusted EBITA, excluding exchange rate effects, decreased 11%. The adjusted return on capital employed was 12.3%. Earnings per share increased 21% to SEK 3.90.

ADJUSTED EARNINGS TREND

SEKm	2109	2009	%	2021:3	2020:3	%
Net sales	87,641	90,796	-3	31,145	28,677	9
Cost of goods sold ¹	-61,011	-61,312		-22,202	-19,389	
Adjusted gross profit¹	26,630	29,484	-10	8,943	9,288	-4
Sales, general and administration ¹	-16,027	-16,250		-5,357	-5,169	
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹	10,603	13,234	-20	3,586	4,119	-13
Amortization of acquisition-related intangible assets	-602	-610		-235	-201	
Adjusted operating profit¹	10,001	12,624	-21	3,351	3,918	-14
Financial items	-472	-786		-137	-184	
Adjusted profit before tax¹	9,529	11,838	-20	3,214	3,734	-14
Adjusted Income taxes ¹	-2,430	-3,061		-808	-1,049	
Adjusted profit for the period¹	7,099	8,777	-19	2,406	2,685	-10
¹ Excluding items affecting comparability; for amounts see page 12.						
Adjusted Margins (%)						
Gross margin¹	30.4	32.5		28.7	32.4	
EBITA margin¹	12.1	14.6		11.5	14.4	
Operating margin¹	11.4	13.9		10.8	13.7	
Financial net margin	-0.5	-0.9		-0.4	-0.6	
Profit margin¹	10.9	13.0		10.4	13.1	
Income taxes ¹	-2.8	-3.4		-2.6	-3.7	
Net margin¹	8.1	9.6		7.8	9.4	
¹ Excluding items affecting comparability; for amounts see page 12.						

ADJUSTED EBITA BY BUSINESS AREA

SEKm	2109	2009	%	2021:3	2020:3	%
Personal Care	5,332	5,282	1	1,914	1,805	6
Consumer Tissue	3,834	6,110	-37	942	1,894	-50
Professional Hygiene	2,029	2,508	-19	900	634	42
Other	-592	-666		-170	-214	
Total¹	10,603	13,234	-20	3,586	4,119	-13
¹ Excluding items affecting comparability; for amounts see page 12.						

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

SEKm	2109	2009	%	2021:3	2020:3	%
Personal Care	4,741	4,705	1	1,682	1,614	4
Consumer Tissue	3,830	6,106	-37	941	1,894	-50
Professional Hygiene	2,022	2,479	-18	898	624	44
Other	-592	-666		-170	-214	
Total¹	10,001	12,624	-21	3,351	3,918	-14
¹ Excluding items affecting comparability; for amounts see page 12.						

OPERATING CASH FLOW BY BUSINESS AREA

SEKm	2109	2009	%	2021:3	2020:3	%
Personal Care	4,939	5,352	-8	2,318	2,016	15
Consumer Tissue	2,379	5,037	-53	629	515	22
Professional Hygiene	1,758	2,414	-27	1,132	783	45
Other	-1,164	-907		-403	-245	
Total	7,912	11,896	-33	3,676	3,069	20

GROUP

NET SALES AND EARNINGS

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

Net sales declined 3.5% compared with the corresponding period a year ago to SEK 87,641m (90,796). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 1.6%, of which volume accounted for 1.1% and price/mix for 0.5%. Sales were negatively impacted by the COVID-19 pandemic and the related lockdowns and restrictions, primarily within Professional Hygiene. Organic net sales declined 2.1% in mature markets and increased 8.2% in emerging markets. Emerging markets accounted for 38% of net sales. Exchange rate effects reduced net sales by 5.1%. The acquisition of Asaleo Care increased net sales by 0.8%. Divestments and deconsolidation reduced net sales by 0.8%.

The Group's adjusted gross margin decreased by 2.1 percentage points year on year to 30.4% (32.5). The gross margin was positively impacted by an improved mix, higher volumes and cost savings. Continuous cost savings amounted to SEK 470m. Higher costs for raw materials, energy and distribution, and lower prices in Consumer Tissue had a negative impact on the margin.

The Group's adjusted EBITA margin decreased 2.5 percentage points to 12.1% (14.6). Sales costs, excluding marketing costs, increased in absolute terms but was, as a share of net sales, in line with the corresponding period a year ago. Investments in growth increased marketing costs in absolute terms and as a share of net sales.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 20% (13% excluding currency translation effects, acquisitions and divestments) to SEK 10,603m (13,234).

Items affecting comparability amounted to SEK 444m (-57). Essity's previous holding of 36.2% in Asaleo Care was remeasured on July 1, yielding a positive revaluation effect of SEK 706m. Other costs are mainly related to transaction costs for the acquisitions of Asaleo Care and Productos Familia S.A., as well as restructuring costs.

Financial items decreased to SEK -472m (-786). Lower interest and lower average net debt had a positive impact.

Adjusted profit before tax decreased 20% (14% excluding currency translation effects, acquisitions and divestments) and amounted to SEK 9,529m (11,838).

The tax expense, excluding effects of items affecting comparability, was SEK 2,430m (3,061).

Adjusted profit for the period decreased 19% (13% excluding currency translation effects, acquisitions and divestments) to SEK 7,099m (8,777).

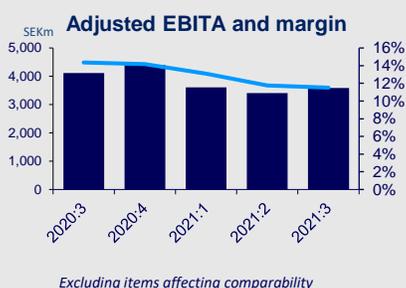
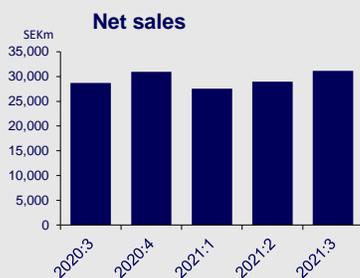
Profit for the period decreased 13% (7% excluding currency translation effects, acquisitions and divestments) to SEK 7,592m (8,718). Earnings per share were SEK 9.45 (10.80). The adjusted earnings per share were SEK 9.36 (11.50).

The adjusted return on capital employed was 13.4% (15.7). The adjusted return on equity was 15.6% (18.5).

Third quarter of 2021 compared with the corresponding period a year ago

Net sales increased 8.6% compared with the corresponding period a year ago to SEK 31,145m (28,677). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 7.4%, of which volume accounted for 4.2% and price/mix for 3.2%. Essity's organic net sales increased 1.9% compared with the third quarter of 2019. Personal Care and Professional Hygiene noted highly favorable organic sales growth in the third quarter of 2021 compared with the third quarter of 2020. Medical Solutions noted strong growth and organic net sales rose by 9.7% with good growth in all product segments. Organic net sales increased 5.9% in mature markets and increased 10.2% in emerging markets. Emerging markets accounted for 36% of net sales. Exchange rate effects reduced net sales by 0.2%. The acquisition of Asaleo Care increased net sales by 2.3%. Divestments and deconsolidation reduced net sales by 0.9%.

The Group's adjusted gross margin for the third quarter of 2021 decreased by 3.7 percentage points year on year to 28.7% (32.4). The gross margin was positively impacted by higher volumes, higher prices, an improved mix and cost savings. The continuous costs savings

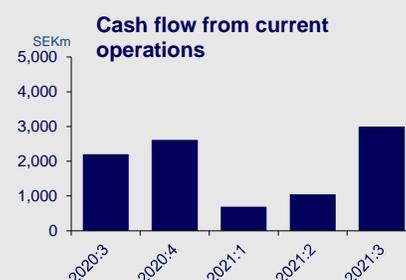


Change in net sales (%)

	21Q9 vs 20Q9	21:3 vs 20:3
Total	-3.5	8.6
Volume	1.1	4.2
Price/mix	0.5	3.2
Currency	-5.1	-0.2
Acquisitions	0.8	2.3
Divestments	-0.8	-0.9

Change in adjusted EBITA (%)

	21Q9 vs 20Q9	21:3 vs 20:3
Total	-20	-13
Volume	4	12
Price/mix	3	20
Raw materials	-13	-37
Energy	-4	-8
Currency	-6	-2
Other	-4	2



amounted to SEK 219m. Higher raw material, energy and distribution costs reduced the margin by 6.7 percentage points. The Group's adjusted EBITA margin decreased 2.9 percentage points to 11.5% (14.4). Sales costs, excluding marketing costs, decreased in absolute terms and as a share of net sales. Investments in growth increased marketing costs in absolute terms but decreased as a share of net sales.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 13% (13% excluding currency translation effects, acquisitions and divestments) to SEK 3,586m (4,119).

Adjusted profit before tax decreased 14% (14% excluding currency translation effects, acquisitions and divestments) and amounted to SEK 3,214m (3,734).

Profit for the period increased 14% (14% excluding currency translation effects, acquisitions and divestments) to SEK 2,965m (2,600). Earnings per share were SEK 3.90 (3.22). The adjusted earnings per share were SEK 3.33 (3.55).

The adjusted return on capital employed was 12.3% (14.7). The adjusted return on equity was 14.6% (16.5).

CASH FLOW AND FINANCING

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

The operating cash surplus amounted to SEK 15,598m (18,469). The cash flow effect of changes in working capital was SEK -1,858m (-1,713). Working capital was negatively impacted by an increase in trade receivables as a result of higher sales and increased inventory value on account of rising raw material prices. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -5,195m (-3,975). Operating cash flow before investments in operating assets through leases amounted to SEK 8,000m (12,111). Investments in operating assets through leases amounted to SEK -88m (-215). Operating cash flow was SEK 7,912m (11,896).

Financial items decreased to SEK -472m (-786). Lower interest and lower average net debt had a positive impact.

Tax payments had an impact on cash flow of SEK -2,768m (-2,581).

The net sum of acquisitions and divestments was SEK -10,555m (-749). Net cash flow totaled SEK -11,084m (7,513).

Net debt increased SEK 12,863m during the period and amounted to SEK 55,551m. Excluding pension liabilities, net debt amounted to SEK 53,031m. Net cash flow increased net debt by SEK 11,084m. 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, increased net debt by SEK 43m. Exchange rate movements increased net debt by SEK 1,415m. Investments in non-operating assets through leases increased net debt by SEK 321m. The debt/equity ratio was 0.85 (0.69). Excluding pension liabilities, the debt/equity ratio was 0.81 (0.62). The debt payment capacity was 31% (45). Net debt in relation to adjusted EBITDA amounted to 2.60 (1.85).

EQUITY

January–September 2021

The Group's equity increased by SEK 2,027m during the period, to SEK 65,369m. Net profit for the period increased equity by SEK 7,592m. Equity decreased due to dividends to shareholders of SEK 5,253m. Equity increased net after tax by SEK 77m 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 2,430m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 3,108m. Equity decreased by SEK 5,960m due to the acquisition of the non-controlling interest in Productos Familia S.A. Other items increased equity by SEK 33m.

TAX

January–September 2021

A tax expense of SEK 2,430m was reported, excluding items affecting comparability, corresponding to a tax rate of 25.5% for the period. The tax expense including items affecting comparability was SEK 2,381m, corresponding to a tax rate of 23.9% for the period.

EVENTS DURING THE QUARTER

Australian hygiene company Asaleo Care becomes Essity

On July 1, 2021, Essity announced that it had finalized its acquisition of Australian hygiene company Asaleo Care. The new regional unit, Essity AustralAsia, was consolidated into Essity's accounts as of July 1, 2021.

Essity invests in recycling of food and beverage cartons in France

On July 6, 2021, Essity announced that the company is investing approximately EUR 11m (approximately SEK 110m) in its Hondouville tissue mill in France. The investment will allow the extraction of 98% of paper fibers contained in food and beverage cartons, enabling Essity to achieve a recycling capacity of 24,000 tons of carton a year. The fibers from these cartons are used in the fiber mix to manufacture Tork-branded products within the business area Professional Hygiene.

Essity commits to net-zero greenhouse gas emissions by 2050

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

Essity completes acquisition of shares in Productos Familia S.A.

On August 31, 2021, Essity announced that the company had finalized its acquisition of 45.8% of the shares in Colombian hygiene company Productos Familia S.A. ("Familia"). Essity now owns 95.8% of Familia. The purchase price amounts to USD 1,540m (approximately SEK 13bn) for 100% of the company on a debt-free basis. The acquisition is expected to be accretive to Essity's earnings per share from 2021.

Essity raises EUR 600m in the bond market

On September 8, 2021, Essity announced that the company had raised EUR 600m in the bond market under its Euro Medium Term Note (EMTN) program. The re-offer yield for the bond was 0.33% with a maturity date of September 15, 2029, corresponding to mid swaps +0.43 percentage points. The purpose of the issue is to refinance maturing loans and to finance operations.

Essity begins tissue production from alternative fibers

On September 30, 2021, Essity announced that the company had made a breakthrough in sustainable tissue production and is beginning production based on pulp from wheat straw. The plant in Mannheim, Germany, is the first of its kind in Europe, and the first for large-scale tissue production in the world.

EVENTS AFTER THE QUARTER

Essity invests in world's first tissue machine running on geothermal steam

On October 6, 2021, Essity announced that the company is investing approximately SEK 95m in enhanced efficiency in the company's site in Kawerau, New Zealand, including the world's first tissue machine running a fully geothermal steam drying process. Together with a reduction in pulp consumption, reduced waste and elimination of the burning of natural gas on the machine, the improvements will contribute to a reduction of carbon emissions by 23 percent from the Kawerau site.

Essity presents new business areas and new sales growth target

On October 22, 2021, Essity announced that the company decided on new business areas from January 1, 2022. The business areas will be Health & Medical, Consumer Goods and Professional Hygiene. As a consequence of its higher growth ambitions, Essity has also decided on a new sales growth target of more than 5%, which includes both organic sales growth and acquisitions.

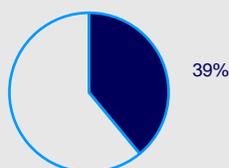
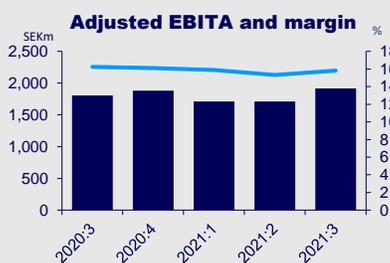
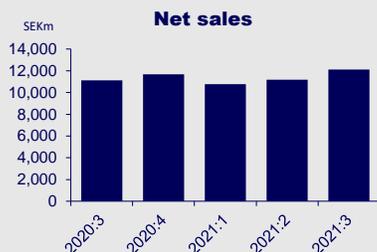
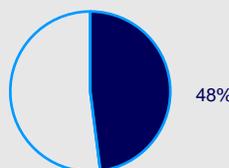
The new Health & Medical, Consumer Goods and Professional Hygiene business areas will apply as of January 1, 2022. These are aligned with the company's customer and sales channels and will lead to an expansion of the offerings to new and adjacent categories as well as extended service content on the basis of customer and consumer needs. The new areas support the company's new growth target through strategies for organic and acquisition-driven growth and aim to achieve higher growth and profit margins as well as less capital tied up. The business areas will replace the current business areas Personal Care, Consumer Tissue and Professional Hygiene.

The new growth target is to achieve sales growth of more than 5%. This replaces the previous target of organic sales growth of more than 3%. The target will be reached through the continued implementation of Essity's strategy: leveraging favorable market trends, increasing market shares through successful innovation and strong brands, expanding the offering and acquisitions in categories with high margins. Growth, both organic and through acquisitions, is prioritized in the Medical Solutions, Incontinence Products, Feminine Care and Professional Hygiene product categories.

Financial reporting for the new business areas, Proforma for the first nine months 2021

SEKm	Health & Medical	Consumer Goods	Professional Hygiene	Other	Essity
Net sales	15,831	53,196	18,616	-2	87,641
Adjusted EBITA ¹⁾	2,893	6,273	2,029	-592	10,603
Adjusted EBITA margin ¹⁾ , %	18.3%	11.8%	10.9%		12.1%

¹⁾ Excluding items affecting comparability

Share of Group, net sales
2109Share of Group, adjusted EBITA
2109

Change in net sales (%)

	2109 vs 2009	21:3 vs 20:3
Total	-1.2	9.0
Volume	2.7	5.8
Price/mix	1.8	2.7
Currency	-5.7	-0.9
Acquisitions	1.0	2.4
Divestments	-1.0	-1.0

Change in adjusted EBITA (%)

	2109 vs 2009	21:3 vs 20:3
Total	1	6
Volume	9	18
Price/mix	10	16
Raw materials	-11	-28
Energy	-1	-1
Currency	-8	-3
Other	2	4

PERSONAL CARE

SEKm	2109	2009	%	2021:3	2020:3	%
Net sales	34,034	34,435	-1	12,112	11,115	9
Adjusted gross profit margin, %*	41.2	41.1		40.0	41.8	
Adjusted EBITA*	5,332	5,282	1	1,914	1,805	6
Adjusted EBITA margin, %*	15.7	15.3		15.8	16.2	
Adjusted operating profit*	4,741	4,705	1	1,682	1,614	4
Adjusted operating margin, %*	13.9	13.7		13.9	14.5	
Adjusted return on capital employed, %*	16.9	15.8		17.5	16.5	
Operating cash flow	4,939	5,352		2,318	2,016	

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

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

Net sales declined 1.2% to SEK 34,034m (34,435). Organic net sales increased 4.5%, of which volume accounted for 2.7% and price/mix for 1.8%. Organic net sales in mature markets increased 2.4%. In emerging markets, which accounted for 35% of net sales, organic net sales increased 8.3%. Exchange rate effects reduced net sales by 5.7%. The acquisition of Asaleo Care increased net sales by 1.0%. Divestments reduced net sales by 1.0%.

For Incontinence Products, with Essity's globally leading TENA brand, organic net sales increased 2.5%. In Medical Solutions, organic net sales increased 12.2%. For Baby Care, organic net sales declined 0.4%. For Feminine Care, organic net sales increased 8.3%.

The adjusted gross margin increased 0.1 of a percentage point to 41.2% (41.1). The gross margin was positively impacted by higher volumes, higher prices, an improved mix and cost savings. Higher costs for raw materials and distribution had a negative impact on the margin. The adjusted EBITA margin increased 0.4 of a percentage point to 15.7% (15.3). Sales costs, excluding marketing costs, were in absolute terms in line with the corresponding period a year ago but decreased as a share of net sales. Investments in growth increased marketing costs in absolute terms and as a share of net sales. Adjusted EBITA increased 1% (8% excluding currency translation effects, acquisitions and divestments) to SEK 5,332m (5,282).

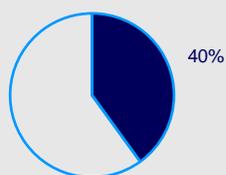
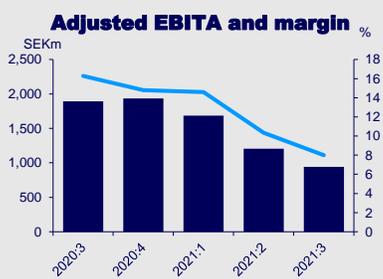
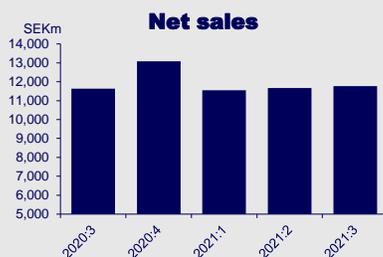
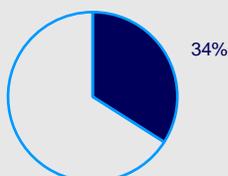
The operating cash surplus amounted to SEK 6,644m (6,715).

Third quarter of 2021 compared with the corresponding period a year ago

Net sales increased 9.0% to SEK 12,112m (11,115). Organic net sales increased 8.5%, of which volume accounted for 5.8% and price/mix for 2.7%. Organic net sales in mature markets increased 5.2%. In emerging markets, which accounted for 35% of net sales, organic net sales increased 15.0%. Exchange rate effects reduced net sales by 0.9%. The acquisition of Asaleo Care increased net sales by 2.4%. Divestments reduced net sales by 1.0%.

For Incontinence Products, with Essity's globally leading TENA brand, organic net sales increased 8.4%. The increase was attributable to Europe, North America and emerging markets. In Medical Solutions, organic net sales increased 9.7% and all product categories demonstrated healthy sales growth. For Baby Care, organic net sales increased 1.5%, primarily related to western Europe and Latin America. For Feminine Care, organic net sales increased 15.8% related to Europe, Latin America and Asia.

The adjusted gross margin decreased 1.8 percentage points to 40.0% (41.8). The gross margin was positively impacted by higher volumes, higher prices, an improved mix and cost savings. Higher raw material and distribution costs had a negative impact on the margin. The adjusted EBITA margin decreased 0.4 of a percentage point to 15.8% (16.2). Sales costs, excluding marketing costs, increased in absolute terms but decreased as a share of net sales. Investments in growth increased marketing costs in absolute terms but decreased as a share of net sales. Adjusted EBITA increased 6% (6% excluding currency translation effects, acquisitions and divestments) to SEK 1,914m (1,805).

Share of Group, net sales
2109Share of Group, adjusted EBITA
2109

Change in net sales (%)

	2109 vs 2009	21:3 vs 20:3
Total	-5.8	1.2
Volume	0.2	-3.0
Price/mix	-1.5	2.4
Currency	-4.0	1.3
Acquisitions	0.5	1.6
Divestments	-1.0	-1.1

Change in adjusted EBITA (%)

	2109 vs 2009	21:3 vs 20:3
Total	-37	-50
Volume	2	-5
Price/mix	-10	14
Raw materials	-10	-37
Energy	-6	-12
Currency	-4	1
Other	-9	-11

CONSUMER TISSUE

SEKm	2109	2009	%	2021:3	2020:3	%
Net sales	34,993	37,151	-6	11,770	11,634	1
Adjusted gross profit margin, %*	23.0	27.4		20.0	27.6	
Adjusted EBITA*	3,834	6,110	-37	942	1,894	-50
Adjusted EBITA margin, %*	11.0	16.4		8.0	16.3	
Adjusted operating profit*	3,830	6,106	-37	941	1,894	-50
Adjusted operating margin, %*	10.9	16.4		8.0	16.3	
Adjusted return on capital employed, %*	12.1	16.7		7.6	16.5	
Operating cash flow	2,379	5,037		629	515	

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

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

Net sales decreased 5.8% to SEK 34,993m (37,151). Organic net sales decreased 1.3%. Volumes accounted for an increase of 0.2% and the price/mix a decrease of 1.5%. Organic net sales decreased 8.3% in mature markets. In emerging markets, which accounted for 49% of net sales, organic net sales increased by 7.0%. Exchange rate effects decreased net sales by 4.0%. The acquisition of Asaleo Care increased net sales by 0.5%. Divestments and deconsolidation decreased net sales by 1.0%.

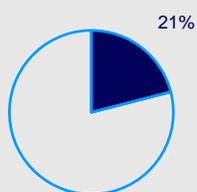
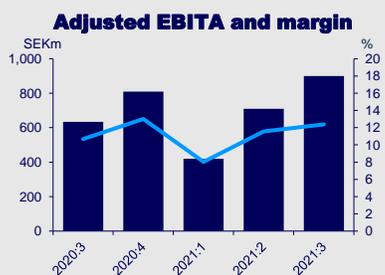
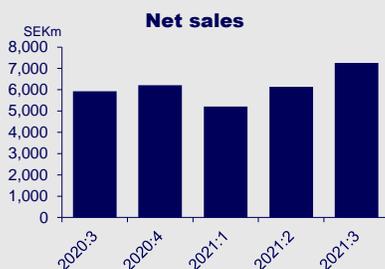
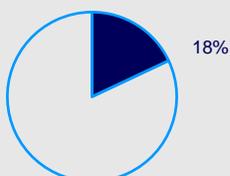
The adjusted gross margin decreased by 4.4 percentage points to 23.0% (27.4). The gross margin was positively impacted by higher volumes, an improved mix and cost savings. Higher raw material, energy and distribution costs and lower prices had a negative impact on the margin. The adjusted EBITA margin decreased 5.4 percentage points to 11.0% (16.4). Sales and marketing costs increased in absolute terms and as a share of net sales. Adjusted EBITA decreased 37% (34% excluding currency translation effects, acquisitions and divestments) to SEK 3,834m (6,110).

The operating cash surplus totaled SEK 5,837m (8,189).

Third quarter of 2021 compared with the corresponding period a year ago

Net sales increased 1.2% to SEK 11,770m (11,634). Organic net sales decreased 0.6%. Volumes accounted for a decrease of 3.0% and the price/mix an increase of 2.4%. Organic net sales decreased 4.7% in mature markets. In emerging markets, which accounted for 48% of net sales, organic net sales increased by 4.5%. Exchange rate effects increased net sales by 1.3%. The acquisition of Asaleo Care increased net sales by 1.6%. Divestments and deconsolidation decreased net sales by 1.1%.

The adjusted gross margin decreased by 7.6 percentage points to 20.0% (27.6). The gross margin was positively impacted by higher prices, an improved mix and cost savings. Higher raw material and energy costs reduced the margin by 8.1 percentage points. Lower volumes and higher distribution costs had a negative impact on the margin. The adjusted EBITA margin decreased 8.3 percentage points to 8.0% (16.3). Sales and marketing costs increased in absolute terms and as a share of net sales. Adjusted EBITA decreased 50% (52% excluding currency translation effects, acquisitions and divestments) to SEK 942m (1,894).

Share of Group, net sales
2109Share of Group, adjusted EBITA
2109

Change in net sales (%)

	2109 vs 2009	21:3 vs 20:3
Total	-3.1	22.4
Volume	0.0	15.2
Price/mix	2.2	5.5
Currency	-6.3	-1.9
Acquisitions	1.1	3.6
Divestments	-0.1	0.0

Change in adjusted EBITA (%)

	2109 vs 2009	21:3 vs 20:3
Total	-19	42
Volume	-3	46
Price/mix	19	43
Raw materials	-18	-51
Energy	-5	-11
Currency	-6	-6
Other	-6	21

PROFESSIONAL HYGIENE

SEKm	2109	2009	%	2021:3	2020:3	%
Net sales	18,616	19,202	-3	7,260	5,930	22
Adjusted gross profit margin, %*	24.5	26.9		24.0	24.1	
Adjusted EBITA*	2,029	2,508	-19	900	634	42
Adjusted EBITA margin, %*	10.9	13.1		12.4	10.7	
Adjusted operating profit*	2,022	2,479	-18	898	624	44
Adjusted operating margin, %*	10.9	12.9		12.4	10.5	
Adjusted return on capital employed, %*	12.6	16.7		15.3	11.2	
Operating cash flow	1,758	2,414		1,132	783	

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

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

Net sales declined 3.1% to SEK 18,616m (19,202). Organic net sales increased 2.2%, of which volume accounted for 0.0% and price/mix for 2.2%. Organic net sales declined 0.5% in mature markets. In emerging markets, which accounted for 21% of net sales, organic net sales increased by 13.8%. Exchange rate effects reduced net sales by 6.3%. The acquisition of Asaleo Care increased net sales by 1.1%. Divestments decreased net sales by 0.1%.

The adjusted gross margin decreased 2.4 percentage points to 24.5% (26.9). The gross margin was positively impacted by higher prices, an improved mix and cost savings. Higher raw material, energy and distribution costs had a negative impact on the margin. The adjusted EBITA margin decreased 2.2 percentage points to 10.9% (13.1). Sales and marketing costs decreased in absolute terms and as a share of net sales. Adjusted EBITA decreased 19% (13% excluding currency translation effects, acquisitions and divestments) to SEK 2,029m (2,508).

The operating cash surplus was SEK 3,549m (4,123).

Third quarter of 2021 compared with the corresponding period a year ago

Net sales increased 22.4% to SEK 7,260m (5,930). Organic net sales, which excludes currency effects, acquisitions and divestments, increased 20.7%. Volumes accounted for an increase of 15.2% and price/mix of 5.5%. The negative effect of the COVID-19 pandemic and the related lockdowns and restrictions were lower in the third quarter of 2021 compared with the preceding year. Organic net sales increased 20.8% in mature markets. In emerging markets, which accounted for 20% of net sales, organic net sales increased by 20.6%. Exchange rate effects reduced net sales by 1.9%. The acquisition of Asaleo Care increased net sales by 3.6%.

The adjusted gross margin declined 0.1 of a percentage point to 24.0% (24.1). The gross margin was positively impacted by higher volumes, higher prices, an improved mix and cost savings. Higher raw material, energy and distribution costs had a negative impact on the margin. The adjusted EBITA margin increased 1.7 percentage points to 12.4% (10.7). Sales and marketing costs decreased in absolute terms and as a share of net sales. Adjusted EBITA increased 42% (48% excluding currency translation effects, acquisitions and divestments) to SEK 900m (634).

DISTRIBUTION OF SHARES

September 30, 2021	Class A	Class B	Total
Registered number of shares	61,667,918	640,674,571	702,342,489

At the end of the period, the proportion of Class A shares was 8.8%. During the third quarter, 66,454 Class A shares were converted into Class B shares at the request of shareholders. The total number of votes in the company amounts to 1,257,353,751.

FUTURE REPORTS

The Year-end Report for 2021 will be published on January 26, 2022. Essity's Annual Report for 2021 will be published during the week starting February 28, 2022. In 2022, interim reports will be published on April 28, July 21 and October 27.

CAPITAL MARKETS DAY 2021

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

ANNUAL GENERAL MEETING

Essity's Annual General Meeting will be held in Stockholm on March 24, 2022.

INVITATION TO PRESENTATION OF THE THIRD-QUARTER REPORT FOR 2021

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

Presentation

Date: Friday, October 22, 2021

Time: 9:00 a.m. CET

Link to web presentation: <https://essity.videosync.fi/2021-10-22-g3>

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. 9798955.

Stockholm, October 22, 2021

Essity Aktiebolag (publ)

Magnus Groth

President and CEO

For further information, please contact:

Fredrik Rystedt, CFO and Executive Vice President, +46 (0)8 788 51 31

Johan Karlsson, Vice President Investor Relations, Group Function Communications, +46 (0)8 788 51 30

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

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

NB:

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

This information is such information 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 October 22, 2021.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	2021:3	2020:3	2021:2	2109	2009
Net sales	31,145	28,677	28,968	87,641	90,796
Cost of goods sold ^{1,2}	-22,202	-19,389	-20,149	-61,011	-61,312
Items affecting comparability - cost of goods sold ²	-11	-94	-43	-64	-203
Gross profit	8,932	9,194	8,776	26,566	29,281
Sales, general and administration ^{1,2}	-5,361	-5,181	-5,446	-16,079	-16,311
Items affecting comparability - sales, general and administration ²	535	-7	-93	508	146
Share of profits of associated and joint ventures	4	12	36	52	61
Operating profit before amortization of acquisition-related intangible assets (EBITA)	4,110	4,018	3,273	11,047	13,177
Amortization of acquisition-related intangible assets	-235	-201	-181	-602	-610
Operating profit	3,875	3,817	3,092	10,445	12,567
Financial items	-137	-184	-177	-472	-786
Profit before tax	3,738	3,633	2,915	9,973	11,781
Income taxes	-773	-1,033	-840	-2,381	-3,063
Profit for the period	2,965	2,600	2,075	7,592	8,718
Earnings attributable to:					
Owners of the Parent company	2,736	2,265	1,770	6,638	7,588
Non-controlling interests	229	335	305	954	1,130
Earnings per share - owners of the Parent company					
Earnings per share before and after dilution effects, SEK	3.90	3.22	2.52	9.45	10.80
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	-1,857	-1,773	-1,725	-5,288	-5,514
² Of which, impairment	-75	-141	-26	-102	-257
Gross margin	28.7	32.1	30.3	30.3	32.2
EBITA margin	13.2	14.0	11.3	12.6	14.5
Operating margin	12.4	13.3	10.7	11.9	13.8
Financial net margin	-0.4	-0.6	-0.6	-0.5	-0.9
Profit margin	12.0	12.7	10.1	11.4	12.9
Income taxes	-2.5	-3.6	-2.9	-2.7	-3.4
Net margin	9.5	9.1	7.2	8.7	9.5
Excluding items affecting comparability:					
Gross margin	28.7	32.4	30.4	30.4	32.5
EBITA margin	11.5	14.4	11.8	12.1	14.6
Operating margin	10.8	13.7	11.1	11.4	13.9
Financial net margin	-0.4	-0.6	-0.6	-0.5	-0.9
Profit margin	10.4	13.1	10.5	10.9	13.0
Income taxes	-2.6	-3.7	-2.9	-2.8	-3.4
Net margin	7.8	9.4	7.6	8.1	9.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2021:3	2020:3	2021:2	2109	2009
Profit for the period	2,965	2,600	2,075	7,592	8,718
Other comprehensive income for the period					
Items that will not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	-1,141	388	761	-43	-2,733
Fair value through other comprehensive income	0	2	1	1	0
Income tax attributable to components in other comprehensive income	258	-85	54	119	576
	-883	305	816	77	-2,157
Items that have been or may be reclassified subsequently to the income statement					
Cash flow hedges					
Result from remeasurement of derivatives recognized in equity	2,795	74	772	3,762	-218
Transferred to profit or loss for the period	-321	130	-93	-467	427
Translation differences in foreign operations	1,448	-1,518	-925	3,728	-3,584
Gains/losses from hedges of net investments in foreign operations	-291	367	223	-758	443
Other comprehensive income from associated companies	0	-2	11	12	-12
Income tax attributable to components in other comprehensive income	-600	-127	-237	-731	-132
	3,031	-1,076	-249	5,546	-3,076
Other comprehensive income for the period, net of tax	2,148	-771	567	5,623	-5,233
Total comprehensive income for the period	5,113	1,829	2,642	13,215	3,485
Total comprehensive income attributable to:					
Owners of the Parent company	4,610	1,613	2,496	11,722	2,759
Non-controlling interests	503	216	146	1,493	726

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEKm	2109	2009
Equity attributable to owners of the Parent company		
Value, January 1	54,352	54,125
Total comprehensive income for the period	11,722	2,759
Dividend	-4,741	0
Acquisition of non-controlling interests	-4,041	-1
Private placement to non-controlling interests	12	32
Transferred to cost of hedged investments	4	-7
Revaluation effect upon acquisition of non-controlling interests	-3	-1
Value, March 31	57,305	56,907
Non-controlling interests		
Value, January 1	8,990	8,676
Total comprehensive income for the period	1,493	726
Dividend	-512	-436
Private placement to non-controlling interests	12	30
Divestment of non-controlling interests	0	35
Acquisition of non-controlling interests	-1,919	-1
Value, March 31	8,064	9,030
Total equity, value March 31	65,369	65,937

CONSOLIDATED OPERATING CASH FLOW STATEMENT

SEKm	2109	2009
Operating cash surplus	15,598	18,469
Change in working capital	-1,858	-1,713
Investment in non current assets, net	-5,195	-3,975
Restructuring costs, etc.	-545	-670
Operating cash flow before Investments in operating assets through leases	8,000	12,111
Investments in operating assets through leases	-88	-215
Operating cash flow	7,912	11,896
Financial items	-472	-786
Income taxes paid	-2,768	-2,581
Other	72	31
Cash flow from current operations	4,744	8,560
Acquisitions of Group companies and other operations	-10,564	-748
Divestments of Group companies and other operations	9	-1
Cash flow before transactions with shareholders	-5,811	7,811
Private placement to non-controlling interests	24	60
Dividend to non-controlling interests	-556	-358
Dividend	-4,741	0
Net cash flow	-11,084	7,513
Net debt at the start of the period	-42,688	-50,940
Net cash flow	-11,084	7,513
Remeasurements to equity	-43	-2,733
Investments in non-operating assets through leases	-321	-331
Translation differences	-1,415	797
Net debt at the end of the period	-55,551	-45,694
Debt/equity ratio	0.85	0.69
Debt payment capacity, %	31	45
Net debt / EBITDA	2.53	1.84
Net debt / Adjusted EBITDA	2.60	1.85

CONSOLIDATED CASH FLOW STATEMENT

SEKm	2109	2009
Operating activities		
Operating profit	10,445	12,567
Adjustment for non-cash items ¹⁾	5,060	5,914
Interest paid	-580	-725
Interest received	75	80
Other financial items	-10	-190
Change in liabilities relating to restructuring programs, etc.	-380	-840
Paid tax	-2,768	-2,581
Cash flow from operating activities before changes in working capital	11,842	14,225
Cash flow from changes in working capital		
Change in inventories	-2,175	-2,734
Change in operating receivables	-970	-169
Change in operating liabilities	1,287	1,190
Cash flow from operating activities	9,984	12,512
Investing activities		
Acquisitions of Group companies and other operations	-3,188	-668
Divestments of Group companies and other operations	-7	0
Investments in intangible assets and property, plant and equipment	-5,185	-4,028
Sale of property, plant and equipment	34	65
Loans granted to external parties	-112	0
Repayment of loans from external parties	0	22
Paid interest capitalized in intangible asset and property, plant and equipment	-43	-11
Cash flow from investing activities	-8,501	-4,620
Financing activities		
Private placement to non-controlling interests	24	60
Acquisition of non-controlling interests	-5,960	0
Dividend	-4,741	0
Proceeds from borrowings	18,741	5,895
Repayment of borrowings	-3,988	-9,109
Dividend to non-controlling interests	-556	-358
Cash flow from financing activities	3,520	-3,512
Cash flow for the period	5,003	4,380
Cash and cash equivalents at the beginning of the period	4,982	2,928
Translation differences in cash and cash equivalents	115	-169
Cash and cash equivalents at the end of the period	10,100	7,139
Cash flow from operating activities per share, SEK	14.22	17.81
Reconciliation with consolidated operating cash flow statement		
Cash flow for the period	5,003	4,380
Repayment of loans from external parties	0	-22
Repayment of borrowings	3,988	9,109
Proceeds from borrowings	-18,741	-5,895
Loans granted to external parties	112	0
Impact from settlement of pension liability	0	188
Investment in operating assets through leases	-88	-215
Net debt in acquired and divested operations	-1,400	-81
Accrued interest	43	49
Other	-1	0
Net cash flow according to consolidated operating cash flow statement	-11,084	7,513
¹⁾ Adjustment for non-cash items		
Depreciation/amortization and impairment of non-current assets	5,390	5,771
Gain/loss on asset sales	-1	-29
Change in provision for ongoing competition case	-55	0
Impact from settlement of pension liability	0	-188
Gain/loss on divestments and liquidation	-8	8
Non-cash items relating to efficiency program	-65	-13
Change, one-time foreign tax on non-current assets	-20	0
Revaluation effect of previously owned holding upon acquisition	-706	0
Other	525	365
Total	5,060	5,914

CONSOLIDATED BALANCE SHEET

SEKm	September 30, 2021	December 31, 2020
ASSETS		
Non-current assets		
Goodwill	36,481	32,324
Other intangible assets	20,749	18,574
Property, plant and equipment	57,142	53,631
Participation in joint ventures and associates	231	847
Shares and participations	7	7
Surplus in funded pension plans	1,763	2,817
Non-current financial assets	440	738
Deferred tax assets	1,970	1,823
Other non-current assets	1,393	768
Total non-current assets	120,176	111,529
Current Assets		
Inventories	20,103	16,383
Trade receivables	19,126	17,825
Current tax assets	519	760
Other current receivables	5,614	2,173
Current financial assets	642	993
Cash and cash equivalents	10,100	4,982
Total current assets	56,104	43,116
Total assets	176,280	154,645
EQUITY AND LIABILITIES		
Equity		
Share capital	2,350	2,350
Reserves	5,578	581
Retained earnings	49,377	51,421
Attributable to owner of the Parent	57,305	54,352
Non-controlling interests	8,064	8,990
Total equity	65,369	63,342
Non-current liabilities		
Non-current financial liabilities	49,193	38,202
Provisions for pensions	4,283	5,328
Deferred tax liabilities	7,647	6,150
Other non-current provisions	449	445
Other non-current liabilities	99	105
Total non-current liabilities	61,671	50,230
Current liabilities		
Current financial liabilities	15,020	8,688
Trade payables	16,668	14,791
Current tax liabilities	1,537	2,301
Current provisions	630	748
Other current liabilities	15,385	14,545
Total current liabilities	49,240	41,073
Total liabilities	110,911	91,303
Total equity and liabilities	176,280	154,645

CONSOLIDATED BALANCE SHEET (cont.)

SEKm	September 30, 2021	December 31, 2020
Debt/equity ratio	0.85	0.67
Equity/assets ratio	33%	35%
Equity	65,369	63,342
Equity per share, SEK	93	90
Return on equity	16.3%	18.2%
Return on equity excluding items affecting comparability	15.6%	18.3%
Capital employed	120,920	106,030
- of which working capital	12,562	7,146
Return on capital employed*	13.8%	15.6%
Return on capital employed* excluding items affecting comparability	13.4%	15.7%
Net debt	55,551	42,688
Provisions for restructuring costs are included in the balance sheet as follows		
-Other non-current provisions	108	137
-Other current provisions	135	263

*) rolling 12 months

NET SALES (business area reporting)

SEKm	2109	2009	2021:3	2021:2	2021:1	2020:4	2020:3	2020:2
Personal Care	34,034	34,435	12,112	11,163	10,759	11,660	11,115	10,651
Consumer Tissue	34,993	37,151	11,770	11,669	11,554	13,070	11,634	12,437
Professional Hygiene	18,616	19,202	7,260	6,140	5,216	6,216	5,930	5,315
Other	-2	8	3	-4	-1	10	-2	4
Total net sales	87,641	90,796	31,145	28,968	27,528	30,956	28,677	28,407

ADJUSTED EBITA (business area reporting)

SEKm	2109	2009	2021:3	2021:2	2021:1	2020:4	2020:3	2020:2
Personal Care	5,332	5,282	1,914	1,710	1,708	1,879	1,805	1,438
Consumer Tissue	3,834	6,110	942	1,207	1,685	1,935	1,894	2,124
Professional Hygiene	2,029	2,508	900	710	419	809	634	481
Other	-592	-666	-170	-218	-204	-231	-214	-261
Total adjusted EBITA	10,603	13,234	3,586	3,409	3,608	4,392	4,119	3,782

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	2109	2009	2021:3	2021:2	2021:1	2020:4	2020:3	2020:2
Personal Care	4,741	4,705	1,682	1,531	1,528	1,690	1,614	1,241
Consumer Tissue	3,830	6,106	941	1,205	1,684	1,933	1,894	2,122
Professional Hygiene	2,022	2,479	898	709	415	801	624	472
Other	-592	-666	-170	-217	-205	-231	-214	-261
Total adjusted operating profit¹	10,001	12,624	3,351	3,228	3,422	4,193	3,918	3,574
Financial items	-472	-786	-137	-177	-158	-172	-184	-283
Profit before tax¹	9,529	11,838	3,214	3,051	3,264	4,021	3,734	3,291
Income taxes	-2,430	-3,061	-808	-849	-773	-993	-1,049	-823
Net profit for the period²	7,099	8,777	2,406	2,202	2,491	3,028	2,685	2,468
¹ Excluding items affecting comparability before tax amounting to:	444	-57	524	-136	56	-2	-101	61
² Excluding items affecting comparability after tax amounting to:	493	-59	559	-127	61	1	-85	40

ADJUSTED EBITA MARGIN (business area reporting)

%	2109	2009	2021:3	2021:2	2021:1	2020:4	2020:3	2020:2
Personal Care	15.7	15.3	15.8	15.3	15.9	16.1	16.2	13.5
Consumer Tissue	11.0	16.4	8.0	10.3	14.6	14.8	16.3	17.1
Professional Hygiene	10.9	13.1	12.4	11.6	8.0	13.0	10.7	9.0

STATEMENT OF PROFIT OR LOSS

SEKm	2021:3	2021:2	2021:1	2020:4	2020:3
Net sales	31,145	28,968	27,528	30,956	28,677
Cost of goods sold	-22,202	-20,149	-18,660	-20,820	-19,389
Items affecting comparability - cost of goods sold	-11	-43	-10	22	-94
Gross profit	8,932	8,776	8,858	10,158	9,194
Sales, general and administration	-5,361	-5,446	-5,272	-5,777	-5,181
Items affecting comparability - sales, general and administration	535	-93	66	-24	-7
Share of profits of associates and joint ventures	4	36	12	33	12
EBITA	4,110	3,273	3,664	4,390	4,018
Amortization of acquisition-related intangible assets	-235	-181	-186	-199	-201
Operating profit	3,875	3,092	3,478	4,191	3,817
Financial items	-137	-177	-158	-172	-184
Profit before tax	3,738	2,915	3,320	4,019	3,633
Income taxes	-773	-840	-768	-990	-1,033
Net profit for the period	2,965	2,075	2,552	3,029	2,600

CONDENSED INCOME STATEMENT PARENT COMPANY

SEKm	2109	2009
Administrative expenses	-562	-557
Other operating income	160	28
Operating loss	-402	-529
Financial items	3,639	-824
Profit before tax	3,237	-1,353
Income taxes	287	274
Profit for the period	3,524	-1,079

CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	September 30, 2021	December 31, 2020
Intangible assets	0	0
Property, plant and equipment	14	14
Financial non-current assets	176,188	176,401
Total non-current assets	176,202	176,415
Total current assets	694	2,140
Total assets	176,896	178,555
Restricted equity	2,350	2,350
Non-restricted equity	84,972	86,189
Total equity	87,322	88,539
Untaxed reserves	5	5
Provisions	889	874
Non-current liabilities	36,163	31,710
Current liabilities	52,517	57,427
Total equity, provisions and liabilities	176,896	178,555

NOTES

1 ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

Amendment to the consolidation principle for ProNARO

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

2 RISKS AND UNCERTAINTIES

Processes for risk management

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

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

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

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

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

3 FINANCIAL INSTRUMENTS PER CATEGORY

Distribution by level for measurement at fair value

SEKm	Carrying amount in the balance sheet	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Measured at fair value through OCI	Financial liabilities measured at amortized cost	Of which fair value by level ¹	
						1	2
September 30, 2021							
Derivatives	4,616	570	4,046	-	-	-	4,616
Non-current financial assets	98	-	-	98	-	98	-
Total assets	4,714	570	4,046	98	0	98	4,616
Derivatives	693	252	441	-	-	-	693
Financial liabilities							
Current financial liabilities	14,622	28	-	-	14,594	-	28
Non-current financial liabilities	48,967	20,454	-	-	28,513	-	20,454
Total liabilities	64,282	20,734	441	-	43,107	-	21,175
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

¹ No financial instruments have been classified to level 3

The total fair value of the above financial liabilities, excluding lease liabilities, is SEK 60,456m (43,947). The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, trade payables and other current and non-current liabilities is estimated to be equal to their carrying amount.

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

4 Acquisitions and divestments

On May 14, Essity Aktiebolag acquired the remaining 25% of the shares of ABIGO Medical AB, making the company a wholly owned subsidiary. The purchase consideration paid for the remaining 25% amounted to SEK 228m. As per the terms of the transaction, ABIGO Medical's pharma business has been divested and sold to the company's founder Jan G. Smith on July 1.

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

Essity has paid 1.40 cash per share, a total of AUD 486m. The consideration entails an implicit value for all shares, including the previous holding, of AUD 760m (approximately SEK 4.9bn) and assumed net debt amounts to approximately AUD 196m. Essity's previous holding in Asaleo Care of 36.2% has, according to IFRS, been remeasured on July 1, resulting in a positive extraordinary remeasurement effect of AUD 110m (SEK 706m) in the third quarter. The remeasurement effect was calculated on the basis of the cash offer, less the assessed control premium contained therein.

Since the acquisition, Asaleo Care's reported net sales amounted to SEK 749m, adjusted EBITDA to SEK 124m and adjusted EBITA to SEK 78m. Had Asaleo Care been consolidated as of January 1, 2021, net sales would have amounted to SEK 1,848m, adjusted EBITDA to SEK 322m and adjusted EBITA to SEK 193m.

Purchase price allocation, Asaleo Care	Preliminary
SEKm	
Intangible assets	1,822
Non-current assets	1,041
Current assets	1,092
Cash and cash equivalents	159
Loan liabilities	-1,416
Provisions and other non-current liabilities	-479
Operating liabilities	-612
Net identifiable assets and liabilities	1,607
Goodwill	2,768
Carrying amount of share in associate	-565
Revaluation of previously owned share	-706
Consideration transferred	3,104
Consideration transferred	-3,104
Cash and cash equivalents in acquired operations	159
Effect on Group's cash and cash equivalents (Consolidated cash flow statement)	-2,945
Acquired net debt excluding cash and cash equivalents	-1,416
Acquisition of operation including assumed net debt (Consolidated operating cash flow statement)	-4,361

On August 31, 2021, Essity finalized the acquisition of 45.8% of the shares in the Colombian hygiene company Productos Familia S.A. ("Familia"). Essity now owns 95.8% of Familia. The purchase price amounted to USD 1,540m (approximately SEK 13bn) for 100% of the company on a debt-free basis. Already prior to acquisition of the additional shares, Essity had control of Familia and it was fully consolidated in the Group's accounts. The transaction with shareholders entailed an increase of SEK 5,960m in Essity's net debt and the corresponding decrease in Essity's equity.

5 Use of non-International Financial Reporting Standards (IFRS) performance measures

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

This interim report refers to a number of performance measures not defined in IFRS. These performance measures are used to help investors, management and other stakeholders analyze the company's operations. These non-IFRS measures may differ from similarly titled measures among other companies. Essity's 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	2109	2012
Total assets	176,288	154,645
-Financial assets	-12,945	-9,530
-Non-current non-interest bearing liabilities	-8,195	-6,700
-Current non-interest bearing liabilities	-34,228	-32,385
Capital employed	120,920	106,030

SEKm	2021:3	2021:2	2021:1	2020:4	2020:3
Personal Care	45,126	42,165	42,644	40,505	43,268
Consumer Tissue	50,632	48,493	47,084	45,283	46,464
Professional Hygiene	24,595	22,305	22,607	20,915	22,221
Other	567	-281	-5,092	-673	-322
Capital employed	120,920	112,682	107,243	106,030	111,631

Working capital

SEKm	2109	2012
Inventories	20,103	16,383
Trade receivables	19,126	17,825
Other current receivables	5,614	2,173
Trade payables	-16,668	-14,791
Other current liabilities	-15,385	-14,545
Other	-228	101
Working capital	12,562	7,146

Net debt

SEKm	2109	2012
Surplus in funded pension plans	1,763	2,817
Non-current financial assets	440	738
Current financial assets	642	993
Cash and cash equivalents	10,100	4,982
Financial assets	12,945	9,530
Non-current financial liabilities	49,193	38,202
Provisions for pensions	4,283	5,328
Current financial liabilities	15,020	8,688
Financial liabilities	68,496	52,218
Net debt	55,551	42,688

EBITDA

SEKm	2109	2009	2021:3	2020:3
Operating profit	10,445	12,567	3,875	3,817
-Amortization of acquisition-related intangible assets	602	610	235	201
-Depreciation/amortization	4,000	4,204	1,383	1,330
-Depreciation right-of-use asset	686	700	239	242
-Impairment	1	71	3	25
-Items affecting comparability - impairment net	101	186	72	116
EBITDA	15,835	18,338	5,807	5,731
-Items affecting comparability excluding depreciation/amortization and impairment	-545	-129	-596	-15
Adjusted EBITDA	15,290	18,209	5,211	5,716

EBITA

SEKm	2109	2009	2021:3	2020:3
Operating profit	10,445	12,567	3,875	3,817
-Amortization of acquisition-related intangible assets	602	610	235	201
-Operating profit before amortization of acquisition-related intangible assets (EBITA)	11,047	13,177	4,110	4,018
EBITA margin (%)	12.6	14.5	13.2	14.0
-Items affecting comparability - cost of goods sold	64	203	11	94
-Items affecting comparability - sales, general and administration	-508	-146	-535	7
Adjusted EBITA	10,603	13,234	3,586	4,119
Adjusted EBITA margin (%)	12.1	14.6	11.5	14.4

Operating cash flow

SEKm	2109	2009	2021:3	2020:3
Personal Care				
Operating cash surplus	6,644	6,715	2,375	2,261
Change in working capital	-309	-316	565	208
Investment in non-current assets, net	-1,305	-1,026	-617	-385
Restructuring costs, etc.	-81	45	-17	-32
Operating cash flow before investments in operating assets through leases	4,949	5,418	2,306	2,052
Investment in operating assets through leases	-10	-66	12	-36
Operating cash flow	4,939	5,352	2,318	2,016
Consumer Tissue				
Operating cash surplus	5,837	8,189	1,650	2,557
Change in working capital	-729	-954	-46	-1,135
Investment in non-current assets, net	-2,538	-1,854	-887	-749
Restructuring costs, etc.	-128	-236	-64	-149
Operating cash flow before investments in operating assets through leases	2,442	5,145	653	524
Investment in operating assets through leases	-63	-108	-24	-9
Operating cash flow	2,379	5,037	629	515
Professional Hygiene				
Operating cash surplus	3,549	4,123	1,436	1,160
Change in working capital	-846	-381	39	112
Investment in non-current assets, net	-604	-800	-250	-310
Restructuring costs, etc.	-327	-487	-83	-179
Operating cash flow before investments in operating assets through leases	1,772	2,455	1,142	783
Investment in operating assets through leases	-14	-41	-10	0
Operating cash flow	1,758	2,414	1,132	783

Organic net sales

SEKm	2109	2021:3
Personal Care		
Organic net sales	1,545	945
Exchange rate effect ¹	-1,944	-108
Acquisition/Divestments	-1	160
Recognized change	-400	997
Consumer Tissue		
Organic net sales	-485	-65
Exchange rate effect ¹	-1,475	148
Acquisition/Divestments	-199	53
Recognized change	-2,159	136
Professional Hygiene		
Organic net sales	421	1,226
Exchange rate effect ¹	-1,205	-108
Acquisition/Divestments	198	212
Recognized change	-586	1,330
Essity		
Organic net sales	1,471	2,110
Exchange rate effect ¹	-4,625	-67
Acquisition/Divestments	-1	424
Recognized change	-3,155	2,467

¹Consists only of currency translation effects