

# Interim Report Q1 2019

Essity Aktiebolag (publ)



# JANUARY 1 – MARCH 31, 2019

(compared with the corresponding period a year ago)

- Net sales increased 9.4% to SEK 30,656m (28,020)
- Organic net sales increased 4.3%
- Organic net sales increased 5.1%, excluding the lower sales of mother reels due to production closures
- In emerging markets, which accounted for 37% of net sales, organic net sales increased 9.1%
- Operating profit before amortization of acquisition-related intangible assets (EBITA) increased 9% to SEK 3,002m (2,760)
- Adjusted EBITA increased 2% to SEK 3,190m (3,119)
- Adjusted EBITA margin was 10.4% (11.1)
- Higher raw material and energy costs had a negative impact of SEK 1,017m on earnings
- Profit for the period increased 12% to SEK 1,929m (1,726)
- Earnings per share increased 20% to SEK 2.49 (2.08)
- Adjusted earnings per share increased 10% to SEK 2.86 (2.61)
- Cash flow from current operations increased to SEK 2,434m (1,247)

## EARNINGS TREND

SEKm	1903	1803	%
Net sales	30,656	28,020	9
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) <sup>1</sup>	3,190	3,119	2
Operating profit before amortization of acquisition-related intangible assets (EBITA)	3,002	2,760	9
Amortization of acquisition-related intangible assets	-187	-169	
Adjusted operating profit <sup>1</sup>	3,003	2,950	2
Items affecting comparability	-188	-359	
Operating profit	2,815	2,591	9
Financial items	-342	-290	
Profit before tax	2,473	2,301	7
Adjusted profit before tax <sup>1</sup>	2,661	2,660	0
Tax	-544	-575	
Profit for the period	1,929	1,726	12
Earnings per share, SEK	2.49	2.08	
Adjusted earnings per share, SEK <sup>2</sup>	2.86	2.61	

<sup>1</sup>Excluding items affecting comparability; for amounts see page 10.

<sup>2</sup>Excluding items affecting comparability and amortization of acquisition related intangible assets.

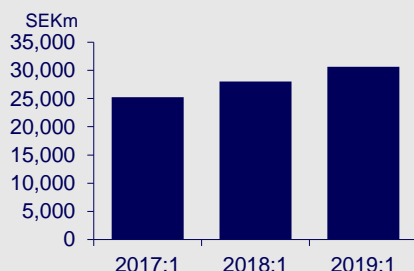
## SUMMARY OF THE FIRST QUARTER OF 2019

We have continued our activities to increase profitability and implemented further efficiency improvements that have yielded significant costs savings. Our digital initiatives across all parts of the business have helped to enhance efficiency, quality and our offering to customers and consumers. In addition, we carried out price increases in all business areas. We continued to invest in our strong brands and launched innovations that have further reinforced our customer and consumer offering and improved the product mix. For example, within Incontinence Products, we launched TENA Silhouette and within Feminine Care, we launched intimate care products under the Bodyform brand. Our targeted efforts to build a winning corporate culture are yielding results and Essity has been named Sweden's most attractive employer in 2019 by Randstad.

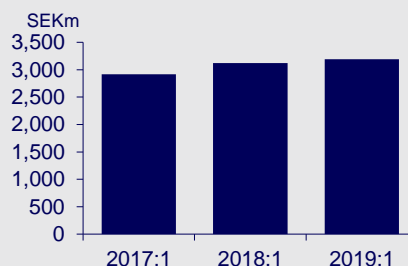
The Group's net sales increased 9.4% in the first quarter of 2019 compared with the corresponding period a year ago. Organic net sales, excluding the lower sales of mother reels, increased 5.1%. Including the lower sales of mother reels, organic net sales increased 4.3%, of which volume accounted for 1.1% and price/mix for 3.2%. Organic net sales was positively impacted by higher volumes and prices and a better product mix in all business areas. In emerging markets, which accounted for 37% of net sales, organic net sales increased 9.1%, while the increase in mature markets was 1.8%.

The Group's adjusted EBITA in the first quarter of 2019 increased 2% compared with the corresponding period a year ago. Earnings were positively impacted by higher volumes, higher prices, a better product mix and cost savings. Cost savings amounted to SEK 295m, of which SEK 109m was related to the Group-wide cost-savings program. The program is proceeding according to plan and at the end of the first quarter of 2019, the annual rate of savings was approximately SEK 530m. Higher raw material and energy costs had a negative impact of SEK -1,017m on earnings, which corresponds to a negative impact on the adjusted EBITA margin of -3.5 percentage points. Furthermore, higher distribution costs had a negative impact on earnings. The Group's adjusted EBITA margin decreased 0.7 percentage points to 10.4%. The adjusted return on capital employed was 11.3%. Operating cash flow increased 10%. Earnings per share increased 20% to SEK 2.49.

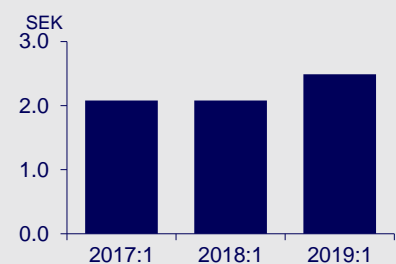
### Net sales



### Adjusted EBITA



### Earnings per share



*Excluding items affecting comparability; for amounts see page 10.*

**ADJUSTED EARNINGS TREND**

SEKm	1903	1803	%
<b>Net sales</b>	<b>30,656</b>	28,020	9
Cost of goods sold <sup>1</sup>	-22,307	-19,964	
<b>Adjusted gross profit<sup>1</sup></b>	<b>8,349</b>	8,056	4
Sales, general and administration <sup>1</sup>	-5,159	-4,937	
<b>Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)<sup>1</sup></b>	<b>3,190</b>	3,119	2
Amortization of acquisition-related intangible assets <sup>1</sup>	-187	-169	
<b>Adjusted operating profit<sup>1</sup></b>	<b>3,003</b>	2,950	2
Financial items	-342	-290	
<b>Adjusted profit before tax<sup>1</sup></b>	<b>2,661</b>	2,660	0
Adjusted tax <sup>1</sup>	-597	-677	
<b>Adjusted profit for the period<sup>1</sup></b>	<b>2,064</b>	1,983	4
<sup>1</sup> Excluding items affecting comparability; for amounts see page 10.			
<b>Adjusted Margins (%)</b>			
<b>Gross margin<sup>1</sup></b>	<b>27.2</b>	28.8	
<b>EBITA margin<sup>1</sup></b>	<b>10.4</b>	11.1	
<b>Operating margin<sup>1</sup></b>	<b>9.8</b>	10.5	
Financial net margin	-1.1	-1.0	
<b>Profit margin<sup>1</sup></b>	<b>8.7</b>	9.5	
Tax <sup>1</sup>	-1.9	-2.4	
<b>Net margin<sup>1</sup></b>	<b>6.8</b>	7.1	

<sup>1</sup> Excluding items affecting comparability; for amounts see page 10.

**ADJUSTED EBITA BY BUSINESS AREA**

SEKm	1903	1803	%
Personal Care	1,540	1,532	1
Consumer Tissue	1,069	966	11
Professional Hygiene	741	772	-4
Other	-160	-151	
<b>Total<sup>1</sup></b>	<b>3,190</b>	3,119	2

<sup>1</sup> Excluding items affecting comparability; for amounts see page 10.

**ADJUSTED OPERATING PROFIT BY BUSINESS AREA**

SEKm	1903	1803	%
Personal Care	1,364	1,372	-1
Consumer Tissue	1,068	965	11
Professional Hygiene	732	764	-4
Other	-161	-151	
<b>Total<sup>1</sup></b>	<b>3,003</b>	2,950	2

<sup>1</sup> Excluding items affecting comparability; for amounts see page 10.

**OPERATING CASH FLOW BY BUSINESS AREA**

SEKm	1903	1803	%
Personal Care	1,326	934	42
Consumer Tissue	653	639	2
Professional Hygiene	211	432	-51
Other	-40	-57	
<b>Total</b>	<b>2,150</b>	1,948	10



## GROUP

### NET SALES AND EARNINGS

#### January–March 2019 compared with the corresponding period a year ago

Net sales increased 9.4% compared with the corresponding period a year ago to SEK 30,656m (28,020). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 4.3%, of which volume accounted for 1.1% and price/mix for 3.2%. Excluding lower sales of mother reels within Consumer Tissue, resulting from production closures within the scope of Tissue Roadmap, organic sales increased 5.1%. Organic net sales increased 1.8% in mature markets and increased 9.1% in emerging markets. Emerging markets accounted for 37% of net sales. Exchange rate effects increased net sales by 4.8%. Acquisitions relating to the increase in the shareholding in associates in Latin America increased net sales by 0.3%.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 2% (declined 2% excluding currency translation effects and acquisitions) to SEK 3,190m (3,119). Higher prices, a better mix, higher volumes and cost savings had a positive impact on earnings. Cost savings amounted to SEK 295m, of which SEK 109m was related to the Group-wide cost-savings program. Higher raw material and energy costs had a negative earnings effect of SEK -1,017m, which corresponds to a negative impact on the adjusted EBITA margin of -3.5 percentage points. Furthermore, higher distribution costs had a negative impact on earnings. Acquisitions relating to the increase in the shareholding in associates in Latin America increased profit by 1%.

Items affecting comparability amounted to SEK -188m (-359) and include costs of approximately SEK -120m related to restructuring costs for the Group-wide cost-savings program. Other costs negatively impacted items affecting comparability by SEK -68m.

Financial items increased to SEK -342m (-290). The increase is primarily due to higher interest and higher average net debt, primarily due to the new accounting standard for leases.

Adjusted profit before tax was in level with the preceding year (decline of 4% excluding currency translation effects and acquisitions) and amounted to SEK 2,661m (2,660).

The tax expense, excluding effects of items affecting comparability, was SEK 597m (677).

Adjusted profit for the period increased 4% (in level with the preceding year excluding currency translation effects and acquisitions) and amounted to SEK 2,064m (1,983).

Profit for the period increased 12% (8% excluding currency translation effects and acquisitions) to SEK 1,929m (1,726). Earnings per share were SEK 2.49 (2.08). The adjusted earnings per share were SEK 2.86 (2.61).

The adjusted return on capital employed was 11.3% (11.9). The adjusted return on equity was 14.6% (15.3).

### CASH FLOW AND FINANCING

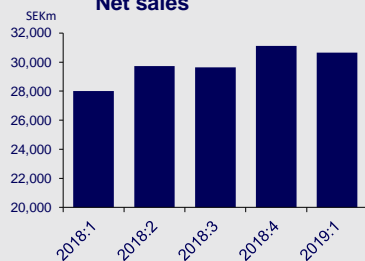
#### January–March 2019 compared with the corresponding period a year ago

The operating cash surplus amounted to SEK 4,854m (4,412). The cash flow effect of changes in working capital was SEK -958m (-1,172). Investments in non-current assets, net, excluding investments in operating assets, amounted to SEK -1,388m (-1,202). Operating cash flow before investments in operating assets through leases amounted to SEK 2,282m (1,948). Investments in operating assets through leases amounted to SEK -132m (0). Operating cash flow was SEK 2,150m (1,948).

Financial items increased to SEK -342m (-290). The increase is primarily due to higher interest and higher average net debt, primarily due to the new accounting standard for leases. Tax payments had a positive impact on cash flow of SEK 625m (-486). A decision in a tax case in Sweden reduced the tax payment by approximately SEK 1.1bn.

The net sum of acquisitions and divestments was SEK -4m (-372). Net cash flow totaled SEK 2,431m (862).

Net sales



Adjusted EBITA and margin



Excluding items affecting comparability

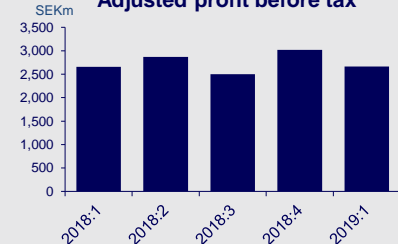
#### Change in net sales (%)

	1903 vs 1803
<b>Total</b>	<b>9.4</b>
Price/mix	3.2
Volume	1.1
Currency	4.8
Acquisitions	0.3
Divestments	0.0

#### Change in adjusted EBITA (%)

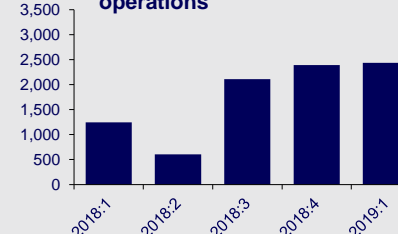
	1903 vs 1803
<b>Total</b>	<b>2</b>
Price/mix	28
Volume	6
Raw materials	-29
Energy	-4
Currency	3
Other	-2

Adjusted profit before tax



Excluding items affecting comparability

Cash flow from current operations



Net debt increased by SEK 3,318m compared with the same point in time last year and amounted to SEK 57,722m. The increase is mainly due to a new accounting standard for leases, which increased net debt by SEK 3,867m. Excluding pension liabilities, net debt amounted to SEK 53,309m. Net cash flow reduced net debt by SEK 2,431m. 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 340m. Exchange rate movements increased net debt by SEK 1,561m. Investments in non-operating assets through leases increased net debt by SEK 62m (0).

The debt/equity ratio was 0.99 (0.99). Excluding pension liabilities, the debt/equity ratio was 0.91 (0.93). The debt payment capacity was 26% (27). Net debt in relation to adjusted EBITDA amounted to 3.07 (2.84).

## **EQUITY**

### **January–March 2019**

The Group's equity increased by SEK 3,553m during the period, to SEK 58,452m. Net profit for the period increased equity by SEK 1,929m. Equity decreased net after tax by SEK 242m 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 reduced equity by SEK 261m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 2,137m. Other items reduced equity by SEK 10m.

## **TAX**

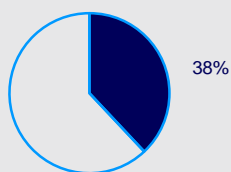
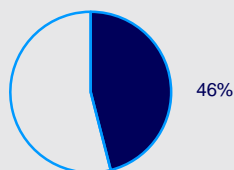
### **January–March 2019**

A tax expense of SEK 597m was reported, excluding items affecting comparability. The reported tax expense corresponds to a tax rate of about 22.4% for the period. The tax expense including items affecting comparability was SEK 544m, corresponding to a tax rate of 22.0% for the period.

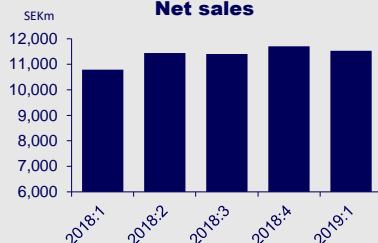
## **EVENTS AFTER THE QUARTER**

### **Annual General Meeting 2019**

On April 4, 2019, Essity's Annual General Meeting decided on a dividend of SEK 5.75 per share for the 2018 fiscal year. The record date for the dividend was Monday, April 8, 2019. Board members Ewa Björling, Pär Boman, Maija-Liisa Friman, Annemarie Gardshol, Magnus Groth, Bert Nordberg, Louise Svanberg, Lars Rebien Sørensen and Barbara Milian Thoralfsson were re-elected. Pär Boman was re-elected Chairman of the Board.

Share of Group, net sales  
1903Share of Group, adjusted EBITA  
1903

Net sales



Adjusted EBITA and margin



Change in net sales (%)

1903 vs  
1803

<b>Total</b>	<b>7.0</b>
Price/mix	1.8
Volume	1.6
Currency	3.3
Acquisitions	0.3
Divestments	0.0

Change in adjusted EBITA (%)

1903 vs  
1803

<b>Total</b>	<b>1</b>
Price/mix	12
Volume	5
Raw materials	-19
Energy	-1
Currency	1
Other	3

## PERSONAL CARE

SEKm	1903	1803	%
Net sales	11,535	10,785	7
Adjusted EBITA*	1,540	1,532	1
Adjusted EBITA margin, %*	13.4	14.2	
Adjusted operating profit*	1,364	1,372	-1
Adjusted operating margin, %*	11.8	12.7	
Adjusted return on capital employed, %*	14.2	15.0	
Operating cash flow	1,326	934	

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

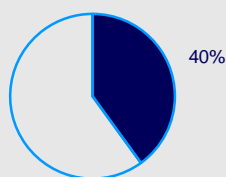
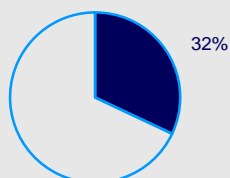
### January–March 2019 compared with the corresponding period a year ago

Net sales increased 7.0% to SEK 11,535m (10,785). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 3.4%. Volumes increased 1.6%, mainly related to Incontinence Products, Medical Solutions and Feminine Care. Price/mix increased by 1.8%, primarily attributable to Feminine Care and Incontinence Products. Organic net sales in mature markets increased 2.5%. In emerging markets, which accounted for 37% of net sales, organic net sales increased 5.1%. Acquisitions relating to the increase in the shareholding in associates in Latin America increased net sales by 0.3%. Exchange rate effects increased net sales by 3.3%.

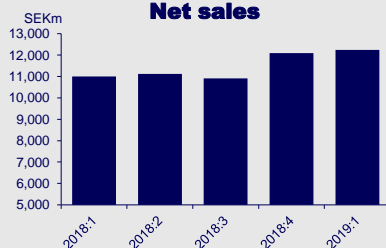
For Incontinence Products, with the globally leading TENA brand, organic net sales increased 3.7%. Growth was related to emerging markets, North America and Western Europe. Growth in Europe and North America was attributable to both the retail trade and the healthcare sector. In Medical Solutions, organic net sales increased 2.9%, mainly related to emerging markets and Western Europe. For Baby Care, organic net sales decreased 1.1%. The decrease was related to emerging markets. Organic net sales increased in Western Europe. For Feminine Care, organic net sales increased 9.3%, related primarily to Latin America.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA), increased 1% (declined 2% excluding currency translation effects and acquisitions) to SEK 1,540m (1,532). The increase was mainly related to a better price/mix, higher volumes and cost savings. Higher raw material and energy costs negatively impacted profits by SEK -313m, which corresponds to a negative impact on the adjusted EBITA margin of -2.8 percentage points. The significantly higher raw material costs were mainly related to pulp and oil-based raw materials. Higher distribution costs also negatively impacted earnings. Acquisitions relating to the increase in the shareholding in associates in Latin America increased profit by 2%.

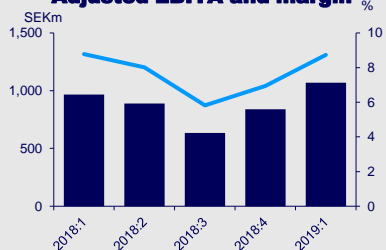
The operating cash surplus amounted to SEK 2,034m (1,858).

Share of Group, net sales  
1903Share of Group, adjusted EBITA  
1903

Net sales



Adjusted EBITA and margin



Change in net sales (%)

	1903 vs 1803
<b>Total</b>	<b>11.3</b>
Price/mix	5.0
Volume	0.6
Currency	5.2
Acquisitions	0.5
Divestments	0.0

Change in adjusted EBITA (%)

	1903 vs 1803
<b>Total</b>	<b>11</b>
Price/mix	57
Volume	6
Raw materials	-44
Energy	-7
Currency	6
Other	-7

## CONSUMER TISSUE

SEKm	1903	1803	%
Net sales	12,248	11,003	11
Adjusted EBITA*	1,069	966	11
Adjusted EBITA margin, %*	8.7	8.8	
Adjusted operating profit*	1,068	965	11
Adjusted operating margin, %*	8.7	8.8	
Adjusted return on capital employed, %*	9.2	8.7	
Operating cash flow	653	639	

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

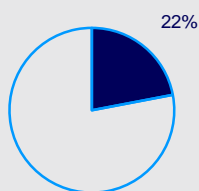
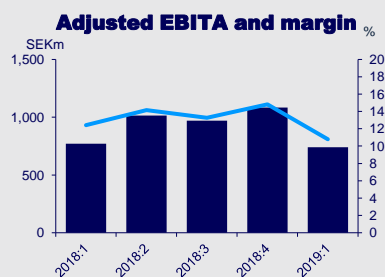
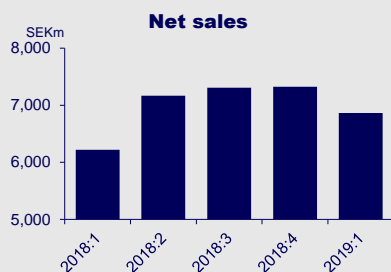
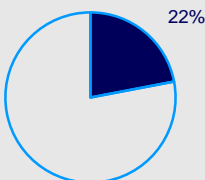
### January–March 2019 compared with the corresponding period a year ago

Net sales increased 11.3% to SEK 12,248m (11,003). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 5.6%. Volumes increased 0.6%, mainly related to Asia. The price mix increased 5.0%, primarily attributable to higher prices in Asia, Europe and Latin America. Excluding lower sales of mother reels resulting from production closures within the scope of Tissue Roadmap, organic net sales increased 7.2%. Organic net sales increased 1.6% in mature markets. In emerging markets, which accounted for 46% of net sales, organic net sales increased by 10.8%. Acquisitions relating to the increase in the shareholding in associates in Latin America increased net sales by 0.5%. Exchange rate effects increased net sales by 5.2%.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) increased 11% (4% excluding currency translation effects and acquisitions) to SEK 1,069m (966). The increase was mainly due to higher prices, a better mix, higher volumes and cost savings. Higher raw material and energy costs negatively impacted earnings by SEK -496m, corresponding to a negative impact on the adjusted EBITA margin of -4.3 percentage points. The significantly higher raw material costs were mainly the result of higher pulp costs. Higher distribution costs also negatively impacted earnings. Acquisitions relating to the increase in the shareholding in associates in Latin America increased profit by 1%.

The operating cash surplus totaled SEK 1,708m (1,503).



Share of Group, net sales  
1903Share of Group, adjusted EBITA  
1903

Change in net sales (%)

	1903 vs 1803
<b>Total</b>	<b>10.4</b>
Price/mix	2.6
Volume	1.4
Currency	6.4
Acquisitions	0.0
Divestments	0.0

Change in adjusted EBITA (%)

	1903 vs 1803
<b>Total</b>	<b>-4</b>
Price/mix	18
Volume	4
Raw materials	-22
Energy	-5
Currency	3
Other	-2

## PROFESSIONAL HYGIENE

SEKm	1903	1803	%
Net sales	6,867	6,218	10
Adjusted EBITA*	741	772	-4
Adjusted EBITA margin, %*	10.8	12.4	
Adjusted operating profit*	732	764	-4
Adjusted operating margin, %*	10.7	12.3	
Adjusted return on capital employed, %*	12.7	15.3	
Operating cash flow	211	432	

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

### January–March 2019 compared with the corresponding period a year ago

Net sales increased 10.4% to SEK 6,867m (6,218). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 4.0%. Volumes increased by 1.4%, mainly related to Europe, Asia and Latin America. Price/mix increased by 2.6%, primarily due to higher prices in Europe, North America, Asia and Latin America. Organic net sales increased 1.4% in mature markets. Organic net sales increased in Western Europe while there was a decrease in North America. In emerging markets, which accounted for 21% of net sales, organic net sales increased 15.6%. Exchange rate effects increased net sales by 6.4%.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 4% (7% excluding currency translation effects and acquisitions) to SEK 741m (772). Earnings were positively impacted by higher prices, a better mix, higher volumes and cost savings. Higher raw material and energy costs had a negative impact on earnings of SEK -209m, which corresponds to a negative impact on the adjusted EBITA margin of -3.2 percentage points. The significantly higher raw material costs were mainly related to pulp and recovered paper. Higher distribution costs also negatively impacted earnings.

The operating cash surplus was SEK 1,239m (1,187).

## DISTRIBUTION OF SHARES

March 31, 2019	Class A	Class B	Total
Registered number of shares	63,934,692	638,407,797	702,342,489

At the end of first quarter of 2019, the proportion of Class A shares was 9.1%. During the first quarter, 58,079 Class A shares were converted into Class B shares at the request of shareholders. The total number of votes in the company amounts to 1,277,754,717.

## FUTURE REPORTS

In 2019, interim reports will be published on July 18 and October 25.

## INVESTOR DAY

Essity will arrange an Investor Day in Stockholm, Sweden, on May 23, 2019.

## INVITATION TO PRESS CONFERENCE ON INTERIM REPORT Q1 2019

Media and analysts are invited to a press conference, where this interim report will be presented by Magnus Groth, President and CEO.

Time: 9:00 a.m. CET, Thursday, April 25, 2019

Location: Essity's headquarters, Waterfront Building, Klarabergsviadukten 63, Stockholm, Sweden

The press conference will be webcasted live at [www.essity.com](http://www.essity.com). To participate by telephone, call: +44 (0) 207 192 80 00, +1 631 510 74 95 or +46 8 506 921 80. Please call well in advance of the start of the conference. Specify "Essity" or conference ID no. 2778769. Link to webcast: <https://essity.videosync.fi/2019-04-25-q1>

Stockholm, April 25, 2019  
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:

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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 07:00 CET on April 25, 2019. This interim report has not been reviewed by the company's auditors.

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

**CONDENSED STATEMENT OF PROFIT OR LOSS**

SEKm	2019:1	2018:1	2018:4	1903	1803
<b>Net sales</b>	<b>30,656</b>	28,020	31,112	<b>30,656</b>	28,020
Cost of goods sold <sup>1,2</sup>	-22,307	-19,964	-22,574	-22,307	-19,964
Items affecting comparability <sup>2</sup>	-99	-554	71	-99	-554
<b>Gross profit</b>	<b>8,250</b>	7,502	8,609	<b>8,250</b>	7,502
Sales, general and administration <sup>1</sup>	-5,186	-4,964	-5,106	-5,186	-4,964
Items affecting comparability <sup>2</sup>	-89	195	-47	-89	195
Share of profits of associates and joint ventures	27	27	19	27	27
<b>Operating profit before amortization of acquisition-related intangible assets</b>	<b>3,002</b>	2,760	3,475	<b>3,002</b>	2,760
Amortization of acquisition-related intangible assets <sup>1</sup>	-187	-169	-195	-187	-169
Items affecting comparability <sup>2</sup>	0	0	-64	0	0
<b>Operating profit</b>	<b>2,815</b>	2,591	3,216	<b>2,815</b>	2,591
Financial items	-342	-290	-236	-342	-290
<b>Profit before tax</b>	<b>2,473</b>	2,301	2,980	<b>2,473</b>	2,301
Tax	-544	-575	637	-544	-575
<b>Profit for the period</b>	<b>1,929</b>	1,726	3,617	<b>1,929</b>	1,726
<b>Earnings attributable to:</b>					
Owners of the parent	1,749	1,460	3,403	1,749	1,460
Non-controlling interests	180	266	214	180	266
Average no. of shares before dilution, millions	702.3	702.3	702.3	702.3	702.3
Average no. of shares after dilution, millions	702.3	702.3	702.3	702.3	702.3
<b>Earnings per share, SEK - owners of the parent</b>					
- before dilution effects	2.49	2.08	4.85	2.49	2.08
- after dilution effects	2.49	2.08	4.85	2.49	2.08
<sup>1</sup> Of which, depreciation	-1,808	-1,457	-1,611	-1,808	-1,457
<sup>2</sup> Of which, impairment	-11	-298	23	-11	-298
<b>Gross margin</b>	<b>26.9</b>	26.8	27.7	<b>26.9</b>	26.8
<b>EBITA margin</b>	<b>9.8</b>	9.9	11.2	<b>9.8</b>	9.9
Operating margin	9.2	9.2	10.3	9.2	9.2
Financial net margin	-1.1	-1.0	-0.8	-1.1	-1.0
<b>Profit margin</b>	<b>8.1</b>	8.2	9.5	<b>8.1</b>	8.2
Tax	-1.8	-2.1	2.0	-1.8	-2.1
<b>Net margin</b>	<b>6.3</b>	6.1	11.5	<b>6.3</b>	6.1
<b>Excluding items affecting comparability:</b>					
<b>Gross margin</b>	<b>27.2</b>	28.8	27.4	<b>27.2</b>	28.8
<b>EBITA margin</b>	<b>10.4</b>	11.1	11.1	<b>10.4</b>	11.1
Operating margin	9.8	10.5	10.5	9.8	10.5
Financial net margin	-1.1	-1.0	-0.8	-1.1	-1.0
<b>Profit margin</b>	<b>8.7</b>	9.5	9.7	<b>8.7</b>	9.5
Tax	-1.9	-2.4	1.9	-1.9	-2.4
<b>Net margin</b>	<b>6.8</b>	7.1	11.6	<b>6.8</b>	7.1

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SEKm	2019:1	2018:1	2018:4	1903	1803
<b>Profit for the period</b>	<b>1,929</b>	1,726	3,617	<b>1,929</b>	1,726
<b>Other comprehensive income for the period</b>					
<b>Items that may not be reclassified to the income statement</b>					
Actuarial gains/losses on defined benefit pension plans	-343	2	-2,196	-343	2
Measured at fair value through other comprehensive income	3	-1	-4	3	-1
Income tax attributable to components of other comprehensive income	101	-7	459	101	-7
	-239	-6	-1,741	-239	-6
<b>Items that have been or may be reclassified subsequently to the income statement</b>					
Cash flow hedges	-355	-60	-303	-355	-60
Translation differences in foreign operations	2,311	3,504	-559	2,311	3,504
Gains/losses from hedges of net investments in foreign operations	-215	-1,125	300	-215	-1,125
Other comprehensive income from associated companies	-11	14	13	-11	14
Income tax attributable to components of other comprehensive income	130	264	10	130	264
	1,860	2,597	-539	1,860	2,597
<b>Other comprehensive income for the period, net of tax</b>	<b>1,621</b>	2,591	-2,280	<b>1,621</b>	2,591
<b>Total comprehensive income for the period</b>	<b>3,550</b>	4,317	1,337	<b>3,550</b>	4,317
<b>Total comprehensive income attributable to:</b>					
Owners of the parent	3,056	3,609	1,166	3,056	3,609
Non-controlling interests	494	708	171	494	708

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	1903	1803
<b>Attributable to owners of the parent</b>		
Opening balance, January 1	47,141	42,289
Effect attributable to change accounting standard IFRS 9	0	-9
Tax effect attributable to change accounting standard IFRS 9	0	2
Total comprehensive income for the period	3,056	3,609
Private placement to non-controlling interest	1	2
Transferred to cost of hedged investment	2	-4
<b>Closing balance</b>	<b>50,200</b>	45,889
<b>Non-controlling interests</b>		
Opening balance, January 1	7,758	7,281
Total comprehensive income for the period	494	708
Dividend	-1	-16
Private placement to non-controlling interest	1	1
<b>Closing balance</b>	<b>8,252</b>	7,974
<b>Total equity, closing balance</b>	<b>58,452</b>	53,863



## CONSOLIDATED OPERATING CASH FLOW STATEMENT

SEKm	1903	1803	1812
Operating cash surplus	4,854	4,412	18,570
Change in working capital	-958	-1,172	-971
Capital expenditures non-current assets, net	-1,388	-1,202	-6,781
Restructuring costs, etc.	-226	-90	-918
<b>Operating cash flow before Investments in operating assets through leases</b>	<b>2,282</b>	1,948	9,900
Investments in operating assets through leases	-132	0	0
<b>Operating cash flow</b>	<b>2,150</b>	1,948	9,900
Financial items	-342	-290	-1,157
Income taxes paid	625	-486	-2,466
Other	1	75	86
<b>Cash flow from current operations</b>	<b>2,434</b>	1,247	6,363
Acquisitions	-10	-373	-694
Divestments	6	1	68
<b>Cash flow before dividend</b>	<b>2,430</b>	875	5,737
Private placement to non-controlling interest	2	3	5
Dividend to non-controlling interests	-1	-16	-397
Dividend	0	0	-4,038
<b>Net cash flow</b>	<b>2,431</b>	862	1,307
<b>Net debt at the start of the period</b>	<b>-54,404</b>	-52,467	-52,467
Changed opening balance for net debt due to IFRS 16 Leases	-3,786	0	0
Net cash flow	2,431	862	1,307
Remeasurement to equity	-340	1	-1,042
Investments in non-operating assets through leases	-62	0	0
Translation differences	-1,561	-1,787	-2,202
<b>Net debt at the end of the period</b>	<b>-57,722</b>	-53,391	-54,404
<b>Debt/equity ratio</b>	<b>0.99</b>	0.99	0.99
<b>Debt payment capacity, %</b>	<b>26</b>	27	25
<b>Net debt / EBITDA</b>	<b>3.25</b>	2.90	3.11
<b>Net debt / Adjusted EBITDA</b>	<b>3.07</b>	2.84	2.96

### Comments on the consolidated operating cash flow statement

As of 2019, strategic capital expenditures will be recognized together with current capital expenditures and be included in Investments in non-current assets, net. Previously, strategic capital expenditures were recognized under cash flow from current operations together with acquisitions and divestments. The effect of the restatement of comparative periods has entailed a decrease in operating cash flow and cash flow from current operations of SEK -438m for the first quarter of 2018 and SEK -2,424m for full-year 2018. Net cash flow is unchanged for periods in the preceding year.

Investments in operating assets through leases are recognized separately and subtotals for operating cash flow before and after these investments have been introduced into the operating cash flow statement. Investments in non-operating assets through leases do not constitute part of operating cash flow but are instead recognized as a change in net debt. The initial effect of the transition to IFRS 16 is also recognized on a line in change in net debt.

**CONSOLIDATED CASH FLOW STATEMENT**

<b>SEKm</b>	<b>1903</b>	<b>1803</b>	<b>1812</b>
<b>Operating activities</b>			
Operating profit	2,815	2,591	10,759
Adjustment for non-cash items <sup>1</sup>	2,022	1,869	7,562
Interest paid	-303	-257	-820
Interest received	22	26	84
Other financial items	-116	-104	-405
Change in liabilities relating to restructuring programs, etc.	-209	-63	-583
Paid tax	625	-486	-2,466
<b>Cash flow from operating activities before changes in working capital</b>	<b>4,856</b>	<b>3,576</b>	<b>14,131</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories	-671	-445	-1,017
Change in operating receivables	-1,208	-578	-344
Change in operating liabilities	921	-149	390
<b>Cash flow from operating activities</b>	<b>3,898</b>	<b>2,404</b>	<b>13,160</b>
<b>Investing activities</b>			
Company acquisitions	-10	-362	-461
Divestments	6	1	68
Investments in property, plant and equipment and intangible assets	-1,429	-1,237	-6,906
Sale of property, plant and equipment	41	41	134
Loans granted to external parties	-177	0	0
Repayment of loans from external parties	0	251	178
<b>Cash flow from investing activities</b>	<b>-1,569</b>	<b>-1,306</b>	<b>-6,987</b>
<b>Financing activities</b>			
Private placement to non-controlling interests	2	3	5
Dividend	0	0	-4,038
Loans raised	952	261	4,386
Amortization of debt	-2,837	-202	-7,295
Dividend to non-controlling interests	-1	-16	-397
<b>Cash flow from financing activities</b>	<b>-1,884</b>	<b>46</b>	<b>-7,339</b>
<b>Cash flow for the period</b>	<b>445</b>	<b>1,144</b>	<b>-1,166</b>
Cash and cash equivalents at the beginning of the period	3,008	4,107	4,107
Exchange -differences in cash and cash equivalents	128	99	67
<b>Cash and cash equivalents at the end of the period</b>	<b>3,581</b>	<b>5,350</b>	<b>3,008</b>
Cash flow from operating activities per share, SEK	5.55	3.42	18.74

**CONSOLIDATED CASH FLOW STATEMENT (cont.)**

SEKm	1903	1803	1812
<b>Reconciliation with consolidated operating cash flow statement</b>			
<b>Cash flow for the period</b>	<b>445</b>	<b>1,144</b>	<b>-1,166</b>
Amortization of debt	2,837	202	7,295
Loans raised	-952	-261	-4,386
Loans granted to external parties	177	0	0
Repayment of loans from external parties	0	-251	-178
Investment through financial lease	-133	-6	-8
Net debt in acquired and divested operations	0	-11	-234
Accrued interest	56	46	-16
Other	1	-1	0
<b>Net cash flow according to consolidated operating cash flow statement</b>	<b>2,431</b>	<b>862</b>	<b>1,307</b>
<i><sup>1)</sup>Adjustment for non-cash items</i>			
<i>Depreciation/amortization and impairment of non-current assets</i>	<i>1,819</i>	<i>1,755</i>	<i>6,709</i>
<i>Gain/loss on asset sales and swaps</i>	<i>0</i>	<i>-12</i>	<i>35</i>
<i>Change, provision related to antitrust cases</i>	<i>0</i>	<i>0</i>	<i>95</i>
<i>Gain/loss on divestments</i>	<i>-6</i>	<i>-1</i>	<i>-69</i>
<i>Unpaid relating to efficiency program</i>	<i>158</i>	<i>213</i>	<i>669</i>
<i>Change, one-time foreign tax on non-current assets</i>	<i>0</i>	<i>0</i>	<i>-288</i>
<i>Share of profits of associated companies, items affecting comparability (Asaleo Care Ltd)</i>	<i>0</i>	<i>0</i>	<i>278</i>
<i>Revaluation effect of previously owned holding upon acquisition</i>	<i>0</i>	<i>-225</i>	<i>-225</i>
<i>Other</i>	<i>51</i>	<i>139</i>	<i>358</i>
<i>Total</i>	<i>2,022</i>	<i>1,869</i>	<i>7,562</i>

**Comments on the consolidated cash flow statement**

Until 2018, payments were recognized for pension plans with a surplus in cash flow from investing activities and payments for pension plans with a deficit in cash flow from financing activities. From 2019, all payments for pensions are recognized in cash flow from financing activities given that Essity has a net pension liability. The change means that comparative periods – the first quarter of 2018 and full-year 2018 – were restated, which is why cash flow from investing activities was changed by SEK +18m and cash flow from financing activities was changed by SEK -18m compared with the figures presented in the interim report for the first quarter of 2018. The effect of the restatement of comparative periods for full-year 2018 resulted in a change in cash flow of SEK +518m from investing activities and a change in cash flow from financing activities of SEK -518m. Cash flow from operating activities is unchanged for the periods.

**CONSOLIDATED BALANCE SHEET**

<b>SEKm</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>		
Goodwill	34,612	33,553
Other intangible assets	21,994	21,475
Buildings, land, machinery and equipment	57,358	51,673
Participation in joint ventures and associates	818	777
Shares and participation	29	29
Surplus in funded pension plans	1,730	1,117
Non-current financial assets	663	634
Deferred tax assets	2,169	2,158
Other non-current assets	664	705
<b>Total non-current assets</b>	<b>120,037</b>	<b>112,121</b>
Inventories	16,479	15,234
Trade receivables	20,606	18,687
Current tax assets	1,107	2,126
Other current receivables	2,575	2,599
Current financial assets	609	422
Non-current assets held for sale	81	69
Cash and cash equivalents	3,581	3,008
<b>Total current assets</b>	<b>45,038</b>	<b>42,145</b>
<b>Total assets</b>	<b>165,075</b>	<b>154,266</b>
<b>Equity</b>		
Share capital	2,350	2,350
Reserves	6,564	5,003
Retained earnings	41,286	39,788
<b>Attributable to owner of the Parent</b>	<b>50,200</b>	<b>47,141</b>
Non-controlling interests	8,252	7,758
<b>Total equity</b>	<b>58,452</b>	<b>54,899</b>
<b>Liabilities</b>		
Non-current financial liabilities	44,282	43,500
Provisions for pensions	6,143	5,258
Deferred tax liabilities	7,132	7,272
Other non-current provisions	705	1,694
Other non-current liabilities	96	71
<b>Total non-current liabilities</b>	<b>58,358</b>	<b>57,795</b>
Current financial liabilities	13,880	10,827
Trade payables	17,258	15,911
Current tax liabilities	1,437	570
Current provisions	1,443	1,472
Other current liabilities	14,247	12,792
<b>Total current liabilities</b>	<b>48,265</b>	<b>41,572</b>
<b>Total liabilities</b>	<b>106,623</b>	<b>99,367</b>
<b>Total equity and liabilities</b>	<b>165,075</b>	<b>154,266</b>



**CONSOLIDATED BALANCE SHEET (cont.)**

SEKm	March 31, 2019	December 31, 2018
Debt/equity ratio	0.99	0.99
Equity/assets ratio	30%	31%
Equity	58,452	54,899
Equity per share	83	78
Return on equity	16.0%	16.1%
Return on equity excluding items affecting comparability	17.6%	18.0%
Capital employed	116,174	109,303
- of which working capital	8,029	7,568
Return on capital employed*	10.7%	10.8%
Return on capital employed* excluding items affecting comparability	11.8%	12.0%
Net debt	57,722	54,404
Provisions for restructuring costs are included in the balance sheet as follows		
-Other non-current provisions	705	1,694
-Other current provisions	845	905
Provisions for tax risks are included in the balance sheet as follows		
-Other non-current provisions	0	701
-Other current provisions	0	12

\*) rolling 12 months

**NET SALES (business area reporting)**

SEKm	1903	1803	2019:1	2018:4	2018:3	2018:2	2018:1	2017:4
Personal Care	11,535	10,785	11,535	11,703	11,408	11,446	10,785	10,831
Consumer Tissue	12,248	11,003	12,248	12,094	10,912	11,116	11,003	11,026
Professional Hygiene	6,867	6,218	6,867	7,322	7,309	7,168	6,218	6,816
Other	6	14	6	-7	18	-9	14	-9
<b>Total net sales</b>	<b>30,656</b>	<b>28,020</b>	<b>30,656</b>	<b>31,112</b>	<b>29,647</b>	<b>29,721</b>	<b>28,020</b>	<b>28,664</b>

**ADJUSTED EBITA (business area reporting)**

SEKm	1903	1803	2019:1	2018:4	2018:3	2018:2	2018:1	2017:4
Personal Care	1,540	1,532	1,540	1,652	1,565	1,605	1,532	1,539
Consumer Tissue	1,069	966	1,069	840	635	890	966	900
Professional Hygiene	741	772	741	1,085	970	1,014	772	1,344
Other	-160	-151	-160	-126	-154	-160	-151	-164
<b>Total adjusted EBITA</b>	<b>3,190</b>	<b>3,119</b>	<b>3,190</b>	<b>3,451</b>	<b>3,016</b>	<b>3,349</b>	<b>3,119</b>	<b>3,619</b>

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

SEKm	1903	1803	2019:1	2018:4	2018:3	2018:2	2018:1	2017:4
Personal Care	1,364	1,372	1,364	1,470	1,387	1,434	1,372	1,369
Consumer Tissue	1,068	965	1,068	836	635	890	965	899
Professional Hygiene	732	764	732	1,076	960	1,005	764	1,335
Other	-161	-151	-161	-126	-153	-161	-151	-165
<b>Total adjusted operating profit<sup>1</sup></b>	<b>3,003</b>	<b>2,950</b>	<b>3,003</b>	<b>3,256</b>	<b>2,829</b>	<b>3,168</b>	<b>2,950</b>	<b>3,438</b>
Financial items	-342	-290	-342	-236	-332	-299	-290	-337
<b>Profit before tax<sup>1</sup></b>	<b>2,661</b>	<b>2,660</b>	<b>2,661</b>	<b>3,020</b>	<b>2,497</b>	<b>2,869</b>	<b>2,660</b>	<b>3,101</b>
Tax	-597	-677	-597	602	-670	-745	-677	-26
<b>Net profit for the period<sup>2</sup></b>	<b>2,064</b>	<b>1,983</b>	<b>2,064</b>	<b>3,622</b>	<b>1,827</b>	<b>2,124</b>	<b>1,983</b>	<b>3,075</b>
<sup>1</sup> Excluding items affecting comparability before tax amounting to:	-188	-359	-188	-40	-1,016	-29	-359	-21
<sup>2</sup> Excluding items affecting comparability after tax amounting to:	-135	-257	-135	-5	-749	7	-257	-9

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

%	1903	1803	2019:1	2018:4	2018:3	2018:2	2018:1	2017:4
Personal Care	13.4	14.2	13.4	14.1	13.7	14.0	14.2	14.2
Consumer Tissue	8.7	8.8	8.7	6.9	5.8	8.0	8.8	8.2
Professional Hygiene	10.8	12.4	10.8	14.8	13.3	14.1	12.4	19.7

**STATEMENT OF PROFIT OR LOSS**

SEKm	2019:1	2018:4	2018:3	2018:2	2018:1
<b>Net sales</b>	<b>30,656</b>	<b>31,112</b>	<b>29,647</b>	<b>29,721</b>	<b>28,020</b>
Cost of goods sold	-22,307	-22,574	-21,416	-21,104	-19,964
Items affecting comparability	-99	71	-773	-181	-554
<b>Gross profit</b>	<b>8,250</b>	<b>8,609</b>	<b>7,458</b>	<b>8,436</b>	<b>7,502</b>
Sales, general and administration	-5,186	-5,106	-5,221	-5,279	-4,964
Items affecting comparability	-89	-47	-238	152	195
Share of profits of associates and joint ventures	27	19	6	11	27
<b>EBITA</b>	<b>3,002</b>	<b>3,475</b>	<b>2,005</b>	<b>3,320</b>	<b>2,760</b>
Amortization of acquisition-related intangible assets	-187	-195	-187	-181	-169
Items affecting comparability	0	-64	-5	0	0
<b>Operating profit</b>	<b>2,815</b>	<b>3,216</b>	<b>1,813</b>	<b>3,139</b>	<b>2,591</b>
Financial items	-342	-236	-332	-299	-290
<b>Profit before tax</b>	<b>2,473</b>	<b>2,980</b>	<b>1,481</b>	<b>2,840</b>	<b>2,301</b>
Taxes	-544	637	-403	-709	-575
<b>Net profit for the period</b>	<b>1,929</b>	<b>3,617</b>	<b>1,078</b>	<b>2,131</b>	<b>1,726</b>

**INCOME STATEMENT PARENT COMPANY**

SEKm	1903	1803
Administrative expenses	-160	-169
Other operating income	5	3
<b>Operating loss</b>	<b>-155</b>	<b>-166</b>
Financial items	-225	-196
<b>Profit before tax</b>	<b>-380</b>	<b>-362</b>
Tax on profit for the period	80	78
<b>Profit for the period</b>	<b>-300</b>	<b>-284</b>

**BALANCE SHEET PARENT COMPANY**

SEKm	March 31, 2019	December 31, 2018
Intangible fixed assets	0	0
Tangible fixed assets	4	5
Financial fixed assets	176,299	175,447
Total fixed assets	176,303	175,452
Total current assets	852	3,041
<b>Total assets</b>	<b>177,155</b>	<b>178,493</b>
Restricted equity	2,350	2,350
Unrestricted equity	87,559	87,859
Total equity	89,909	90,209
Untaxed reserves	1	1
Provisions	883	879
Non-current liabilities	36,552	39,226
Current liabilities	49,810	48,178
<b>Total equity, provisions and liabilities</b>	<b>177,155</b>	<b>178,493</b>

# NOTES

## 1 ACCOUNTING PRINCIPLES

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

Effective January 1, 2019, Essity applies the following new or amended International Financial Reporting Standards (IFRS):

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

### IFRS 16 Leases

When the standard became effective on January 1, 2019, Essity applied the modified retrospective approach, entailing an adjustment of the opening balances with the cumulative effect of initially applying the standard on the first date of initial application and that no comparative years were restated.

The lease liability is measured at the present value of the outstanding lease payments and the right-of-use asset for all leases totals an amount corresponding to the lease liability, adjusted for any prepaid lease payments and accrued lease payments recognized on December 31, 2018. For onerous leases, Essity has chosen to adjust the value of the right-of-use asset downward in an amount that in the 2018 year-end accounts was recognized as a non-current and current provision. Only marginal reclassifications of accrued and prepaid lease payments and adjustments of provisions have taken place. An incremental borrowing rate has been set by currency. The average incremental borrowing rate on January 1, 2019 was approximately 3%. The transition does not have any impact on equity.

Essity has decided to apply the exemption rules for short-term leases and leases where the underlying asset has a low value. These leases are not included in the right-of-use asset or the liability. In its application of the standard, Essity has determined that a time horizon of five years can generally be applied to leases of offices and distribution centers with no fixed end date even if the formal lease term is shorter.

### Leases recognized in the statement of profit and loss and balance sheet

SEKm	Properties	Vehicles	Other	Total	Lease liabilities
Opening balance, Jan 1, 2019 as stated in AR 2018	-	-	-	3,694	3,684
Adjusted opening balance				87	102
<b>Adjusted opening balance</b>	<b>3,357</b>	<b>410</b>	<b>14</b>	<b>3,781</b>	<b>3,786</b>
Additional rights of use, net	160	35	0	195	195
Depreciation	-157	-54	-1	-213	-
Interest expenses	-	-	-	-	27
Payments	-	-	-	-	-227
Translation differences	85	2	0	87	87
Value at end of period	3,445	393	13	3,851	3,867

Lease liabilities consist of:

Short-term component	896
Long-term component	2,971

During the period, SEK 64m was recognized relating to costs for short-term leases, leases of low-value assets and variable lease payments.



When the standard became effective on January 1, 2019, the following adjustments were recognized in Essity's balance sheet. The right-of-use assets largely comprise leases for offices and distribution centers:

<b>Effect of IFRS 16, SEKm</b>	<b>Opening balance, January 1, 2019</b>
Right-of-use asset	3,781
Non-current lease liability	3,146
Current financial lease liabilities	640
Provisions (reclassification to right-of-use asset)	30
Prepaid and accrued lease payments (reclassification to right-of-use asset)	25

<b>Reconciliation of minimum lease fees according to IAS 17 and recognized lease liability according to IFRS 16</b>	
Operating future minimum lease payments, December 31, 2018, according to Note G2, page 105 of AR 2018	3,967
Present-value calculated with the Group's incremental borrowing rate at January 1, 2019	-486
Excluding short-term leases and leases with a low value	-10
Renewal options that are expected to be utilized	213
<b>Lease liability, January 1, 2019, according to AR 2018</b>	<b>3,684</b>
Adjustment of lease liability, January 1, 2019	102
<b>Adjusted lease liability, January 1, 2019</b>	<b>3,786</b>

### IFRIC 23 Uncertainty over Income Tax Treatments

In 2017, a new interpretation was issued regarding the recognition of taxes, IFRIC 23. The interpretation clarifies how the recognition and measurement of uncertain tax items is to be conducted. Essity applied the modified retrospective approach, meaning that comparative figures were not restated. On account of IFRIC 23, Essity reclassified SEK 713m in current and non-current provisions to tax liabilities in the opening balance for 2019.

In other respects, the accounting principles and calculation methods applied correspond to those described in Essity's 2018 Annual Report.

## 2 RISKS AND UNCERTAINTIES

Essity's risk exposure and risk management are described on pages 33-38 of the 2018 Annual Report for Essity. No significant changes have taken place that have affected the reported risks.

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

### 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.

### 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	2
March 31, 2019							
Derivatives	1,021	315	706	-	-	-	1,021
Non-current financial assets	92	-	-	92	-	92	-
<b>Total assets</b>	<b>1,113</b>	<b>315</b>	<b>706</b>	<b>92</b>	<b>0</b>	<b>92</b>	<b>1,021</b>
Derivatives	991	738	253	-	-	-	991
Financial liabilities							
Current financial liabilities	12,123	921	-		11,202	-	921
Non-current financial liabilities	41,217	16,363	-	-	24,854	-	16,363
<b>Total liabilities</b>	<b>54,331</b>	<b>18,022</b>	<b>253</b>	<b>-</b>	<b>36,056</b>	<b>-</b>	<b>18,275</b>
December 31, 2018							
Derivatives	1,255	294	961	-	-	-	1,255
Non-current financial assets	87	-	-	87	-	87	-
<b>Total assets</b>	<b>1,342</b>	<b>294</b>	<b>961</b>	<b>87</b>	<b>0</b>	<b>87</b>	<b>1,255</b>
Derivatives	443	399	44	-	-	-	443
Financial liabilities							
Current financial liabilities	10,300	905	-	-	9,395	-	905
Non-current financial liabilities	43,442	16,083	-	-	27,359	-	16,083
<b>Total liabilities</b>	<b>54,185</b>	<b>17,387</b>	<b>44</b>	<b>-</b>	<b>36,754</b>	<b>-</b>	<b>17,431</b>

<sup>1</sup> No financial instruments have been classified to level 3

The total fair value of the above financial liabilities, excluding lease liabilities, is SEK 54,923m (54,434). 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 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 2018 Annual Report (pages 64-69) describes the various non-IFRS performance measures that are used as a complement to the financial information presented in accordance with IFRS. A number of non-IFRS performance measures have been changed since the publication of the Annual Report and these are presented below. Tables are also presented that show how the performance measures have been calculated.

#### CALCULATION OF FINANCIAL PERFORMANCE MEASURES NOT INCLUDED IN IFRS FRAMEWORK

**Investments in operating assets through leases:** Assets that are directly attributable to operating activities. Primarily leases for distribution centers.

**Investments in non-operating assets through leases:** Assets that are not directly attributable to operating activities. Primarily leases for offices.

**Operating cash flow before investments in operating assets through leases**

**Description:** Operating cash flow consists of the sum of operating cash surplus and change in working capital, with deductions for the net of capital expenditures in non-current assets and restructuring costs.

**Reason for use:** This is an important control measure in operating activities that the units have control over themselves.

**Operating cash flow**

**Description:** Operating cash flow consists of the sum of operating cash surplus and change in working capital, with deductions for the net of capital expenditures in non-current assets and restructuring costs as well as investments in operating assets through leases.

**Reason for use:** This is an important control measure in operating activities that the units have control over themselves.

**Capital employed**

SEKm	1903	1812
Total assets	165,075	154,266
-Financial receivables	-6,583	-5,181
-Non-current non-interest bearing liabilities	-7,933	-9,037
-Current non-interest bearing liabilities	-34,385	-30,745
Capital employed	116,174	109,303

SEKm	2019:1	2018:4	2018:3	2018:2	2018:1
Personal Care	45,033	41,768	41,885	42,888	42,033
Consumer Tissue	48,380	44,915	45,474	46,714	45,091
Professional Hygiene	24,403	22,153	21,291	22,008	20,445
Other	-1,642	467	-517	-463	-315
Capital employed	116,174	109,303	108,133	111,147	107,254

**Working capital**

SEKm	1903	1812
Inventories	16,479	15,234
Accounts receivables	20,606	18,687
Other current receivables	2,575	2,599
Accounts payables	-17,258	-15,911
Other current liabilities	-14,247	-12,792
Adjustments	-126	-249
Working capital	8,029	7,568

**Net debt**

SEKm	1903	1812
Surplus in funded pension plans	1,730	1,117
Non-current financial assets	663	634
Current financial assets	610	422
Cash and cash equivalents	3,580	3,008
Financial receivables	6,583	5,181
Non-current financial liabilities	44,282	43,500
Provisions for pensions	6,143	5,258
Current financial liabilities	13,880	10,827
Financial liabilities	64,305	59,585
Net debt	57,722	54,404

**EBITDA**

SEKm	1903	1803
Operating profit	2,815	2,591
-Amortization of acquisition-related intangible assets	187	169
-Depreciations	1,408	1,288
-Depreciations Right-of-use asset	213	0
-Items affecting comparability, depreciations	0	5
-Impairment	11	293
EBITDA	4,634	4,346
-Items affecting comparability excluding depreciation and impairment	177	66
Adjusted EBITDA	4,811	4,412

**EBITA**

SEKm	1903	1803
Operating profit	2,815	2,591
-Amortization of acquisition-related intangible assets	187	169
-Items affecting comparability amortization of acquisition-related intangible assets	0	0
-Operating profit before amortization of acquisition-related intangible assets/EBITA	3,002	2,760
EBITA margin (%)	9.8	9.9
-Items affecting comparability cost of goods sold	99	554
-Items affecting comparability, sales and administration costs	89	-195
Adjusted EBITA	3,190	3,119
Adjusted EBITA margin (%)	10.4	11.1

**Operating cash flow**

SEKm	1903	1803
Personal Care		
Operating cash surplus	2,034	1,858
Change in working capital	-63	-635
Capital expenditures non-current assets, net	-490	-284
Restructuring costs, etc.	-50	-5
	1,431	934
	-105	0
Operating cash flow	1,326	934
Consumer Tissue		
Operating cash surplus	1,708	1,503
Change in working capital	-317	-166
Capital expenditures non-current assets, net	-649	-686
Restructuring costs, etc.	-73	-12
	669	639
	-16	0
Operating cash flow	653	639
Professional Hygiene		
Operating cash surplus	1,239	1,187
Change in working capital	-684	-482
Capital expenditures non-current assets, net	-210	-195
Restructuring costs, etc.	-122	-78
	223	432
	-12	0
Operating cash flow	211	432

## Organic net sales

SEKm	1903
Personal Care	
Organic net sales	362
Currency effect <sup>1</sup>	353
Acquisition/Disposals	36
Reported change	751
Consumer Tissue	
Organic net sales	614
Currency effect <sup>1</sup>	581
Acquisition/Disposals	50
Reported change	1,245
Professional Hygiene	
Organic net sales	251
Currency effect <sup>1</sup>	396
Acquisition/Disposals	1
Reported change	648
Essity	
Organic net sales	1,218
Currency effect <sup>1</sup>	1,330
Acquisition/Disposals	87
Reported change	2,635

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