Interim Report Q2 2017

Essity Aktiebolag (publ)

JANUARY 1 – JUNE 30, 2017

(compared with the corresponding period a year ago)

- Net sales increased 9% to SEK 53,423m (49,231)
- Organic sales, excluding exchange rate effects, acquisitions and divestments, increased 0.4%
- Operating profit before amortization of acquisition-related intangible assets (EBITA) rose 30% to SEK 5,557m (4,283)
- Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) rose 12% to SEK 6,354m (5,683)
- Adjusted EBITA margin increased 0.4 percentage points to 11.9% (11.5)
- Adjusted profit before tax rose 7% to SEK 5,566m (5,199)
- Profit for the period increased 191% to SEK 3,497m (1,200)
- Earnings per share amounted to SEK 4.47 (1.54[1])
- Adjusted earnings per share increased 69% to SEK 5.60 (3.31[1])
- Cash flow from current operations increased 7% to SEK 3,487m (3,262)
- The acquisition of BSN medical, a leading medical solutions company, was consolidated as of April 3, 2017. Reported net sales for the second quarter of 2017 amounted to SEK 2,096m and adjusted EBITA to SEK 359m.

[1]Indicative earnings per share on the assumption that the number of issued shares in Essity as of June 30, 2016 corresponded to the number of issued shares in Essity on June 30, 2017 (702.3 million).

EARNINGS TREND

SEKm	1706	1606	%	2017:2	2016:2	%
Net sales	53,423	49,231	9	28,155	24,983	13
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)[1]	6,354	5,683	12	3,437	2,939	17
Operating profit before amortization of acquisition-related intangible assets (EBITA)	5,557	4,283	30	2,961	1,725	72
Amortization of acquisition-related intangible assets	-218	-70		-197	-39	
Adjusted operating profit[1]	6,136	5,613	9	3,240	2,900	12
Items affecting comparability	-885	-1,423		-476	-1,232	
Operating profit	5,251	4,190	25	2,764	1,668	66
Financial items	-570	-414		-304	-111	
Profit before tax	4,681	3,776	24	2,460	1,557	58
Adjusted profit before tax[1]	5,566	5,199	7	2,936	2,789	5
Tax	-1,184	-2,576		-619	-1,982	
Profit for the period	3,497	1,200	191	1,841	-425	
Earnings per share, SEK	4.47	1.54		2.39	-0.61	
Adjusted earnings per share, SEK[2]	5.60	3.31		3.06	0.91	

[1]Excluding items affecting comparability; for amounts see page 13.

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

SUMMARY OF SECOND QUARTER 2017

Following the split of SCA, the leading global hygiene and health company Essity was listed on Nasdaq Stockholm on June 15, 2017.

In the second quarter of 2017, 18 innovations were launched that strengthened Essity's customer and consumer offerings in all categories.

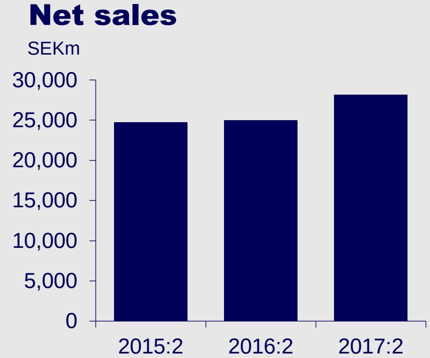
To further improve efficiency and strengthen competitiveness in Professional Hygiene in North America, a production plant in the US was closed during the quarter. The measure is part of Essity's Tissue Roadmap and is aligned with the company's strategy to optimize the geographic production footprint to increase cost and capital efficiency for improved profitability.

The Group's net sales for the second quarter of 2017 increased 12.7% compared with the corresponding period a year ago. Organic sales declined by 0.1%. As part of Essity's focus on profitable growth for increased value creation, the company has discontinued certain underperforming market positions and contracts with unsatisfactory profitability. This has had a negative impact on organic sales. In emerging markets, which accounted for 35% of net sales, organic sales increased 2.9%. Mature markets decreased by 1.5%.

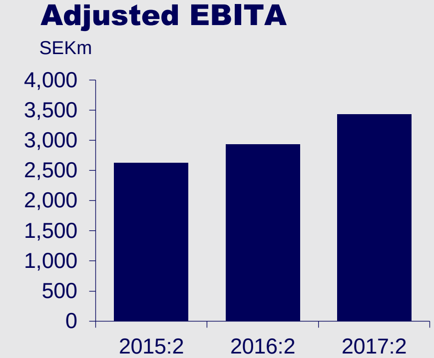
The Group's adjusted EBITA in the second quarter of 2017 increased by 17% compared with the corresponding period a year ago. Excluding currency translation effects and the acquisition of BSN medical the adjusted EBITA was in line with the corresponding period a year ago. A better price/mix, higher volumes, cost savings and other measures to improve profitability offset higher raw material and energy costs. Selling costs were lower. Investments were made in increased marketing activities. The Group's adjusted EBITA margin increased 0.4 percentage points to 12.2%. Operating cash flow declined 20%. The adjusted return on capital employed was 13.7% (calculated as annualized adjusted EBITA for the second quarter of 2017/capital employed as of June 30, 2017).

On April 3, 2017, the Group completed the acquisition of BSN medical, a leading medical solutions company. In the second quarter of 2017, the acquired company's organic sales declined by 0.7%. The adjusted EBITA margin was 17.1%. Organic sales were negatively impacted by a lower number of invoicing days. Integration costs and operations in Venezuela negatively impacted the EBITA margin by about 1.5 and 1.0 percentage points, respectively. Furthermore, the EBITA margin was negatively impacted by lower absorption of fixed costs as a result of the decline in sales.

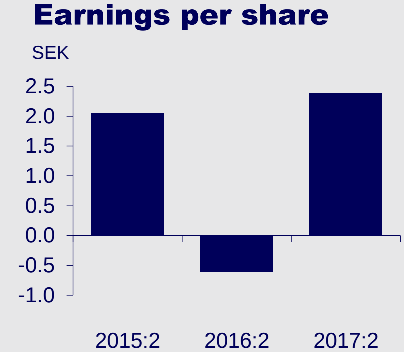
Net sales



Adjusted EBITA



Earnings per share



Excluding items affecting comparability

ADJUSTED EARNINGS TREND

SEKm	1706	1606	%	2017:2	2016:2	%
Net sales	53,423	49,231	9	28,155	24,983	13
Cost of goods sold[1]	-37,714	-35,426		-19,664	-17,850	
Adjusted gross profit[1]	15,709	13,805	14	8,491	7,133	19
Sales, general and administration[1]	-9,355	-8,122		-5,054	-4,194	
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)[1]	6,354	5,683	12	3,437	2,939	17
Amortization of acquisition-related intangible assets[1]	-218	-70		-197	-39	
Adjusted operating profit[1]	6,136	5,613	9	3,240	2,900	12
Financial items	-570	-414		-304	-111	
Adjusted profit before tax[1]	5,566	5,199	7	2,936	2,789	5
Adjusted tax[1]	-1,420	-2,808		-761	-2,174	
Adjusted profit for the period[1]	4,146	2,391	73	2,175	615	254

[1]Excluding items affecting comparability; for amounts see page 13.

Adjusted margins (%)	1706	1606	%	2017:2	2016:2	%
Gross margin[1]	29.4	28.0		30.2	28.6	
EBITA margin[1]	11.9	11.5		12.2	11.8	
Operating margin[1]	11.5	11.4		11.5	11.6	
Financial net margin	-1.1	-0.8		-1.1	-0.4	
Profit margin[1]	10.4	10.6		10.4	11.2	
Tax[1]	-2.7	-5.7		-2.7	-8.7	
Net margin[1]	7.7	4.9		7.7	2.5	

[1]Excluding items affecting comparability; for amounts see page 13.

ADJUSTED EBITA BY BUSINESS AREA

SEKm	1706	1606	%	2017:2	2016:2	%
Personal Care	2,842	2,050	39	1,614	1,073	50
Consumer Tissue	2,161	2,150	1	1,010	1,072	-6
Professional Hygiene	1,637	1,717	-5	917	940	-2
Other	-286	-234		-104	-146	
Total[1]	**6,354**	5,683	12	**3,437**	2,939	17

[1]Excluding items affecting comparability; for amounts see page 13.

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

SEKm	1706	1606	%	2017:2	2016:2	%
Personal Care	2,658	2,044	30	1,434	1,070	34
Consumer Tissue	2,157	2,116	2	1,008	1,055	-4
Professional Hygiene	1,607	1,687	-5	902	922	-2
Other	-286	-234		-104	-147	
Total[1]	**6,136**	5,613	9	**3,240**	2,900	12

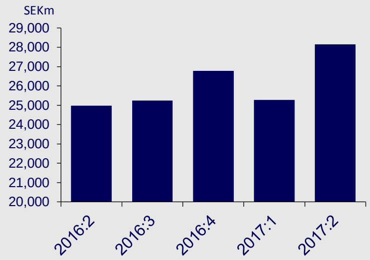
[1]Excluding items affecting comparability; for amounts see page 13.

OPERATING CASH FLOW BY BUSINESS AREA

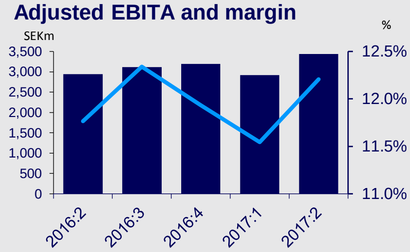
SEKm	1706	1606	%	2017:2	2016:2	%
Personal Care	2,314	2,130	9	1,251	1,200	4
Consumer Tissue	2,510	2,119	18	1,265	847	49
Professional Hygiene	1,249	1,365	-8	401	1,213	-67
Other	-575	-677		-505	-257	
Total	**5,498**	4,937	11	**2,412**	3,003	-20

GROUP

Net sales



Adjusted EBITA and margin



Excluding items affecting comparability

Change in net sales (%)

	1706 vs 1606	17:2 vs 16:2
Total	**8.5**	**12.7**
Price/mix	0.4	0.5
Volume	0.0	-0.6
Currency	3.5	4.4
Acquisitions	4.6	8.4
Divestments	0	0

Change in adjusted EBITA (%)

	1706 vs 1606	17:2 vs 16:2
Total	**12**	**17**
Price/mix	3	5
Volume	2	1
Raw materials	-9	-15
Energy	-2	-2
Currency	4	5
Other	14	23

Adjusted profit before tax

Excluding items affecting comparability

MARKET/EXTERNAL ENVIRONMENT

January-June 2017 compared with the corresponding period a year ago

The global market for hygiene and health products was challenging in the first six months of 2017.

The European and North American markets for incontinence products in the healthcare sector displayed higher demand, although with continued price pressure as a result of fierce competition. The European and North American retail markets for incontinence products showed good growth. Emerging markets noted higher demand for incontinence products. The global market for incontinence products was characterized by a continued high level of competition. The global market for medical solutions demonstrated stable growth although with continued price pressure. In Europe, demand for baby care was stable, while a slight decline was reported for feminine care. In emerging markets, demand rose for baby care and feminine care. The global market for baby care and several markets for feminine care were characterized by increased competition and campaign activity.

The European market for consumer tissue demonstrated low growth and increased competition. The Chinese consumer tissue market noted higher demand.

The European and North American markets for professional hygiene displayed low growth.

NET SALES AND EARNINGS

January-June 2017 compared with the corresponding period a year ago

Net sales increased 8.5% compared with the corresponding period a year ago to SEK 53,423m (49,231). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 0.4%, of which volume accounted for 0.0% and price/mix for 0.4%. Organic sales decreased 1.4% in mature markets and increased 4.0% in emerging markets. Emerging markets accounted for 35% of net sales. Exchange rate effects increased net sales by 3.5%. The acquisitions of BSN medical and Wausau Paper Corp. increased net sales by 4.6%.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) rose 12% (2% excluding currency translation effects and acquisitions) to SEK 6,354m (5,683). Higher volumes, better price/mix, cost savings, the acquisition of BSN medical and Wausau Paper Corp. and the closure of the Baby Care business in Mexico and the hygiene business in India increased earnings. Cost savings amounted to SEK 531m. Investments were made in increased marketing activities. Higher raw material and energy costs had a negative earnings effect.

Items affecting comparability amounted to SEK -885m (-1,423) and include costs of approximately SEK -500m attributable to the split of the SCA Group into two listed companies, which mainly is related to foreign tax of a non-recurring nature on non-current assets outside Sweden. Furthermore, the amount includes restructuring costs of about SEK -80m for the closure of a tissue machine in the UK, and approximately SEK -255m for the closure of a tissue production plant in the US. Items affecting comparability also include integration costs and transactions costs related to the acquisition of BSN medical and inventory valuation in connection with the acquisition balance totaling approximately SEK -290m, as well as other costs of SEK -25m. A release of a provision relating to a competition case in Poland had a positive impact of about SEK 265m.

Financial items increased to SEK -570m (-414). The increase is primarily due to higher average net debt. Lower interest had a positive impact on financial items during the period.

Adjusted profit before tax rose 7% (declined 4% excluding currency translation effects and acquisitions) to SEK 5,566m (5,199).

The tax expense, excluding effects of items affecting comparability, was SEK 1,420m (2,808). The decrease is primarily attributable to the tax provision of approximately SEK 1.3bn made in the first six months of 2016.

Adjusted profit for the period rose 73% (62% excluding currency translation effects and acquisitions) to SEK 4,146m (2,391).

Profit for the period rose 191% (180% excluding currency translation effects and acquisitions) to SEK 3,497m (1,200). Earnings per share, including items affecting comparability, were SEK 4.47 (1.54).

The adjusted return on capital employed was 15.9% (16.1).

Second quarter of 2017 compared with the corresponding period a year ago

Net sales increased 12.7% compared with the corresponding period a year ago to SEK 28,155m (24,983). Organic sales, which exclude exchange rate effects, acquisitions and divestments, declined 0.1%, of which volume accounted for -0.6% and price/mix for 0.5%. Organic sales decreased 1.5% in mature markets and increased 2.9% in emerging markets. Emerging markets accounted for 35% of net sales. Exchange rate effects increased net sales by 4.4%. The acquisition of BSN medical increased net sales by 8.4%.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) rose 17% (in line with preceding year excluding currency translation effects and acquisition) to SEK 3,437m (2,939). Higher volumes, better price/mix, cost savings, the acquisition of BSN medical and the closure of the Baby Care business in Mexico and the hygiene business in India increased earnings. Cost savings amounted to SEK 319m. Investments were made in increased marketing activities. Higher raw material and energy costs had a negative earnings effect.

Adjusted profit before tax rose 5% (declined 12% excluding currency translation effects and acquisition) to SEK 2,936m (2,789).

The adjusted return on capital employed was 15.7% (15.8).

CASH FLOW AND FINANCING

Cash flow from current operations

January-June 2017 compared with the corresponding period a year ago

The operating cash surplus amounted to SEK 8,832m (8,014). The cash flow effect of changes in working capital was SEK -1,126m (-1,147). Working capital as a share of net sales decreased. Current capital expenditures amounted to SEK -1,639m (-1,526). Operating cash flow was SEK 5,498m (4,937).

Financial items increased to SEK -570m (-414). The increase is primarily due to higher average net debt. Lower interest had a positive impact on financial items during the period. Income tax payments totaled SEK 1,553m (1,341). Cash flow from current operations amounted to SEK 3,487m (3,262) during the period. This increase was mainly attributable to a higher operating surplus.

Strategic capital expenditures amounted to SEK -730m (-851). The net sum of acquisitions and divestments was SEK -25,892m (-6,371). Net cash flow totaled SEK -22,405m (-6,310).

Net debt increased by SEK 20,650m during the period, to SEK 55,823m. Excluding pension liabilities, net debt amounted to SEK 52,248m. Net cash flow increased net debt by SEK 22,405m. Fair value measurement of pension assets and updated assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, reduced net debt by SEK 1,535m. Exchange rate movements reduced net debt by SEK 220m.

The debt/equity ratio was 1.25 (0.62). Excluding pension liabilities, the debt/equity ratio was 1.17 (0.48). The debt payment capacity was 31% (52).

EQUITY

January–June 2017

Consolidated equity increased by SEK 5,000m during the period, to SEK 44,580m. Net profit for the period increased equity by SEK 3,497m. Equity increased SEK 1,120m net after tax 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, excluding acquired hedge reserves, reduced equity by SEK 166m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, decreased equity by SEK 1,201m. Equity increased as a result of a private placement of SEK 969m to non-controlling interests in Vinda. Transactions with former shareholders (SCA AB) increased equity by SEK 842m. Equity increased by SEK 80m related to the acquisition of non-controlling interests in conjunction with the acquisition of BSN medical. Other items reduced equity by SEK 141m.

TAX

January–June 2017

A tax expense of SEK 1,420m was reported, excluding items affecting comparability. The reported tax expense corresponds to a tax rate of about 25.5% for the period.

The tax expense including items affecting comparability was SEK 1,184m, corresponding to a tax rate of 25.3% for the period.

EVENTS DURING THE QUARTER

Acquisition of BSN medical closed

On April 3, 2017, it was announced that the company's acquisition of BSN medical, a leading medical solutions company, had been closed. BSN medical develops, manufactures and sells products within wound care, compression therapy and orthopedics. The purchase price for the shares amounted to EUR 1,400m and takeover of net debt to approximately EUR 1,340m[1). Essity consolidates BSN medical as of April 3, 2017.

BSN medical's sales for 2016 amounted to EUR 850m (SEK 8,038m) and adjusted EBITDA[2) for 2016 was EUR 210m (SEK 1,986m). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 5.3%. BSN medical is included in the Personal Care business area. Together with the business unit Incontinence Care, BSN medical forms the new business unit Health and Medical Solutions. This business unit is led by Margareta Lehmann, previously President of Incontinence Care.

The BSN medical acquisition is an excellent strategic fit for Essity, supporting the company's vision: dedicated to improving well-being through leading hygiene and health solutions, two closely interlinked areas. Essity's Incontinence Products business, with the global leading TENA brand, shares similar positive market characteristics, customer base and sales channels with BSN medical, which provides opportunities for accelerated growth through cross-selling.

BSN medical, with well-known brands such as Leukoplast, Cutimed, JOBST, Delta-Cast and Actimove, has leading market positions in several attractive medical product categories and provides a new growth platform with future industry consolidation opportunities. The acquisition is expected to realize annual synergies of at least EUR 30m with full effect three years after closing. Restructuring costs are expected to amount to a total of approximately EUR 10m to be incurred in the first three years following completion. The BSN medical acquisition is expected to be accretive to Essity's earnings per share from the first year. The company has high cash conversion and an asset-light business model. The acquisition is fully debt-funded. Essity remains fully committed to retaining a solid investment grade rating.

[1)Based on net debt as per December 31, 2016. Final takeover of net debt will be based on March 31, 2017.
[2)Excluding items affecting comparability.

Changed financial targets

On April 27, 2017, it was announced that the financial targets for Essity had been updated in conjunction with the split of the SCA Group. The current targets for Personal Care and Tissue have been replaced with targets for the Group. The company will continue to apply targets for organic sales growth and adjusted return on capital employed (defined as adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA)/capital employed). The target levels have been determined on the basis of the weighted average of the previous targets, taking into account the assessed impact of the BSN medical acquisition. The new targets for the Group are now annual organic sales growth of above 3% and adjusted return on capital employed of above 15%.

Closure of tissue production plant in the US

On June 7, 2017, it was announced that the company had decided to close the production plant in Flagstaff, Arizona, US, to further improve efficiency and strengthen competitiveness for the Professional Hygiene business in North America. The closure of the Flagstaff tissue production plant is part of Essity's Tissue Roadmap and is aligned with the company's strategy to optimize the geographic production footprint to increase cost and capital efficiency for improved profitability. The production plant has an annual capacity of 55,000 tons for the Professional Hygiene business. Production was discontinued in June 2017.

The restructuring costs for the closure are expected to amount to approximately SEK 250m and will be recognized as an item affecting comparability, mainly recognized in the second quarter of 2017. Approximately SEK 40m of these costs are expected to impact cash flow.

Essity, with the leading global brand Tork, is the second largest player in the US professional hygiene market. The US is the Group's largest market, based on net sales in 2016, and remains highly prioritized by Essity.

Essity Aktiebolag (publ) listed for trading on Nasdaq Stockholm

On June 15, 2017 Essity Aktiebolag (publ) (formerly SCA Hygiene AB) was listed on Nasdaq Stockholm and trading in the company's Class A and Class B shares commenced. The listing of Essity is a result of the Annual General Meeting's decision on April 5, 2017 to split the SCA Group into two listed companies; forest products company SCA, and hygiene and health company Essity.

Decision in tax case

On June 16, 2017, the Administrative Court of Appeal in Stockholm announced its decision in the company's case with the Swedish Tax Agency regarding the agency's decision to impose additional taxes and tax surcharges for the years 2008 to 2012 of approximately SEK 1.2bn. As announced by the company in July 2016, Essity had already recognized a provision and thereafter paid the disputed amount. Accordingly, the decision of the Administrative Court of Appeal has no impact on Essity's earnings or cash flow for 2017. The matter in question pertains to interest expenses on loans in a Group company that arose in connection with the relocation of operations to Sweden in 2004. Like the decision of the Administrative Court on March 10, 2016, the ruling of the Administrative Court of Appeal entails that the decision of the Swedish Tax Agency stands. Essity intends to appeal the decision by applying for leave to appeal to the Supreme Administrative Court.

PERSONAL CARE

SEKm	1706	1606	%	2017:2	2016:2	%
Net sales	**19,306**	16,578	16	**10,851**	8,427	29
Adjusted EBITA*	**2,842**	2,050	39	**1,614**	1,073	50
Adjusted EBITA margin, %*	**14.7**	12.4		**14.9**	12.7	
Adjusted operating profit*	**2,658**	2,044	30	**1,434**	1,070	34
Adjusted operating margin, %*	**13.8**	12.3		**13.2**	12.7	
Adjusted return on capital employed, %*	**27.2**	31.0		**24.2**	31.1	
Operating cash flow	**2,314**	2,130		**1,251**	1,200	

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

January-June 2017 compared with the corresponding period a year ago

Net sales increased 16.5% to SEK 19,306m (16,578). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 0.5%, of which volume accounted for 0.4% and price/mix for 0.1%. The closure of the Baby Care business in Mexico and the hygiene business in India negatively impacted organic sales by approximately 1%. Organic sales in mature markets increased by 0.4%. In emerging markets, which accounted for 39% of net sales, organic sales rose by 0.6%. The acquisition of BSN medical increased sales by 12.6%. Exchange rate effects increased net sales by 3.4%.

For Incontinence Products, under the globally leading TENA brand, organic sales increased 1.7%. Growth is attributable to emerging markets and North America. In Europe, sales were in line with the corresponding period a year ago. The European retail sector reported good growth, while lower sales to the healthcare sector had a negative effect on growth. For Baby Care, organic sales decreased 4.5%. The decline was mainly the result of the closure of the Baby Care businesses in Mexico and India, as well as lower sales in Russia. In Europe, organic sales increased for Baby Care. For Feminine Care, organic sales increased by 3.2%, attributable to Latin America and Asia.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) rose 39% (18% excluding currency translation effects and acquisition) to SEK 2,842m (2,050). The increase was mainly attributable to the acquisition of BSN medical, a better price/mix, higher volumes, cost savings, increased profitability for Incontinence Products in North America and the closure of the Baby Care business in Mexico and the hygiene business in India. Higher raw material costs and investments in increased marketing activities negatively impacted earnings. The acquisition of BSN medical increased profit by 18%. The operating cash surplus amounted to SEK 3,421m (2,550).

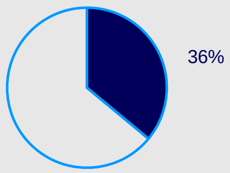
Second quarter of 2017 compared with the corresponding period a year ago

Net sales increased 28.8% to SEK 10,851m (8,427). Organic sales, which exclude exchange rate effects, acquisitions and divestments, declined 0.1%, of which volume accounted for 0.4% and price/mix for -0.5%. The closure of the Baby Care business in Mexico and the hygiene business in India negatively impacted organic sales by approximately 1%. Organic sales in mature markets increased by 1.1%. In emerging markets, which accounted for 37% of net sales, organic sales declined by 1.8%. The acquisition of BSN medical increased sales by 24.9%. Exchange rate effects increased net sales by 4.0%.

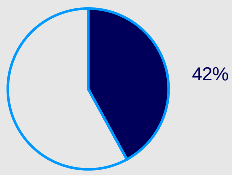
For Incontinence Products, under the globally leading TENA brand, organic sales increased 1.4%. Growth is mainly attributable to Latin America, North America and Eastern Europe. In Europe, sales were in line with the corresponding period a year ago. The European retail sector reported good growth, while lower sales to the healthcare sector had a negative effect on growth. For Baby Care, organic sales decreased 4.8%. The decline was mainly the result of the closure of the Baby Care businesses in Mexico and India, as well as lower sales in Russia. In Europe, organic sales increased for Baby Care. For Feminine Care, organic sales increased by 2.0%, attributable to Latin America, Asia and Western Europe.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) rose 50% (12% excluding currency translation effects and acquisition) to SEK 1,614m (1,073). The increase was mainly attributable to the acquisition of BSN medical, higher volumes, cost savings, increased profitability for Incontinence Products in North America and the closure of the Baby Care business in Mexico and the hygiene business in India. Higher raw material costs had a negative impact on earnings. Investments in increased marketing activities were carried out. The acquisition of BSN medical increased profit by 33%.

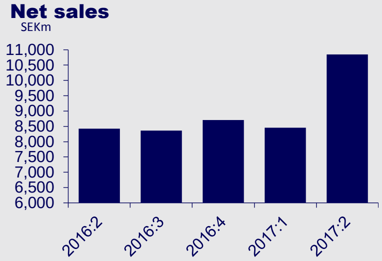
Share of Group, net sales
1706



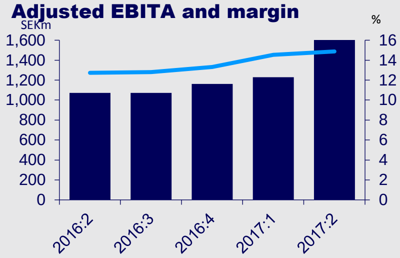
Share of Group, adjusted EBITA
1706



Net sales



Adjusted EBITA and margin



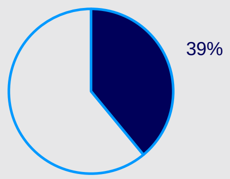
Change in net sales (%)

	1706 vs 1606	17:2 vs 16:2
Total	**16.5**	**28.8**
Price/mix	0.1	-0.5
Volume	0.4	0.4
Currency	3.4	4.0
Acquisitions	12.6	24.9
Divestments	0	0

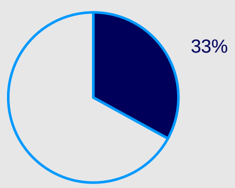
Change in adjusted EBITA (%)

	1706 vs 1606	17:2 vs 16:2
Total	**39**	**50**
Price/mix	2	-1
Volume	5	5
Raw materials	-4	-7
Energy	0	0
Currency	3	5
Other	33	48

Share of Group, net sales
1706

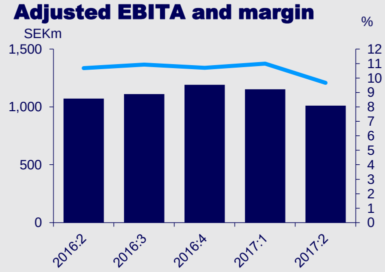


Share of Group, adjusted EBITA
1706



Net sales

Adjusted EBITA and margin



Change in net sales (%)

	1706 vs 1606	17:2 vs. 16:2
Total	**3.1**	**4.1**
Price/mix	-0.1	0.1
Volume	0.4	0.0
Currency	2.8	4.0
Acquisitions	0	0
Divestments	0	0

Change in adjusted EBITA (%)

	1706 vs 1606	17:2 vs 16:2
Total	**1**	**-6**
Price/mix	-1	0
Volume	2	1
Raw materials	-5	-16
Energy	-4	-5
Currency	3	3
Other	6	11

CONSUMER TISSUE

SEKm	1706	1606	%	2017:2	2016:2	%
Net sales	**20,922**	20,281	3	**10,449**	10,043	4
Adjusted EBITA*	**2,161**	2,150	1	**1,010**	1,072	-6
Adjusted EBITA margin, %*	**10.3**	10.6		**9.7**	10.7	
Adjusted operating profit*	**2,157**	2,116	2	**1,008**	1,055	-4
Adjusted operating margin, %*	**10.3**	10.4		**9.6**	10.5	
Adjusted return on capital employed, %*	**10.9**	10.1		**9.8**	10.4	
Operating cash flow	**2,510**	2,119		**1,265**	847	

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

January-June 2017 compared with the corresponding period a year ago

Net sales increased 3.1% to SEK 20,922m (20,281). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 0.3%, of which volume accounted for 0.4% and price/mix for -0.1%. Organic sales decreased 2.6% in mature markets. The decline was mainly related to lower prices and lower sales of mother reels. In emerging markets, which accounted for 44% of net sales, organic sales increased by 4.5%. The increase was attributable to Asia, Latin America and Russia. Exchange rate effects increased net sales by 2.8%.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) rose 1% (declined 2% excluding currency translation effects) to SEK 2,161m (2,150). This increase was related to higher volumes and cost savings. Higher raw material and energy costs and lower prices had a negative earnings effect. The operating cash surplus increased to SEK 3,193m (3,134).

Second quarter of 2017 compared with the corresponding period a year ago

Net sales increased 4.1% to SEK 10,449m (10,043). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 0.1%, of which volume accounted for 0.0% and price/mix for 0.1%. Organic sales decreased 2.5% in mature markets. The decline was mainly related to lower prices and lower sales of mother reels. In emerging markets, which accounted for 44% of net sales, organic sales increased by 3.8%. The increase was mainly attributable to Asia, Latin America and Russia. Exchange rate effects increased net sales by 4.0%.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) declined 6% (9% excluding currency translation effects) to SEK 1,010m (1,072). This decline was primarily attributable to higher raw material costs, mainly on account of increased pulp prices. Higher energy costs had a negative impact on earnings. Investments in increased marketing activities were carried out. Profit was favorably affected by higher volumes and cost savings.

PROFESSIONAL HYGIENE

SEKm	1706	1606	%	2017:2	2016:2	%
Net sales	**13,249**	12,347	7	**6,866**	6,471	6
Adjusted EBITA*	**1,637**	1,717	-5	**917**	940	-2
Adjusted EBITA margin, %*	**12.4**	13.9		**13.4**	14.5	
Adjusted operating profit*	**1,607**	1,687	-5	**902**	922	-2
Adjusted operating margin, %*	**12.1**	13.7		**13.1**	14.2	
Adjusted return on capital employed, %*	**18.0**	21.6		**17.8**	17.7	
Operating cash flow	**1,249**	1,365		**401**	1,213	

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

January-June 2017 compared with the corresponding period a year ago

Net sales increased 7.3% to SEK 13,249m (12,347). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 1.4%, of which volume accounted for -0.4% and price/mix for 1.8%. The acquisition of Wausau Paper Corp. increased net sales by 1.2%. Organic sales decreased 1.0% in mature markets. In emerging markets, which accounted for 17% of net sales, organic sales increased by 14.4%. The increase was mainly attributable to Asia, Latin America, Eastern Europe and Russia. Exchange rate effects increased net sales by 4.7%.

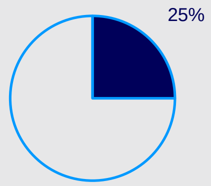
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) declined 5% (10% excluding currency translation effects and acquisition) to SEK 1,637m (1,717). The decline was primarily related to higher raw material costs mainly due to significantly higher recovered paper prices. Earnings were also negatively impacted by lower volumes and higher selling and energy costs. Better price/mix, cost savings and the acquisition of Wausau Paper Corp. had a positive impact on earnings. The operating cash surplus declined to SEK 2,476m (2,523).

Second quarter of 2017 compared with the corresponding period a year ago

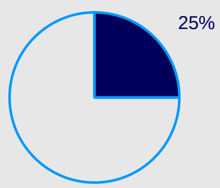
Net sales increased 6.1% to SEK 6,866m (6,471). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 0.8%, of which volume accounted for -1.8% and price/mix for 2.6%. The price/mix was positively impacted by higher prices in North America and better mix in Europe and North America. Organic sales declined 1.8% in mature markets as a result of lower volumes. In emerging markets, which accounted for 17% of net sales, organic sales increased by 15.7%. The increase was mainly attributable to Asia, Latin America, Eastern Europe and Russia. Exchange rate effects increased net sales by 5.3%.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) declined 2% (8% excluding currency translation effects) to SEK 917m (940). The decline was primarily related to higher raw material costs mainly due to significantly higher recovered paper prices. Earnings were also negatively impacted by lower volumes and higher energy costs. Profit was favorably affected by a better price/mix and cost savings.

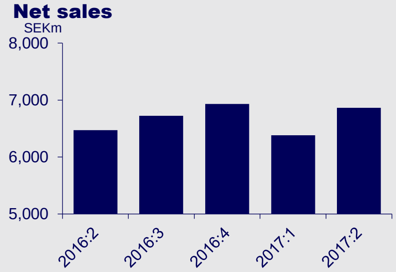
Share of Group, net sales
1706



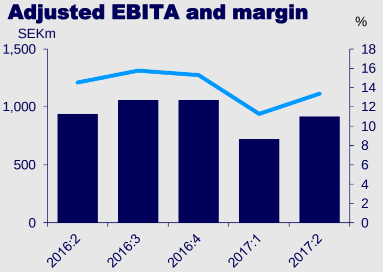
Share of Group , adjusted EBITA
1706



Net sales



Adjusted EBITA and margin



Change in net sales (%)

	1706 vs 1606	17:2 vs 16:2
Total	**7.3**	**6.1**
Price/mix	1.8	2.6
Volume	-0.4	-1.8
Currency	4.7	5.3
Acquisitions	1.2	0
Divestments	0	0

Change in adjusted EBITA (%)

	1706 vs 1606	17:2 vs 16:2
Total	**-5**	**-2**
Price/mix	11	16
Volume	-1	-4
Raw materials	-18	-20
Energy	-1	-3
Currency	4	6
Other	0	3

The Board of Directors and President certify that the interim report gives a true and fair view of the Parent Company's and Group's operations, financial position and results of operations, and describes material risks and uncertainties facing the company and the companies included in the Group.

Stockholm, July 18, 2017

Essity Aktiebolag (publ)

Ewa Björling Board member	Pär Boman Chairman of the Board	Tina Elvingsson Engfors Board member, appointed by the employees	Maija-Liisa Friman Board member	Annemarie Gardshol Board member
Magnus Groth Board member President and CEO	Johan Malmquist Board member	Bert Nordberg Board member	Louise Svanberg Board member	Örjan Svensson Board member, appointed by the employees
	Lars Rebien Sörensen Board member	Barbara Milian Thoralfsson Board member	Niclas Thulin Board member, appointed by the employees	

Review report

Essity Aktiebolag (publ), Corp. Reg. No. 556325-5511

Introduction

We have reviewed this interim report for Essity Aktiebolag (publ.) as per June 30, 2017, and the six-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Approach and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing practices.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, July 18, 2017

Ernst & Young AB

Hamish Mabon

Authorized Public Accountant

DISTRIBUTION OF SHARES

June 30, 2017	Class A	Class B	Total
Registered number of shares	64,593,939	637,748,550	702,342,489

At the end of the reporting period, the proportion of Class A shares was 9.2%. The total number of votes in the company thereafter amounts to 1,286,687,940.

FUTURE REPORTS

During 2017, a quarterly report will be published on October 26. The year-end report for 2017 will be published on January 25, 2018.

INVITATION TO PRESS CONFERENCE ON Q2 2017 INTERIM REPORT

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

Time: 13:00 CET, Tuesday, July 18, 2017
Location: Essity's headquarters, Waterfront Building, Klarabergsviadukten 63, Stockholm, Sweden

The presentation will be webcast at www.essity.com. To participate, call: +44 (0)20 7162 0077, +1 646 851 2407 or +46 (0)8 5052 0110. Specify "Essity" or conference ID no. 962332.

Stockholm, July 18, 2017
Essity Aktiebolag (publ)

Magnus Groth
President and CEO

For further information, please contact:

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Media Relations, Group Function Communications, +46 8 788 52 20

NB:

Essity discloses the information provided herein pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. 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 12:00 CET on July 18, 2017. This interim report has been reviewed by the company's auditors.

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

CONDENSED STATEMENT OF PROFIT OR LOSS

SEKm	2017:2	2016:2	2017:1	1706	1606
Net sales	**28,155**	24,983	25,268	**53,423**	49,231
Cost of goods sold[1,2]	-19,664	-17,850	-18,050	-37,714	-35,426
Items affecting comparability[1,2]	-360	-108	-212	-572	-130
Gross profit	**8,131**	7,025	7,006	**15,137**	13,675
Sales, general and administration[1,2]	-5,109	-4,227	-4,330	-9,439	-8,187
Items affecting comparability[1,2]	-116	-1,106	-109	-225	-1,270
Share of profits of associates and joint ventures	55	33	29	84	65
Operating profit before amortization of acquisition-related intangible assets	**2,961**	1,725	2,596	**5,557**	4,283
Amortization of acquisition-related intangible assets[1]	-197	-39	-21	-218	-70
Items affecting comparability[1,2]	0	-18	-88	-88	-23
Operating profit	**2,764**	1,668	2,487	**5,251**	4,190
Financial items	-304	-111	-266	-570	-414
Profit before tax	**2,460**	1,557	2,221	**4,681**	3,776
Tax	-619	-1,982	-565	-1,184	-2,576
Profit for the period	**1,841**	-425	1,656	**3,497**	1,200
Earnings attributable to:					
Owners of the parent	1,677	-428	1,460	3,137	1,084
Non-controlling interests	164	3	196	360	116
Average no. of shares before dilution, millions[3]	702.3	702.3	702.3	702.3	702.3
Average no. of shares after dilution, millions[3]	702.3	702.3	702.3	702.3	702.3
Earnings per share, SEK - owners of the parent					
- before dilution effects	2.39	-0.61	2.08	4.47	1.54
- after dilution effects	2.39	-0.61	2.08	4.47	1.54
[1]Of which, depreciation	-1,510	-1,255	-1,270	-2,780	-2,478
[2]Of which, impairment	-201	-138	-186	-387	-139
[3]Number of shares corresponds to the number of issued shares in SCA					
Gross margin	**28.9**	28.1	27.7	**28.3**	27.8
EBITA margin	10.5	6.9	10.3	10.4	8.7
Operating margin	**9.8**	6.7	9.8	**9.8**	8.5
Financial net margin	-1.1	-0.4	-1.1	-1.1	-0.8
Profit margin	**8.7**	**6.3**	**8.7**	**8.7**	7.7
Tax	**-2.2**	-7.9	-2.2	-2.2	-5.2
Net margin	**6.5**	**-1.6**	**6.5**	**6.5**	**2.5**
Excluding items affecting comparability:					
Gross margin	**30.2**	28.6	28.6	**29.4**	28.0
EBITA margin	**12.2**	11.8	11.5	**11.9**	11.5
Operating margin	11.5	11.6	11.5	11.5	11.4
Financial net margin	-1.1	-0.4	-1.1	-1.1	-0.8
Profit margin	**10.4**	11.2	10.4	**10.4**	10.6
Tax	-2.7	-8.7	-2.6	-2.7	-5.7
Net margin	**7.7**	2.5	7.8	**7.7**	4.9

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SEKm	2017:2	2016:2	2017:1	1706	1606
Profit for the period	**1,841**	-425	1,656	**3,497**	1,200
Other comprehensive income for the period					
Items that may not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	755	-1,298	779	1,534	-3,131
Income tax attributable to components of other comprehensive income	-178	351	-236	-414	806
	577	-947	543	1,120	-2,325
Items that have been or may be reclassified subsequently to the income statement					
Available-for-sale financial assets	0	2	1	1	0
Cash flow hedges	-32	265	-187	-219	240
Translation differences in foreign operations	-837	1,114	443	-394	1,274
Gains/losses from hedges of net investments in foreign operations	-856	-185	-177	-1,033	-649
Other comprehensive income from associated companies	23	22	-29	-6	-2
Income tax attributable to components of other comprehensive income	187	-27	91	278	90
	-1,515	1,191	142	-1,373	953
Other comprehensive income for the period, net of tax	**-938**	244	685	**-253**	-1,372
Total comprehensive income for the period	**903**	-181	2,341	**3,244**	-172
Total comprehensive income attributable to:					
Owners of the parent	1,079	-309	2,167	3,246	-350
Non-controlling interests	-176	128	174	-2	178

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	1706	1606
Attributable to owners of the parent		
Opening balance, January 1	33,204	42,986
Total comprehensive income for the period	3,246	-350
Transaction with owner (Svenska Cellulosa Aktiebolaget SCA)[1]	842	-2,715
Private placement to non-controlling interest	504	233
Private placement to non-controlling interest, dilution	-290	-110
Issue costs private placement	0	-4
Acquisition of non-controlling interests	0	-670
Acquisition of non-controlling interests, dilution	0	348
Closing balance	**37,506**	39,718
Non-controlling interests		
Opening balance, January 1	6,376	5,289
Total comprehensive income for the period	-2	178
Dividend	-135	-69
Private placement to non-controlling interest	465	194
Private placement to non-controlling interest, dilution	290	110
Issue costs private placement	0	-4
Acquisition of non-controlling interests	80	670
Acquisition of non-controlling interests, dilution	0	-348
Closing balance	**7,074**	6,020
Total equity, closing balance	**44,580**	45,738

[1]Specification of transaction with owner (Svenska Cellulosa Aktiebolaget SCA)

	1706	1606
Received contribution/given contribution	793	-3,180
Tax effects	49	465
Total	842	-2,715

CONSOLIDATED OPERATING CASH FLOW STATEMENT

SEKm	1706	1606
Operating cash surplus	8,832	8,014
Change in working capital	-1,126	-1,147
Current capital expenditures, net	-1,639	-1,526
Restructuring costs, etc.	-569	-404
Operating cash flow	**5,498**	4,937
Financial items	-570	-414
Income taxes paid	-1,553	-1,341
Other	112	80
Cash flow from current operations	**3,487**	3,262
Acquisitions	-25,916	-6,514
Strategic capital expenditures in non-current assets	-730	-851
Divestments	24	143
Cash flow before dividend	**-23,135**	-3,960
Private placement to non-controlling interest	27	419
Dividend to non-controlling interests	-135	-69
Transactions with shareholders	838	-2,700
Net cash flow	**-22,405**	-6,310
Net debt at the start of the period	**-35,173**	-19,058
Net cash flow	-22,405	-6,310
Remeasurement to equity	1,535	-3,132
Translation differences	220	-21
Net debt at the end of the period	**-55,823**	-28,521
Debt/equity ratio	**1.25**	0.62
Debt payment capacity, %	**31**	52

CONSOLIDATED CASH FLOW STATEMENT

SEKm	1706	1606
Operating activities		
Profit before tax	4,681	3,776
Adjustment for non-cash items[1]	3,121	3,501
	7,802	7,277
Paid tax	-1,553	-1,341
Cash flow from operating activities before changes in working capital	**6,249**	5,936
Cash flow from changes in working capital		
Change in inventories	-1,005	634
Change in operating receivables	-419	-345
Change in operating liabilities	298	-1,437
Cash flow from operating activities	**5,123**	4,788
Investing activities		
Company acquisitions	-12,943	-4,387
Divestments	24	143
Investments in intangible assets and property, plant and equipment	-2,429	-2,403
Sale of property, plant and equipment	64	26
Loans granted to external parties	-478	0
Repayment of loans from external parties	0	199
Cash flow from investing activities	**-15,762**	-6,422
Financing activities		
Private placement to non-controlling interests	27	419
Change, receivable from Group companies	952	-827
Loans raised	30,220	13,589
Amortization of debt	-20,738	-9,710
Dividend to non-controlling interests	-135	-69
Transactions with shareholders	838	-2,700
Cash flow from financing activities	**11,164**	702
Cash flow for the period	525	**-932**
Cash and cash equivalents at the beginning of the period	4,244	4,828
Exchange differences in cash and cash equivalents	-76	78
Cash and cash equivalents at the end of the period	**4,693**	3,974
Cash flow from operating activities per share, SEK	7.29	6.82
Reconciliation with consolidated operating cash flow statement		
Cash flow for the period	**525**	-932
Amortization of debt	20,738	9,710
Loans raised	-30,220	-13,589
Loans granted to external parties	478	0
Investment through financial lease	-4	0
Change, receivable from Group companies	-952	827
Net debt in acquired and divested operations	-12,974	-2,127
Accrued interest	4	-1
Net cash flow according to consolidated operating cash flow statement	**-22,405**	-6,311

[1] Depreciation/amortization and impairment of non-current assets	*3,167*	*2,616*
Gains/loss on assets sales and swaps	*-7*	*11*
Reversal of provision related to antitrust cases	*-266*	*0*
Gain/loss on divestments	*-1*	*-101*
Unpaid relating to efficiency program	*39*	*80*
Payments related to efficiency program already recognized	*-327*	*-119*
Provision related to one-time foreign tax on non-current assets	*450*	*0*
Other	*66*	*-51*
Total	*3,121*	*3,501*

CONSOLIDATED BALANCE SHEET

SEKm	June 30, 2017	December 31, 2016
Assets		
Goodwill	31,589	19,253
Other intangible assets	21,854	7,665
Buildings, land, machinery and equipment	47,533	47,494
Participation in joint ventures and associates	1,063	1,096
Shares and participation	33	32
Surplus in funded pension plans	924	335
Non-current financial receivables, Group companies	0	3
Non-current financial assets	482	714
Deferred tax assets	1,389	1,457
Other non-current assets	236	241
Total non-current assets	**105,103**	78,290
Inventories	13,075	10,944
Trade receivables	17,420	15,843
Current tax assets	630	740
Current receivables, Group companies	0	57
Current financial receivables, Group companies	0	1,433
Other current receivables	2,635	2,333
Current financial assets	1,238	244
Non-current assets held for sale	130	156
Cash and cash equivalents	4,692	4,244
Total current assets	**39,820**	35,994
Total assets	**144,923**	114,284
Equity		
Share capital	2,350	0
Reserves	3,063	4,061
Retained earnings	32,093	29,143
Attributable to owner of the Parent	**37,506**	33,204
Non-controlling interests	7,074	6,376
Total equity	**44,580**	39,580
Liabilities		
Non-current financial liabilities	50,581	31,299
Non-current liabilities, Group companies	0	48
Provisions for pensions	4,499	5,273
Deferred tax liabilities	7,522	3,872
Other non-current provisions	1,241	1,407
Other non-current liabilities	80	72
Total non-current liabilities	**63,923**	41,971
Current financial liabilities	8,079	5,089
Current liabilities, Group companies	0	259
Current financial liabilities, Group companies	0	485
Trade payables	13,795	12,972
Current tax liabilities	629	915
Current provisions	1,448	1,409
Other current liabilities	12,469	11,604
Total current liabilities	**36,420**	32,733
Total liabilities	**100,343**	74,704
Total equity and liabilities	**144,923**	114,284

CONSOLIDATED BALANCE SHEET (cont.)

SEKm	June 30, 2017	December 31, 2016
Debt/equity ratio	1.25	0.89
Equity/assets ratio	26%	29%
Equity	44,580	39,580
Equity per share	63	56
Return on equity	14.9%	9.3%
Return on equity excluding items affecting comparability	19.1%	14.5%
Capital employed	100,403	74,753
- of which working capital	6,414	4,143
Return on capital employed*	13.3%	12.8%
Return on capital employed excluding items affecting comparability*	15.9%	16.4%
Net debt	55,823	35,173
Provisions for restructuring costs are included in the balance sheet as follows		
-Other provisions**	1,241	1,407
-Operating liabilities	687	866
	595	516

*) rolling 12 months

**) of which, provision for tax risks

NET SALES (business area reporting)

SEKm	1706	1606	2017:2	2017:1	2016:4	2016:3	2016:2	2016:1
Personal Care	19,306	16,578	10,851	8,455	8,711	8,362	8,427	8,151
Consumer Tissue	20,922	20,281	10,449	10,473	11,115	10,164	10,043	10,238
Professional Hygiene	13,249	12,347	6,866	6,383	6,929	6,725	6,471	5,876
Other	-54	25	-11	-43	17	-16	42	-17
Total net sales	**53,423**	49,231	**28,155**	25,268	26,772	25,235	24,983	24,248

ADJUSTED EBITA (business area reporting)

SEKm	1706	1606	2017:2	2017:1	2016:4	2016:3	2016:2	2016:1
Personal Care	2,842	2,050	1,614	1,228	1,161	1,072	1,073	977
Consumer Tissue	2,161	2,150	1,010	1,151	1,190	1,110	1,072	1,078
Professional Hygiene	1,637	1,717	917	720	1,059	1,060	940	777
Other	-286	-234	-104	-182	-215	-128	-146	-88
Total adjusted EBITA	**6,354**	5,683	**3,437**	2,917	3,195	3,114	2,939	2,744

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	1706	1606	2017:2	2017:1	2016:4	2016:3	2016:2	2016:1
Personal Care	2,658	2,044	1,434	1,224	1,143	1,068	1,070	974
Consumer Tissue	2,157	2,116	1,008	1,149	1,173	1,093	1,055	1,061
Professional Hygiene	1,607	1,687	902	705	1,042	1,044	922	765
Other	-286	-234	-104	-182	-214	-129	-147	-87
Total adjusted operating profit[1]	**6,136**	5,613	**3,240**	2,896	3,144	3,076	2,900	2,713
Financial items	-570	-414	-304	-266	-265	-156	-111	-303
Profit before tax[1]	**5,566**	5,199	**2,936**	2,630	2,879	2,920	2,789	2,410
Tax	-1,420	-2,808	-761	-659	-1,096	-451	-2,174	-634
Net profit for the period[2]	**4,146**	2,391	**2,175**	1,971	1,783	2,469	615	1,776
[1] Excluding items affecting comparability before tax amounting to:	-885	-1,423	-476	-409	-688	-714	-1,232	-191
[2] Excluding items affecting comparability after tax amounting to:	-649	-1,191	-334	-315	-613	-597	-1,040	-151

ADJUSTED EBITA MARGIN (business area reporting)

%	1706	1606	2017:2	2017:1	2016:4	2016:3	2016:2	2016:1
Personal Care	14.7	12.4	14.9	14.5	13.3	12.8	12.7	12.0
Consumer Tissue	10.3	10.6	9.7	11.0	10.7	10.9	10.7	10.5
Professional Hygiene	12.4	13.9	13.4	11.3	15.3	15.8	14.5	13.2

STATEMENT OF PROFIT OR LOSS

SEKm	2017:2	2017:1	2016:4	2016:3	2016:2
Net sales	**28,155**	25,268	26,772	25,235	24,983
Cost of goods sold	-19,664	-18,050	-19,131	-17,881	-17,850
Items affecting comparability	-360	-212	-49	-353	-108
Gross profit	**8,131**	7,006	7,592	7,001	7,025
Sales, general and administration	-5,109	-4,330	-4,495	-4,283	-4,227
Items affecting comparability	-116	-109	-630	-213	-1,106
Share of profits of associates and joint ventures	55	29	49	43	33
Operating profit before amortization of acquisition-related intangible assets (EBITA)	**2,961**	2,596	2,516	2,548	1,725
Amortization of acquisition-related intangible assets	-197	-21	-51	-38	-39
Items affecting comparability	0	-88	-9	-148	-18
Operating profit	**2,764**	2,487	2,456	2,362	1,668
Financial items	-304	-266	-265	-156	-111
Profit before tax	**2,460**	2,221	2,191	2,206	1,557
Taxes	-619	-565	-1,021	-334	-1,982
Net profit for the period	**1,841**	1,656	1,170	1,872	-425

INCOME STATEMENT PARENT COMPANY

SEKm	1706	1606
Other operating income	-522	0
Other operating expenses	192	0
Operating profit	-330	0
Financial items	3,046	0
Profit before tax	**2,716**	0
Untaxed reserve and Tax	159	0
Net profit for the period	**2,875**	0

BALANCE SHEET PARENT COMPANY

SEKm	June 30, 2017	December 31, 2016
Intangible assets	0	0
Tangible assets	6	7
Financial assets	167,759	167,852
Total non-current assets	167,765	167,859
Total current assets	1,340	149
Total assets	**169,105**	168,008
Restricted equity	2,350	0
Unrestricted equity	76,109	74,986
Total equity	78,459	74,986
Untaxed reserves	0	0
Provisions	852	839
Non-current liabilities	45,637	23,006
Current liabilities	44,157	69,177
Total equity, provisions and liabilities	**169,105**	168,008

Events during the quarter, Parent Company

During the second quarter, SCA's shareholders decided to distribute all shares in Essity Aktiebolag (publ) to SCA's shareholders. Ahead of the stock exchange listing, the company was also renamed Essity Aktiebolag (publ). The company's shares were listed for trading on Nasdaq Stockholm on June 15, 2017.

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, 2017, Essity applies the following new or amended International Financial Reporting Standards (IFRS):

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses
- Amendments to IAS 7: Disclosure Initiative

These amendments are not judged to have any material impact on the Group's or Parent Company's result of operations or financial position.

In other respects, the accounting principles and calculation methods applied correspond to those described in the 2016 Annual Report for SCA Hygiene AB.

At SCA's Annual General Meeting on April 5, 2017, it was decided to distribute the hygiene business. Accordingly, a review has been conducted in accordance with IFRS 8 Operating Segments. SCA Hygiene AB decided to divide operations into three segments, with Tissue being split into Consumer Tissue and Professional Hygiene. In addition, Personal Care will continue to form a separate segment and will also include, as of the second quarter, the new acquisition BSN medical, Medical Solutions, which is in line with how the new organization will be developed and managed in the future. Comparative periods have been restated in the corresponding manner.

SCA Hygiene AB has also decided to continue to present a function-based income statement, but increase the number of lines in the income statement by reporting amortization for acquisition-related intangible assets on a separate line, thereby making it easier to compare results with other companies irrespective of whether business activities are based on acquisitions or organic growth. In addition, the company has decided to introduce EBITA as a subtotal in the consolidated income statement, refer to Note 6 for further information.

2 RISKS AND UNCERTAINTIES

Essity's risk exposure and risk management are described on pages 25-31 of the 2016 SCA Hygiene AB Annual Report. 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 reports.

Processes for risk management
Essity's Board determines the Group's strategic direction based on recommendations from the Executive Management Team. Responsibility for the long-term, overall management of strategic risks corresponds to the company's delegation structure, from the Board 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 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 RELATED PARTY TRANSACTIONS

The Essity Group (formerly SCA Hygiene AB) has had a number of transactions with units in SCA's Forest Products and the former Parent Company SCA AB. These transactions and dealings are outlined in the table below. Purchases from Forest Products relate primarily to pulp used in the Essity Group's manufacturing process.

Joint ventures and joint arrangements are classified as transactions with related parties. Transactions with these parties are not of a material nature and are not specified separately below. Remuneration also occurs in the form of salaries and other remuneration, costs and obligations.

Transactions in the form of lending and reallocation of net debt have, in conjunction with Essity's acquisition of the hygiene business, been classified as transactions with owners. The transactions with owners that have been carried out via equity are presented in the Consolidated statement of changes in equity.

Transactions and dealings with Group companies

SEKm	1706	1612	1606	1512	1412
Sales	-	-	-	-	-
Purchases	214	511	242	482	424
Other income	-	56	56	57	14
Financial income	70	108	56	132	230
Financial expenses	-9	-2	-1	-2	-7
Non-current receivables, Group companies	-	-	19	39	11
Non-current financial receivables, Group companies	-	3	3	3	3
Current receivables, Group companies	-	57	98	166	117
of which trade receivables	-	*18*	*38*	*79*	*39*
of which currency derivatives	-	*33*	*36*	*10*	*30*
of which energy derivatives	-	*6*	*24*	*77*	*48*
Current financial receivables, Group companies	-	1,433	12 944	12,207	12,764
Non-current liabilities, Group companies	-	48	15	-	4
of which currency derivatives	-	*12*	*7*	*0*	*3*
of which energy derivatives	-	*36*	*8*	*0*	*1*
Non-current financial liabilities, Group companies	-	-	-	-	-
Current liabilities, Group companies	-	259	224	341	273
of which trade payables	-	*100*	*97*	*106*	*88*
of which currency derivatives	-	*64*	*50*	*29*	*1*
of which energy derivatives	-	*58*	*22*	*3*	*1*
of which other current liabilities	-	*37*	*55*	*203*	*183*
Current financial liabilities, Group companies	-	485	769	852	1,797

4 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	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Of which fair value by level[1]	
June 30, 2017						1	2
Derivatives	1,199	656	543	-	-	-	1,199
Non-current financial assets	84	-	-	84	-	84	-
Total assets	**1,283**	**656**	**543**	**84**	**-**	**84**	**1,199**
Derivatives	379	227	152	-	-	-	379
Financial liabilities							
Current financial liabilities	7,774	-	-	-	7,774	-	-
Non-current financial liabilities	50,535	15,980	-	-	34,555	-	15,980
Total liabilities	**58,688**	**16,207**	**152**	**0**	**42,329**	**0**	**16,359**
December 31, 2016							
Derivatives	1,259	440	819	-	-	-	1,259
Non-current financial assets	82	-	-	82	-	82	-
Total assets	1,341	440	819	82	-	82	1,259
Derivatives	705	576	129	-	-	-	705
Financial liabilities							
Current financial liabilities	4,656	425	-	-	4,231	-	425
Non-current financial liabilities	31,338	16,021	-	-	15,317	-	16,021
Total liabilities	36,699	17,022	129	-	19,548	-	17,151

[1]No financial instruments have been classified to level 3

The total fair value of the above financial liabilities is SEK 58,434m (36,719). 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.

The fair value of financial instruments is calculated based on current market quotations on the balance sheet date. The value of derivatives is based on published prices in an active market. The fair value of debt instruments is set using valuation models, such as discounting of future cash flows to quoted market interest rates for the respective durations.

5 ACQUISITIONS AND DIVESTMENTS

On December 19, 2016, it was announced that an agreement to acquire BSN medical, a leading medical solutions company, had been concluded. BSN medical develops, manufactures, markets and sells products within wound care, compression therapy and orthopedics. The purchase price for the shares was EUR 1,394m, and takeover of net debt amounted to approximately EUR 1,319m. The acquisition is fully debt-funded. The transaction, which was subject to customary regulatory approvals, was closed on April 3, 2017.

A preliminary purchase price allocation is presented below specifying intangible assets in the form of customer relationships, brands, technologies and goodwill. The preliminary allocation may be adjusted following a more thorough valuation by Essity of BSN medical's brand strategy. Goodwill is justified by the synergies that arise as a result of BSN medical's leading market positions in attractive medical technology product categories, which create a shared future growth platform in combination with Essity's incontinence business, including the globally leading brand TENA. Furthermore, synergies are generated by being able to utilize a common customer base and sales channels for both businesses, enabling more rapid growth through cross selling.

For the second quarter of 2017, BSN medical's reported net sales amounted to SEK 2,096m, adjusted EBITDA to SEK 416m and adjusted EBITA to SEK 359m. Had the acquisition been consolidated from 1 January 2017, the estimated sales would have amounted to SEK 4,127m, adjusted EBITDA to SEK 825m and adjusted EBITA to SEK 720m.

Purchase price allocation, BSN medical	Preliminary
SEKm	
Intangible assets	13,800
Non-current assets	1,447
Current assets	3,043
Cash and cash equivalents	481
Net debt	-13,028
Provisions and other non-current liabilities	-3,964
Operating liabilities	-1,500
Net identifiable assets and liabilities	309
Goodwill	13,031
Non-controlling interests	80
Consideration paid	13,260
Consideration paid	-13,260
Cash and cash equivalents in acquired operations	481
Effect on the Group's cash and cash equivalents (Consolidated cash flow statement)	-12,779
Acquired net debt excluding cash and cash equivalents	-13,028
Acquisition of operations including net debt taken over (Consolidated operating cash flow statement)	-25,807

6 Use of non-IFRS performance measures

During 2016, guidelines for Alternative Performance Measures (APMs) for companies with securities listed on a regulated market in the EU were issued by the European Securities and Markets Authority (ESMA). These guidelines are to be applied for APMs not supported under IFRS.

This quarterly 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 IFRS measures may differ from similarly titled measures among other companies. SCA Hygiene's 2016 Annual Report describes the various IFRS performance measures that are used as a complement to the financial information that is presented in accordance with IFRS. A number of IFRS performance measures, such as EBITA, have been added since the Annual Report was published and these are described below. Tables are also presented that show how the performance measures have been calculated.

It is important that the Essity Group maintains an effective capital structure, while at the same time ensuring long-term access to loan financing. Cash flow in relation to net debt shall take into account the target to maintain a solid investment grade rating. A number of financial performance measures and how these are used to analyze the company's objective are described below.

CALCULATION OF FINANCIAL PERFORMANCE MEASURES NOT INCLUDED IN IFRS FRAMEWORK

Return measures – Return is a financial term that describes how much the value of an asset changes from an earlier point in time

Non-IFRS performance measure	Description	Reason for use of the measure
Return on capital employed, ROCE	Accumulated return on capital employed is calculated as 12-month rolling operating profit before amortization of acquisition-related intangible assets (EBITA) as a percentage of an average of capital employed during the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit before amortization of acquisition-related intangible assets (EBITA) for the quarter multiplied by four as a percentage of capital employed for the two most recent quarters.	This is the central ratio for measuring return on capital tied up in operations.

Non-IFRS performance measure	Description	Reason for use of the measure
Adjusted return on capital employed, ROCE	Accumulated return on capital employed is calculated as 12-month rolling operating profit before amortization of acquisition-related intangible assets (EBITA), excluding items affecting comparability, as a percentage of an average of capital employed during the five most recent quarters. The corresponding key figure for a single quarter is calculated as operating profit before amortization of acquisition-related intangible assets (EBITA) for the quarter, excluding items affecting comparability, multiplied by four as a percentage of capital employed for the two most recent quarters.	This is the central ratio for measuring return on capital tied up in operations.
Operating profit before amortization of acquisition-related intangible assets/EBITA	Calculated as operating profit after depreciation of tangible assets but before amortization of acquisition-related intangible assets.	The measure is a good complement to enable earnings comparisons with other companies, regardless of whether business activities are based on acquisitions or organic growth.
Adjusted operating profit before amortization of acquisition-related intangible assets/EBITA	Calculated as operating profit after depreciation of tangible assets but before amortization of acquisition-related intangible assets, excluding items affecting comparability.	The measure is a good complement to enable earnings comparisons with other companies, regardless of whether business activities were based on acquisitions or organic growth, and even adjusted for the impact of items affecting comparability.
EBITA margin	Operating profit before amortization of acquisition-related intangible assets as a percentage of net sales for the year.	The measure is a good complement to enable margin comparisons with other companies, regardless of whether business activities are based on acquisitions or organic growth.
Adjusted EBITA margin	Operating profit before amortization of acquisition-related intangible assets, excluding items affecting comparability, as a percentage of net sales for the year.	The measure is a good complement to enable margin comparisons with other companies, regardless of whether business activities are based on acquisitions or organic growth.
Adjusted operating margin	Operating profit, excluding items affecting comparability, as a percentage of net sales for the year.	Adjusted operating margin is a key measure together with sales growth and capital turnover ratio for monitoring value creation.
Adjusted operating profit	Adjusted operating profit is calculated as operating profit before financial items and tax and excluding items affecting comparability.	Adjusted operating profit is a key ratio for control of the Group's profit centers and provides a better understanding of earnings performance of the operations than the non-adjusted operating profit.
Adjusted tax	Tax expenses for the period adjusted for tax expenses relating to items affecting comparability.	A useful measure to show the total tax expense for the period, adjusted for taxes related to items affecting comparability.

Earnings per share	Earnings for the period attributable to owners of the parent divided by number of shares	Earnings per share is a good measure of the company's profitability and is used to determine the value of a company's outstanding shares
Adjusted earnings per share	Adjusted earnings for the period attributable to owners of the parent, excluding amortization of acquisition-related intangible assets after tax divided by number of shares	Adjusted earnings per share is a good measure of the company's profitability and is used to determine the value of a company's outstanding shares

Capital employed

SEKm	1706	1612
Total assets	144,923	114,284
-Financial receivables	-7,336	-6,973
-Non-current non-interest bearing liabilities	-8,843	-5,399
-Current non-interest bearing liabilities	-28,341	-27,159
Capital employed	100,403	74,753

SEKm	2017:2	2017:1	2016:4	2016:3	2016:2
Personal Care	39,363	14,051	13,665	12,680	13,577
Consumer Tissue	41,439	40,898	40,082	41,160	40,963
Professional Hygiene	20,272	20,915	21,253	20,858	20,942
Other	-671	-634	-247	163	-1,224
Total capital employed	100,403	75,230	74,753	74,861	74,258

Working capital

SEKm	1706	1612
Inventories	13,075	10,944
Accounts receivables	17,420	15,843
Other current receivables	2,635	2,390
Accounts payables	-13,795	-12,972
Other current liabilities	-12,469	-11,863
Adjustments	-452	-199
Working capital	6,414	4,143

Net debt

SEKm	1706	1612
Surplus in funded pension plans	924	335
Non-current financial assets	482	717
Current financial assets	1,238	1,677
Cash and cash equivalents	4,692	4,244
Financial receivables	7,336	6,973
Non-current financial liabilities	50,581	31,299
Provisions for pensions	4,499	5,273
Current financial liabilities	8,079	5,574
Financial liabilities	63,159	42,146
Net debt	55,823	35,173

EBITA

SEKm	1706	1606	2017:2	2016:2
Operating profit	5,251	4190	2764	1668
-Amortization of acquisition-related intangible assets	218	70	197	39
-Items affecting comparability amortization of acquisition-related intangible assets	88	23	0	18
-Operating profit before amortization of acquisition-related intangible assets/EBITA	5,557	4,283	2,961	1,725
EBITA margin (%)	10.4	8.7	10.5	6.9
Items affecting comparability cost of goods sold	572	130	360	108
Items affecting comparability sales and administration costs	225	1,270	116	1,106
Adjusted EBITA	6,354	5,683	3,437	2,939
Adjusted EBITA margin (%)	11.9	11.5	12.2	11.8

Operating cash flow

SEKm	1706	1606	2017:2	2016:2
Personal Care				
Operating cash surplus	3,421	2,550	1,930	1,332
Change in working capital	-546	-86	-283	29
Current capital expenditures, net	-365	-320	-191	-176
Restructuring costs, etc.	-196	-14	-205	15
Operating cash flow	2,314	2,130	1,251	1,200
Consumer Tissue				
Operating cash surplus	3,193	3,134	1,532	1,561
Change in working capital	364	-113	287	-155
Current capital expenditures, net	-902	-624	-616	-347
Restructuring costs, etc.	-145	-278	62	-212
Operating cash flow	2,510	2,119	1,265	847
Professional Hygiene				
Operating cash surplus	2,476	2,523	1,323	1,345
Change in working capital	-608	-786	-516	-44
Current capital expenditures, net	-325	-482	-220	-272
Restructuring costs, etc.	-294	110	-186	184
Operating cash flow	1,249	1,365	401	1,213

Organic sales

SEKm	1706	2017:2
Personal Care		
Organic sales	73	-12
Currency effect*	559	341
Acquisition/Disposals	2,096	2,096
Reported change	2,728	2,425
Consumer Tissue		
Organic sales	65	7
Currency effect*	576	398
Acquisition/Disposals	0	0
Reported change	641	405
Professional Hygiene		
Organic sales	175	53
Currency effect*	580	342
Acquisition/Disposals	147	0
Reported change	902	395
Essity		
Organic sales	234	-5
Currency effect*	1,715	1,081
Acquisition/Disposals	2,243	2,096
Reported change	4,192	3,172

*Consists only of currency translation effects