

Half-year report

Q2 2023



January–June 2023 compared with January–June 2022

- The book value of SCA's forest assets increased to SEK 98.9bn compared with SEK 97.9bn at the end of the preceding year.
- Net sales declined to SEK 9,395m (10,914). The decrease was primarily attributable to lower selling prices.
- EBITDA amounted to SEK 3,755m (5,729). The change was mainly attributable to lower selling prices. Growth in renewable energy and strong earnings in segment Forest had a positive impact on earnings. EBITDA margin was 40.0% (52.5).
- Operating profit amounted to SEK 2,825m (4,958).
- Operating cash flow decreased to SEK 1,851m (3,085).
- Earnings per share was SEK 3.06 (5.50).

April–June 2023 compared with April–June 2022

- Net sales declined to SEK 4,582m (5,899). The change was mainly attributable to lower selling prices.
- EBITDA amounted to SEK 1,700m (3,121). The decline was mainly attributable to lower selling prices. Good control over SCA's own value chain with a high degree of self-sufficiency in particularly timber, but also energy and logistics, resulted in effective cost control and had a positive effect. EBITDA margin was 37.1% (52.9).

April–June 2023 compared with January–March 2023

- Net sales amounted to SEK 4,582m (4,813). The change was mainly attributable to lower selling prices for pulp and containerboard, which were offset by higher delivery volumes.
- EBITDA amounted to SEK 1,700m (2,055). EBITDA margin was 37.1% (42.7).

KEY FIGURES

SEKm	Quarter				Jan-Jun			
	2023:2	2022:2	%	2023:1	%	2023	2022	%
Net sales	4,582	5,899	-22	4,813	-5	9,395	10,914	-14
EBITDA	1,700	3,121	-46	2,055	-17	3,755	5,729	-34
<i>EBITDA margin, %</i>	37.1	52.9		42.7		40.0	52.5	
Operating profit	1,229	2,735	-55	1,596	-23	2,825	4,958	-43
Net Profit	916	2,180	-58	1,213	-24	2,129	3,940	-46
<i>Earnings per share SEK</i>	1.32	3.05		1.74		3.06	5.50	
Operating cash flow	648	1,942		1,203		1,851	3,085	
Net Debt / EBITDA (LTM)	1.3x	0.8x		1.2x		1.3x	0.8x	

SUMMARY OF THE SECOND QUARTER OF 2023

SCA's high degree of self-sufficiency in particularly timber, but also energy and logistics, has resulted in effective cost control, and was a significant factor in our good profitability in a period with rising prices for wood raw material and lower prices for fiber-based products. Earnings for the second quarter of 2023 weakened compared with the preceding quarter and the year-earlier quarter as a result of lower selling prices.

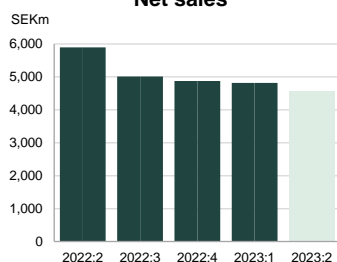
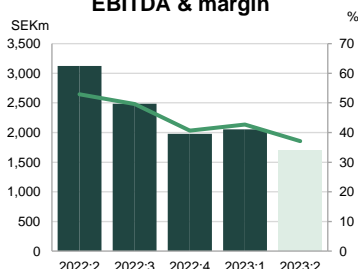
The supply of wood raw material to SCA's industries was stable during the quarter, although continued price increases were noted for pulpwood and sawlogs.

Selling prices for solid-wood products increased compared with the preceding quarter on account of seasonably higher demand. However, underlying demand remained weak in most customer segments and geographies.

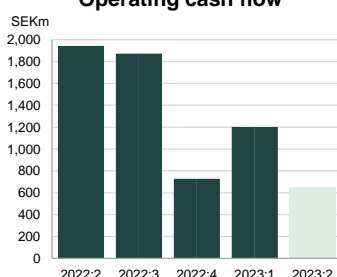
Demand in the Pulp segment was weak for both chemical pulp and CTMP, which resulted in lower selling prices in all geographies. The new CTMP facility at the Ortviken site in Sundsvall, which began operating at the end of the preceding year, contributed to higher delivery volumes.

Low demand for packaging material contributed to continued weak demand for kraftliner. The average selling price for kraftliner was lower in the second quarter than in the preceding quarter. At the end of last year, the new paper machine at Obbola began operating, one quarter ahead of schedule. The new recovered fiber line, which is necessary for increased production volume, was also taken into operation in mid-year. The ramp up of the paper machine is proceeding according to plan.

The energy business continues to grow and despite lower seasonal sales the result in segment Renewable Energy was in line with last quarter. The market for solid biofuels was strong. The wind power business continued to grow, in the end of the second quarter, 738 wind turbines were operating on SCA's land with an annual production capacity of 8.2 TWh. The acquired wind farm in Markbygden also contributed positively to the result development. The market for crude tall oil remained strong and the biorefinery in Gothenburg is expected to be in operation by the end of 2023.

Net sales**EBITDA & margin****Change in net sales (%)**

	2306 vs 2206	2023:2 vs 2022:2	2023:2 vs 2023:1
Total	-14	-22	-5
Price/mix	-18	-25	-9
Volume	-2	-5	4
Currency	6	8	0

Operating cash flow**GROUP****SALES AND OPERATING PROFIT****January–June 2023 compared with January–June 2022**

Net sales amounted to SEK 9,395m (10,914), a change of -14%, of which price/mix accounted for -18%, currency +6% and volume -2%. The decline was mainly related to lower selling prices, which was partly offset by positive exchange rate effects.

EBITDA decreased to SEK 3,755m (5,729), corresponding to an EBITDA margin of 40.0% (52.5). The change was mainly attributable to lower selling prices. Higher earnings for Forest, growth in Renewable Energy and exchange rate effects had a positive earnings effect. The cost of planned maintenance stops amounted to SEK 115m (67).

Operating profit amounted to SEK 2,825m (4,958). Depreciation increased to SEK 930m (771) due to commissioned strategic capital expenditures.

April–June 2023 compared with April–June 2022

Net sales decreased to SEK 4,582m (5,899), a change of -22%, of which price/mix accounted for -25%, currency +8% and volume -5%. The decrease was mainly attributable to lower selling prices and lower delivery volumes of solid-wood products. Higher delivery volumes from commissioned strategic capital expenditures and exchange rate effects had a positive effect on net sales.

EBITDA decreased to SEK 1,700m (3,121), corresponding to an EBITDA margin of 37.1% (52.9). The decrease was primarily attributable to lower selling prices and lower delivery volumes of solid-wood products. Higher earnings for Forest, growth in Renewable Energy, exchange rate effects and lower logistics costs had a positive earnings effect. The cost of planned maintenance stops amounted to SEK 94m (67).

Operating profit amounted to SEK 1,229m (2,735).

April–June 2023 compared with January–March 2023

Net sales decreased to SEK 4,582m (4,813), a change of -5%, of which price/mix accounted for -9% and volume +4%. The decline was attributable to lower selling prices in containerboard and pulp, which were offset by higher delivery volumes and positive exchange rate effects.

EBITDA decreased to SEK 1,700m (2,055), corresponding to an EBITDA margin of 37.1% (42.7). The decline was mainly related to lower selling prices in pulp and containerboard. Higher delivery volumes and exchange rate effects had a positive earnings effect. The cost of planned maintenance stops amounted to SEK 94m (21).

Operating profit amounted to SEK 1,229m (1,596).

CASH FLOW**January–June 2023 compared with January–June 2022**

The operating cash surplus amounted to SEK 2,806m (4,757). The cash flow effect of changes in working capital was SEK -149m (-993). Current capital expenditures, net, totaled SEK -629m (-599). Operating cash flow was SEK 1,851m (3,085) (see Note 9).

Strategic capital expenditures totaled SEK -938m (-1,610) as well as company and asset acquisitions totaled SEK -96m (-573). Paid tax amounted to SEK -245m (-369). Cash flow for the period was SEK -618m (-307) (see page 16).

FINANCING**January–June 2023**

At June 30, 2023, net debt totaled SEK 10,809m, an increase during the period of SEK 820m. The increase was mainly related to the dividend payment during the period. Net debt in relation to EBITDA amounted to 1.3x compared with 1.0x at the end of 2022.

At June 30, 2023, gross debt amounted to SEK 13,509m (12 785), with an average maturity of 4.1 years (including the lease liability). The loan structure consists of bilateral bank loans and bonds. Unutilized credit facilities amounted to approximately SEK 6.3bn at June 30, 2023.

Financial items increased to SEK -162m (-20). The change was attributable to higher average net debt, higher market interest rates and reduced capitalized interest in the company's ongoing strategic capital expenditures.

TAX

January–June 2023 compared with January–June 2022

The Group's tax expense amounted to SEK 534m (998), corresponding to an effective tax rate of 20.1% (20.2).

EQUITY

January–June 2023

Equity increased by SEK 525m during the period, to SEK 96,883m at June 30, 2023. Equity increased due to comprehensive income for the period of SEK 2,289m, decreased by SEK 1,756m due to the dividend payment and decreased due to other items by SEK 8m.

CURRENCY EXPOSURE AND CURRENCY HEDGING

Due to a high proportion of exports, SCA's operations are exposed to various currencies. About 90% of sales are priced in currencies other than SEK, primarily EUR, USD and GBP. Most purchasing is conducted in SEK.

To reduce the risk of a weaker SEK, balance sheet items in foreign currency are hedged, as well as major decided and contracted expenses in foreign currency for investments in non-current assets. Added to this, a share of future net flows in the main currencies is hedged and, in some cases, for special order flows. At June 30, the company had hedged the following shares in percent of the expected net exposure from sales minus purchases.

Currency	Average rate	Share of expected net exposure, %				
		2023:3	2023:4	2024:1	2024:2	2024:3
EUR	11.26	85	85	60	40	25
USD	10.53	85	85	60	45	
GBP	12.28	20	20			

PLANNED MAINTENANCE STOPS

In the second quarter of 2023, one planned maintenance stop was carried out at the paper mill in Obbola (containerboard). The estimated effect of the planned maintenance stops on earnings, calculated as the sum of the direct cost of the maintenance and the effect from lower fixed cost coverage from reduced production during the stops, is shown in the table below.

SEKm	Actual				
	2022:1	2022:2	2022:3	2022:4	Total
Pulp	0	0	26	145	171
Containerboard	0	67	62	0	129
Total	0	67	88	145	300

SEKm	Actual		Forecast		Total
	2023:1	2023:2	2023:3	2023:4	
Pulp	0	0	30	150	180
Containerboard	21	94	65	0	180
Total	21	94	95	150	360

STRATEGIC CAPITAL EXPENDITURES

SCA invests in the Obbola kraftliner mill

The new paper machine began operating in Obbola in the fourth quarter of 2022, which was one quarter ahead of schedule. The ramp up of the paper machine is proceeding according to plan. The new recovered fiber line, which is necessary to reach full capacity, have commenced operations and calibration is ongoing. The project is progressing on budget.

SCA invests in the production and development of biofuels

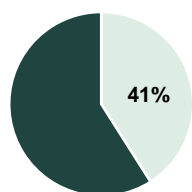
SCA is investing in a jointly owned biorefinery in Gothenburg. The biorefinery is under construction and the project is progressing according to plan. Operations is expected to commence at the end of 2023.

FOREST ASSETS

Increased value for SCA's forest assets

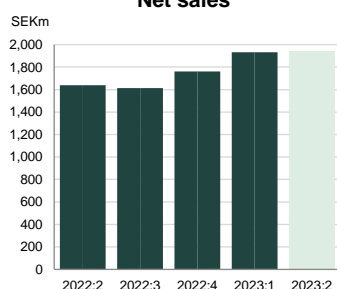
The value of SCA's forest assets increased to SEK 98.9bn at June 30, 2023 compared with SEK 97.9bn at the end of the preceding year. The revaluation of the total forest assets during the quarter was driven by the increase in standing volume (net growth) while the market price of forest land was unchanged. In the first half of 2023 there were fewer forest transactions than normal, which led to limited supporting data for calculation of an average market price. On account of the limited statistical data available SCA has not adjusted the applied average market price (see Note 3).

Share of EBITDA Jan-Jun 2023*

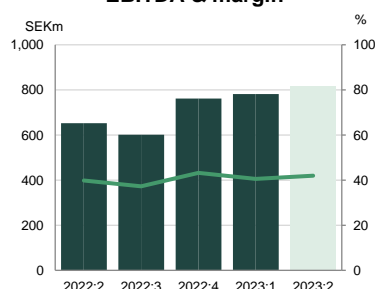


* share calculated of total EBITDA excluding central costs

Net sales



EBITDA & margin



FOREST

SCA is Europe's largest private forest owner with a holding of 2.7 million hectares of forest land in Northern Sweden and the Baltic region. SCA's unique forest holding is a growing resource that provides access to high-quality forest raw materials while absorbing a net of more than 10% of Sweden's fossil CO₂ emissions.

SEKm	Quarter					Jan-Jun		
	2023:2	2022:2	%	2023:1	%	2023	2022	%
Net sales	1,945	1,642	18	1,931	1	3,876	3,333	16
EBITDA	817	654	25	781	5	1,598	1,240	29
Depreciation	-56	-55	2	-58	-3	-114	-110	4
Operating profit	761	599	27	723	5	1,484	1,130	31
EBITDA margin, %	42.0	39.8		40.4		41.2	37.2	
Operating margin, %	39.1	36.4		37.4		38.3	33.9	
Return on capital employed, %	3.8	3.4		3.6		3.5	3.6	
Harvesting of own forest, thousand m ³ sub	1,383	1,365	1	923	50	2,306	2,008	15
Revaluation of biological assets ¹	463	447	4	462	0	925	901	3

¹ Revaluation of biological assets are included in EBITDA.

The Forest segment includes net sales from timber sourced from SCA's own forests, and from timber purchased from other forest owners, which is sold internally to SCA's industrial operations. The pricing is based on an average of SCA's externally sourced timber prices.

Harvesting of own forest

During the second quarter, the volume of timber harvested from SCA-owned forest was 1.4 million m³sub. The planned annual level of timber harvested in SCA-owned forest is expected to gradually increase from approximately 4.3 m³sub to approximately 5.4 million m³sub in 2025.

Revaluation of forest assets

The revaluation of biological assets was SEK 463m in the second quarter of 2023. The revaluation of the total forest assets is determined by the annual increase in standing volume (net growth) and the change in market price of forest land (see Note 3).

January–June 2023 compared with January–June 2022

Net sales increased 16% to SEK 3,876m (3,333), primarily related to higher selling prices for sawlogs and pulpwood.

EBITDA increased 29% to SEK 1,598m (1,240). This increase was primarily attributable to a higher share of harvesting from SCA-owned forest and higher selling prices for sawlogs and pulpwood.

April–June 2023 compared with April–June 2022

Net sales increased 18% to SEK 1,945m (1,642), primarily related to higher selling prices for sawlogs and pulpwood.

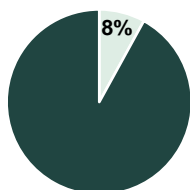
EBITDA increased 25% to SEK 817m (654). This increase was primarily attributable to higher prices for sawlogs and pulpwood.

April–June 2023 compared with January–March 2023

Net sales increased 1% to SEK 1,945m (1,931), primarily related to higher selling prices for sawlogs and pulpwood.

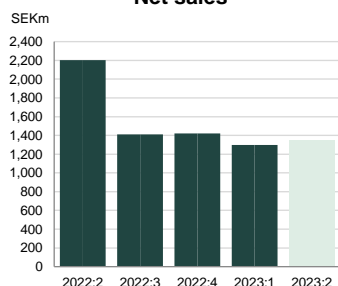
EBITDA increased 4% to SEK 817m (781). This increase was primarily attributable to higher prices for sawlogs and pulpwood and a seasonally higher share of harvesting from SCA-owned forest.

Share of EBITDA Jan-Jun 2023*

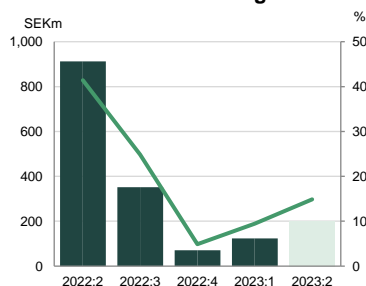


* share calculated of total EBITDA
excluding central costs

Net sales



EBITDA & margin



WOOD

SCA is one of Europe's leading suppliers of wood-based products for the wood industry and building materials trade, with an annual production capacity of 2.2 m³ of solid-wood products. SCA has five cost-efficient sawmills located close to its forest holdings in Northern Sweden, as well as wood processing and distribution to the building materials trade in Scandinavia and France.

SEKm	Quarter				Jan-Jun			
	2023:2	2022:2	%	2023:1	%	2023	2022	%
Net sales	1,353	2,202	-39	1,297	4	2,650	3,919	-32
EBITDA	201	913	-78	123	63	324	1,523	-79
Depreciation	-50	-54	-7	-52	-4	-102	-113	-10
Operating profit	151	859	-82	71	113	222	1,410	-84
EBITDA margin, %	14.9	41.5		9.5		12.2	38.9	
Operating margin, %	11.2	39.0		5.5		8.4	36.0	
Return on capital employed, %	16.9	91.1		8.3		15.1	91.6	
Deliveries, wood products, thousand m ³	483	535	-10	490	-1	973	1,045	-7

January–June 2023 compared with January–June 2022

Net sales decreased by 32% to SEK 2,650m (3,919). The decrease was primarily attributable to lower selling prices and lower delivery volumes.

EBITDA declined 79% to SEK 324m (1,523), which was mainly attributable to lower selling prices and lower delivery volumes.

April–June 2023 compared with April–June 2022

Net sales decreased by 39% to SEK 1,353m (2,202). The decrease was primarily attributable to lower selling prices and lower delivery volumes.

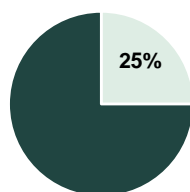
EBITDA declined 78% to SEK 201m (913), which was mainly attributable to lower selling prices and lower delivery volumes.

April–June 2023 compared with January–March 2023

Net sales increased 4% to SEK 1,353m (1,297), driven by higher selling prices and positive exchange rate effects.

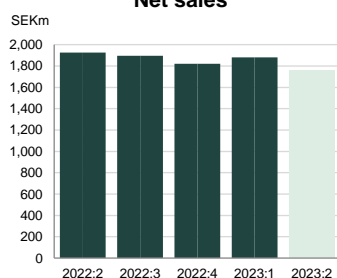
EBITDA improved 63% to SEK 201m (123). The improvement was mainly attributable to higher selling prices.

Share of EBITDA Jan-Jun 2023*

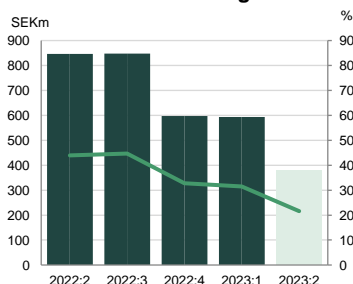


* share calculated of total EBITDA
excluding central costs

Net sales



EBITDA & margin



PULP

SCA produces market pulp and chemi-thermomechanical pulp (CTMP) at Östrand pulp mill and the Ortvikens site in Sundsvall. The Östrand pulp mill is one of the largest and most cost-efficient production lines for Northern bleached softwood kraft pulp (NBSK) in the world and is also a net producer of green electricity and produces biochemicals such as tall oil and turpentine.

SEKm	Quarter					Jan-Jun		
	2023:2	2022:2	%	2023:1	%	2023	2022	%
Net sales	1,760	1,926	-9	1,881	-6	3,641	3,490	4
EBITDA	380	845	-55	593	-36	973	1,437	-32
Depreciation	-168	-147	14	-155	8	-323	-293	10
Operating profit	212	698	-70	438	-52	650	1,144	-43
EBITDA margin, %	21.6	43.9		31.5		26.7	41.2	
Operating margin, %	12.0	36.2		23.3		17.9	32.8	
Return on capital employed, %	8.5	33.9		19.2		20.2	23.0	
Deliveries, pulp, thousand tonnes	242	236	3	225	8	467	454	3

January–June 2023 compared with January–June 2022

Net sales increased 4% to SEK 3,641m (3,490). Lower selling prices were offset by positive exchange rate effects.

EBITDA declined 32% to SEK 973m (1,437). The EBITDA margin decreased to 26.7% (41.2). Higher costs for raw materials and lower selling prices were offset by positive exchange rate effects. The cost of planned maintenance stops amounted to SEK 0m (0).

April–June 2023 compared with April–June 2022

Net sales decreased 9% to SEK 1,760m (1,926). The decline was attributable to lower selling prices, which were offset by positive exchange rate effects.

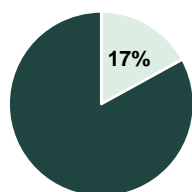
EBITDA declined 55% to SEK 380m (845). The EBITDA margin decreased to 21.6% (43.8). Lower selling prices and higher raw material costs were offset by positive exchange rate effects. The cost of planned maintenance stops amounted to SEK 0m (0).

April–June 2023 compared with January–March 2023

Net sales declined 6% to SEK 1,760m (1,881). The decrease was primarily attributable to lower selling prices. The new CTMP facility, which began operating at the end of the preceding year, contributed toward higher delivery volumes.

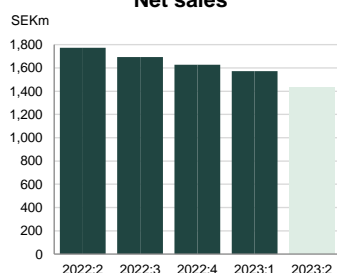
EBITDA declined 36% to SEK 380m (593). The change was primarily attributable to lower selling prices. The cost of planned maintenance stops amounted to SEK 0m (0).

Share of EBITDA Jan-Jun 2023*

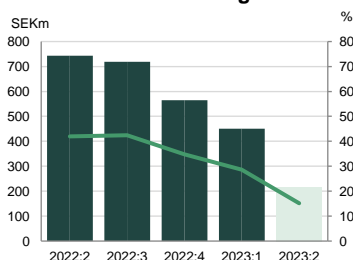


* share calculated of total EBITDA
excluding central costs

Net sales



EBITDA & margin



CONTAINERBOARD

SCA produces kraftliner, renewable packaging paper, at the paper mills in Munksund and Obbola. SCA is Europe's largest independent producer of kraftliner, with a total capacity of 865,000 tonnes per year, which is expected to increase to 1,140,000 tonnes by 2026.

SEKm	Quarter				Jan-Jun			
	2023:2	2022:2	%	2023:1	%	2023	2022	%
Net sales	1,432	1,772	-19	1,573	-9	3,005	3,503	-14
EBITDA	217	742	-71	450	-52	667	1,508	-56
Depreciation	-171	-108	58	-168	2	-339	-212	60
Operating profit	46	634	-93	282	-84	328	1,296	-75
EBITDA margin, %	15.2	41.9		28.6		22.2	43.0	
Operating margin, %	3.2	35.8		17.9		10.9	37.0	
Return on capital employed, %	1.7	66.5		15.4		21.1	52.4	
Deliveries, kraftliner, thousand tonnes	218	200	9	201	8	419	405	3

January–June 2023 compared with January–June 2022

Net sales declined 14% to SEK 3,005m (3,503). The decrease was primarily attributable to lower selling prices. Exchange rate effects and higher delivery volumes had a positive effect on net sales. The new paper machine in Obbola began operating at the end of last year, which was one quarter ahead of schedule, contributing to higher delivery volumes.

EBITDA declined 56% to SEK 667m (1,508). The decrease was mainly attributable to lower selling prices and higher raw material costs. The cost of planned maintenance stops amounted to SEK 115m (67).

April–June 2023 compared with April–June 2022

Net sales decreased 19% to SEK 1,432m (1,772). The decrease was primarily attributable to lower selling prices.

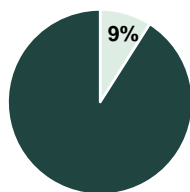
EBITDA declined 71% to SEK 217m (742). The decrease was mainly attributable to lower selling prices. The cost of planned maintenance stops amounted to SEK 94m (67).

April–June 2023 compared with January–March 2023

Net sales decreased 9% to SEK 1,432m (1,573), mainly due to lower selling prices, which were offset by higher delivery volumes.

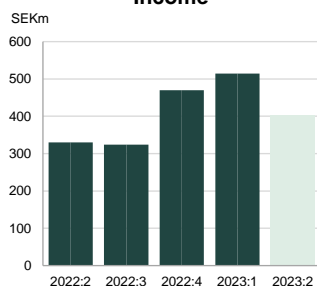
EBITDA declined 52% to SEK 217m (450). The decrease was mainly attributable to lower selling prices and higher costs for planned maintenance stops that amounted to SEK 94m (21).

Share of EBITDA Jan-Jun 2023*

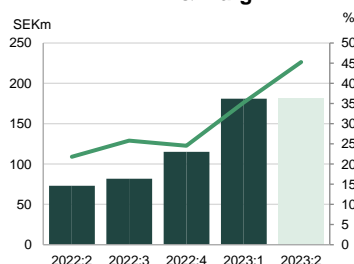


* share calculated of total EBITDA
excluding central costs

Income



EBITDA & margin



RENEWABLE ENERGY

SCA produces tall oil, green electricity, refined and unrefined biofuels and is investing in the production of liquid biofuels. SCA is one of Europe's largest producers of bioenergy, with annual production of about 11 TWh. SCA's industries and its own wind power produce green electricity corresponding to approximately 1% of Swedish electricity consumption. SCA also leases out land for the production of wind power and invests in a biorefinery for production of liquid biofuels.

SEKm	Quarter					Jan-Jun		
	2023:2	2022:2	%	2023:1	%	2023	2022	%
Income ¹	402	330	22	514	-22	916	756	21
EBITDA	182	72	153	181	1	363	157	131
Depreciation	-18	-4	350	-18	0	-36	-8	350
Operating profit	164	68	141	163	1	327	149	119
EBITDA margin, % ²	45.3	21.7		35.2		39.6	20.8	
Operating margin, % ²	40.8	20.6		31.7		35.7	19.7	
Return on capital employed, %	36.6	37.5		35.7		36.3	52.2	
Deliveries, renewable electricity, GWh	30	-		63		93	-	

¹ Income consists of net sales and other operating income

² EBITDA and operating profit as share of income

January–June 2023 compared with January–June 2022

Income increased 21% to SEK 916m (756). The increase was primarily related to higher selling prices.

EBITDA increased 131% to SEK 363m (157). The increase was mainly due to continued growth in energy business and higher selling prices. The wind farm in Markbygden which was acquired in the beginning of the year made a positive contribution to the earnings trend.

April–June 2023 compared with April–June 2022

Income increased 22% to SEK 402m (330). The increase was primarily related to higher selling prices.

EBITDA increased 153% to SEK 182m (72). The increase was mainly due to higher selling prices and continued growth in the energy business.

April–June 2023 compared with January–March 2023

Income declined 22% to SEK 402m (514), mainly due to seasonably lower delivery volumes.

EBITDA amounted to SEK 182m (181). The energy business continues to grow and despite lower seasonal sales the result was in line with last quarter. The EBITDA margin increased to 45.3% (35.2).

The boards reassurance

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

Sundsvall, July 21, 2023

SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

Pär Boman
Chairman of the Board

Niclas Andersson
Board Member,
appointed by the employees

Åsa Bergman
Board Member

Roger Boström
Board Member,
appointed by the employees

Lennart Evrell
Board member

Annemarie Gardshol
Board member

Carina Håkansson
Board member

Maria Jonsson
Board member,
appointed by the employees

Martin Lindqvist
Board Member

Anders Sundström
Board Member

Barbara Milian Thoralfsson
Board Member

Karl Åberg
Board Member

Ulf Larsson
President, CEO
and Board member

Review report

Svenska Cellulosa Aktiebolaget SCA (publ), corp. reg. no. 556012-6293

Introduction

We have reviewed the condensed interim report (half-year report) for Svenska Cellulosa Aktiebolaget SCA (publ) at June 30, 2023 and for the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report 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.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements 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 and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, July 21, 2023

Ernst & Young AB

Fredrik Norrman
Authorized Public Accountant
Auditor in charge

SHARE DISTRIBUTION

SHARE DISTRIBUTION

June 30, 2023	Class A	Class B	Total
Registered number of shares	64,581,994	637,760,495	702,342,489

At the end of the period, the proportion of Class A shares was 9.2%. No change was made to Class A and Class B shares during the second quarter. In the first half of 2023, no shareholder has requested any conversion of shares. The total number of votes in the company amounts to 1,283,580,435.

FUTURE EVENTS

- The interim report for the third quarter will be published on October 27, 2023
- The year-end report will be published on January 26, 2024

INVITATION TO PRESS CONFERENCE ON HALF-YEAR REPORT 2023

Members of the media and analysts are hereby invited to attend a press conference where this interim report will be presented by the President and CEO, Ulf Larsson, and by the CFO, Andreas Ewertz.

Time: Friday, July 21, 2023 at 10:00 a.m.

The press conference will be webcast live at www.sca.com. It is also possible to participate by telephone by calling:

Sweden: +46 (0)8 505 204 24
 UK: +44 (0) 33 0551 0200
 US: +1 786 697 3501

Specify "SCA Q2 Report".

For further information, please contact

Andreas Ewertz, CFO, +46 (0)60 19 31 97

Josefine Bonnevier, Investor Relations Director, +46 (0)60 19 33 90

Anders Edholm, SVP Sustainability and Communications, +46 (0)60 19 32 12

Please note:

This is information that SCA is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets 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, on July 21, 2023 at 8:00 a.m. CEST. The report has been reviewed by the company's auditors.

Anders Edholm, SVP Sustainability and Communications, +46 (0)60 19 32 12

GROUP

CONDENSED INCOME STATEMENT

SEKm	Quarter					Jan-Jun		
	2023:2	2022:2	%	2023:1	%	2023	2022	%
Net sales	4,582	5,899	-22	4,813	-5	9,395	10,914	-14
Other income	812	832	-2	955	-15	1,767	1,545	14
Change in inventories	-41	-115		-36		-77	-90	
Change in value in biological assets	463	447	4	462	0	925	901	3
Raw materials and consumables	-1,217	-1,088	12	-1,128	8	-2,345	-2,406	-3
Personnel costs	-710	-701	1	-661	7	-1,371	-1,345	2
Other operating expenses	-2,211	-2,176	2	-2,344	-6	-4,555	-3,816	19
Result from associated companies and JV	22	23		-6		16	26	
EBITDA	1,700	3,121	-46	2,055	-17	3,755	5,729	-34
Depreciation and impairment	-471	-386	22	-459	3	-930	-771	21
Operating profit	1,229	2,735	-55	1,596	-23	2,825	4,958	-43
Financial items	-103	-5		-59		-162	-20	
Profit before tax	1,126	2,730	-59	1,537	-27	2,663	4,938	-46
Income tax	-210	-550		-324		-534	-998	
Net Profit for the period	916	2,180	-58	1,213	-24	2,129	3,940	-46
Earnings attributable to:								
Owners of the parent	927	2,139		1,220		2,147	3,861	
Non-controlling interests	-11	41		-7		-18	79	
Earnings per share SEK - owners of the parent¹	1.32	3.05		1.74		3.06	5.50	
Average number of shares, millions	702.3	702.3		702.3		702.3	702.3	
Margins, %								
EBITDA margin	37.1	52.9		42.7		40.0	52.5	
Operating margin	26.8	46.4		33.2		30.1	45.4	
Net margin	20.0	37.0		25.2		22.7	36.1	

¹ There are no dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter			Jan-Jun	
	2023:2	2022:2	2023:1	2023	2022
Profit for the period	916	2,180	1,213	2,129	3,940
Other comprehensive income for the period:					
Items that may not be reclassified to the income statement					
Change in value land assets	-335	1,971	-	-335	1,971
Revaluation of defined benefit pension plans	344	-39	222	566	-57
Income tax attributable to components of other comprehensive income	-1	-398	-46	-47	-394
Total	8	1,534	176	184	1,520
Items that have been or may be reclassified subsequently to the income statement					
Cash flow hedges	-241	-89	-10	-251	66
Hedge cost	2	-1	0	2	-4
Translation differences in foreign operations	117	74	39	156	90
Income tax attributable to components of other comprehensive income	49	18	2	51	-22
Total	-73	2	31	-42	130
Other comprehensive income for the period, net of tax	-65	1,536	207	142	1,650
Total comprehensive income for the period	851	3,716	1,420	2,271	5,590
Total comprehensive income attributable to:					
Owners of the parent	862	3,675	1,427	2,289	5,511
Non-controlling interests	-11	41	-7	-18	79

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Jan-Jun	
	2023	2022
Attributable to owners of the parent		
Value, January 1	96,358	83,055
Total comprehensive income for the period	2,289	5,511
Cash flow hedge transferred to cost of hedged investments	-10	2
Tax on cash flow hedge transferred to cost of hedged investments	2	0
Cash dividend	-1,756	-2,282
Acquisition of non-controlling interests	0	-148
Value, June 30	96,883	86,138
Non-controlling interests		
Value, January 1	-	-
Total comprehensive income for the period	-18	79
Acquisition of non-controlling interests	18	-79
Value, June 30	-	-
Total equity, value June 30	96,883	86,138

CONDENSED CONSOLIDATED BALANCE SHEET

SEKm	Jun 30, 2023	Dec 31, 2022
ASSETS		
Non-current assets		
Intangible assets	836	731
Buildings, land, machinery and equipment	24,964	24,800
Forest assets	98,891	97,882
<i>whereof land assets</i>	42,013	42,201
<i>whereof biological assets</i>	56,878	55,681
Right-of-use assets	583	561
Other non-current assets	3,641	3,158
Total non-current assets	128,915	127,132
Current assets		
Inventories	5,159	4,856
Trade receivables	2,969	3,007
Other current receivables	1,131	1,524
Cash and cash equivalents	222	836
Total current assets	9,481	10,223
Total assets	138,396	137,355
EQUITY AND LIABILITIES		
Equity		
Owners of the Parent		
Share capital	2,350	2,350
Share premium	6,830	6,830
Reserves	31,517	31,833
Retained earnings including net profit for the period	56,186	55,345
Non-controlling interests	-	-
Total equity	96,883	96,358
Non-current liabilities		
Non-current financial liabilities	11,788	10,751
Provisions for pensions	224	245
Deferred tax liabilities	22,438	22,117
Other non-current liabilities and other provisions	89	114
Total non-current liabilities	34,539	33,227
Current liabilities		
Current financial liabilities	1,497	1,789
Trade payables	3,384	3,622
Other current liabilities and other provisions	2,093	2,359
Total current liabilities	6,974	7,770
Total liabilities and equity	138,396	137,355

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Jan-Jun	
	2023	2022
Operating activities		
Profit before tax	2,663	4,938
Adjustment for non-cash items ¹	-162	-176
Change in liabilities regarding restructuring costs	-2	-33
Paid tax	-245	-369
Cash flow from operating activities before changes in working capital	2,254	4,360
Cash flow from changes in working capital		
Change in inventories	-300	-244
Change in operating receivables	435	-1,283
Change in operating liabilities	-284	534
Cash flow from operating activities	2,105	3,367
Investing activities		
Company and asset acquisitions	-96	-573
Divestments	-	18
Current capital expenditures in non-current assets, net	-532	-545
Strategic capital expenditures in non-current assets	-938	-1,610
Loans granted to external parties	0	-1
Acquisition of financial asset	-25	-19
Cash flow from investing activities	-1,591	-2,730
Financing activities		
Loans raised	1,402	2,557
Amortization of debt	-676	-1,129
Amortization of debt, leasing	-102	-90
Dividend	-1,756	-2,282
Cash flow from financing activities	-1,132	-944
Net cash flow for the period	-618	-307
Cash and cash equivalents at the beginning of the period	836	1,056
Translation differences in cash and cash equivalents	4	6
Cash and cash equivalents at the end of the period	222	755
Cash flow from operating activities per share SEK	3.00	4.79
¹ Depreciation/amortization and impairment of non-current assets	930	771
Fair-value measurement of biological assets	-925	-901
Gains/loss on assets sales and swaps of assets	-9	-34
Resolution of provision	-	-11
Other	-158	-1
Total	-162	-176

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, and with regards to the Parent Company, RFR 2. Applied accounting principles are described in detail in SCA's Annual and Sustainability Report for 2022. New or revised IFRSs and interpretations from IFRIC have not had any material effect on the Group's or the Parent Company's financial statements. As of the first quarter of 2023, SCA is reporting Renewable Energy as a new segment. Due to the new segment, comparative periods have been recalculated. Previous segmentation is described on page 60 in the Board of Director's Report in SCA's Annual and Sustainability Report for 2022.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Net sales by segment

SEKm	Jan-Jun 2023							Total
	Forest	Wood	Pulp	Containerboard	Renewable Energy	Other	Eliminations	
Sweden	3,813	764	591	242	38	-	-3,815	1,633
USA	-	263	751	56	-	-	-	1,070
United Kingdom	-	281	138	509	-	-	-	928
Germany	-	81	299	702	-	-	-	1,082
Rest of Europe	63	592	1,110	1,223	-	-	-	2,988
Asia	-	348	665	152	-	-	-	1,165
Rest of world	-	321	87	121	-	-	-	529
Total Group	3,876	2,650	3,641	3,005	38	-	-3,815	9,395

SEKm	Jan-Jun 2022							Total
	Forest	Wood	Pulp	Containerboard	Renewable Energy	Other	Eliminations	
Sweden	3,329	1,304	570	351	-	-1	-3,330	2,223
USA	-	249	883	82	-	-	-	1,214
United Kingdom	-	405	124	552	-	-	-	1,081
Germany	-	93	280	789	-	-	-	1,162
Rest of Europe	4	975	1,405	1,624	-	-	-	4,008
Asia	-	617	95	20	-	-	-	732
Rest of world	-	276	133	85	-	-	-	494
Total Group	3,333	3,919	3,490	3,503	-	-1	-3,330	10,914

3. FOREST VALUATION

Accounting principles

The accounting principles for forest assets are described on page 109, Note D3, of SCA's Annual and Sustainability Report for 2022.

Key assessments and assumptions

SCA bases its valuation of forest assets in Sweden on forest transactions in the areas where SCA owns forest assets. In the first half of 2023, fewer forest transactions than normal were completed, which led to limited supporting data for calculation of an average market price. On account of the limited statistical data available SCA has not adjusted the applied average market price. When establishing the change in value of biological assets, the same valuation model has been used as in the past, with a return requirement of 3.6% (3.5) after tax. The value of land assets constitutes the residual amount between the total value in accordance with market price based on forest transactions and the value of the biological assets.

At December 31, 2022, the total standing timber volume was estimated at approximately 267 million m³fo, of which 7 million m³fo is in the Baltic region. The market price applied by SCA was SEK 366/m³fo and the total value of the forest assets was SEK 97,882m. At December 31, 2023, the standing volume of the forest holding is estimated at approximately 271 million m³fo, of which about 7 million m³fo in the Baltic region and the expected market price was estimated at SEK 366/m³fo. The estimated change in value for biological assets is accrued over the course of the year and is based on discounted cash flows. At June 30, 2023, approximately 50% of the expected annual change in value was recognized. The change in value of biological assets was SEK 925m at June 30, 2023 and is recognized in the income statement on the line item for change in value in biological assets. The change in value pertaining to land amounted to SEK -335m and is recognized as other comprehensive income with no effect on profit for the year. Other items (including investments) amounted to SEK 419m.

Forest assets

SEKm	Jun 30, 2023	Dec 31, 2022
Forest assets in Sweden	95,787	95,206
Forest assets in the Baltic states	3,104	2,676
Total value of forest assets	98,891	97,882
Deferred tax on forest assets	19,578	19,468

4. OTHER PROVISIONS**Accounting principles**

The accounting principles for other provisions are described in detail on page 115, Note D8, of SCA's Annual and Sustainability Report for 2022.

SEKm	Environment	Discontinuation publication paper	Other	Total
Value, January 1	66	86	4	156
Provisions	50	-	0	50
Utilization	-26	-28	-	-54
Dissolutions	-	-2	-3	-5
Value, June 30	90	56	1	147
Provisions comprise:				
Long-term component				45
Short-term component				102

5. RISKS AND UNCERTAINTIES

SCA's risk exposure and risk management are described on pages 65–73 of SCA's Annual and Sustainability Report 2022.

6. RELATED PARTY TRANSACTIONS

During the period, no transactions took place between SCA and related parties with any material impact on the company's financial position or results.

7. FINANCIAL INSTRUMENTS BY CATEGORY

SEKm	Measure- ment level	Jun 30, 2023	Dec 31, 2022
Financial assets measured at fair value in the income statement			
Derivatives - Current financial assets	2	4	5
Derivatives - Other current receivables	2	17	102
Total		21	107
Financial liabilities measured at fair value in the income statement			
Derivatives - Current financial liabilities	2	0	5
Derivatives - Other current liabilities	2	75	143
Total		75	148
Financial assets measured at fair value through other comprehensive income			
Equity instruments	3	14	14
Total		14	14
Financial liabilities measured at amortized cost			
Non-current financial liabilities excluding leasing	-	11,327	10,312
Non-current financial liabilities, leasing	-	461	439
Current financial liabilities excluding leasing	-	1,346	1,637
Current financial liabilities, leasing	-	151	149
Total		13,285	12,537
Derivatives used for hedge accounting			
Non-current financial assets	2	77	80
Other non-current assets	2	68	175
Other current receivables	2	135	373
Total		280	628
Derivatives used for hedge accounting			
Non-current financial liabilities	2	-	-
Other non-current liabilities	2	44	66
Other current liabilities	2	274	341
Total		318	407

The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, and trade payables is estimated to be equal to their carrying amount. The total fair value of current and non-current financial liabilities, excluding lease liabilities, was SEK 12,370m (11,625). The value of electricity derivatives is based on published prices in an active market. Other financial instruments are marked to market, based on prevailing currency and interest rates on the balance sheet date. The fair value of debt instruments is determined using valuation models, such as discounting future cash flows at quoted market rates for the respective maturity.

8. CONTINGENT LIABILITIES AND COMMITMENTS

SEKm	Parent		Group	
	Jun 30, 2023	Dec 31, 2022	Jun 30, 2023	Dec 31, 2022
Contingent liabilities				
Guarantees for subsidiaries	484	711	-	-
associates	-	-	5	5
customers and others	-	-	28	28
Other contingent liabilities	2	1	22	19
Total	486	712	55	52

9. ALTERNATIVE PERFORMANCE MEASURES

For definitions of alternative performance measures, refer to SCA's 2022 Annual and Sustainability Report, pages 93–95.

Operating cash flow

SEKm	Quarter			Jan-Jun	
	2023:2	2022:2	2023:1	2023	2022
EBITDA	1,700	3,121	2,055	3,755	5,729
Changes in biological assets and other non cash flow items	-491	-481	-458	-949	-972
Operating cash surplus	1,209	2,640	1,597	2,806	4,757
Change in working capital	1	-369	-150	-149	-993
Current capital expenditures, net ¹	-350	-351	-279	-629	-599
Other operating cash flow	-212	22	35	-177	-80
Operating cash flow	648	1,942	1,203	1,851	3,085
¹ Including following values from new leasing contracts:	-62	-16	-35	-97	-53

Capital structure

SEKm	Jun 30, 2023	Dec 31, 2022
Forest assets	98,891	97,882
Working capital	4,290	4,138
Deferred tax relating to forest assets	-19,578	-19,468
Other capital employed, net	24,089	23,795
Total capital employed	107,692	106,347
Net debt, SEKm	10,809	9,989
Net debt/EBITDA (LTM) ¹	1.3x	1.0x
Equity, SEKm	96,883	96,358
Net debt/Equity (%)	11.2	10.4

¹ Rolling 12 months.

Return on capital employed

%	Quarter			LTM ¹	
	2023:2	2022:2	2023:1	Jun 30, 2023	Jun 30, 2022
<i>Return on capital employed</i>	4.6	11.6	6.0	6.3	10.8
<i>Industrial return on capital employed</i>	8.0	53.8	17.2	20.0	44.9

¹ Rolling 12 months.

Working capital

SEKm	Jun 30, 2023	Dec 31, 2022
Inventories	5,159	4,856
Trade receivable	2,969	3,007
Other current receivables	1,027	1,412
Trade payable	-3,318	-3,404
Other current liabilities	-1,527	-1,684
Other short term provisions	-20	-49
Working capital	4,290	4,138

Net debt

SEKm	Jun 30, 2023	Dec 31, 2022
Surplus in funded pension plans	2,191	1,689
Non-current financial assets	187	165
Current financial assets	100	106
Cash and cash equivalents	222	836
Financial receivables	2,700	2,796
Non-current financial liabilities	11,788	10,751
Provisions for pensions	224	245
Current financial liabilities	1,497	1,789
Financial liabilities	13,509	12,785
Net debt	-10,809	-9,989

10. QUARTERLY DATA BY SEGMENT**NET SALES**

SEKm	Quarter					
	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Forest	1,945	1,931	1,760	1,612	1,642	1,691
Wood	1,353	1,297	1,422	1,412	2,202	1,717
Pulp	1,760	1,881	1,822	1,897	1,926	1,564
Containerboard	1,432	1,573	1,626	1,694	1,772	1,731
Renewable energy ¹	9	29	-	-	-	-
Other	0	0	0	1	-1	0
Intra-group deliveries	-1,917	-1,898	-1,757	-1,609	-1,642	-1,688
Total net sales	4,582	4,813	4,873	5,007	5,899	5,015

EBITDA

SEKm	Quarter					
	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Forest	817	781	761	601	654	586
Wood	201	123	71	351	913	610
Pulp	380	593	598	848	845	592
Containerboard	217	450	565	719	742	766
Renewable energy ¹	182	181	116	82	72	85
Other	-97	-73	-130	-117	-105	-31
Total EBITDA	1,700	2,055	1,981	2,484	3,121	2,608

EBITDA MARGIN

%	Quarter					
	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Forest	42.0	40.4	43.2	37.3	39.8	34.7
Wood	14.9	9.5	4.9	24.9	41.5	35.6
Pulp	21.6	31.5	32.8	44.7	43.9	37.8
Containerboard	15.2	28.6	34.7	42.4	41.9	44.2
Renewable energy ^{1,2}	45.3	35.2	24.6	25.8	21.7	19.9
EBITDA margin	37.1	42.7	40.7	49.6	52.9	52.0

EBIT

SEKm	Quarter					
	2023:2	2023:1	2022:4	2022:3	2022:2	2022:1
Forest	761	723	704	544	599	531
Wood	151	71	15	297	859	551
Pulp	212	438	452	701	698	446
Containerboard	46	282	455	608	634	662
Renewable energy ¹	164	163	111	78	68	81
Other	-105	-81	-147	-134	-123	-48
Total EBITDA	1,229	1,596	1,590	2,094	2,735	2,223

¹ Renewable energy is a new segment from January 1, 2023. Year 2022 is recalculated.

² EBITDA as share of Income.

Income for Renewable Energy amounted to:	402	514	470	324	330	426
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PARENT COMPANY

CONDENSED INCOME STATEMENT

SEKm	Full year	
	2023	2022
Other operating income	150	139
Other operating expenses	-106	-91
Personnel costs	-51	-53
EBITDA	-7	-5
Depreciation and impairment	-47	-45
Operating profit	-54	-50
Financial items	128	102
Profit after financial items	74	52
Appropriations	882	2,371
Profit before tax	956	2,423
Income tax	-197	-500
Profit for the period	759	1,923

Other operating income was mainly related to remuneration for the granting of felling rights for the Parent Company's forest assets. Other comprehensive income was the same as profit for the period.

CONDENSED BALANCE SHEET

SEKm	Jun 30, 2023	Dec 31, 2022
Tangible non-current assets	9,092	9,072
Financial non-current assets	11,944	11,962
Total non-current assets	21,036	21,034
Current assets	16,135	17,221
Total assets	37,171	38,255
Restricted equity	11,373	11,373
Non-restricted equity	9,669	10,666
Total equity	21,042	22,039
Provisions	1,727	1,710
Non-current liabilities	11,438	10,553
Current liabilities	2,964	3,953
Total equity, provisions and liabilities	37,171	38,255