

Södra's interim report

1 July – 30 September 2023

- » Net sales amounted to SEK 6,545 million (8,102).
- » Operating profit before depreciation, amortisation and impairment amounted to SEK 780 million (2,815).
- » Operating profit totalled SEK 410 million (2,480).
- » The operating margin was 6 percent (31).
- » Cash flow after investments was SEK 859 million (2,481).

Key indicators	2023 July–Sept	2022 July–Sept	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Net sales, SEK million	6,545	8,102	21,868	25,219	33,367
Operating profit before depreciation, amortisation and impairment, SEK million	780	2,815	3,001	7,768	9,136
Operating profit, SEK million	410	2,480	1,959	6,779	7,805
EBITDA margin	12 %	35 %	14 %	31 %	27 %
Operating margin	6 %	31 %	9 %	27 %	23 %
Return on capital employed	—	—	12 %	41 %	35 %
Equity ratio	—	—	61 %	63 %	65 %
Cash flow after investments, SEK million	859	2,481	1,788	5,984	5,820
No. of members	—	—	51,731	51,450	51,476
Affiliated forest area, million hectares	—	—	2.80	2.73	2.79
Average no. of employees	—	—	3,370	3,215	3,262
Positive climate effect ¹⁾ , Mt CO ₂ e	—	—	—	—	12.1
Lost time accidents (LTA) ²⁾ , no.	7	11	27	41	50
Lost time accident rate (LTAR) ³⁾	6	10	7	11	10

¹⁾ CO₂e = carbon dioxide equivalents. This key indicator is not calculated quarterly.

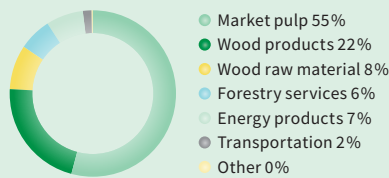
²⁾ LTA (lost time accident): occupational injury with absence.

³⁾ LTAR (lost time accident rate): no. of occupational injuries with absence per million hours worked.

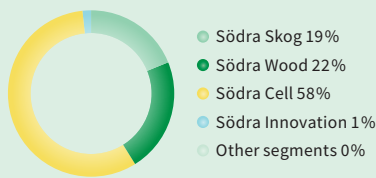
This is a translation of the interim report. This translation does not replace the original report. In the event of any lack of clarity or disparity between this translation and interim report, the interim report will always take precedence.

The quarter in figures

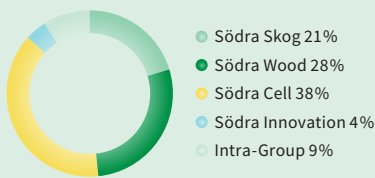
Some of our most important figures and key indicators for the third quarter of 2023.



Net sales per revenue category.



Sales per business area.
SEK 6,545 million in total, excluding internal deliveries.



Average number of employees per business area.
3,370 employees in total.

A few highlights from the past quarter to show how we are increasing member value and strengthening the Södra brand, always with our mission in focus – to refine and renew family forestry.

The quarter in brief



High demand for family forestry's raw material

Demand for forest raw material remained high during the autumn. To meet the needs of both the wood market and our mills, we raised the prices of energy ranges on 1 September. Timber prices in Götaland have therefore remained at historic levels. In total, prices were adjusted in five different ranges.

“We see sustained high demand for forest raw material, while the needs of our mills are stable. This price adjustment is aimed at addressing this situation, and will strengthen the profitability of forest estates. At the same time, considering the uncertainty in our business environment and the development of the economic situation, the future is difficult to predict. Our conclusion is that we still need a high degree of flexibility and to continue working with adapted market premiums,” said Peter Karlsson, President of the Södra Skog business area.

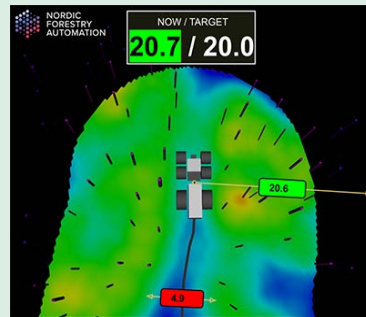


SEK 4 million to research projects on water management

The Södra Foundation for Research, Development and Education has granted funding of SEK 4 million to five research projects focused on water management. These projects will help to explore and develop methods to address the growing shortage of water and the subsequent effect on the forest value chain.

“We are delighted to be supporting these research projects which are addressing one of the biggest challenges facing the forest industry today – water management. By promoting research and innovation, we are helping to ensure a sustainable and successful future for both forests and the forest industry,” said Olof Hansson, Chair of the Foundation.

Every year, the Södra Foundation for Research, Development and Education grants about SEK 10 million in funding and approximately SEK 260 million has been awarded to various research projects since 1995.



Södra invests in an AI company focused on operator support for forest machines

Södra Ädla has invested in Nordic Forestry Automation (NFA), which is developing next-generation operator support for forest machines based on sensor technology and AI algorithms. The investment is taking place together with Sveaskog and Almi Invest Syd, and comprises a total of SEK 10 million.

“The company’s AI-based operator support is a good example of the business models and technology that Södra Ädla wants, and intends, to invest in. The technology makes thinning easier and more precise, and enables a wider range of forestry measures. NFA’s technology generates direct value for forest estates and we are looking forward to contributing to the company’s development,” said Erik Bengtson, Investment Manager for Södra Ädla.



Marcus Åsgärde appointed new President of Södra Wood

Marcus Åsgärde became the new President of Södra Wood on 1 September. Marcus has an extensive background in Södra and will succeed Peter Jhaveri, who has chosen to step down from the role to take on other assignments.

“I am looking forward to being part of Södra Wood and helping to develop the business area together with all my colleagues. Our sawn timber products are in high demand and play a key role in driving the climate transition, while we also need to maintain our long-term focus on operational safety and efficiency,” said Marcus Åsgärde.

Marcus Åsgärde served as Mill Manager of Södra Cell Värö from 2020 to 2023, and has extensive experience from several roles and business areas at Södra, including Mill Manager of Södra Wood Värö.

Unique project built with a wooden frame from Södra

Södra has been contracted to supply cross-laminated timber (CLT) and glulam for a unique project – Sweden’s first coffee roastery in wood. Arvid Nordquist is building a new roastery in Järfälla with the vision of a modern, effective and resource-efficient coffee roastery with a minimal environmental impact and a pleasant working environment for both roastery and office employees. When the roastery is finished, it will be the first in Sweden and one of few worldwide to be built using wood.

Property company Sagax is developing the project and together with RO-Gruppen, the construction contractor, Södra has signed a contract to supply CLT and glulam for the building.



Less spruce bark beetle damage, except in east Götaland

In early September, Södra made an inventory of spruce bark beetle infestation which showed a slowing trend for forest damage in Götaland except in some areas toward the east, where severe damage continues to affect family forestry.

“The damage caused by spruce bark beetles is continuing to decrease across major parts of Götaland. Most member estates have very little or no damage now, and we can now more or less confirm that the danger is over in major parts of Södra’s forestry operations area. This is good news for the development of family forestry and means that sustainable forest management will be easier moving forward,” said Henrik Holmberg, forest management and contractor developer at Södra.

Microalgae can reduce carbon dioxide emissions at Mönsterås

In an effort to develop new innovations to reduce carbon dioxide emissions, we have entered into a collaboration with Linnaeus University’s research project Algoland on the facility site at Mönsterås. The aim is to cultivate microalgae that reduce carbon dioxide emissions.

The microalgae are cultivated in panels and then fed with flue gases containing carbon dioxide from the lime kiln, and water from the pulping process. When the algae are cultivated and fed nutrients, biomass is formed that could be used in a large-scale facility to produce sustainable fish and animal feed.



From left: **Olof Hellström**, sustainability coordinator at Södra Cell Mönsterås, **Elin Lindehoff**, Linnaeus University and **Karin Dernegård**, Mill Manager at Södra Cell Mönsterås.

Södra’s sustainability receives top international ranking

Independent research firm EcoVadis continues to place Södra among the top percentage of sustainability performers. In its annual ratings for 2023, EcoVadis ranked Södra among the top of 100,000 companies assessed in more than 200 sectors and 175 countries for the fourth consecutive year.

The assessment covers criteria in four areas: the environment, fair working conditions and human rights, business ethics and sustainable purchasing. With a score of 79 out of 100, Södra retained its best result to date and received the rating EcoVadis Platinum.

A stable position despite the prevailing market conditions



Lotta Lyrå
President & CEO

Södra is a cooperative that spans the entire value chain. That gives us long-term strength and stability in challenging times like the third quarter, where we were affected by economic conditions, high inflation, more expensive input products and climate change.

Södra's quarterly result was considerably lower compared with the year-on-year period, but stable in view of the market conditions and in line with our expectations. Our operating profit totalled SEK 410 million and sales declined 19 percent to SEK 6,545 million. Return on capital employed was 12 percent, and the equity ratio was 61 percent. Our continuous improvement programme *World-class Efficiency* delivered efficiency gains of more than SEK 680 million on a full-year basis, which contributed to the result.

Market conditions remain challenging

The uncertainty in the market for our products continues. Despite signs of a slowing global economy, the trend varies between countries and sectors. Industrial production fell in both in the US and the eurozone. That is affecting demand for our core products – sawn timber and pulp – and led to lower prices. While the weak SEK is offsetting the lower prices, we expect that market conditions will remain challenging for some time to come.

Due to normal seasonal variations combined with a cautious market, the price of sawn timber declined in local currency during the quarter. Wildfires in Canada and spruce bark beetle infestation in Central Europe are causing greater outlook uncertainty. In the short term, higher interest rates are also expected to have a negative impact on demand but this will eventually lead to a greater need for construction. The pulp market, which is highly cyclical, was also affected by falling prices during the quarter. The prices there are considered to have bottomed out and we expect them to rise slightly in the fourth quarter. Demand for our solid bioproducts was high with sharply increased prices. The Russian invasion of Ukraine and the EU's ban on imports of wood and wood products has changed the balance. The economic situation has reduced demand for liquid products, and electricity prices were much lower during the quarter compared with the year-on-year period.

Competition for forest raw material

For forest estates, the raw material market was characterised by favourable demand. That leads to a high level of activity from more players and increases competition for forest raw material.

A summer that started with drought and fire danger ended with rain and a storm, which limited forest production somewhat. During the quarter, we adjusted our prices to meet demand, which is increasing payments to members and improving the profitability of forest estates. Timber prices in Götaland remained at historically high levels and we expect the intense competition to continue due to high demand for all ranges.

Strong demand for timber-based products ahead

We are currently experiencing short-term challenges and long-term opportunities. That is why we are focused on what we can influence, while also seeking investment opportunities that will eventually strengthen our market position. As we look ahead, we can see the enormity of the world's need for sustainable solutions. Global materials use is projected to double by 2050, demand for wood products is projected to rise 2.8 percent annually and according to the UN Environment Programme (UNEP), a shift towards renewable building materials such as timber has the potential to reduce global GHG emissions. In addition, the need for fossil-free products for transportation, energy and chemicals will grow.

We feel confident that demand for bio-based products will grow in the energy and chemical business area and that this is a strategic development area for Södra. As part of this, we have contributed to the further development of HTL, a process that converts forest raw material into bio-oil, in our development company Silva. As this technological development in Silva is now entering the next phase, with a focus on scaling up the process, we see a necessity to hand over the process to other parties with another type of expertise, and have therefore sold our participation in Silva to Statkraft.

There are wonderful opportunities for forest estate products and services. Since Södra can work with, and develop, the entire value chain from forest estate to end-consumer, we can intensify our focus on improvements and development at all stages. The long-term approach of the cooperative and the opportunities provided by forests is a strong combination, and creates benefits for both family forestry and society at large.



The period in brief

Operating profit for the quarter totalled SEK 410 million, compared with SEK 2,480 million in the year-earlier period. Sales declined 19 percent to SEK 6,545 million (8,102). Return on capital employed was 12 percent (41) and the equity ratio was 61 percent.

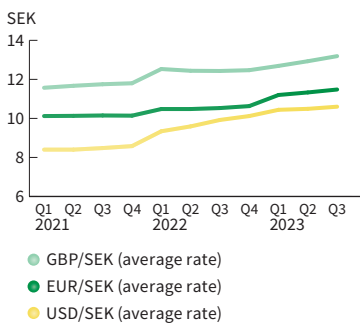
Market conditions

The global economy continued to weaken, and in the manufacturing industry, industrial production decreased in both the US and the eurozone. In the third quarter, economic growth varied between countries and sectors. In July, the German Purchasing Managers Index (PMI) posted its lowest reading since the pandemic year of 2020, which was worrying since Germany is the largest economy in Europe. The short-term outlook for the manufacturing industry remains uncertain. Activity is no longer sustained by order backlogs and stockpiling to the same extent as before. Continued service sector growth in the US and Europe has probably contributed to the relative persistence of inflation. Monetary policy measures combined with falling input and energy costs, as well as easing supply chain pressures, helped to dampen inflation in the eurozone in the third quarter. The fall in inflation, which was mainly driven by energy and commodity prices, halved inflation from record-high levels in the US as well as the eurozone. According to the PMI for both the manufacturing industry and the service sector, the companies' pricing plans indicate reduced inflationary pressures. The European Central Bank (ECB) raised interest rates twice during the quarter, while the Fed raised rates once. Both the ECB and

the Fed have signalled the importance of bringing inflation down and that benchmark interest rates may therefore need to remain unchanged for a longer period. Despite a few more rate hikes ahead, we have still not yet seen their full effect.

In its September report, the Swedish National Institute of Economic Research (NIER) claims the Swedish economy has entered a period of economic recession, and GDP is expected to decline this year. High inflation and rising interest rates have eroded household purchasing power, while weak external demand has negatively impacted the export sector. At the same time, residential construction has declined sharply due to lower house prices, higher construction costs and more expensive financing. The Swedish labour market remained strong with record high employment. However, employment plans and redundancy notices indicate that demand for labour may stall. Like the ECB, the Riksbank raised the benchmark interest rate twice in the third quarter and is leaving the door open to an additional hike in November. In the third quarter, the USD, EUR and GBP strengthened against the SEK on average, compared with the preceding quarter. Year-on-year, the SEK was also weaker against the USD, EUR and GBP on average.

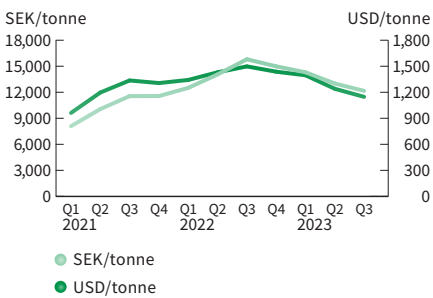
Foreign exchange rates



The diagram shows the annual average exchange rate.

Source: ECB

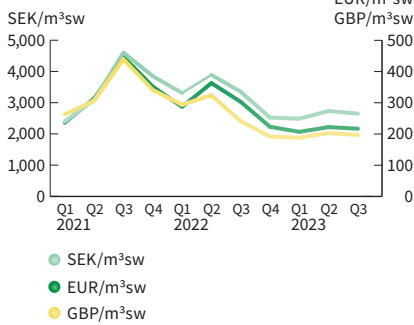
Pulp prices



During the quarter, the price of bleached softwood sulphate pulp fell slightly in USD. The diagram shows the average prices for softwood sulphate pulp delivered to European customers.

Source: FOEX PIX and Södra

Average delivery prices for sawn timber



The diagram shows average delivery prices for sawn timber in Södra's most important currencies.

Source: Södra

Wood supply

In the third quarter, demand for saw logs was favourable after the summer holiday shutdown. Demand for pulpwood remained favourable. The supply of regeneration harvesting and thinning was higher year-on-year. During the period, conditions for forest production were favourable, except during August when rainfall was high, especially in western Sweden. Demand for energy ranges remained favourable, but a warm September reduced the need for continued inventory accumulation.

Sawn timber

Despite high levels of uncertainty in the external environment with slowing global demand for sawn timber, prices stabilised in the third quarter. Non-European markets remained weak, especially in China, and delivery volumes were lower than expected. Sawmill inventories were low during the summer, but are now rising in line with reduced deliveries. At the same time, production was affected by limited raw material availability.

Higher interest rates and rising inflation have affected new home construction which, in turn, is reducing demand for wood products. The Repairs, Conversion, Extension (ROT) sector was not as severely affected during the first half-year, but stalled in the third quarter. Residential construction has slowed most in Scandinavia, but is also declining in other markets.

The weaker SEK gave Swedish producers a competitive advantage, so despite a shrinking market, market share increased and prices remained stable. For the remainder of the year, the uncertain market trend with weakening demand will continue.

Pulp market

The market for paper pulp continued to weaken in the third quarter. Demand was weak in all markets due to a global decline in industrial production. The price drop bottomed mid-period, while prices rose in China and price increases were announced for October in Europe.

In the third quarter, the average price (PIX Pulp) of softwood sulphate pulp in Europe was USD 1,176, compared with USD 1,479 in the year-on-year quarter. The price of hardwood sulphate pulp was USD 831 during the quarter, compared with USD 1,368 in the year-on-year quarter. For full-year 2022, the average price of softwood sulphate pulp in Europe was USD 1,401, and USD 1,282 for hardwood sulphate pulp.

The dissolving pulp market weakened during the quarter due to low prices for paper pulp, which pushed down the price of dissolving pulp. The price recovered at the end of the period however. During the quarter, the average price (CCFGroup) of dissolving pulp was USD 846 and listed at USD 864 at the end of the period. Prices are per tonne for pulp, gross for paper pulp and net for dissolving pulp.

Net sales

During the quarter, consolidated net sales amounted to SEK 6,545 million (8,102), down 19 percent, mainly attributable to a lower price level for Södra's core products.

Net sales for the first nine months of the year amounted to SEK 21,868 million (25,219), down 13 percent.

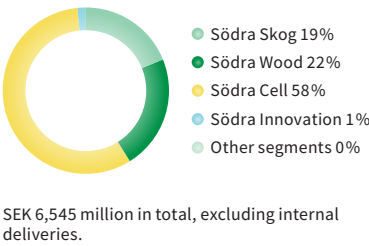
Result

Operating profit for the quarter totalled SEK 410 million (2,480), representing an operating margin of 6 percent (31). Profit before tax was SEK 411 million (2,462). Tax expense for the period was SEK 159 million (414). Operating profit for the quarter was in line with expectations and reflects the market downturn for Södra's core products combined with lower prices.

Operating profit for the first nine months of the year totalled SEK 1,959 million (6,779). Return on capital employed was 12 percent (41).

BUSINESS AREAS	Net sales					Operating profit				
	2023 July–Sept	2022 July–Sept	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec	2023 July–Sept	2022 July–Sept	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Södra Skog	3,484	3,336	11,500	10,656	14,613	31	60	41	93	366
Södra Wood	1,663	1,934	5,510	7,431	9,246	52	225	26	1,854	1,723
Södra Cell	3,806	5,104	12,369	13,881	18,658	408	2,393	2,189	5,520	6,896
Södra Innovation	97	63	296	197	298	–16	–4	–106	1	–75
Other segments	—	—	—	185	194	0	—	–2	0	0
Intra-Group	—	—	—	—	—	–65	–194	–189	–693	–1,105
Eliminations	–2,505	–2,335	–7,807	–7,131	–9,642	—	0	—	4	—
Group	6,545	8,102	21,868	25,219	33,367	410	2,480	1,959	6,779	7,805

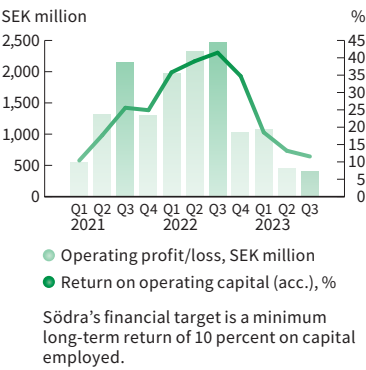
Sales per business area



Net sales and operating margin



Operating profit/loss and return on capital employed



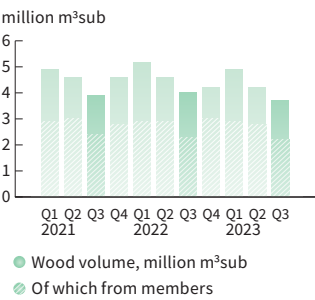
Business areas

Södra Skog

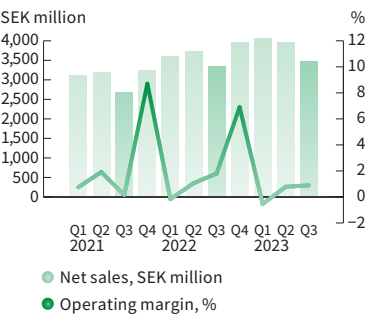
Södra Skog's operating profit for the quarter totalled SEK 31 million (60). Sales for the quarter amounted to SEK 3,484 million (3,336), an effect of price increases for saw logs, pulpwood and energy products. Demand for saw logs and pulpwood was favourable during the quarter, but a challenging start-up

with wet conditions in the forest partly affected deliveries. The earnings trend during the quarter was mainly due to lower volumes and higher costs. Cumulative sales amounted to SEK 11,500 million (10,656) and operating profit totalled SEK 41 million (93).

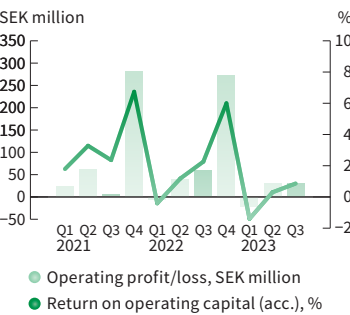
Wood volume



Net sales and operating margin



Operating profit/loss and return on operating capital



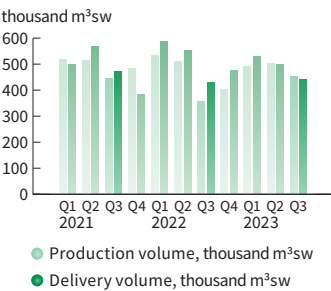
Södra Wood

Södra Wood's operating profit for the quarter totalled SEK 52 million (225). Sales for the quarter amounted to SEK 1,663 million (1,934). Outbound deliveries from Södra Wood were 442 thousand m³sw for the quarter, up 11 thousand m³sw year-on-year. The production volume for the quarter amounted to 454 thousand m³sw, up 98

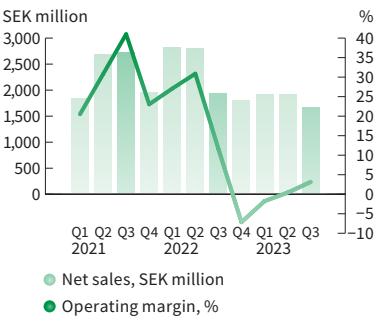
thousand m³sw year-on-year. The earnings trend was primarily due to lower average delivery prices year-on-year, weaker demand and higher prices for saw logs.

Cumulative sales amounted to SEK 5,510 million (7,431) and operating profit totalled SEK 26 million (1,854).

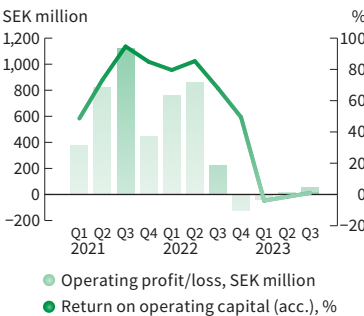
Production and delivery volume, sawn timber



Net sales and operating margin



Operating profit/loss and return on operating capital



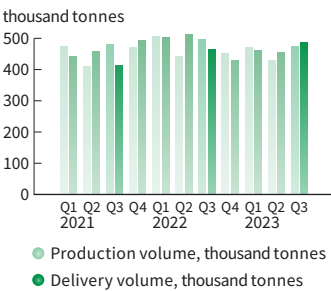
Södra Cell

Södra Cell's operating profit for the quarter totalled SEK 408 million (2,393). Sales for the quarter amounted to SEK 3,806 million (5,104), down SEK 1,298 million as an effect of lower prices for pulp and price decreases for delivered energy products. The delivered volume was 20 ktonnes higher year-on-year. The earnings trend during the quarter was primarily due to lower pulp prices and higher raw material costs. During the quarter, the production volume totalled 476 ktonnes (497), comprising 418 ktonnes (425)

of softwood sulphate pulp, 14 ktonnes (31) of hardwood sulphate pulp and 44 ktonnes (41) of dissolving pulp. Cumulative sales amounted to SEK 12,369 million (13,881) and operating profit totalled SEK 2,189 million (5,520).

During the quarter, electricity generated by the pulp mills and wind turbines was 464 GWh. Excess electricity amounted to 131 GWh. The excess represented about 28 percent of the generated volume and was sold on the open market.

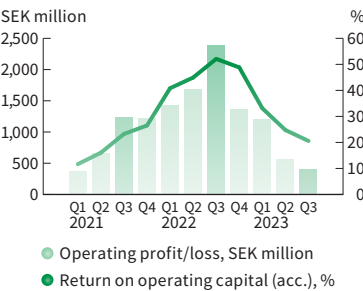
Production and delivery volume, pulp



Net sales and operating margin



Operating profit/loss and return on operating capital



Södra Innovation

Södra Innovation's operating loss for the quarter totalled SEK 16 million (loss: 4). Cumulative sales amounted to SEK 296 million (197) and operating loss totalled SEK 106 million (profit: 1).

Other segments

Others segments posted operating profit of SEK 0 million (0) for the quarter.

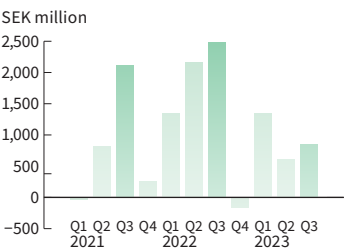
Net financial items

Net financial items for the quarter amounted to an expense of SEK 1 million (expense: 18).

Cash flow

Cash flow before investments for the quarter was SEK 1,368 million (2,850). Cash flow after investments was SEK 859 million (2,481). At the end of the quarter, cash and cash equivalents and current investments amounted to SEK 11,174 million (10,737 at 31 December 2022).

Cash flow after investments



During the quarter, cash flow after investments was SEK 859 million.

Financial position

At 30 September 2023, equity amounted to SEK 25,910 million (27,065 at 31 December 2022), of which paid-up and issued contributed capital accounted for SEK 6,041 million (5,795 at 31 December 2022). Total assets increased to SEK 42,277 million (41,433 at 31 December 2022). At 30 September 2023, the equity ratio was 61 percent (65 at 31 December 2022).

Södra's borrowings comprised loans of SEK 8,068 million (6,430 at 31 December 2022) from members and a loan of SEK 400 million (466 at 31 December 2022) from the Nordic Investment Bank that matures in April 2026. Södra has a credit agreement enabling the company to borrow up to SEK 2,000 million over a period of 17 months. In addition to the club agreement, Södra has two bilateral credit facilities totalling SEK 1,000 million with maturities within the next 9 months. The debt/equity ratio was -0.1 times (-0.1 at 31 December 2022).

Investments, acquisitions and divestments

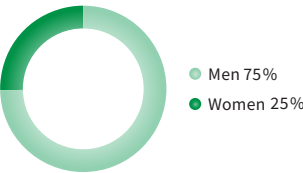
Investments for the quarter totalled SEK 540 million (365), of which SEK 134 million (238) pertained to Södra Cell, SEK 83 million (70) to Södra Wood, SEK 296 million (31) to Södra Skog and SEK 21 million (25) to Södra Innovation. The investments were mainly focused on expansion, productivity and the environment.

Events after the close of the period

After the balance-sheet date, the participations in Silva Green Fuel were sold. The financial impact on the Group's result and position is considered immaterial. No other significant events occurred after the balance-sheet date.

Employees

The average number of employees during the quarter was 3,370 (3,262 for full-year 2022) of whom 25 percent were women (24).



Future outlook

Inflation has fallen, but remains at a high level. It will take longer for inflation to return to normal levels, while interest rates are rising more than previously anticipated. This is having a negative effect on economic growth. Electricity prices have been lower recently but are expected to rise during the winter months. There is major uncertainty regarding the rate at which prices will change and higher prices for electricity affect demand.

The short-range forecast for sawn timber demand is highly uncertain. The short-term assessment is that demand will weaken due to the general economic climate and the construction slow-down. Demand for pulp has fallen recently, especially in Europe. Although the trend slowed toward the end of the period, pulp prices have fallen recently. Demand is expected to rise slightly at the end of the year. While a tendency of higher prices can be discerned, the pace and extent is uncertain.

While full-year 2023 is expected to be a challenging year, the long-term outlook for Södra's core products is favourable. Global economic growth will bolster the underlying demand for sustainable forest-based products. Tightened emissions reduction targets are also driving the transition towards a more sustainable bioeconomy.

Sustainability

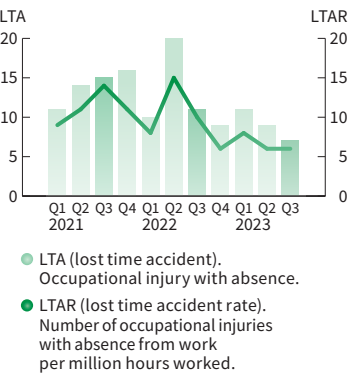
Sustainability permeates Södra's Group-wide strategy. Key areas are a focus on people and culture, and sustainable use of the forest and the earth's resources.

Focus on people and culture

The health and safety of employees is a top priority and Södra works continuously and systematically to achieve the company's zero accident vision. The target is a lost time accident rate (LTAR) of 9 or less in 2023, and 3 or less by 2032.

In the third quarter of 2023, the number of lost time accidents (LTA) was 7 (11) and the LTAR was 6 (10).

Occupational injuries



In the third quarter, behaviour-based safety training (GROW Health & Safety) for managers and leaders continued, and nearly 150 employees have now completed the course. The GROW leadership development programme also continued.

Södra was awarded the distinction: 'Top 10 Career Companies - by Young Professionals,' where Södra was ranked third by engineering graduates. This is important for the continued ability to attract the right skills and be an attractive employer.

Södra aims to offer an equal and inclusive culture where everyone feels welcome, respected and valued. An *Equality, diversity and inclusion* programme will commence shortly based on a completed strategic project that provided insights into the current situation, and the competitive advantages that exist in this area. The programme encompasses Södra's entire value chain, from member to consumer.

Sustainable use of the forest and the earth's resources

Sustainable forestry involves increasing forest growth responsibly, using forests in line with their long-term production capacity, and preserving and promoting the environmental, cultural and social values of forests. Södra's target is that the annual rate of forest growth on members' estates shall be 20 percent higher in 2050 compared with the base year of 2015. Key measures for the achievement of this target include effective and active forest management, nutrient recycling, forest tree breeding and damage reduction.

Södra works continuously to develop consideration activities in forestry operations and supports the sector-wide objectives for environmental stewardship that have been formulated together with the Swedish Forest Agency. In the third quarter, a new scenario training course was introduced for the environmental coordinators in the forestry operations areas. The course will also be offered to other field workers and harvesting contractors with the aim of strengthening Södra's focus on environmental considerations.

A key part of the process with climate-change adapted forests is to regenerate with tree species and genetics that will be adapted to the hardiness zone that will exist in 50-70 years' time. A project commenced in partnership with the Forestry Research Institute of Sweden to establish seed orchards with suitable genetic material.

Pine can handle a dry and warm climate better than spruce, which means that the percentage of planted pine should increase. A major shift is now taking place in terms of the tree species

chosen by members and Södra, and since the early 2000s until 2022, the proportion of pine among seedlings sold has increased from about 5 to 20 percent. The forecast for 2023 is that pine will account for more than 30 percent of seedlings sold. This is expected to result in less damage and higher growth.

Södra's target is to increase the company's positive climate effect to 13.5 million tonnes of CO₂e by 2032. The climate effect originates in the forest, a result of members' long-term commitment to responsible forest management. Carbon sequestration in forests, products with a low climate impact and reduced greenhouse gas (GHG) emissions are key factors for a positive climate effect. By continuing to offer products with a low carbon impact that can replace products with a higher carbon impact, Södra is helping to reduce GHG emissions.

Södra's short-term targets for reduced GHG emissions have been validated by the Science Based Targets initiative (SBTi). The targets are to reduce GHG emissions by 50 percent by 2030, compared with the base year of 2020. For emissions from processing of sold products, the target is an engagement strategy whereby customers corresponding to 70 percent of the emissions will have set their own science-based targets by 2027. In the third quarter of 2023, Scope 1 and 2 emissions amounted to 23 ktonnes CO₂e (19).

In the first three quarters, Södra had a major focus on electrification. The Group installed 118 charging poles and 170 fossil-fuel company cars were replaced by electric vehicles. In addition, five electric-powered internal operational machinery were deployed and the conditions for also building infrastructure for electrified trucks were investigated.

Carbon dioxide equivalents (CO₂e) is a standard unit for measuring greenhouse gas emissions. Each type of greenhouse gas has a different global warming effect. When emissions are reported as CO₂e, all greenhouse gases are included as if they were carbon dioxide. Scope 1 refers to direct GHG emissions that occur from sources that are financially controlled by Södra. Scope 2 refers to indirect emissions associated with the purchase of energy. Scope 3 refers to other indirect emissions. The greenhouse gases in Scope 1, 2 and 3 are fossil carbon dioxide, methane, nitrous oxide and refrigerants.

The Board and President’s assurance

The Board of Directors and President assure that this interim report provides a true and fair view of the Parent Company and the Group’s operations, position and results and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Växjö, 19 October 2023

Magnus Hall <i>Chair</i>	Paul Christensson <i>Vice Chair</i>	Kristina Alsér <i>Board member</i>	Teddy Hedlund <i>Employee representative</i>
Hannele Arvonien <i>Board member</i>	Hans Berggren <i>Board member</i>	Pål Börjesson <i>Board member</i>	Pontus Johansson <i>Employee representative</i>
Mikaela Johnsson <i>Board member</i>	Ann-Sofi Petersson <i>Employee representative</i>	Carina Olson <i>Board member</i>	Mats Sandgren <i>Board member</i>
Lotta Lyrå <i>President and CEO</i>			

Assurance report

Södra Skogsägarna ekonomisk förening, corporate identity number 729500-3789.

Introduction

We have performed a review of the interim financial information (interim report) provided by Södra Skogsägarna ekonomisk förening at 30 September 2023, and the nine-month period ending on that date. The Board of Directors and the President 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 has a different focus and is substantially less in scope compared with the focus and scope of an audit in accordance with ISAs and other generally accepted auditing standards. The procedures performed in a review do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. Therefore, the conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

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

Växjö, 19 October 2023

Martin Johansson <i>Authorised Public Accountant</i> PricewaterhouseCoopers AB	Madeleine Edberg <i>Authorised Public Accountant</i> PricewaterhouseCoopers AB
Katarina Johansson <i>Member Representative Auditor</i>	Roger Johansson <i>Member Representative Auditor</i>

Condensed consolidated statement of comprehensive income

SEK million	2023 July–Sept	2022 July–Sept	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Net sales	6,545	8,102	21,868	25,219	33,367
Other revenue	96	212	268	603	758
Operating expenses	–5,861	–5,499	–19,135	–18,054	–24,989
Depreciation, amortisation and impairment	–370	–335	–1,042	–989	–1,331
Operating profit	410	2,480	1,959	6,779	7,805
Net financial items	1	–18	–8	–72	–81
Profit before tax	411	2,462	1,951	6,707	7,724
Income tax	–159	–414	–381	–1,028	–889
Profit for the period	252	2,048	1,570	5,679	6,835
Other comprehensive income					
Items that will not be reclassified to profit or loss	44	419	44	496	344
Items that will be reclassified to profit or loss	–134	77	227	290	344
Other comprehensive income for the period	–90	496	271	786	688
Total comprehensive income for the period	162	2,544	1,841	6,465	7,523
Profit attributable to					
Owners of the Parent	252	2,048	1,570	5,679	6,835
Profit for the period	252	2,048	1,570	5,679	6,835
Comprehensive income attributable to					
Owners of the Parent	162	2,544	1,841	6,465	7,523
Comprehensive income for the period	162	2,544	1,841	6,465	7,523

Condensed consolidated statement of financial position

SEK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
ASSETS			
Intangible assets	68	67	68
Property, plant and equipment	16,995	15,983	16,383
Biological assets	4,058	3,810	3,976
Shares and participations in associates	355	343	334
Surplus in funded pension plans	321	415	221
Financial investments	97	91	147
Other non-current receivables	44	8	46
Deferred tax assets	4	15	4
Total non-current assets	21,942	20,732	21,179
Inventories	3,696	3,961	4,232
Tax assets	924	48	85
Operating receivables	4,541	5,907	5,200
Current investments	7,990	6,737	5,733
Cash and cash equivalents	3,184	3,785	5,004
Total current assets	20,335	20,438	20,254
TOTAL ASSETS	42,277	41,170	41,433
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent	25,910	25,910	27,065
Total equity	25,910	25,910	27,065
Non-current interest-bearing financial liabilities	952	1,084	1,163
Non-current interest-bearing operating liabilities	134	88	136
Provisions for pensions	25	28	24
Non-current provisions	523	378	529
Deferred tax liabilities	2,035	1,808	1,997
Other non-current operating liabilities	28	28	25
Total non-current liabilities	3,697	3,414	3,874
Current interest-bearing financial liabilities	7,515	5,558	5,733
Current interest-bearing operating liabilities	88	86	76
Income tax liabilities	314	1,256	290
Other current operating liabilities	4,753	4,946	4,395
Total current liabilities	12,670	11,846	10,494
Total liabilities	16,367	15,260	14,368
TOTAL EQUITY AND LIABILITIES	42,277	41,170	41,433

Condensed consolidated statement of changes in equity

SEK million	Total equity
Opening balance, 1 January 2023	27,065
Comprehensive income for the year	1,841
Contributed capital, paid-up by members	129
Contributed capital, paid-out to members	-94
Dividends to members	-3,031
Closing balance, 30 September 2023	25,910
Opening balance, 1 January 2022	21,088
Comprehensive income for the year	6,465
Contributed capital, paid-up by members	109
Contributed capital, paid-out to members	-95
Dividends to members	-1,657
Closing balance, 30 September 2022	25,910

Condensed consolidated statement of cash flows

SEK million	2023 Jan-Sept	2022 Jan-Sept	2022 Jan-Dec
Profit before tax	1,951	6,707	7,724
Adjustment for non-cash items and change in provisions	673	1,026	1,401
Income tax paid	-1,169	-231	-834
Cash flow from operating activities before change in working capital	1,455	7,502	8,291
Change in inventories (decrease +/increase -)	488	-152	-472
Change in operating receivables (decrease +/increase -)	785	-1,212	-817
Change in operating liabilities (increase +/decrease -)	559	1,026	650
Cash flow from operating activities	3,287	7,164	7,652
Cash flow from investing activities	-1,499	-1,180	-1,832
Cash flow after investing activities	1,788	5,984	5,820
Change in contributed capital	35	14	111
Dividends paid	-3,031	-1,657	-1,657
Change in loans from members	1,638	923	1,344
Change in loans	-67	-67	-233
Dividends received	25	25	25
Change in current investments with maturity > 90 days	-2,236	-5,141	-4,120
Cash flow from financing activities	-3,636	-5,903	-4,530
CASH FLOW FOR THE PERIOD	-1,848	81	1,290
Cash and cash equivalents at beginning of period	5,004	3,674	3,674
Exchange gains on cash and cash equivalents	28	30	40
Cash and cash equivalents at end of period	3,184	3,785	5,004

Parent Company

Result and financial position

Net sales for the quarter declined to SEK 5,955 million (7,431) and operating profit decreased to SEK 230 million (2,228). Operating profit for the quarter was in line with expectations and reflects the market downturn for Södra's core products combined with lower prices.

Net financial items for the quarter amounted to income of SEK 48 million (25). Profit after net financial items for the quarter totalled SEK 278 million (2,253). In the third quarter, an adjustment

of SEK 236 million was made to tax expense for the year. The adjustment pertains to current income tax for the first and second quarters of 2023.

Members

The number of members was 51,731 (51,476 at year-end). The affiliated forest area increased by approximately 14,000 hectares to 2.80 million hectares (2.79 at year-end).

Parent Company income statement, condensed

SEK million	2023 July-Sept	2022 July-Sept	2023 Jan-Sept	2022 Jan-Sept	2022 Jan-Dec
Net sales	5,955	7,431	19,940	22,998	30,401
Other revenue	64	201	258	524	462
Operating expenses	-5,460	-5,101	-17,586	-16,575	-22,932
Depreciation, amortisation and impairment	-329	-303	-939	-904	-1,219
Operating profit	230	2,228	1,673	6,043	6,712
Net financial items	48	25	32	-32	-106
Profit after financial items	278	2,253	1,705	6,011	6,606
Appropriations	-	-	-	-	-665
Profit before tax	278	2,253	1,705	6,011	5,941
Income tax	-307	-302	-257	-792	-589
Profit/loss for the period	-29	1,951	1,448	5,219	5,352

Parent Company balance sheet, condensed

SEK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
ASSETS			
Intangible assets	1	1	1
Property, plant and equipment	14,518	13,913	14,099
Shares and participations in Group companies	4,480	4,414	4,480
Shares and participations in associates	99	99	99
Surplus in funded pension plans	11	11	11
Other non-current investments	31	33	31
Other non-current receivables	45	8	46
Deferred tax assets	35	95	37
Total non-current assets	19,220	18,574	18,804
Inventories	3,246	3,214	3,470
Current interest-bearing receivables from Group companies	276	252	234
Deferred tax receivables	663	—	—
Current receivables	4,187	5,629	5,166
Current financial investments	8,730	8,694	8,292
Cash and bank balances	2,173	1,760	2,260
Total current assets	19,275	19,549	19,422
TOTAL ASSETS	38,495	38,123	38,226
EQUITY AND LIABILITIES			
Restricted equity	7,454	7,110	7,208
Non-restricted equity	8,129	9,791	9,924
Total equity	15,583	16,901	17,132
Untaxed reserves	8,347	7,687	8,347
Provisions	534	389	540
Non-current interest-bearing liabilities from Group companies	7	8	8
Non-current interest-bearing liabilities	952	1,084	1,163
Non-current operating liabilities	—	6	—
Total non-current liabilities	959	1,098	1,171
Current interest-bearing liabilities from Group companies	1,007	752	788
Current interest-bearing liabilities	7,515	5,558	5,733
Current tax liabilities	—	1,071	278
Current operating liabilities and provisions	4,550	4,667	4,237
Total current liabilities	13,072	12,048	11,036
TOTAL EQUITY AND LIABILITIES	38,495	38,123	38,226

Notes

Note 1 | Accounting policies

Södra applies International Financial Reporting Standards (IFRS), as adopted by the EU. This interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies Recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board, and the Swedish Annual Accounts Act.

The accounting policies applied are consistent with those presented in the 2022 Annual Report, except for new standards and revisions of standards and interpretations applicable to annual periods beginning on or after 1 January 2023 and that have not already been applied in the preparation of the 2022 Annual Report.

A number of new or revised standards and interpretations are not yet effective, and have not been applied in advance in the preparation

of these financial statements. No early adoption of updates or amendments that take effect after the 2023 financial year has been planned, and none of these are expected to have any material impact on the consolidated financial statements.

The rules for economic associations were applied for the calculation of current tax. These mean that the dividend proposal for the financial year (which will be paid out in the following year) is tax deductible in the current year and has been treated as a deduction in the calculation of current tax. The deduction has affected the tax expense recognised in net profit or loss for the year.

All figures in the report have been rounded off to the nearest million, unless otherwise stated. As a result, some percentages and figures in the report may not correspond with the total shown, and may also differ from previously published information.

Note 2 | Risk and uncertainties

No additional material risks have been identified since the 2022 Annual Report. For a description of risks and uncertainties, refer to Södra's 2022 Annual Report under 'Risks and risk management' on pages 50–51. An overall description of a selection of such risk areas, and the key measures for control and management, are presented below.

Södra operates in a global market and is impacted by general economic trends and currency fluctuations, as well as more industry and company-specific factors. The most significant risk areas for Södra's ability to achieve the Group's set targets and the management of each risk area are presented below.

Södra applies a systematic approach to risk management with the aim of protecting the Group from damage, uncertainty and lost opportunities.

Efforts to identify, assess and manage risks are an integral and key component of Södra's business management. Strategic risks are assessed and managed by the Board, Group Senior Management, the Strategy function and the business planning process. Södra Finance Centre is responsible for managing financial risk, based on a Financial Policy established by the Board. Operational risks are controlled and managed by the President, management team and employees, in accordance with central policies and guidelines.

Note 3 | Related parties

There were no transactions between Södra and related parties with any significant effect on the company's financial position or result. The nature and scope of transactions with related parties are consistent with those that existed in 2022.

Note 4 | Revenue

The following table shows Södra’s net sales per revenue category:

SEK million	July–September											
	Södra Skog		Södra Wood		Södra Cell		Södra Innovation		Other segments		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Wood raw material	548	595	—	—	—	—	—	—	—	—	548	595
Wood products	—	—	1,330	1,686	—	—	87	36	—	—	1,417	1,722
Pulp	—	—	—	—	3,562	4,613	—	—	—	—	3,562	4,613
Energy products	169	127	113	84	186	448	10	27	—	—	478	686
Forestry services	420	366	—	—	—	—	—	—	—	—	420	366
Transportation	111	118	—	—	—	—	—	—	—	—	111	118
Other	5	–4	4	6	—	—	—	—	—	—	9	2
Net sales, goods and services	1,253	1,202	1,447	1,776	3,748	5,061	97	63	—	—	6,545	8,102

Note 5 | Financial instruments

Financial assets and liabilities are substantially the same as in the most recently published annual report.

Group, SEK million	30 September 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial investments	39	39	34	34
Operating receivables	3,483	3,483	3,833	3,833
Current investments	7,990	7,990	5,733	5,733
Cash and cash equivalents	3,184	3,184	5,004	5,004
Total assets, financial instruments	14,696	14,696	14,604	14,604
Other assets, non-financial instruments	27,581		26,829	
Total assets	42,277		41,433	
Non-current liabilities	1,114	1,219	1,324	1,410
Current interest-bearing liabilities	7,604	7,833	5,809	5,903
Current operating liabilities	3,386	3,386	2,867	2,867
Total liabilities, financial instruments	12,104	12,438	10,000	10,180
Other liabilities, non-financial instruments	4,263		4,368	
Total liabilities	16,367		14,368	

The following tables present information about how fair value is determined for the financial instruments that are measured at fair value in the statement of financial position. Fair value measurements are categorised into a three-level hierarchy:

- Level 1: Based on prices quoted in active markets for identical instruments.
- Level 2: Based on direct or indirect observable market data not included in level 1.
- Level 3: Based on inputs for which there is no market information available.

Group, 30 September 2023				
SEK million	Level 1	Level 2	Level 3	Total
Assets	7,990	—	46	8,036
Liabilities	—	—	53	53

The fair value of financial instruments is measured on the basis of quoted market prices at the balance-sheet date. Derivatives are measured on the basis of published price quotations in an active market. For unquoted shares where a reliable market value cannot be

Group, 31 December 2022				
SEK million	Level 1	Level 2	Level 3	Total
Assets	5,733	—	42	5,775
Liabilities	—	—	44	44

determined, the carrying amount is used as an indicator of fair value. The fair value of debt instruments is measured using techniques such as discounting expected future cash flows at quoted market interest rates for each duration.

Note 6 | Standing timber

At 30 September 2023, the estimated fair value of Södra’s standing timber was SEK 4,058 million (3,976 at year-end). The change in the balance sheet was SEK 82 million (129) and pertained to exchange-rate effects related to standing timber in the Baltics.

Note 7 | Scheduled maintenance shutdowns

At Södra Cell, in addition to routine maintenance during normal operations, there are also planned maintenance shutdowns to perform more extensive maintenance, whereby pulp production is stopped. The earnings impact of the maintenance shutdowns varies, depending on the extent and nature of the maintenance measures

and the duration of the shutdowns. The cost comprises loss of revenue from production losses, and the direct costs of the maintenance. During the quarter, costs for scheduled maintenance shutdowns amounted to SEK 74 million (–).



Quarterly data and
segment information

	2023 July–Sept	2022 July–Sept	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
NET SALES, SEK MILLION					
Södra Skog	3,484	3,336	11,500	10,656	14,613
of which external	(1,253)	(1,202)	(4,573)	(4,186)	(5,921)
Södra Wood	1,663	1,934	5,510	7,431	9,246
of which external	(1,447)	(1,776)	(4,788)	(6,898)	(8,493)
Södra Cell	3,806	5,104	12,369	13,881	18,658
of which external	(3,748)	(5,061)	(12,213)	(13,754)	(18,463)
Södra Innovation	97	63	296	197	298
of which external	(97)	(63)	(295)	(196)	(296)
Other segments	—	—	—	185	194
of which external	(—)	(—)	(—)	(185)	(194)
Eliminations	–2,505	–2,335	–7,807	–7,131	–9,642
Group	6,545	8,102	21,868	25,219	33,367
OPERATING PROFIT/LOSS BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT, SEK MILLION					
Södra Skog	51	80	97	149	440
Södra Wood	106	276	186	2,009	1,930
Södra Cell	680	2,650	2,983	6,279	7,923
Södra Innovation	4	–3	–82	5	–70
Other segments	0	—	–2	2	2
Intra-Group	–61	–188	–181	–680	–1,089
Eliminations	0	0	0	4	—
Group	780	2,815	3,001	7,768	9,136
OPERATING PROFIT/LOSS, SEK MILLION					
Södra Skog	31	60	41	93	366
Södra Wood	52	225	26	1,854	1,723
Södra Cell	408	2,393	2,189	5,520	6,896
Södra Innovation	–16	–4	–106	1	–75
Other segments	0	—	–2	0	0
Intra-Group	–65	–194	–189	–693	–1,105
Eliminations	0	0	0	4	—
Group	410	2,480	1,959	6,779	7,805
OPERATING MARGIN					
Södra Skog	1%	2%	0%	1%	3%
Södra Wood	3%	12%	0%	25%	19%
Södra Cell	11%	47%	18%	40%	37%
Södra Innovation	neg.	neg.	neg.	1%	neg.
Other segments	—	—	—	0%	0%
Group	6%	31%	9%	27%	23%
ASSETS, SEK MILLION					
Södra Skog	—	—	7,073	6,164	6,128
Södra Wood	—	—	7,908	8,136	7,999
Södra Cell	—	—	30,398	26,996	28,597
Södra Innovation	—	—	84	319	296
Other segments	—	—	211	157	216
Intra-Group	—	—	–1,869	638	–346
Eliminations	—	—	–1,528	–1,240	–1,457
Group	—	—	42,277	41,170	41,433

	2023 July–Sept	2022 July–Sept	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
AVERAGE OPERATING CAPITAL, SEK MILLION					
Södra Skog	—	—	6,309	5,484	6,106
Södra Wood	—	—	3,481	3,637	3,488
Södra Cell	—	—	14,194	14,127	14,125
Södra Innovation	—	—	1,168	892	874
Other segments	—	—	113	173	208
Group, average capital employed	—	—	22,598	21,793	22,476
RETURN ON OPERATING CAPITAL					
Södra Skog	—	—	1%	2%	6%
Södra Wood	—	—	1%	68%	49%
Södra Cell	—	—	21%	52%	49%
Södra Innovation	—	—	neg.	neg.	0%
Other segments	—	—	neg.	neg.	neg.
Consolidated return on capital employed	—	—	12%	41%	35%
CASH FLOW AFTER INVESTMENTS, SEK MILLION					
Södra Skog	9	314	557	809	–164
Södra Wood	231	560	–42	1,696	1,832
Södra Cell	791	1,965	2,643	4,847	6,254
Södra Innovation	–58	–76	–241	–289	–397
Other segments	1	3	91	124	40
Intra-Group	–114	–285	–1,220	–1,203	–1,745
Group	860	2,481	1,788	5,984	5,820
INVESTMENTS, SEK MILLION					
Södra Skog	296	31	513	116	343
Södra Wood	83	70	260	236	360
Södra Cell	134	238	688	713	1,076
Södra Innovation	21	25	97	157	230
Other segments	—	—	—	0	—
Intra-Group	6	1	11	1	2
Group	540	365	1,569	1,223	2,011
AVERAGE NUMBER OF EMPLOYEES					
Södra Skog	—	—	692	673	661
Södra Wood	—	—	937	922	921
Södra Cell	—	—	1,293	1,230	1,258
Södra Innovation	—	—	148	123	139
Other segments	—	—	—	2	2
Intra-Group	—	—	300	265	281
Group	—	—	3,370	3,215	3,262

Alternative performance measures

NET SALES, CHANGE

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Opening net sales	25,219	20,018	27,060
Closing net sales	21,868	25,219	33,367
Change	–13%	26%	23%

Shows Södra's growth.

OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES, SEK MILLION

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Operating profit	1,959	6,779	7,805
Depreciation, amortisation and impairment	1,042	989	1,331
Operating profit before- depreciation, amortisation and impairment	3,001	7,768	9,136

A complement to operating profit/loss, which shows the items on the income statement that affect cash flow.

OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT MARGIN

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Operating profit before- depreciation, amortisation and impairment	3,001	7,768	9,136
Net sales	21,868	25,219	33,367
EBITDA margin	14%	31%	27%

The EBITDA margin shows the percentage of surplus on each SEK earned less operating costs, but before depreciation, amortisation and impairment. This measure gives an overall view of the cash flow generated. The measure is used to produce an overall trend analysis of Södra's performance, and for comparison with other companies.

OPERATING PROFIT/LOSS, SEK MILLION

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Net sales	21,868	25,219	33,367
Other revenue and profit from shares in associates	268	603	758
Operating expenses	–19,135	–18,054	–24,989
Depreciation, amortisation and impairment	–1,042	–989	–1,331
Operating profit	1,959	6,779	7,805

Operating profit shows the surplus on sales less operating costs, including depreciation, amortisation and impairment. This is an essential measure for producing a trend analysis of Södra's performance, and for comparison with other companies.

OPERATING MARGIN

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Operating profit	1,959	6,779	7,805
Net sales	21,868	25,219	33,367
Operating margin	9%	27%	23%

The operating margin is a measurement of the proportion of surplus on each sales SEK less operating costs, including depreciation, amortisation and impairment. This surplus is used to cover interest expense and tax, and to generate an acceptable profit. The measure is used to produce an overall trend analysis of Södra's performance, and for comparison with other companies.

Södra manages its operations by analysing key indicators. Some of these financial key indicators are defined or specified in applicable regulations for financial information, or by other applicable laws. All others are referred to as alternative performance measures. Södra uses the following alternative performance measures and believes they provide valuable complementary information for analysing Södra's performance.

The effect of assets held for sale is presented in the Consolidated statement of comprehensive income and Consolidated statement of financial position. The effect of assets held for sale is not included in the Consolidated statement of cash flows nor is it taken into account in calculated key indicators, which is not directly apparent from the income statement and balance sheet presented, since Södra uses these factors to manage all of its operations. Comparative figures for prior years have not been restated for the above-mentioned effect (from 2021 and earlier), but are reconcilable with historical reports.

NET DEBT, SEK MILLION

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Interest-bearing provisions	—	—	—
Interest-bearing liabilities	8,689	6,816	7,108
Financial receivables	0	0	0
Current investments and cash and cash equivalents	–11,174	–10,522	–10,737
Net debt	–2,485	–3,706	–3,629

Shows Södra's financial strength.

DEBT/EQUITY RATIO, TIMES

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Net debt	–2,485	–3,706	–3,629
Equity	25,910	25,910	27,065
Debt/equity ratio	–0.1	–0.1	–0.1

The debt/equity ratio is used to measure Södra's financial strength and, in combination with the equity ratio, is the measurement most frequently used by management to monitor the Group's financial leverage.

CAPITAL EMPLOYED, SEK MILLION

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Assets	42,277	41,170	41,433
Surplus in funded pension plans	–321	–415	–221
Financial assets	–11,271	–10,613	–10,884
Provisions*	–523	–378	–529
Income tax*	–3,277	–3,064	–2,287
Non-interest-bearing operating liabilities	–4,781	–4,974	–4,420
Capital employed	22,104	21,726	23,092
Average	22,598	21,793	22,476

* Not considered in the calculation of Operating capital.

Capital employed shows the capital used by Södra and is a component of Return on capital employed.

RETURN ON CAPITAL EMPLOYED

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Average capital employed	22,598	21,793	22,476
Operating profit	1,959	6,779	7,805
12-month operating profit	2,612	9,039	7,805
Return	12%	41%	35%

Return on capital employed is a measure of the interest that Södra pays on capital tied up in operations.

EQUITY RATIO

	2023 Jan–Sept	2022 Jan–Sept	2022 Jan–Dec
Equity	25,910	25,910	27,065
Assets	42,277	41,170	41,433
Equity ratio	61%	63%	65%

An established and key measure of Södra's financial strength. Shows the proportion of total assets financed by equity. The measure indicates the ability to pay long-term liabilities, since any future losses will be deducted from equity.

DEFINITIONS

Operating profit before depreciation, amortisation and impairment, SEK million

Operating profit/loss excluding depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

EBITDA margin, %

Operating profit/loss excluding depreciation, amortisation and impairment of property, plant and equipment and intangible assets expressed as a percentage of net sales.

Operating profit/loss, SEK million

Net sales and other revenue less operating costs including depreciation, amortisation and impairment.

Operating margin, %

Operating profit/loss expressed as a percentage of net sales.

Net debt, SEK million

Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.

Debt/equity ratio, times

Net debt in relation to equity.

Capital employed, SEK million

Assets excluding surplus in funded pension plans, interest-bearing assets, provisions and liabilities.

Return on capital employed, %

Full-year operating profit/loss expressed as a percentage of average capital employed.

Equity ratio, %

Equity expressed as a percentage of assets.

Financial statements

- » The interim report for October–December will be published on 16 February 2024 at 11 a.m.
- » Interim reports can be downloaded from sodra.com/financial

This is Södra

Södra was founded in 1938 on the idea that we are stronger together. Södra is now the largest forest-owner association in Sweden, with more than 50,000 family forest owners as members. Together, the members of Södra own a world-leading industry that processes forest raw material into renewable products such as pulp, timber, building systems, liquid bioproducts and energy. **Rooted in the forest, we grow the future.**

Contact information and address

Magnus Örnberg, CFO

TELEPHONE +46 (0)470-894 45

E-MAIL magnus.ornberg@sodra.com

Södra Skogsägarna ekonomisk förening

ADDRESS SE-351 89 Växjö

TELEPHONE +46 (0)470-890 00

E-MAIL info@sodra.com

WEBSITE sodra.com

