

Södra's year-end report with interim report

1 October – 31 December 2022

Q4

- » Net sales amounted to SEK 8,147 million (7,042)
- » Operating profit before depreciation, amortisation and impairment amounted to SEK 1,368 million (1,697)
- » Operating profit totalled SEK 1,026 million (1,295)
- » The operating margin was 13 percent (18)
- » Cash flow after investments was a negative SEK 164 million (pos: 288)

2022 in brief

- » Consolidated net sales amounted to SEK 33,367 million (27,060)
- » Operating profit before depreciation, amortisation and impairment amounted to SEK 9,136 million (6,811)
- » Operating profit totalled SEK 7,805 million (5,316)
- » The operating margin was 23 percent (20)
- » Cash flow after investments was SEK 5,820 million (3,192)
- » The Board proposes a profit distribution of SEK 3,243 million

Key indicators	2022 Oct–Dec	2021 Oct–Dec	2022 Jan–Dec	2021 Jan–Dec
Net sales, SEK million	8,147	7,042	33,367	27,060
Operating profit before depreciation, amortisation and impairment, SEK million	1,368	1,697	9,136	6,811
Operating profit, SEK million	1,026	1,295	7,805	5,316
EBITDA margin	17%	24%	27%	25%
Operating margin	13%	18%	23%	20%
Return on capital employed	—	—	35%	25%
Equity ratio	—	—	65%	63%
Cash flow after investments, SEK million	–164	288	5,820	3,192
No. of members	—	—	51,476	51,938
Affiliated forest area, million hectares	—	—	2.8	2.7
No. of employees	—	—	3,282	3,124
Positive climate effect ¹⁾ , Mt CO ₂ e	—	—	12.1	13.3
Lost-time-accidents (LTA) ²⁾ , no.	9	16	50	56
Lost-time-accident rate (LTAR) ³⁾	6	11	10	11

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): number of occupational injuries with absence per million hours worked.

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

8.1

SEK billion net sales

65

% equity ratio

1.0

SEK billion operating profit

2.8

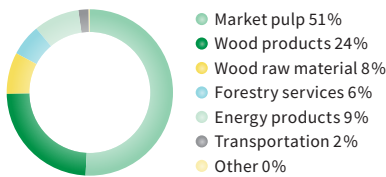
million ha affiliated forest area

35

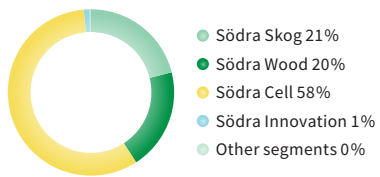
% return on capital employed

6

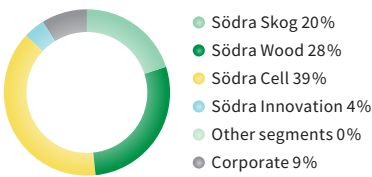
LTAR – number of occupational injuries with absence per million hours worked



Net sales per revenue category.



Sales per business area.
SEK 8,147 million in total, excluding internal deliveries.



Employees per business area.
3,282 employees in total.

The quarter in brief



Södra one of Sweden's most attractive employers

Karriärföretagen named Södra one of Sweden's most attractive employers in 2023 (Sw. Karriärföretag 2023). The aim of Karriärföretagen is to reward employers who have successfully invested in career and development opportunities, and to help students and young people find future employers.

"Södra is obviously incredibly proud and happy to be named one of the most attractive employers in Sweden for 2023. The distinction strengthens us in our efforts to focus on people and culture, and to create the future together. The starting point is a business operation where every second is dominated by safety, security and caring about each other," said Isabella Wärvik, Södra's HR Director.

675,000 m³ of members' forests damaged by bark beetles in 2022

In 2022, 675,000 m³ sub of spruce forest on Södra members' estates was damaged by bark beetles. Despite decreased damage in recent seasons, the level is still high.

"While the total amount of damage is less than in 2021, 675,000 m³ sub is a large volume of wood, and as many infested trees as possible must be removed from the forest," said Henrik Holmberg from Södra Skog.

The results of the year's inventory show a decline in spruce bark beetle damage compared with 2021. The positive trend we noted in 2021 has therefore continued, and the trees seem to be recovering from the extreme drought of 2018, albeit slowly.



SEK 7 million to climate-related research

The Södra Foundation for Research, Development and Education granted SEK 7 million to nine research projects to promote the development of family forestry. Several of the projects are focused on how forestry will be affected by an increasingly warmer climate in Sweden.

"Climate change poses challenges for family forestry in several ways, which is why we are investing to address them," said Göran Örlander, Chair of the Södra Foundation for Research, Development and Education.

The Södra Foundation for Research, Development and Education was founded in 1995 with a mission to support research and development that is significant for forestry and forest industry operations in southern Sweden. Since then, more than SEK 250 million has been granted to over 200 research projects. More projects will now receive funding.

Members Department is strengthening cooperation

To strengthen work with Södra's strategy, the Members department has changed its organisation. It now consists of three units: Member support, Cooperation and Learning, and Public Affairs.

"We want to create a basis for working with Södra's Group-wide strategy where the Members Department is focused on strengthening the member offering. This shows how we want to make a real investment in knowledge and in developing the association's democratic processes. This is essential if we want to continue being an attractive association with committed members," said Henrik Andersson, Director of Members.

The biggest change is the new Cooperation and Learning unit. It includes democratic processes, knowledge, learning and ombudsman services.

Major focus on the electrification of transportation

Södra has launched a major initiative to electrify its transportation. A new project will study the possibility of having electric trucks, forklifts and loaders in the future that can help to further reduce the association's fossil green house gas (GHG) emissions.

We are now a net producer of electricity and our target is to achieve net zero emissions by 2040. A natural step in this process is to electrify the vehicle fleet and our operations. Some of the vehicle fleet at the mills already runs on electricity, including electric forklifts at the Värö and Långsjö sawmills. This process is now entering the next phase and Södra is launching a project for large-scale electrification of internal operational machinery and truck transport.



Peter Karlsson new President of Södra Skog

Peter Karlsson, Södra's former CFO and Interim President, has been appointed new President of the Södra Skog business area. Peter has extensive experience of working at Södra and will be responsible for equipping Södra Skog and its organisation to meet needs in areas including member offerings, flow control and forest management. This includes leveraging the power of digitisation in Södra Skog's business operations.

"I am delighted with the great work carried out by all of Södra Skog's employees and I'm looking forward to continuing this journey of development together. There are several important opportunities ahead. Södra's new strategy will affect areas like member offerings and forest management, while competency provision will also be key to managing retirements and developing our business operations. The continuous development of service packages and member interaction will also be required. This will be an exciting journey to take together with all of Södra's employees and members," said Peter Karlsson.

Approved emissions-reduction targets

During the quarter, our emissions-reduction targets were approved by the Science Based Targets initiative. The targets are in line with the Paris Agreement's goal to limit global warming to 1.5°C. This also resonates with our ambition to lead the social transition to climate neutrality. The Science Based Targets initiative has helped us to clarify our targets and as we move forward, will provide support for monitoring our emissions-reduction targets.



We are seeking new partners for the development of lignin products

Lignin can replace fossil materials in adhesives, for example, or can be used to produce new biofuels. Södra is now seeking partners for the development of new applications with this product.

As one of leading global producers of pulp from forest raw material from family forestry, Södra produces millions of tonnes of lignin annually. It is a by-product of the pulping process, but also holds huge potential as a sustainable and renewable material. Lignin can be used as a substitute for adhesives, or for new biofuels.

Södra therefore considers lignin to be another alternative in its current product portfolio. No decision has been made yet. Södra has now entered an intensive phase of investigation and a decision is expected within the next 12 months.



CLT and glulam for 28,000 m² timber-frame building in Denmark

Södra has signed an agreement with Danish developer LM Byg A/S to deliver about 5,700 m³ of cross-laminated timber (CLT) and 2,300 m³ of glulam for a 28,000 m² timber-frame building, which will be the largest in Denmark. Danish architect Henning Larsen has designed the project, a new office building for AP Ejendomen in Marmormølen in Copenhagen.

How we are renewing the values of forest estates – over and over again



Lotta Lyrå
President & CEO

By family forestry, for family forestry. That is a simple way to describe Södra's mission and purpose. Family forestry is Södra's soul and reason for being. To succeed with our assignment – to continuously renew the value of forest estates – I usually think of Södra as the bridge between forest estates and consumers. To maximise the value of forests, we need to stay relevant to our customers and be good at meeting the ever-changing demands of consumers.

Much of the work we do at Södra is focused on strengthening this bridge – the association – and making sure that it holds from both directions. The values created by forest estates must be both attractive to consumers and profitable for our members. When I met customers during the year – both in Sweden and internationally – the issue of our forestry and sustainability efforts has usually been at the top of the agenda. The amount of interest has surprised me, but it also shows that many people see the benefits and opportunities that are created by family forestry. This is gratifying, but it also means that we must continue delivering on the expectations that our customers and consumers have of us, and how we manage our forests. The decisions we make every day in the forest affect Södra's ability to compete in the markets where we operate, and thereby the ability to pay for our wood.

Record result

2022 is a year I can look back on with both pride for what we achieved, and respect for everything that we still have to do.

The association's result for 2022 is confirmation of our Group-wide efforts and the combined strength of our 51,000 members and 3,300 employees. A chain is only as strong as its weakest link and our robust structure proved its mettle during the year.

Our sales amounted to SEK 33 billion and operating profit was almost SEK 8 billion. That is a fantastic result that reflects everybody's hard work and the key role that family forestry is playing in the climate transition. In many respects, it was due to an exceptional market for Södra's pulp and biomass in particular, while a weak SEK also played a strong role. In 2022, we also produced a record amount of paper pulp and delivered 140,000 more tonnes of pulp than in 2021. In addition, our work with world-class efficiency has so far created efficiency gains corresponding to just over SEK 300 million on a full-year basis, which has surpassed our target for the year and also contributed to the result. The Board proposes a profit distribution of SEK 3,243 million.

Fourth quarter

Sales for the fourth quarter amounted to SEK 8 billion, and operating profit totalled SEK 1 billion. The sales growth and operating profit were attributable to favourable market conditions and a positive price level for pulp and biomass during the period. We expect unchanged price levels in the short term, but long-term forecasts are more difficult due to the turbulent business environment.

Events in 2022

In many ways, 2022 was an intense year for Södra, the association's 51,000 members and for family forestry. We achieved new successes during the year but also, sadly, experienced two tragic fatalities at our workplaces. We have transformed the grief and frustration over these accidents into even more focus on making every second of the day at Södra count when it comes to safety, security and taking care of each other. Working with health and safety is comprehensive and encompasses everyone. We will continue to work together to achieve better technological solutions and to reinforce safe behaviour.

By strengthening our underlying competitiveness with continuous improvement and smart investments, we will be more resilient in a turbulent business environment. We are doing this, for example, by continuing to modernise our digital infrastructure to increase the operational reliability of the saw-mills, and by enhancing the efficiency of the pulp mills through improved availability and production. One good example is our investment in new equipment at Södra Cell Värö, which was decided in 2020. The equipment became fully operational in 2022 with great success.

Another key aspect for forest estates is planting and seedlings. We therefore decided during the quarter to build our own cold storage facility with a capacity for 40 million seedlings. This will give us clearer control over seedling supplies and allow us to deliver even more and better seedlings to members' forests.

The cold storage facility will be built adjacent to the Falkenberg nursery.

In 2020, Södra became a signatory to the UN Global Compact. We have committed to the Ten Principles for corporate sustainability and report our sustainability performance every year.

Strengthened member offering

In addition to investments in the value chain, we are working hard to strengthen the member offering. The fact that Södra is always interested in the changing needs of our members is central. We therefore worked intensively during the year to investigate and initiate, or reject, various initiatives that broaden the base for value generation from forests, and are potential sources of revenue for forest estates. Some of the initiatives we have chosen to develop are:

- » **Nature conservation premium.** We have introduced a new premium whereby those members who set aside a higher percentage of their forest land than is required for forest management certification – and therefore contribute to our Group-wide nature conservation activities – will be paid more for their wood.
- » **Broader learning offering.** We have created new opportunities for members and elected representatives to learn more about Södra, family forestry and the cooperation. These include focus groups in selected areas and a development programme for elected representatives.
- » **Södra Ädla.** This new unit will attract technologies and capabilities to family forestry by investing in companies that strengthen the profitability of members.

The way forward

In 2022, we also worked intensively to create a roadmap for the next decade.

The revised Group strategy 'From one family to another' provides a direction for 2023 and onwards. We will continue to improve and renew the value of forest estates with the Group-wide strategy as our starting point. We will work together to drive important shifts that are focused on people and culture, that strengthen forest ownership and profitability for forest estates, optimise the value chain from forest owner to customer and consumer, secure a leading offering for our customers and consumers and prioritise sustainable use of the forest and the earth's resources. Our safety culture will be paramount in everything that we do.

This may seem like a broad approach, but I think it resonates with the benefits and value that forests create for both society and the planet. And the products we deliver play a key role in many people's lives. We work continuously to ensure that the value for family forestry and Södra's 51,000 members is as high, and as visible, as possible. Regardless of whether the value is financial, ecological or anything else for individual family forest owners. Our efforts to strengthen the bridge between forest estates and the market and consumers will continue, and mean that we are always ready to meet whatever is waiting on the other side, and to renew the values of forest estates, over and over again.



The period in brief

A record result due to favourable market prices for Södra’s core products, while Södra’s well-invested mills continued to deliver high-quality and stable volumes. Net sales for the full-year amounted to SEK 33,367 million (27,060), with operating profit of SEK 7,805 million (5,316). Sales for the fourth quarter amounted to SEK 8,147 million (7,042). Operating profit totalled SEK 1,026 million (1,295) Return on capital employed was 35 percent (25). At year-end, the equity ratio was 65 percent (63). The Board proposes a profit distribution of SEK 3,243 million.

Market conditions

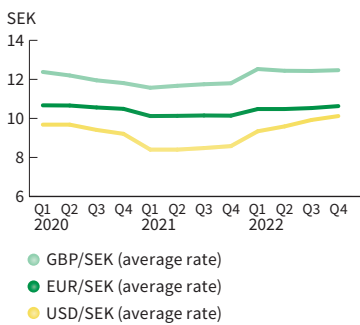
The global economy is facing significant challenges. Growth has lost momentum, high inflation has broadened out across countries and products, and is proving persistent. Risks are skewed to the downside. While rate hikes are considered necessary to curb inflation, they are also heightening financial vulnerabilities.

The Purchasing Manager’s Index (PMI) has decreased in all major economies since the first quarter of 2021 and the same trend continued in 2022. Due to a strong starting position, economic indicators did not point to a slowdown in economic growth until the fourth quarter of 2022. Despite signs that inflation has peaked in the US, it has continued to rise in Europe and Sweden. The slowdown in US inflation has been moderate to date. This has raised concerns about the persistence of global inflation and therefore whether higher interest rates will last longer than expected. However, expectations regarding the timing of a broad-based decline in inflation have tended to advance, throwing a wet blanket over the outlook for 2023. In its latest economic outlook from November, the OECD forecasts that world growth will decline to 2.2 percent in 2023 and bounce

back to a relatively modest 2.7 percent in 2024. Asia is expected to be the main engine of growth in 2023 and 2024, whereas Europe and North and South America will see very low growth.

Due to these external factors, conditions for economic growth in Europe have been challenging. Energy prices remained volatile in the fourth quarter. In Western Europe, energy prices fell significantly in September and October, especially for natural gas. Throughout November and up to mid-December, prices gradually increased in line with the colder weather and production cutbacks. Mild weather in the second-half of December helped to push prices down again. Any lasting relief is difficult to discern given the fundamental problems surrounding the energy supply in Europe alongside of persisting geopolitical unrest. The effects of the generally higher energy prices continued and led to broad-based price increases during the year. The current situation with high inflation and rising interest rates is affecting both companies and households in Europe. The soaring energy prices have led to higher costs for production and raw material inputs for companies, which are then passed on to consumers. Despite a new record low for consumer sentiment, consumption has

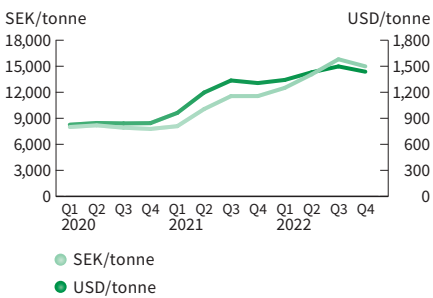
Foreign exchange rates



The diagram shows the annual average exchange rate.

Source: ECB

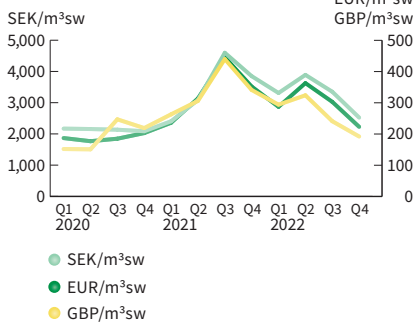
Pulp prices



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 the most important currencies.

Source: Södra

remained constant to date. However, continued high inflation, rising interest rates and signs of rising unemployment are expected to curtail private consumption.

Economic growth in Sweden was largely similar to the situation throughout the rest of Europe. The Manufacturing Purchasing Managers' Index (PMI) continued to slip in the fourth quarter and has now fallen to levels that suggest lower economic activity. Combined with higher interest rates, rising prices for food, fuel and electricity led to a sustained deterioration of consumer purchasing power during the year. Together with uncertainty about future economic growth and falling asset prices, this led to a sustained loss of consumer confidence in the fourth quarter.

In the fourth quarter, the SEK strengthened against the USD. However, the SEK weakened against the EUR and the GBP. The uncertain and volatile market environment contributed to a sustained weak SEK.

Wood supply

Demand for saw logs was high during the year, but fell slightly in the second six months due to production cutbacks in the sawmills. Demand for pulpwood remained stable during the year, with a slight slowdown in the fourth quarter. The supply of final harvesting was lower year-on-year. In 2022, spruce bark beetle damage eased compared with 2021, but there is still considerable damage in north-eastern forestry operations areas. Demand for biomass, such as fuel wood and forest residue chips, gradually improved during the year.

Sawn timber

The price trend for wood products was turbulent in 2022, and prices rose at the beginning of the year when the war broke out in Ukraine. During summer and autumn, however, they fell back sharply as the economic slowdown weakened demand for wood products while supply was high. However, the price declines were generally lower in the fourth quarter, and in some segments they remained unchanged.

With the falling prices, stock levels further upstream in the supply chain gradually declined, which led to higher stock levels at the sawmills. Södra Wood therefore introduced production cutbacks during the autumn to achieve a balance between production, stocks and sales. The sales volumes improved slightly during the fourth quarter, partly because European customers now need to refill their inventories, but also due to an increase in sales to non-European markets.

In the building materials trade in Europe, it is clear that the increase in demand that was fuelled by the pandemic fell sharply in 2022. Moreover, the building materials trade was

adversely impacted by a decline in purchasing power during the year as inflation, energy prices and interest rates rose. In 2022, demand was generally favourable for our industrial customers in Europe, but it became clear in the fourth quarter that the economic downturn was also affecting this segment. Non-European markets were not as clearly affected by the energy situation, which helped to maintain demand for wood products. Demand in China remained slow, however, due to the COVID situation. During autumn, sawmill production is lower in several countries in order to balance the lower global demand for wood products.

Pulp market

The pulp market continued to improve in the first three quarters of 2022. The led to an average price of USD 1,404 for softwood sulphate pulp in Europe, compared with USD 1,194 in 2021, an increase of 17 percent. The price of softwood sulphate pulp also rose in China, where the net price was higher than in Europe throughout most of the year. The price of hardwood sulphate pulp also rose during the first three quarters. In 2022, the average price in Europe was USD 1,285, compared with USD 1,011 in 2021, an increase of 27 percent. Softwood sulphate prices fell in all markets from early autumn, while prices for hardwood sulphate pulp have remained constant to date. At the end of the fourth quarter, prices were USD 1,429 for softwood sulphate pulp and USD 1,380 for hardwood sulphate pulp, compared with USD 1,498 and USD 1,380, respectively, at the end of the preceding quarter. The fall in prices was due to weaker demand for our customers' products in the economic contraction, which is leading to weaker demand for paper pulp. This trend is expected to continue in the first half of 2023, with further price drops for paper pulp as a result.

In 2022, the average price for hardwood dissolving pulp was USD 1,050, compared with USD 992 in 2021. Demand for dissolving pulp is weak and the price was USD 900 at the end of the fourth quarter. Further price drops are also expected due to weak demand.

Net sales

In the fourth quarter, consolidated net sales amounted to SEK 8,147 million (7,042), up 16 percent. The sales growth was due to the favourable price level for Södra's core products during the period, and a weaker SEK against the EUR and USD.

Cumulative net sales were SEK 33,367 million (27,060). This corresponds to a 23-percent increase and is mainly attributable to the positive price formation for Södra's core products during the year, higher delivery volumes and positive exchange-rate effects.

Result

Operating profit for the quarter totalled SEK 1,026 million (1,295), representing an operating margin of 13 percent (18). Profit before tax was SEK 1,018 million (1,306). Tax expense for the period was SEK 138 million (income: 203). Operating profit for the fourth quarter was in line with expectations and reflects the market slowdown for Södra's core products during the autumn, combined with lower prices.

Cumulative operating profit totalled SEK 7,805 million (5,316), representing an operating margin of 23 percent (20). The earnings

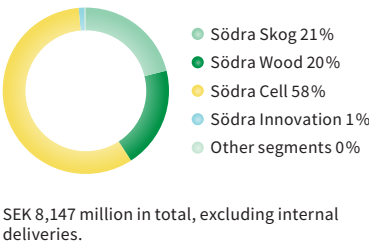
improvement for 2022 was mainly due to continued deliveries of stable, high-quality volumes from Södra's well-invested mills, combined with a favourable price trend for Södra's core products and a positive exchange-rate effect.

Outbound delivery volumes of both pulp and sawn timber increased year-on-year. The Group-wide change is due to a review of the environmental provisions, with an impact of SEK 150 million on profit for the year. Profit before tax was SEK 7,724 million (5,233). Cumulative tax expense was SEK 889 million (750). Return on capital employed was 35 percent (25).

BUSINESS AREAS

SEK million	Net sales				Operating profit			
	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
Södra Skog	3,956	3,237	14,613	12,203	273	282	366	370
Södra Wood	1,815	1,962	9,246	9,230	-130	452	1,723	2,779
Södra Cell	4,777	3,789	18,658	12,818	1,376	1,222	6,896	3,508
Södra Innovation	101	48	298	173	-76	-71	-75	-110
Other segments	8	52	194	532	0	-17	0	-27
Intra-Group	—	—	—	—	-417	-573	-1,105	-1,204
Eliminations	-2,510	-2,046	-9,642	-7,896	—	—	—	—
Group	8,147	7,042	33,367	27,060	1,026	1,295	7,805	5,316

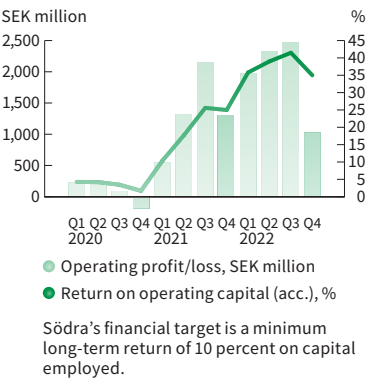
Sales per business area



Net sales and operating margin



Operating profit/loss and return on capital employed

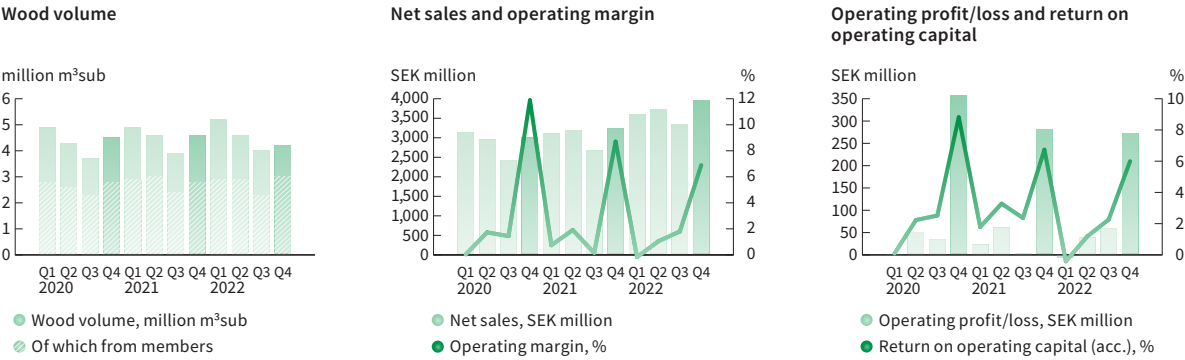


Business areas

Södra Skog

Södra Skog's operating profit for the period totalled SEK 37 million (5), excluding remeasurement of biological assets. The remeasurement effect for biological assets amounted to SEK 236 million (277), whereby operating profit for the period including remeasurement of biological assets totalled SEK 273 million (282). The result for the quarter was mainly impacted

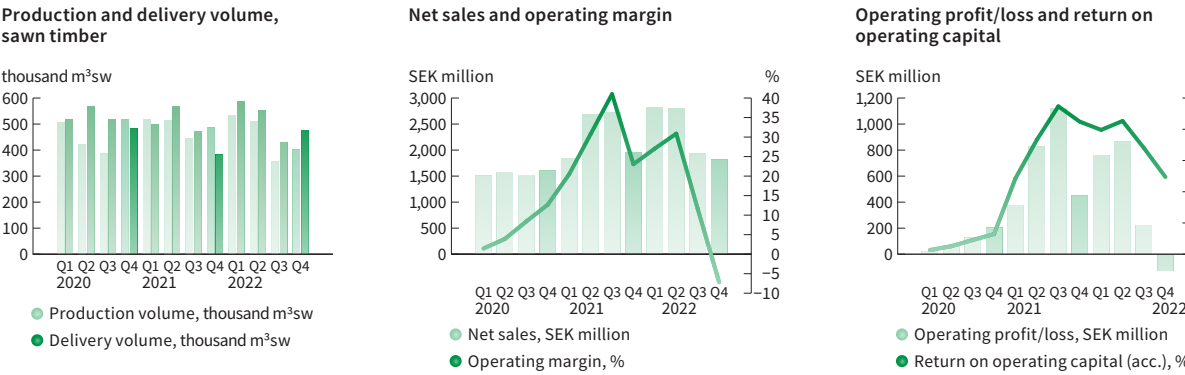
by better margins in the energy and sawlog market. Demand was favourable for all ranges during the year, despite a slight slowdown in the sawmill industry in the second half of the year. Biological assets were impacted by higher prices for forest land and forest raw material, higher costs for harvesting and forestry, estimated harvest rates and exchange-rate effects.



Södra Wood

Södra Wood's operating loss for the period totalled SEK 130 million (profit: 452) and reflects the weaker demand and falling prices for sawn timber. Outbound deliveries from Södra Wood increased to 477 thousand m³sw, compared with 383 thousand m³sw in the year-earlier period. The production volume fell from 485 thousand m³sw in the preceding year to 403 thousand m³sw.

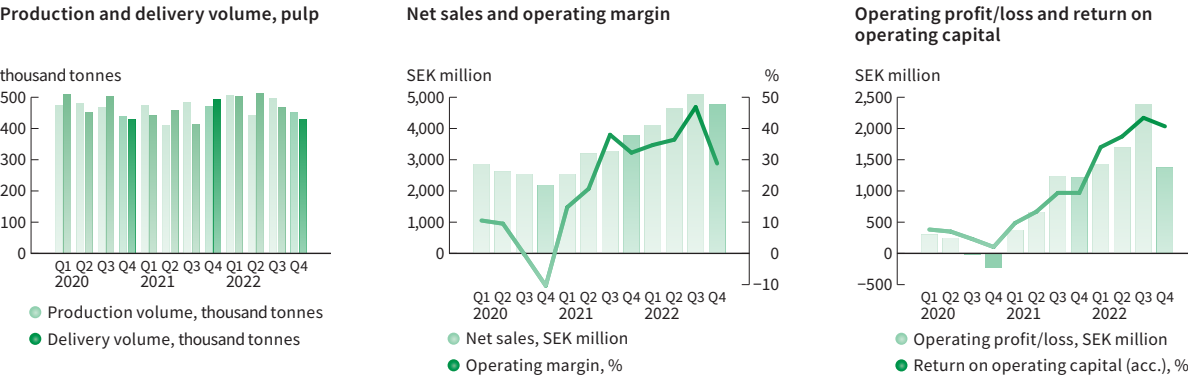
Sales for the quarter amounted to SEK 1,815 million (1,962). Cumulative sales amounted to SEK 9,246 million (9,230). Cumulative operating profit totalled SEK 1,723 million (2,779), the second-highest result in Södra Wood's history. The lower figures year-on-year were due to weaker demand and falling prices in the second half-year.



Södra Cell

Södra Cell's operating profit for the period totalled SEK 1,376 million (1,222). The earnings growth was mainly due to an increase in net sales due to higher prices, and a positive exchange-rate effect. Sales for the quarter amounted to SEK 4,777 million (3,789). During the quarter, the production volume totalled 452 ktonnes (471), comprising 382 ktonnes (408) of softwood sulphate pulp, 29 ktonnes (20) hardwood sulphate pulp and 42 ktonnes (43) dissolving pulp. Cumulative sales amounted to SEK 18,658 million (12,818).

Operating profit for the full-year totalled SEK 6,896 million (3,508), representing an operating margin of 37 percent (27), the highest result in Södra Cell's history. The change in earnings was due to high prices for pulp, higher delivery volumes, exchange-rate effects (a weaker SEK) and price increases for energy products delivered. During the quarter, electricity generated by the pulp mills and wind turbines was 443 GWh. Excess electricity amounted to 126 GWh. The excess represented about 28 percent of the generated volume and was sold on the open market.



Södra Innovation

Södra Innovation's operating loss for the period totalled SEK 76 million (71). Cumulative sales amounted to SEK 298 million (173). Operating loss for the full-year totalled SEK 75 million (110).

The operating margin was negative (neg.). The change in earnings was mainly due to a positive result from SunPine (impact of SEK 104 million) and the investments and build-up of the CLT operations during the year.

Other segments

Others segments posted operating profit of SEK 0 million (loss: 17) for the period. Operating profit for the full-year totalled SEK 0 million (loss: 27).

Net financial items

The Group’s net financial items for the quarter amounted to an expense of SEK 8 million (income: 11).

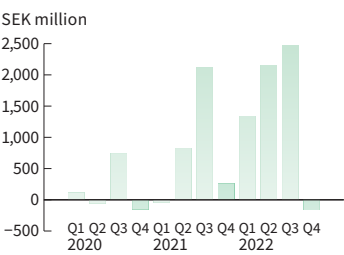
Cash flow

Cash flow before investments for the quarter was SEK 488 million (928). Cash flow after investments was a negative SEK 164 million (positive: 288). Cumulative cash flow before investments amounted to SEK 7,652 million (5,190) and after investments to SEK 5,820 million (3,192). At the end of the quarter, cash and cash equivalents and current investments amounted to SEK 10,737 million (5,322).

Financial position

At 31 December 2022, equity amounted to SEK 27,065 million (21,088), of which paid-up and issued contributed capital accounted for SEK 5,795 million (5,103). Total assets increased to SEK 41,433 million (33,429). At 31 December 2022, the equity ratio was 65 percent (63). Södra’s borrowings comprised loans of SEK 6,430 million (5,085) from members and a loan of SEK 466 million (600) from the Nordic Investment Bank that matures in April 2026. Södra has a credit agreement in the form of a club agreement, enabling the company to borrow up to SEK 2,000 million over a period of just over two years. Under the club agreement, Södra has four bilateral credit facilities totalling SEK 2,000 million with one to two year maturities. The debt/equity ratio was –0.1 times (0.0).

Cash flow after investments



During the quarter, cash flow after investments was SEK 5,820 million.

Investments, acquisitions and divestments

In the fourth quarter of 2022, investments totalled SEK 761 million (637), of which SEK 361 million (333) pertained to Södra Cell, SEK 117 million (68) to Södra Wood, SEK 209 million (60) to Södra Skog and SEK 73 million (162) to Södra Innovation. Cumulative investments during the year amounted to SEK 2,011 million (1,875), of which SEK 1,076 million (1,009) pertained to Södra Cell, SEK 360 million (208) to Södra Wood, SEK 343 million (184) to Södra Skog and SEK 230 million (441) to Södra Innovation. The investments were mainly focused on expansion, productivity and the environment.

Ongoing investigation by the European Commission

On 12 October 2021, the European Commission initiated unannounced inspections of a number of pulp producers in several European countries, including Södra. The Commission suspects anti-competitive practices in the wood pulp sector. The investigation is ongoing.

Events after the close of the period

No significant events occurred after the balance-sheet date.

Employees

At 31 December 2022, the number of employees was 3,282 (3,124), of whom 24 percent (23) were women.

Proposed appropriation of profits

The Board proposes a profit distribution of SEK 3,243 million, corresponding to a total dividend of SEK 2,161 million on contributed capital, a dividend of SEK 871 million on wood deliveries and a bonus issue of SEK 211 million.

Future outlook

The long-term outlook for Södra’s core products is considered favourable. Underlying demand for sustainable forest-based products is bolstered by the underlying growth of the global economy, while tightened emissions-reduction targets are driving the transition towards a more sustainable bioeconomy. The short-term outlook is very uncertain, however, due to the economic situation, inflation and market turbulence. 2023 is therefore expected to be a challenging year.

A slowdown is expected for sawn timber and sustainable timber construction in the coming year, but the market will eventually recover in 2024.

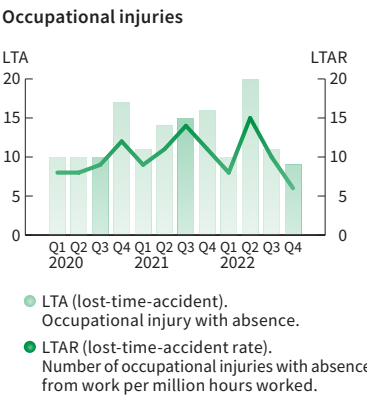
The energy situation in Europe is challenging and could have a negative effect on paper producers in the coming years, but the exact extent is uncertain. Pulp prices are expected to fall in the coming year.

Sustainability

Sustainability permeates Södra’s Group-wide strategy. Key areas are health and safety, and sustainable use of the forest and the earth’s resources.

Health and safety

The health and safety of Södra’s employees is a top priority. Södra has a zero accident vision and the target is a lost-time-accident rate (LTAR) of less than 5 by 2025. Two fatal accidents occurred at Södra’s workplaces during the year, one at Orrefors, and one at Värö. The Swedish Work Environment Authority is investigating the accidents. In the fourth quarter of 2022, the number of lost-time-accidents (LTAs) was 9 (16), and the LTAR was 6 (11). The full-year outcome for 2022 was 50 lost-time-accidents (56) and a lost-time-accident rate of 10 (11). A number of initiatives took place during the year to achieve a healthy and injury-free workplace. Södra needs to continue working systematically and apply a long-term approach to reduce work-related injuries and achieve its zero accident vision.



Södra works extensively to identify and eliminate risks in all aspects of the work environment. Some examples are safety inspections, internal audits, hazard inventories, risk analyses and risk assessments, risk investigations, handling of risk observations, incidents and accidents, training, emergency drills and personal protective equipment. One of the approaches we apply is behaviour-based safety. We have invested heavily to improve safety in the form of better personal protective equipment and technical solutions, with a growing focus on preventive measures for safety. During the year, a Group-wide Health and Safety function was established with the task of supporting and developing the shifts required to achieve our strategic health and safety objectives.

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 the members’ estates shall be 20 percent higher in 2050 compared with the base year of 2015. Several initiatives are taking place to increase forest growth responsibly:

- » Tree breeding projects to adapt seedlings to changing climate conditions, promote higher forest growth and improve pest resistance.
- » Development of a concept for nutrient recycling with bio-ash.

- » Development of tomorrow’s system for effective forest regeneration with a low negative impact.
- » Support for research into forestry and forest technology for higher efficiency and lower negative impact.
- » Advisory services for members where efficient forest management with damage control are key aspects.
- » Proactive work with wildlife control.
- » Adaptation of tree species to climate change, which is leading to a higher proportion of pine, spruce on suitable sites and well-managed forests with the aim of being better equipped for a warmer climate and longer dry periods.

Important activities during the year:

- » Work continued on a pilot facility to develop a new method of seedling production using vegetative propagation. This method will enable faster tree breeding from seedlings that are adapted to climate change and disease-resistant.
- » The guidelines for adapting forest management to climate change were updated and workshops were held with researchers in the field to raise levels of knowledge at Södra, review the climate change adaptation strategy and investigate possible research collaborations.
- » A new scarification and planting method was field tested.
- » Participation in a research project to develop management and breeding of the most common hardwood species.

Södra works to preserve and promote biodiversity – a continuous process of development. In 2022, Södra formalised its ambitions to be a leader in promoting richer biodiversity for future generations. In Götaland, nature-conservation measures are important for the preservation and promotion of biodiversity. Södra’s target for nature-conservation measures is an area corresponding to 3,000 hectares per year until 2025. The outcome for 2022 was 1,779 hectares (1,178). More key indicators for measuring the effect of measures to preserve and promote biodiversity are under development. To increase the focus on, and quality of, the performance of nature-conservation measures, about 800 people from both Södra Skog’s field organisation and contractors underwent training during the year.

Preserving forests with high conservation values is important for Södra. Not all landowners have the same conditions in this regard, depending on their management history, the nature of their land and the conditions of their estate. This means that many forest owners set aside a higher percentage of their estate for nature conservation than is required for certification. To reward these members for their contributions to biodiversity, Södra introduced a nature conservation premium in 2022, whereby these members are paid an extra bonus for the yield of wood from their entire estate. The nature conservation premium increases relative to the percentage of land set aside, but is capped at SEK 25 extra per m³ solid volume underbark.

In its nature conservation activities, Södra has historically worked with a variety of environments, substrates and structures to protect the various species that live in forest environments.

Recently, the focus on individual species and their survival has increased. Södra has developed a tool for the inclusion of known species in nature conservation activities. The strategic biodiversity project is studying how Södra can continue to develop conservation and considerations in new business models for increased biodiversity.

A positive climate effect originates in the forest, a result of members' long-term commitment to responsible forest management. By continuing to offer products with a low carbon footprint that can replace products with a higher carbon footprint, Södra is helping to reduce GHG emissions. Net change in forest carbon stock plus the use of our forest products to replace products with a higher carbon footprint, minus our fossil GHG emissions, gives us Södra's total climate effect. Södra's target is to increase this positive climate effect to 13.5 million tonnes of CO₂e by 2032. In 2022, the positive climate effect was 12.1 million tonnes of CO₂e (13.3). The outcome was due to a lower positive net change in forest carbon stocks and a lower substitution effect year-on-year.

The growing stock on estates owned by members of Södra has increased over a long period of time which has led to a positive net change in carbon stock. The long-term trend is an average carbon dioxide uptake of 4.8 million tonnes of CO₂e per year (5.4) (linear trend for ten years, five-year averages). Both research and development, and the high ambitions of forest owners when it comes to forest management have contributed to a high rate of growth. At the same time, the harvest rate has been high. For 2022, calculated as the difference between the two most recently available five-year averages for growing stock, there was no positive net change in carbon stock in the forests owned by members of Södra. Growth has levelled of somewhat, while the harvest rate was high, bringing average net emissions to 3.2 million tonnes of CO₂e per year (the positive net change in 2021 was 9.9).

The positive net change in carbon stock in the Group's forests was 0.4 million tonnes of CO₂e (0.4).

Substitution creates a climate benefit when renewable forest-based products drive back products with a higher carbon footprint, such as steel, concrete, plastic and fossil fuels. The decrease in fossil GHG emissions due to substitution was 9.0 million tonnes of CO₂e (9.6). The outcome was due to lower deliveries of sawn timber and a lower harvested volume in total year-on-year.

Södra's target for reduced GHG emissions has been approved by the Science Based Targets initiative (SBTi). Total fossil GHG emissions in Scopes 1, 2 and 3 were 2,121 ktonnes CO₂e (2,051).

- » The target is that GHG emissions in Scopes 1 and 2 shall be 50 percent lower in 2030 compared with the base year of 2020*. The outcome for 2022 was 82 ktonnes CO₂e (85), a 13-percent reduction compared with the base year of 2020.

*The target boundary includes biogenic land-related emissions and removals from bioenergy feedstocks.

- » The target is that customers corresponding to 70 percent of Södra's Scope 3, Category 10 (Processing of Sold Products) GHG emissions shall have set their own science-based targets by 2027. The outcome for 2022 was that 33 percent (36) of the

emissions were derived from customers who have either set their own science-based targets, or have committed to setting their own targets.

- » The target is that other indirect (Scope 3) GHG emissions (excluding Category 2: Capital goods) shall be 50 percent lower by 2030. The outcome for 2022 was 570 ktonnes CO₂e (586), a 6-percent reduction compared with 2020.

In the fourth quarter, Scope 1 and 2 emissions amounted to 16 ktonnes CO₂e (9). The quarterly reporting of Scope 1 and 2 emissions is slightly different to the results reported for the full-year. The change was implemented as part of the SBTi's assessment of Södra's emissions-reduction target. In 2023, the same principles will also be applied for quarterly reporting.

Several activities were carried out during the year that will lead to lower GHG emissions from Södra, and in Södra's value chain, in both the long and the short term:

- » Strategic project on Södra's climate change position continued.
- » Emissions-reduction targets approved by the Science Based Targets initiative.
- » Start-up of Group-wide project for large-scale electrification of internal operational machinery and truck transport.
- » Introduction of sustainability assessment for investments and internal carbon pricing.
- » Membership of the f3 Innovation Cluster for Sustainable biofuels, a national network with a long history of stakeholder collaboration around system-related research on renewable fuels.
- » Two electric cranes ordered for Mönsterås.
- » Electrification of the railway yard in the combined plant at Värö was completed.
- » The Silva Green Fuel associate produced good quality bio-oil in the demo facility in Norway.
- » Participation in the RSI Green Fleet project, with the aim of reducing Scope 3 emissions from shipping.
- » The joint project with parties including KLM Royal Dutch Airlines for the production of aviation biofuel (sustainable aviation fuel, SAF) continued with a feasibility study and deeper sustainability assessments.

Carbon dioxide equivalents (CO₂e) is a standard unit for measuring greenhouse gases. 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.

On behalf of the Board of Directors

Växjö, 15 February 2023

Lotta Lyrå
President and CEO

Assurance report

This interim report has not been audited.



Condensed consolidated statement of comprehensive income

SEK million	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
Net sales	8,147	7,042	33,367	27,060
Other revenue	155	461	758	704
Operating expenses	-6,934	-5,806	-24,989	-20,953
Depreciation, amortisation and impairment	-342	-402	-1,331	-1,495
Operating profit	1,026	1,295	7,805	5,316
Net financial items	-8	11	-81	-83
Profit before tax	1,018	1,306	7,724	5,233
Income tax	138	-203	-889	-750
Profit for the period	1,156	1,103	6,835	4,483
Other comprehensive income				
Items that will not be reclassified to profit or loss	-153	86	344	168
Items that will be reclassified to profit or loss	55	30	344	64
Other comprehensive income for the period	-98	116	688	232
Total comprehensive income for the period	1,058	1,219	7,523	4,715
Profit attributable to				
Owners of the Parent	1,156	1,103	6,835	4,483
Profit for the period	1,156	1,103	6,835	4,483
Comprehensive income attributable to				
Owners of the Parent	1,058	1,219	7,523	4,715
Comprehensive income for the period	1,058	1,219	7,523	4,715

Condensed consolidated statement of financial position

SEK million	31 Dec 2022	31 Dec 2021
ASSETS		
Intangible assets	68	66
Property, plant and equipment	16,383	15,599
Biological assets	3,976	3,681
Shares and participations in associates	334	256
Surplus in funded pension plans	221	—
Financial investments	147	139
Other non-current receivables	46	12
Deferred tax assets	4	11
Total non-current assets	21,179	19,764
Inventories	4,232	3,866
Tax assets	85	38
Operating receivables	5,200	4,439
Current investments	5,733	1,648
Cash and cash equivalents	5,004	3,674
Total current assets	20,254	13,665
TOTAL ASSETS	41,433	33,429
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent	27,065	21,088
Total equity	27,065	21,088
Non-current interest-bearing financial liabilities	1,163	1,246
Non-current interest-bearing operating liabilities	136	128
Provisions for pensions	24	243
Non-current provisions	529	381
Deferred tax liabilities	1,997	1,663
Other non-current operating liabilities	25	7
Total non-current liabilities	3,874	3,668
Current interest-bearing financial liabilities	5,733	4,539
Current interest-bearing operating liabilities	76	77
Income tax liabilities	290	478
Other current operating liabilities	4,395	3,579
Total current liabilities	10,494	8,673
Total liabilities	14,368	12,341
TOTAL EQUITY AND LIABILITIES	41,433	33,429

Condensed consolidated statement of changes in equity

SEK million	Total equity
Opening balance, 1 January 2022	21,088
Comprehensive income for the year	7,523
Contributed capital, paid-up by members	206
Contributed capital, paid-out to members	-95
Dividends to members	-1,657
Closing balance, 31 December 2022	27,065
Opening balance, 1 January 2021	16,759
Comprehensive income for the year	4,715
Contributed capital, paid-up by members	165
Contributed capital, paid-out to members	-42
Dividends to members	-509
Closing balance, 31 December 2021	21,088

Condensed consolidated statement of cash flows

SEK million	2022 Jan-Dec	2021 Jan-Dec
Profit before tax	7,724	5,233
Gain/loss on asset held for sale	—	—
Adjustment for non-cash items and change in provisions	1,401	1,644
Income tax paid	-834	-271
Cash flow from operating activities before change in working capital	8,291	6,606
Change in inventories (increase -)	-472	-627
Change in operating receivables (increase -)	-817	-1,144
Change in operating liabilities (increase +)	650	355
Cash flow from operating activities	7,652	5,190
Cash flow from investing activities	-1,832	-1,998
Cash flow after investing activities	5,820	3,192
Change in contributed capital	111	123
Dividends paid	-1,657	-509
Change in loans from members	1,344	460
Change in loans	-233	-1,159
Dividends received	25	—
Change in current investments with maturity > 90 days	-4,120	-743
Cash flow from financing activities	-4,530	-1,828
CASH FLOW FOR THE PERIOD	1,290	1,364
Cash and cash equivalents at beginning of period	3,674	2,300
Exchange gains on cash and cash equivalents	40	10
Cash and cash equivalents at end of period	5,004	3,674

Parent Company

Result and financial position

Net sales rose to SEK 7,403 million (6,616) and operating profit declined to SEK 668 million (868). The positive sales trend was mainly due to a stronger price level for pulp, and higher year-on-year delivery volumes for both pulp and sawn timber.

Operating profit for the quarter was mainly attributable to the positive price formation for Södra's core products and a weaker SEK against the EUR and USD. Net financial items for the quarter amounted to an expense of SEK 73 million (income: 118). Profit after net financial items for the period

amounted to SEK 595 million (986). Cumulative net sales amounted to SEK 30,401 million (24,601), and operating profit totalled SEK 6,712 million (4,672).

Members

The number of members was 51,476 (51,938 at the end of the preceding year). The affiliated forest area increased by approximately 67,000 hectares and amounted to 2.8 million hectares (2.7 at the end of the preceding year).

Parent Company income statement, condensed

SEK million	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
Net sales	7,403	6,616	30,401	24,601
Other revenue	-63	237	462	434
Operating expenses	-6,358	-5,614	-22,932	-19,034
Depreciation, amortisation and impairment	-314	-371	-1,219	-1,329
Operating profit	668	868	6,712	4,672
Net financial items	-73	118	-106	-57
Profit after financial items	595	986	6,606	4,615
Appropriations	-665	-377	-665	-377
Profit/loss before tax	-70	609	5,941	4,238
Income tax	202	-32	-589	-568
Profit for the period	132	577	5,352	3,670

Parent Company balance sheet, condensed

SEK million	31 Dec 2022	31 Dec 2021
ASSETS		
Intangible assets	1	2
Property, plant and equipment	14,099	13,692
Shares and participations in Group companies	4,480	4,308
Shares and participations in associates	99	99
Surplus in funded pension plans	11	10
Other non-current investments	31	33
Other non-current receivables	46	9
Deferred tax assets	37	93
Total non-current assets	18,804	18,246
Inventories	3,470	3,048
Current interest-bearing receivables from Group companies	234	810
Current receivables	5,166	4,089
Current financial investments	8,292	1,883
Cash and bank balances	2,260	3,271
Total current assets	19,422	13,101
TOTAL ASSETS	38,226	31,347
EQUITY AND LIABILITIES		
Restricted equity	7,208	6,516
Non-restricted equity	9,924	6,812
Total equity	17,132	13,329
Untaxed reserves	8,347	7,687
Provisions	540	390
Non-current interest-bearing liabilities from Group companies	8	8
Non-current interest-bearing liabilities	1,163	1,246
Non-current operating liabilities	—	6
Total non-current liabilities	1,171	1,260
Current interest-bearing liabilities from Group companies	788	330
Current interest-bearing liabilities	5,733	4,539
Current tax liabilities	278	440
Current operating liabilities and provisions	4,237	3,372
Total current liabilities	11,036	8,681
TOTAL EQUITY AND LIABILITIES	38,226	31,347

Notes

Note 1 | Accounting policies

Södra applies International Financial Reporting Standards (IFRSs), 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 2021 Annual Report, except for new standards and revisions of standards and interpretations applicable to annual periods beginning on or after 1 January 2022 and that have not already been applied in the preparation of the 2021 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 2022 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 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 impacted tax expense recognised in 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 | Risks and uncertainties

No additional material risks have been identified since the 2021 Annual Report. For a description of risks and uncertainties, refer to Södra's 2021 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 therefore impacted by the general economic trend and currency fluctuations, as well as more industry and Group-specific factors. Efforts to identify, assess

and manage risks are an integral and key component of Södra's business management. The 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.

Södra also has a Business Ethics Council and a Health and Safety Committee that work Group-wide with risk areas such as anti-corruption, cyber security and safety risks.

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 2021.

Note 4 | Revenue

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

SEK million	October–December											
	Södra Skog		Södra Wood		Södra Cell		Södra Innovation		Other segments		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Wood raw material	757	581	—	—	—	—	—	—	—	—	757	581
Wood products	—	—	1,442	1,770	—	—	39	25	—	—	1,481	1,795
Pulp	—	—	—	—	4,322	3,441	—	—	—	—	4,322	3,441
Energy products	269	224	147	22	387	270	60	35	—	—	863	551
Forestry services	566	483	—	—	—	—	—	—	—	—	566	483
Transportation	133	127	—	—	—	—	—	—	—	—	133	127
Other	9	11	6	—	—	—	2	—	8	52	25	63
Net sales, goods and services	1,734	1,426	1,595	1,792	4,709	3,711	101	60	8	52	8,147	7,042

Note 5 | Financial instruments

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

Group SEK million	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial investments	34	34	34	34
Other non-current receivables	—	—	4	4
Operating receivables	3,833	3,833	3,402	3,402
Current investments	5,733	5,733	1,648	1,648
Cash and cash equivalents	5,004	5,004	3,674	3,674
Total assets, financial instruments	14,604	14,604	8,762	8,762
Other assets, non-financial instruments	26,829		24,667	
Total assets	41,433		33,429	
Non-current liabilities	1,324	1,410	1,374	1,422
Current interest-bearing liabilities	5,809	5,903	4,616	4,628
Current operating liabilities	2,867	2,867	2,348	2,348
Total liabilities, financial instruments	10,000	10,180	8,338	8,398
Other liabilities, non-financial instruments	4,368		4,003	
Total liabilities	14,368		12,341	

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

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

Group, 31 December 2021				
SEK million	Level 1	Level 2	Level 3	Total
Assets	1,648	—	40	1,688
Liabilities	—	—	1	1

cannot be 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 31 December 2022, the estimated fair value of Södra's standing timber was SEK 3,976 million (3,681). The change in the balance sheet amounted to SEK 295 million (343), and pertains to fair value

remeasurement and acquisitions of standing timber in the Baltics of SEK 61 million (65).

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.

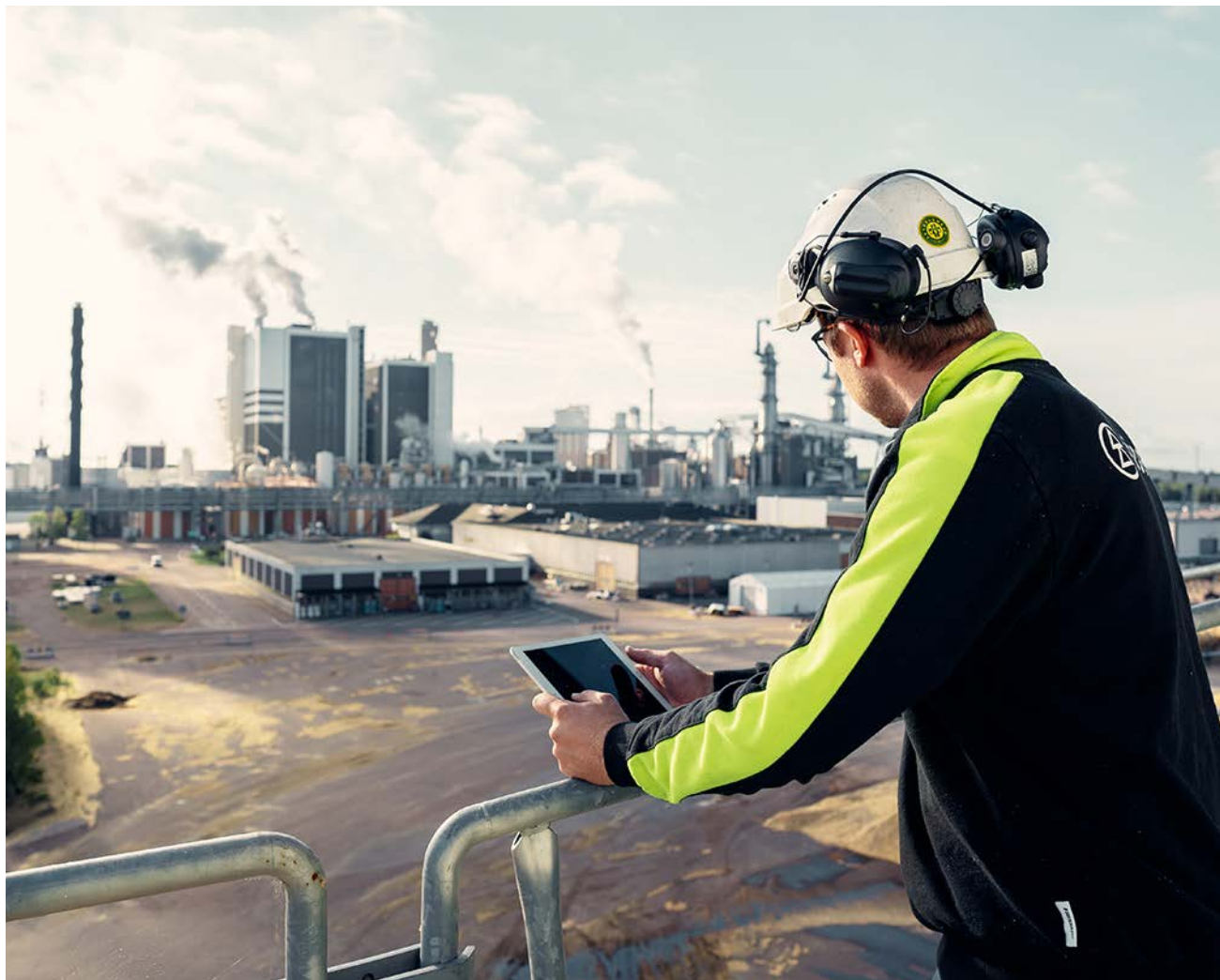
The earnings impact of the maintenance shutdowns varies, depending on the extent and nature of the maintenance measures

and the duration of the shutdowns. The cost comprises loss of revenue from production losses, and the direct costs of the maintenance.

In the fourth quarter of 2022, costs for scheduled maintenance shutdowns amounted to SEK 160 million (102). For the full-year, costs amounted to SEK 391 million (275).

Note 8 | Business combinations

There were no material acquisitions during the quarter.



Quarterly data and segment information

	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
NET SALES, SEK MILLION				
Södra Skog	3,956	3,237	14,613	12,203
of which external	(1,734)	(1,426)	(5,921)	(5,223)
Södra Wood	1,815	1,962	9,246	9,230
of which external	(1,595)	(1,792)	(8,493)	(8,498)
Södra Cell	4,777	3,789	18,658	12,818
of which external	(4,709)	(3,711)	(18,463)	(12,634)
Södra Innovation	101	48	298	173
of which external	(101)	(60)	(296)	(173)
Other segments	8	52	194	532
of which external	(8)	(52)	(194)	(532)
Intra-Group	—	—	—	—
Eliminations	-2,510	-2,046	-9,642	-7,896
Group	8,147	7,042	33,367	27,060
OPERATING PROFIT/LOSS BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT, SEK MILLION				
Södra Skog	291	301	440	439
Södra Wood	-78	504	1,930	3,050
Södra Cell	1,644	1,481	7,923	4,494
Södra Innovation	-75	-4	-70	-29
Other segments	0	-16	2	-11
Intra-Group	-414	-569	-1,089	-1,132
Eliminations	—	—	—	—
Group	1,368	1,697	9,136	6,811
OPERATING PROFIT/LOSS, SEK MILLION				
Södra Skog	273	282	366	370
Södra Wood	-130	452	1,723	2,779
Södra Cell	1,376	1,222	6,896	3,508
Södra Innovation	-76	-71	-75	-110
Other segments	0	-17	0	-27
Intra-Group	-417	-573	-1,105	-1,204
Eliminations	—	—	—	—
Group	1,026	1,295	7,805	5,316
OPERATING MARGIN				
Södra Skog	7%	9%	3%	3%
Södra Wood	neg.	23%	19%	30%
Södra Cell	29%	32%	37%	27%
Södra Innovation	neg.	neg.	neg.	neg.
Other segments	0%	neg.	0%	neg.
Intra-Group	—	—	—	—
Eliminations	—	—	—	—
Group	13%	18%	23%	20%
ASSETS, SEK MILLION				
Södra Skog	—	—	6,128	4,953
Södra Wood	—	—	7,999	6,448
Södra Cell	—	—	28,597	21,223
Södra Innovation	—	—	296	97
Other segments	—	—	216	324
Intra-Group	—	—	-346	1,695
Eliminations	—	—	-1,457	-1,311
Group	—	—	41,433	33,429

	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
AVERAGE OPERATING CAPITAL, SEK MILLION				
Södra Skog	—	—	6,106	5,479
Södra Wood	—	—	3,488	3,275
Södra Cell	—	—	14,125	13,229
Södra Innovation	—	—	874	484
Other segments	—	—	208	421
Intra-Group	—	—	—	—
Eliminations	—	—	—	—
Group, average capital employed	—	—	22,476	21,350
RETURN ON OPERATING CAPITAL				
Södra Skog	—	—	6%	7%
Södra Wood	—	—	49%	85%
Södra Cell	—	—	49%	27%
Södra Innovation	—	—	0%	neg.
Other segments	—	—	neg.	neg.
Intra-Group	—	—	—	—
Eliminations	—	—	—	—
Consolidated return on capital employed	—	—	35%	25%
CASH FLOW AFTER INVESTMENTS, SEK MILLION				
Södra Skog	-974	-737	-164	-118
Södra Wood	136	327	1,832	2,218
Södra Cell	1,407	1,057	6,254	2,404
Södra Innovation	-108	-278	-397	-565
Other segments	-84	-18	40	233
Intra-Group	-541	-63	-1,745	-980
Eliminations	—	—	—	—
Group	-164	288	5,820	3,192
INVESTMENTS, SEK MILLION				
Södra Skog	209	60	343	184
Södra Wood	117	68	360	208
Södra Cell	361	333	1,076	1,009
Södra Innovation	73	162	230	441
Other segments	—	0	—	3
Intra-Group	1	14	2	30
Eliminations	—	—	—	—
Group	761	637	2,011	1,875
AVERAGE NUMBER OF EMPLOYEES				
Södra Skog	—	—	661	616
Södra Wood	—	—	921	939
Södra Cell	—	—	1,258	1,207
Södra Innovation	—	—	139	98
Other segments	—	—	2	35
Intra-Group	—	—	281	223
Group	—	—	3,262	3,118

Alternative performance measures

NET SALES, CHANGE

	2022 Jan-Dec	2021 Jan-Dec
Opening net sales	27,060	20,351
Closing net sales	33,367	27,060
Change	23%	33%

Shows Södra's growth.

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

	2022 Jan-Dec	2021 Jan-Dec
Operating profit	7,805	5,316
Depreciation, amortisation and impairment of assets	1,331	1,495
Operating profit before depreciation, amortisation and impairment	9,136	6,811

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

OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT MARGIN

	2022 Jan-Dec	2021 Jan-Dec
Operating profit before depreciation, amortisation and impairment	9,136	6,811
Net sales	33,367	27,060
EBITDA margin	27%	25%

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, SEK MILLION

	2022 Jan-Dec	2021 Jan-Dec
Net sales	33,367	27,060
Other revenue and profit from shares in associates	758	657
Operating expenses	-24,989	-20,906
Depreciation, amortisation and impairment	-1,331	-1,495
Operating profit	7,805	5,316

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

	2022 Jan-Dec	2021 Jan-Dec
Operating profit	7,805	5,316
Net sales	33,367	27,060
Operating margin	23%	20%

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

	2022 Jan-Dec	2021 Jan-Dec
Interest-bearing provisions	—	—
Interest-bearing liabilities	7,108	5,990
Financial receivables	0	0
Current investments and cash and cash equivalents	-10,737	-5,322
Net debt	-3,629	668

Shows Södra's financial strength.

DEBT/EQUITY RATIO, TIMES

	2022 Jan-Dec	2021 Jan-Dec
Net debt	-3,629	668
Equity	27,065	21,088
Debt/equity ratio	-0.1	0.0

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

	2022 Jan-Dec	2021 Jan-Dec
Assets	41,433	33,429
Financial assets	-11,105	-5,461
Provisions*	-529	-381
Income tax*	-2,287	-2,141
Non-interest-bearing operating liabilities	-4,420	-3,586
Capital employed	23,092	21,860
Average	22,476	21,350

* 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

	2022 Jan-Dec	2021 Jan-Dec
Average capital employed	22,476	21,350
Operating profit	7,805	5,316
Return	35%	25%

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

EQUITY RATIO

	2022 Jan-Dec	2021 Jan-Dec
Equity	27,065	21,088
Assets	41,433	33,429
Equity ratio	65%	63%

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 and amortisation of property, plant and equipment and intangible assets expressed as a percentage of net sales.

Operating profit, 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 January–March will be published in April 2023.
- » Interim reports can be downloaded from sodra.com/financial

This is Södra

With our roots in the forest, we are creating the future. Södra was founded in 1938 on the idea that we are stronger together. Södra is now the largest forest-owner association in Sweden, with 51,000 family forest owners as its members. Together, 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.

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