

Södra's year-end report with interim report

1 October – 31 December 2023

Q4

- » Net sales amounted to SEK 7,028 million (8,147)
- » Operating profit before depreciation, amortisation and impairment amounted to SEK 676 million (1,368)
- » Operating profit totalled SEK 267 million (1,026)
- » The operating margin was 4 percent (13).
- » Cash flow after investments amounted to a negative SEK 1,709 million (neg: 164)

2023 in brief

- » Net sales amounted to SEK 28,896 million (33,367)
- » Operating profit before depreciation, amortisation and impairment amounted to SEK 3,677 million (9,136)
- » Operating profit totalled SEK 2,226 million (7,805).
- » The operating margin was 8 percent (23).
- » Cash flow after investments was SEK 79 million (5,820)
- » The Board proposes a profit distribution of SEK 1,474 million

Key indicators	2023 Oct–Dec	2022 Oct–Dec	2023 Jan–Dec	2022 Jan–Dec
Net sales, SEK million	7,028	8,147	28,896	33,367
Operating profit before depreciation, amortisation and impairment, SEK million	676	1,368	3,677	9,136
Operating profit, SEK million	267	1,026	2,226	7,805
EBITDA margin	10%	17%	13%	27%
Operating margin	4%	13%	8%	23%
Return on capital employed	—	—	9%	35%
Equity ratio	—	—	64%	65%
Cash flow after investments, SEK million	–1,709	–164	79	5,820
No. of members	—	—	51,774	51,476
Affiliated forest area, million hectares	—	—	2.8	2.8
Average no. of employees	—	—	3,402	3,262
Positive climate effect ¹⁾ , Mt CO ₂ e	—	—	11.4	12.1
Lost time accidents (LTA) ²⁾ , no.	10	9	38	50
Lost time accident rate (LTAR) ³⁾	7	6	7	10

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

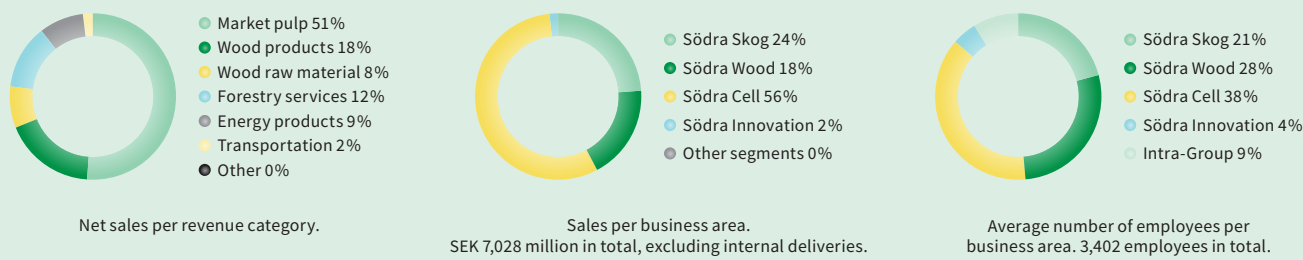
²⁾ LTA (lost time accident): occupational injury with absence.

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

This is a translation of the year-end report with 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 the year-end report, the year-end report will always take precedence.

The quarter in figures

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



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 the value of family forestry.

The quarter in brief



Södra and Lenzing receive international cooperation award

In November, Södra and its partner, Lenzing, received the International Textile Manufacturers Federation's (ITMF) Award 2023 in the 'International Cooperation' category for their joint achievements in textile recycling and a circular economy.

"This award is proof of our successful collaboration with Lenzing and our shared ability to develop innovative solutions for a more sustainable future. We look forward to further advancing our collaboration and bringing about real change in the textile industry," said Lotta Lyrå, President and CEO of Södra.



Jessica Nordin new Director of Sustainability

Jessica Nordin has been appointed new Director of Sustainability at Södra with responsibility for leading and developing Södra's overall sustainability agenda moving forward. A major focus will lie on strengthening efforts and knowledge about biodiversity and sustainable forestry, which are important future issues for Södra.

Jessica Nordin most recently served as Environmental Manager at Södra Skog, with responsibility for leading and developing Södra's nature conservation and consideration activities.

"I am looking forward to working with the breadth entailed by my role as Director of Sustainability. Södra is an organisation that creates great social benefit and with its foundation in family forestry contributes solutions to many of the major environmental challenges of our time," said Jessica Nordin.

Södra participates in world-leading research on bio-based adhesives

Three universities and 12 companies, including Södra, have started a centre of excellence – the BioGlue Centre – to speed up the development of a bio-based adhesive. A total of SEK 109 million will be invested in the project over the next five years.

At present, nearly all adhesives are fossil-based and about one-quarter of all global adhesives production is used for furniture, wood-based building materials and packaging. By making adhesives from renewable sources, such as substances found in forestry or agricultural materials, the global use of fossil-based adhesives can be reduced. The BioGlue Centre has been started to fill the knowledge gap in this area.



Major success for Södra's birch seed orchard

After several years of intensive work to produce high-quality birch seeds, we have harvested a large amount of birch seeds in the greenhouse orchard in Falkenberg. The seeds will be used to cultivate improved birch seedlings with high-quality characteristics, which will promote growth and diversity in family forests.

"We saw a declining supply of birch seeds, while more and more forest owners were starting to show an interest in birch. We therefore decided to test whether we could produce seeds on our own. After a few years of intensive work and great commitment from employees, it is gratifying that our investment has proved successful so fast," said Magnus Petersson, Head of Forestry at Södra.



Promising results for development of planting machine

Södra's venture into a new advanced technique for better seedling survival was field tested with promising results. The aim of our proprietary planting machine, BraSatt 01, is to accelerate technical advances in forest regeneration.

"There haven't been any major technical breakthroughs in forest regeneration since the planting tube. With Södra's venture, we are giving the forest regeneration method a real boost and using a technique that is unusual in forestry. I hope this will have a ripple effect, so that forest owners can continue to benefit from more new techniques as we move forward," said Anna Wallner, project manager.



Heating from family forestry

In December, Musikhjälpen broadcast live in TV and radio from Stortorget in Växjö for one week. Södra was on site every night to provide visitors with heating from family forestry and we also had a donation box.

Musikhjälpen has been engaging and creating awareness since 2008 and raised hundreds of millions of Swedish kronor in donations for humanitarian crises around the world. Part of Södra's strategy is to place people and culture at the centre and to help make a positive social impact. Musikhjälpen is an opportunity to show the power of being stronger together and to engage members and employees, while we are also helping to improve people's lives around the world. Members' wood was used for the fire that kept the site warm, and Södra collected donations of more than SEK 160,000 during the event.

Price increase for saw logs of spruce and pine

The strong demand for forest raw material from family forestry continued during the quarter. To meet the need for forest raw material before winter, from both the wood market and Södra's mills, we raised our prices for saw logs of spruce and pine in October. It was the last of several increases during the year.



Inauguration of new cold storage facility for seedlings

In October, Södra's new cold storage facility for seedlings was inaugurated by the Chair, Magnus Hall. The facility, which lies adjacent to the Falkenberg nursery, is Södra's first and has capacity for handling 40 million seedlings. The cold storage facility represents a major increase in capacity compared with previous rental solutions and the investment will eventually enable Södra to meet the growing demand for high-quality seedlings.



Södra's liquid biofuel venture enters a new phase

In agreement with Statkraft, Södra has decided to sell its holding in Silva Green Fuel. Biorefineries play a key role in Södra's strategy and the aim is to implement a future commercialisation in Götaland.

Silva Green Fuel was founded in 2015 by Södra (49 percent) and Statkraft (51 percent) with the aim of developing a method for bio-oil production. Silva's demo facility in Tofte, Norway, has succeeded in producing bio-oil from forest by-products, thereby contributing to an important step towards tomorrow's liquid biofuels. As this technical development now enters a new phase, Södra's commercial assessment is that other partners need to step in.

A stable result that shows the strength of the cooperative



Lotta Lyrå
President & CEO

When summarising the past year, I can confirm that Södra stands on solid ground.

As a cooperative with the mission to refine and renew the value of family forestry both today and tomorrow, the fact that we span the entire value chain is a strength, and together – members and employees – we can handle the short-term challenges alongside of long-term opportunities. At a time when the green transition is central, we have the benefit of working with the forest, which is appreciated and generates so much social value.

At Södra, every second of the day counts when it comes to safety, security and taking care of each other. 2023 was no exception, and we worked with improvements, behaviours and major shifts to ensure that all employees work safely or not at all. During the year, the number of accidents with absence from work decreased year-on-year to 38. We can never take time out from this work, but are glad when we improve.

Global changes that affect us

During the year, it became clear that two major changes in particular had a combined impact on our business operations and day-to-day activities. Weaker demand due to slower consumer spending, while the geopolitical situation has reduced the supply of

forest raw material and led to higher prices. In addition, the past nine years have been the warmest on record, and the changing climate means that we have to deal with storms, extreme drought and soil wetness in the forest. The changes are global, and both economic and structural factors play a role. And they have affected both our forests and the market. These events impact us, but our strength as a cooperative is demonstrated by the fact that we delivered a stable result in line with our expectations for the year. Our sales amounted to SEK 29 billion and operating profit totalled SEK 2.2 billion. On this basis, the Board proposes a profit distribution of SEK 1,474 million to members.

For Södra's core products of pulp and sawn timber, the overall trend during the year was characterised by a slowing market and lower prices. The lower prices were offset by the weak SEK, and towards the end of the year we saw an improvement in the pulp market due to lower global supply while our own production capacity increased. We expect this to continue in early 2024. The global market for sawn timber has been turbulent in recent times. This applies especially to Sweden where major and rapid changes in supply and demand have led to high volatility in both delivery volumes and prices. In 2023, the lower commodity market prices and slow pace of construction combined with rising saw log prices depressed activity for sawn timber from two directions. Our assessment is that the challenging situation in 2023 will continue.

Fourth quarter

Sales for the fourth quarter amounted to SEK 7 billion and operating profit totalled SEK 267 million. The result was in line with expectations and reflects the market slowdown for Södra's core products combined with lower prices for sawn timber in particular.

High demand for forest raw material

In the forest, the year was also characterised by intense competition and Södra made several price adjustments to meet demand. The raw material from family forestry is highly sought-after and wood prices in Götaland reached historically high levels. This is positive for the profitability of forest estates and we expect that demand will remain high. However, this is also increasing pressure on the Group's industries, which makes our focus on competitiveness even more important. Our efficiency improvements have therefore been in focus and due to the commitment of the line organisation, we had already achieved our annual target of SEK 724 million in efficiencies by November 2023 and the year closed on SEK 866 million. This contributed to the result for 2023 while also generating a long-term effect. Our efforts in this area will continue, to continuously calibrate and streamline our activities taking into account the market and the demand we see ahead.

Investments with eyes on the horizon

The external situation has made it even clearer that our strategic direction for innovation – to strengthen the added value of forest estate products – is necessary and right. We believe strongly that many of our future solutions will come from the energy and chemicals business and we strengthened that pillar with Södra Bioproducts during the year. During the year, we completed investments that will strengthen our competitiveness over time. The new CLT facility at Värö, the evaporator in the pulp mill at

Mönsterås, and the cold storage facility for seedlings in Falkenberg are three examples of operations that are now in place. During the year, Södra became the first operator in the world with both PEFC and FSC® Chain-of-Custody certification on a commercial scale for tall oil, turpentine and biomethanol. And after several years of work to develop high-quality birch seeds, we can now meet the growing demand for deciduous seedlings from family forestry. More initiatives with our eyes on the horizon were initiated. Following a period of research and development, a venture to produce paper pulp from local agricultural residues and sustainable forest raw material was launched. The EU's LIFE programme granted the largest amount of funding ever for textile recycling when Södra and Lenzing's projects received EUR 10 million.

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.

Sustainable in the long term

While global demand for sustainable solutions is immense, the reality is that profitability is required for long-term sustainability. And that we keep the door open for more solutions and technologies than are possible to carry alone. Our innovation is key here, but also that we have the courage to pass the baton whenever this is required by technological advances. That is why Södra divested its stake in Silva in 2023. Södra's partnerships with customers, research and strategic innovation partners along the road to the green transition are extremely important. We have seen progress in many projects during the year that, regardless of whether they lead to a future commercialisation or not, have resulted in new knowledge for us. Another key factor for realising and accelerating the green transition is that the political and social conditions promote the investments that are required due to a long-term and equal playing field. We work actively to promote constructive and Group-wide solutions at both national and EU level. As more and more forest-related issues are decided in Brussels, we have an important task to convey the everyday life and key role that family forestry plays for the climate, biodiversity and phase-out of fossil fuels. Following a period of many new and tightened forestry regulations under the European Green Deal, we are looking forward to contributing to the development of more business models where forest owners are paid for the work they do for the good of society.

Södra has been playing a key role in the development of forest estate's in southern Sweden for more than 80 years. By being a driving market player that promotes the interests of forest owners and develops industry in line with the times, we have continuously secured markets and profitability for forest estates. Accordingly, the cooperative has also helped to create jobs in rural areas, improve nature conservation and provide access to wood-based products in daily life for millions of people.

With the roots of 52,000 family forest owners who want to manage and use their forests responsibly, and customers and consumers who want to achieve their goals and make sustainable choices in daily life, it is clear that we are expected to continue creating both value and solutions. And with the forest's fantastic opportunities that Södra can develop across the entire value chain – from forest estate to end-consumer – this work is continuing into a new year.



The period in brief

The past year was impacted by falling market prices due to market uncertainty and rising raw material costs for saw logs due to lower supply. A stable pulp production volume and good cost control led to earnings that were lower year-on-year but in line with expectations. Net sales for the full-year amounted to SEK 28,896 million (33,367), and operating profit totalled SEK 2,226 million (7,805). Sales for the fourth quarter amounted to SEK 7,028 million (8,147). Operating profit totalled SEK 267 million (1,026) Return on capital employed was 9 percent (35). At year-end, the equity ratio was 64 percent (65). The Board proposes a profit distribution of SEK 1,474 million.

Market conditions

The weakening of the global economy continued and became increasingly clear. However, there are still major differences between countries and sectors. The US economy has shown resilience but is set to slow, while the eurozone is still stagnating. From a wider perspective, higher interest rates and generally high prices are continuing to affect private consumption and residential construction. Inflation has continued to fall but uncertainties remain. Prices for goods traded internationally are falling, particularly raw materials. Producer price indexes for intermediate goods indicate continued price declines. This has recently been discernible in lower price levels for consumer goods in Europe.

The US has remained an economic bright spot. The trend is underpinned by a continued strong job market, with increased employment and unemployment at historically low levels. However, there are signs of poor resilience and slowdown in growth. The lag in effect of higher interest rates has not yet been felt in the real economy. Most European economies have

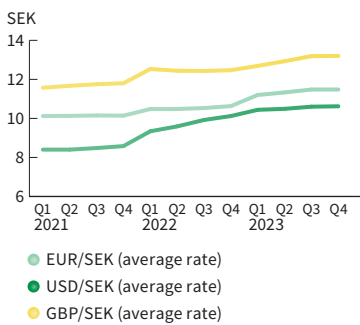
continued to weaken, especially Germany. The labour market in Europe has been strong thus far, with relatively low unemployment. The future is unknown, given the uncertain demand.

Following a series of continuous rate hikes, most central banks have decided to keep rates on hold. Federal Reserve (Fed) officials have now skipped a rate hike for two consecutive meetings, as did the European Central Bank (ECB) at its most recent meeting. It is clear, albeit to varying degrees, that previous rate hikes have affected the economy.

The Swedish economy weakened in line with sluggish demand due to rising interest rates and high inflation. Reduced household spending and a decline in real estate investing affected GDP growth. Given the global economic fragmentation, Swedish exports have held up relatively well thus far.

In the fourth quarter, the SEK strengthened against the USD, EUR and GBP on average compared with the preceding quarter. Year-on-year, the SEK was stronger against the USD on average, but weaker against the EUR and GBP.

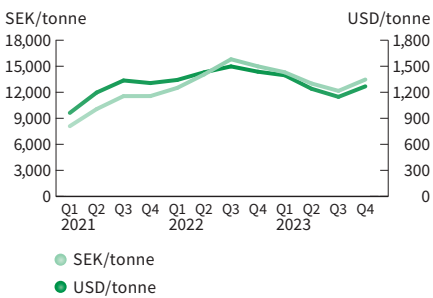
Foreign exchange rates



The diagram shows the annual average exchange rate.

Source: ECB

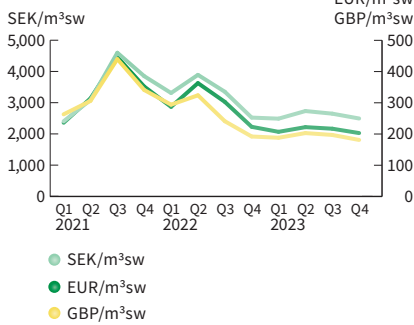
Pulp prices



The price of bleached softwood sulphate pulp in USD rose during the quarter. The diagram shows the average prices for softwood sulphate pulp delivered to European customers.

Source: FOEX PIX and Södra

Delivery prices for sawn timber



The diagram shows delivery prices for sawn timber in the most important currencies.

Source: Södra

Wood supply

During the year, demand for both saw logs and pulpwood was strong. The level of forestry activities was favourable, and supply was in line with the preceding year. For the various energy ranges such as fuel wood and forest chips, demand remained stable throughout the year. During the year, forest damage caused by spruce bark beetle outbreaks declined due to favourable weather and active forest protection measures.

Sawn timber

The price trend for wood products was turbulent during the year. Prices were higher than planned at the beginning of the year, but declined in the second half due to weak construction activity. Overall, delivery prices fell about 5 percent for the year. During the quarter, a clear decline in market prices was noted in some foreign markets where competition increased significantly due to an increase in market supply. The sawn timber market stabilised at the end of the year, driven by lower supply rather than higher demand.

Sawlog supply was a challenge and affected production volumes in several units. The building materials trade was also adversely impacted by a decline in purchasing power during the year when inflation, energy prices and interest rates rose. Södra's industrial customers in Europe have been affected by an increasingly competitive situation, which had a negative impact on market prices. Non-European markets were not as clearly affected by the energy situation, which helped to maintain demand for wood products. During the autumn, demand recovered slightly in China. Raw material costs also increased due to the saw log shortage. The US market is expected to emerge from the recession earlier than Europe and construction forecasts seem to have bottomed out already.

Pulp market

While demand for paper pulp had strengthened across all continents by the end of the year, the level is still not high. Combined with lower global supply due to pulp capacity closures and extended maintenance shutdowns in several pulp mills, the market equilibrium has improved. This led to a rise in the average price for softwood sulphate pulp at the end of the year. In total for the year, however, market prices fell about 15 percent.

This market does not have the same cyclical profile as the construction industry for sawn timber, despite a prolonged period of weak global growth with low levels of consumption.

Net sales

During the quarter, consolidated net sales amounted to SEK 7,028 million (8,147), down 14 percent, mainly attributable to a lower price level for Södra's core products, and lower outbound delivery volumes due to a lower supply of saw logs.

Net sales for the full-year amounted to SEK 28,896 million (33,367), down 13 percent.

Result

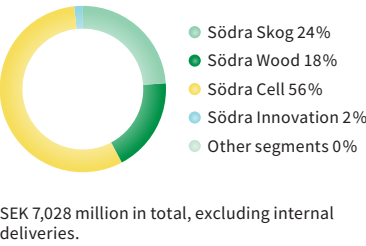
Operating profit for the quarter totalled SEK 267 million (1,026), representing an operating margin of 4 percent (13). Profit before tax was SEK 320 million (1,018). Tax expense for the period was SEK 231 million (–138). Operating profit for the quarter reflects the market slowdown for Södra's core products, lower prices for sawn timber in particular, and higher raw material costs for saw logs. A stable pulp production volume and good cost control led to a result that was in line with expectations.

Operating profit for the full-year totalled SEK 2,226 million (7,805), representing an operating margin of 8 percent (23). Return on capital employed was 9 percent (35).

BUSINESS AREAS

SEK million	Net sales				Operating profit			
	2023 Oct–Dec	2022 Oct–Dec	2023 Jan–Dec	2022 Jan–Dec	2023 Oct–Dec	2022 Oct–Dec	2023 Jan–Dec	2022 Jan–Dec
Södra Skog	4,319	3,956	15,819	14,613	327	273	367	366
Södra Wood	1,593	1,815	7,103	9,246	–201	–130	–175	1,723
Södra Cell	4,019	4,777	16,388	18,658	442	1,376	2,631	6,896
Södra Innovation	117	101	412	298	–122	–76	–227	–75
Other segments	—	8	—	194	–1	0	–2	0
Intra-Group	—	—	—	—	–178	–417	–368	–1,105
Eliminations	–3,020	–2,510	–10,826	–9,642	—	—	—	—
Group	7,028	8,147	28,896	33,367	267	1,026	2,226	7,805

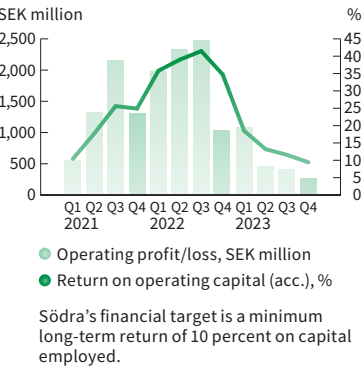
Sales per business area



Net sales and operating margin



Operating profit/loss and return on capital employed



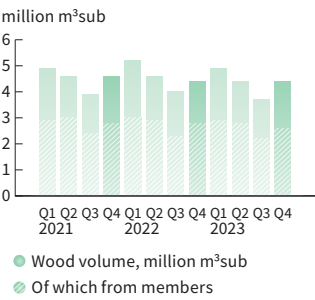
Business areas

Södra Skog

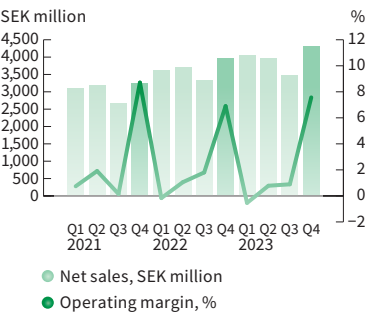
Södra Skog's operating profit for the quarter totalled SEK 327 million (273). The remeasurement effect for biological assets amounted to SEK 394 million (236). Sales for the quarter amounted to SEK 4,319 million (3,956), an effect of price increases for saw logs and pulpwood. The volume of energy products was fairly stable. Demand for saw logs and pulpwood remained sta-

ble during the quarter, but the delivery situation was challenging. The earnings trend for the quarter was mainly due to frozen contracting costs for forest owners and lower volumes. The total delivery volume for the quarter was 4.4 million m³sub (4.4). Sales for the full-year amounted to SEK 15,819 million (14,613) and operating profit totalled SEK 367 million (366).

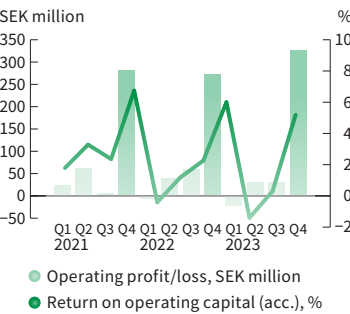
Wood volume



Net sales and operating margin



Operating profit/loss and return on operating capital

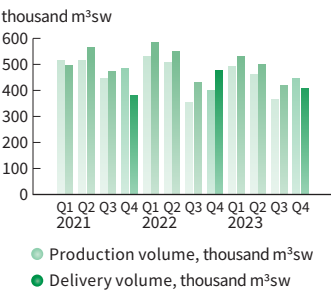


Södra Wood

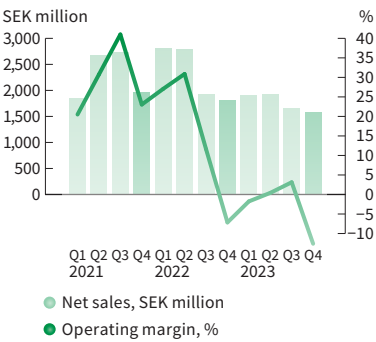
Södra Wood's operating loss for the quarter totalled SEK 201 million (loss: 130). Sales for the quarter amounted to SEK 1,593 million (1,815), an effect of lower market prices and volume. The production volume for the quarter was 448 thousand m³sw, down 47 thousand m³sw compared with the year-earlier period. Outbound deliveries for the quarter were 411 thousand m³sw,

down 66 thousand m³sw compared with the year-earlier period and mainly due to the shortage of saw logs. The earnings trend for the quarter was primarily the result of lower delivery prices year-on-year, weaker demand and higher prices for saw logs. Sales for the full-year amounted to SEK 7,103 million (9,246) and operating loss totalled SEK 175 million (profit: 1,723).

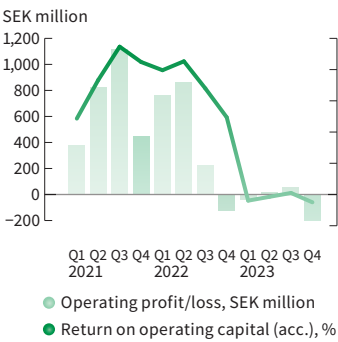
Production and delivery volume, sawn timber



Net sales and operating margin



Operating profit/loss and return on operating capital

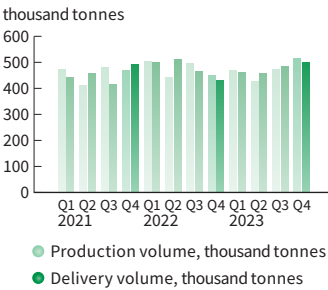


Södra Cell

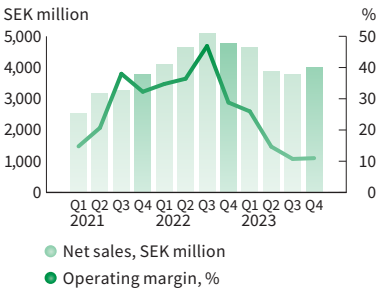
Södra Cell's operating profit for the quarter totalled SEK 442 million (1,376). Sales for the quarter amounted to SEK 4,019 million (4,777), an effect of lower pulp prices and the exchange rate trend, mainly SEK/USD. The production volume during the quarter was 516 thousand tonnes (452), comprising 456 thousand tonnes (382) of softwood sulphate pulp, 15 thousand tonnes (29) of hardwood sulphate pulp and 44 thousand tonnes (42) of dissolving pulp. Outbound deliveries for the quarter were 500 thousand tonnes, up 69 thousand tonnes compared with the year-earlier period.

The earnings trend for the quarter was mainly attributable to lower pulp prices in SEK and higher raw material costs. Sales for the full-year amounted to SEK 16,388 million (18,658) and operating profit totalled SEK 2,631 million (6,896). During the quarter, electricity generated by the pulp mills, wind turbines and hydropower plant was 515 GWh. Excess electricity amounted to 164 GWh. The excess represented about 32 percent of the generated volume and was sold on the open market.

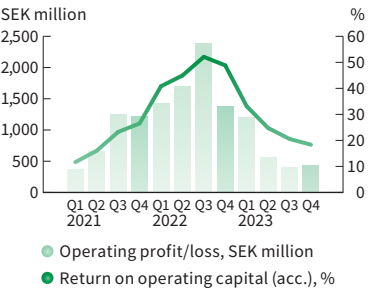
Production and delivery volume, pulp



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 122 million (loss: 76). Sales for the quarter amounted to SEK 117 million (101), the effect of an increased order book for CLT. The earnings trend during the quarter was primarily the result

of increased costs and depreciation due to the increase in CLT operations during the second half-year. Sales for the full-year amounted to SEK 412 million (298) and operating loss totalled SEK 227 million (loss: 75).

Other segments

Others segments posted operating loss of SEK 1 million (0) for the quarter. Cumulative operating loss totalled SEK 2 million (0).

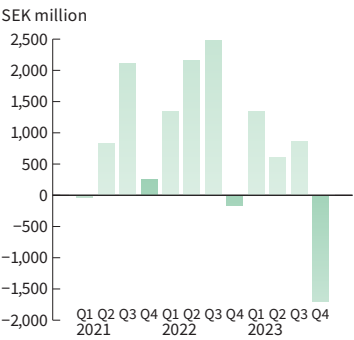
Net financial items

Net financial items for the quarter amounted to income of SEK 53 million (expense: 8).

Cash flow

Cash flow before investments was a negative SEK 1,397 million (pos: 488) for the quarter. Cash flow after investments was a negative SEK 1,709 million (neg: 164), mainly due to early payment of trade creditors in connection with the system change, higher stock levels and acquisitions of forest land. At the end of the quarter, cash and cash equivalents and current investments amounted to SEK 9,723 million (10,737).

Cash flow after investments



Cash flow after investments was a negative SEK 1,709 million during the quarter.

Financial position

At 31 December 2023, equity amounted to SEK 26,083 million (27,065), of which paid-up and issued contributed capital accounted for SEK 6,145 million (5,795). Total assets amounted to SEK 40,494 million (41,433). At 31 December 2023, the equity ratio was 64 percent (65).

Södra's borrowing comprised loans of SEK 8,322 million (6,430) from members and a loan of SEK 333 million (466) from the Nordic Investment Bank that matures in April 2026. Södra has a credit agreement in the form of a club agreement, enabling Södra ability to borrow up to SEK 3,000 million until December 2028. The debt/equity ratio was 0.0 times (-0.1).

Investments, acquisitions and divestments

Investments for the quarter totalled SEK 438 million (761), of which SEK 198 million (361) pertained to Södra Cell, SEK 91 million (117) to Södra Wood, SEK 95 million (209) to Södra Skog and SEK 49 million (73) to Södra Innovation. The investments was mainly focused on productivity and the environment.

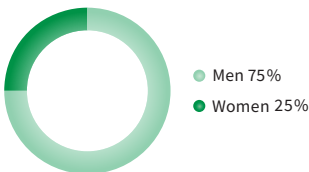
Events after the close of the period

The Board has decided to consolidate Södra Wood's operations. The consolidation process will continue throughout 2024. This is not expected to trigger any material financial effects at present.

Otherwise, there were no other significant events after the balance-sheet date.

Employees

The average number of employees was 3,402 (3,262), of whom 25 percent were women (24).



Proposed appropriation of profits

The Board proposes a profit distribution of SEK 1,474 million, corresponding to a total dividend of SEK 492 million on contributed capital, a dividend of SEK 844 million on wood deliveries, and a bonus issue of SEK 138 million.

Future outlook

Inflation is slowing steadily, but remains at a high level. We see continued uncertainty ahead, even though falling inflation is on the cards and interest rate cuts are also expected during the year. This should have a positive effect on economic growth, but from a low level. Electricity prices were lower this winter, but there is uncertainty about whether, and at what rate, prices will change.

The forecast for sawn timber demand is highly uncertain. In the short term, demand is mainly affected by the slowdown in the construction sector, but a more balanced market is expected now that supply has also decreased. Demand for pulp has increased recently, especially in Europe, and pulp prices have started to rise again. Demand is forecast to rise during the year, but the pace and extent is uncertain.

Full-year 2024 is expected to be a challenging year with demand uncertainty and a strengthened SEK, but offset to some extent by higher pulp prices in USD. The long-term outlook for Södra's core products is considered 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 bio-economy.

Sustainability

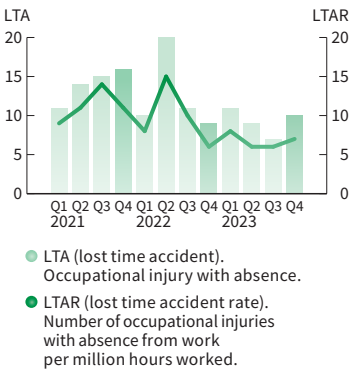
Sustainability permeates Södra's Group-wide strategy. Key areas are people and culture at the centre, and sustainable use of the forest and earth's resources.

People and culture at the centre

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 2 or less by 2032. In the fourth quarter of 2023, the number of lost time accidents (LTA) was 10 (9) and the LTAR was 7 (6). The full-year outcome for 2023 was 38 (50) lost time accidents, and a lost time accident rate of 7 (10).

Södra is working extensively to identify and eliminate all work-place risks. Some examples of the areas in systematic occupational health and safety (OHS) management are risk management, risk assessment, training, emergency drills and incident investigations. One of the approaches we apply is behaviour-based safety. We have invested heavily to improve safety in the form of better

Occupational injuries



personal protective equipment and technical solutions, with a growing focus on preventive measures for safety.

Training in health and safety is mandatory for Södra's managers and leaders. *GROW Health & Safety* is focused on behaviour-based safety and the measures that are required to reinforce safe behaviour and reduce high-risk behaviour in the workplace.

At the end of 2022, Södra's safety performance was measured using a Safety Culture Index. The aim was to gain a view of Södra's safety culture in order to enable a strategic shift. The survey showed that Södra has a positive and mature safety culture and that the organisation is working proactively to identify and eliminate risk in order to prevent any injuries.

In 2022, two fatal accidents occurred at Södra's workplaces, one at Orrefors, and one at Värö. The investigation of the accident at Orrefors continued during the year and concluded in early 2024. Södra accepted the corporate fine recommended by the prosecutor. The District Court has not yet determined the amount of the fine (15 February 2024). The Swedish Accident Investigation Board's report and the Swedish Work Environment Authority's inspection after the accident at Värö have concluded. A breach of the Work Environment Act has been reported and an investigation is ongoing.

Södra is working to break down traditional cultural barriers by increasing diversity, equality and inclusion in several ways. In 2023, a diversity, equality and inclusion programme commenced based on a completed strategic project that provided insights into both the current situation, and the competitive advantages that exist in this area. The programme encompasses Södra's entire value chain, from member to consumer, and this area was added to the strategy in 2023. The target is that 50 percent of newly appointed managers are women by 2025. In 2023, 36 percent (34) of newly appointed managers were women. A zero point survey was conducted at the end of 2023 to gain insight into how Södra's employees experience efforts to promote diversity, equality and inclusion. The results will be presented in 2024.

Sustainable use of the forest and earth's resources

Sustainable forestry involves increasing the rate of 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 its 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 and low-intensity forest regeneration.
- » Support for research into forest management and forest technology for higher efficiency and lower intensity.
- » 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 or 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:

- » A new scarification and planting method (*BraSatt*) was field tested with promising results.
- » Large birch seed harvest from the greenhouse orchard in Falkenberg. The seeds will be used to cultivate improved birch seedlings with high-quality characteristics, which will promote both growth and biodiversity.
- » Training in continuous cover forest management methods for Södra's forestry workers with a starting point in scientific trials and completed measures.
- » Continued work with the guidelines for adapting forest management to climate change and training for Södra's forestry workers and external forest management planners.
- » Launch of web-based training in forest management in a changing climate for forest owners. The training course was developed together with other forest-owner associations.
- » 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 with higher growth that are adapted to climate change and disease-resistant.
- » Participation in a research project to develop forest management and breeding of the most common hardwood species.

Södra works to preserve and promote biodiversity – a process under continuous development. The aim is that Södra will pursue a richer biodiversity for future generations. In Götaland, nature-conservation measures are important for preserving and promoting biodiversity. Södra's target for nature-conservation measures is an area corresponding to 3,000 hectares per year until 2025. The target for 2023 was 2,450 hectares and the outcome was 2,010 hectares (1,779).

To increase the focus on, and quality of, the performance of nature-conservation measures, about 150 people, both forestry workers and contractors, completed training during the year. In addition, a refresher course, *The Group-wide objectives for environmental stewardship*, commenced for all field workers and contractors. A web-based training programme on how forest management affects aquatic ecosystems was launched for forest owners.

The preservation of forests with high conservation value is important for Södra. Not all forest owners 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 proportion of their estate for nature conservation than is required by forest certification regulations. 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 was well received and Södra has noted a rising interest in increasing the percentage of voluntary set-asides. 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 certain species and their survival has increased. Södra has developed a tool for the inclusion of known species in nature conservation activities. A project commenced to identify particular priority species, which are defined as threatened forest species with a habitat that spans across large parts of Götaland and that respond positively to nature conservation measures. A study commenced into the environmental considerations that are needed to promote the Goodyera orchid when harvesting, in collaboration with the Swedish University of Agricultural Sciences (SLU).

Net change in forest carbon stock minus our fossil emissions in the value chain, plus the use of our forest-based products to replace products with a higher climate impact, gives us Södra's total climate effect. Södra's target is to increase the positive climate effect to 13.5 million tonnes of CO₂e by 2032. The outcome for 2023 was a positive climate effect of 11.4 million tonnes CO₂e (12.1). This result was due to a lower net change in forest carbon stock and lower production volumes year-on-year, while the fossil emissions in the value chain were higher.

The growing stock on members' estates has increased over a long period of time and led to a change in carbon stock. The long-term trend is an average carbon dioxide uptake of 4.6 million tonnes of CO₂e per year (4.8) (linear trend for ten years, five-year averages). For 2023, calculated as the difference between the two most recently available five-year averages for growing stock, the carbon dioxide uptake was 1.8 million tonnes of CO₂e per year (net emissions in the preceding year were 3.2). The net change in forest carbon stock in the Group's forests was 0.4 million tonnes of CO₂e (0.4).

Substitution creates climate benefits when products based on renewable forest raw material replace products with a higher climate impact, such as steel, concrete, plastic and energy from fossil sources. The decrease in fossil emissions due to substitution was 8.8 million tonnes of CO₂e (9.0). The substitution effect should be considered a potential for reduced emissions, with the reduction taking place in other sectors.

Södra's target for reduced greenhouse gas (GHG) emissions has been approved by the Science Based Targets initiative (SBTi). The total fossil GHG emissions in Scopes 1, 2 and 3 were 2,340 thousand tonnes CO₂e (2,121).

- » The target is that GHG emissions in Scopes 1 and 2 shall be 50 percent lower in 2030 compared with base year 2020*. The outcome for 2023 was 94 thousand tonnes CO₂e (81), up 21 percent compared with base year 2020.
- » The target is that customers corresponding to 70 percent of Södra's GHG emissions in Scope 3, Category 10 (Processing of Sold Products) have set their own science-based targets by 2027. The outcome for 2023 was that 36 percent (34) of the emissions were derived from customers who had either set their own science-based targets, or committed to setting their own targets.
- » The target is that other indirect (Scope 3) GHG emissions (excluding Category 2: Capital goods, and Category 10: Processing of sold products) shall be 50 percent lower by 2030*. The outcome for 2023 was 675 thousand tonnes CO₂e (570), up 9 percent compared with 2020.

*The target comprises land use-related biogenic emissions and uptake from the use of biomass.

In the fourth quarter, Scope 1 and 2 emissions were 21 thousand tonnes of CO₂e (16).

Several activities were carried out during the year that will reduce GHG emissions in both Södra and our value chain in the long and the short term:

- » A new logistics arrangement, where pulp is transported by sea between Mönsterås and the Port of Gothenburg, enabling more efficient transportation and reducing the climate impact of the transportation.
- » The transportation of pulp between the pulp mill at Värö and the Port of Varberg with an electric truck was tested to evaluate how electric transportation could become a more efficient and sustainable mode of logistics moving forward.
- » *Conscious delivery*, a campaign for European pulp customers, is aimed at reducing the use of fossil fuels in the logistics chain to customers.
- » The Njord Carbon partnership with Verdane Capital was launched during the year and is exploring opportunities for negative carbon dioxide emissions (bioenergy capture and storage: BECCS).
- » The aim of participation in a research and innovation project, Transition to efficient electrified forestry transportation (TREE), coordinated by the Forestry Research Institute of Sweden, is to accelerate the electrification of timber transportation.
- » The aim of participation in the RSI Green Fleet project is to reduce GHG emissions from sea freight.
- » The aim of participation in the BioGlue Centre is to accelerate the development of a bio-based adhesive.
- » A feasibility study to assess the viability of sustainable aviation fuel from forest raw material in partnership with KLM, SkyNRG, Växjö Energi, RISE and the 2030 Secretariat concluded.

Continued focus on a strategic systems change, efficiencies and substitution for continuous operational improvements is of the utmost importance for achieving the reduced GHG emissions targets.

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.

On behalf of the Board of Directors

Växjö, 15 February 2024

Lotta Lyrå

President and CEO

Assurance report

This interim report has not been audited.



Condensed consolidated statement of comprehensive income

SEK million	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
Net sales	7,028	8,147	28,896	33,367
Other revenue	345	155	598	758
Operating expenses	-6,697	-6,934	-25,817	-24,989
Depreciation, amortisation and impairment	-409	-342	-1,451	-1,331
Operating profit	267	1,026	2,226	7,805
Net financial items	53	-8	46	-81
Profit before tax	320	1,018	2,272	7,724
Income tax	231	138	-151	-889
Profit for the period	551	1,156	2,121	6,835
Other comprehensive income				
Items that will not be reclassified to profit or loss	-158	-153	-114	344
Items that will be reclassified to profit or loss	-322	55	-96	344
Other comprehensive income for the period	-480	-98	-210	688
Total comprehensive income for the period	71	1,058	1,911	7,523
Profit attributable to Owners of the Parent	551	1,156	2,121	6,835
Profit for the period	551	1,156	2,121	6,835
Comprehensive income attributable to Owners of the Parent	71	1,058	1,911	7,523
Comprehensive income for the period	71	1,058	1,911	7,523

Condensed consolidated statement of financial position

SEK million	31 Dec 2023	31 Dec 2022
ASSETS		
Intangible assets	68	68
Property, plant and equipment	16,503	16,383
Biological assets	4,650	3,976
Shares and participations in associates	339	334
Surplus in funded pension plans	138	221
Financial investments	39	147
Other non-current receivables	53	46
Deferred tax assets	4	4
Total non-current assets	21,794	21,179
Inventories	3,965	4,232
Tax assets	668	85
Operating receivables	4,344	5,200
Current investments	6,361	5,733
Cash and cash equivalents	3,362	5,004
Total current assets	18,700	20,254
TOTAL ASSETS	40,494	41,433
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent	26,083	27,065
Total equity	26,083	27,065
Non-current interest-bearing financial liabilities	1,131	1,163
Non-current interest-bearing operating liabilities	125	136
Provisions for pensions	25	24
Non-current provisions	540	529
Deferred tax liabilities	1,922	1,997
Other non-current operating liabilities	13	25
Total non-current liabilities	3,756	3,874
Current interest-bearing financial liabilities	7,524	5,733
Current interest-bearing operating liabilities	98	76
Income tax liabilities	22	290
Other current operating liabilities	3,011	4,395
Total current liabilities	10,655	10,494
Total liabilities	14,411	14,368
TOTAL EQUITY AND LIABILITIES	40,494	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	1,911
Contributed capital, paid-up by members	233
Contributed capital, paid-out to members	-94
Dividends to members	-3,032
Closing balance, 31 December 2023	26,083
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

Condensed consolidated statement of cash flows

SEK million	2023 Jan-Dec	2022 Jan-Dec
Profit before tax	2,272	7,724
Adjustment for non-cash items and change in provisions	886	1,401
Income tax paid	-1,024	-834
Cash flow from operating activities before change in working capital	2,134	8,291
Change in inventories (decrease +/increase -)	210	-472
Change in operating receivables (decrease +/increase -)	890	-817
Change in operating liabilities (increase +/decrease -)	-1,344	650
Cash flow from operating activities	1,890	7,652
Cash flow from investing activities	-1,811	-1,832
Cash flow after investing activities	79	5,820
Change in contributed capital	139	111
Dividends paid	-3,032	-1,657
Change in loans from members	1,892	1,344
Change in loans	-133	-233
Dividends received	25	25
Change in current investments with maturity > 90 days	-594	-4,120
Cash flow from financing activities	-1,703	-4,530
CASH FLOW FOR THE PERIOD	-1,624	1,290
Cash and cash equivalents at beginning of period	5,004	3,674
Exchange losses on cash and cash equivalents	-18	40
Cash and cash equivalents at end of period	3,362	5,004

Parent Company

Result and financial position

Net sales for the quarter amounted to SEK 6,644 million (7,403) and the operating result decreased to a loss of SEK 108 million (profit: 668). The negative sales trend for the quarter was primarily attributable to a lower price level for Södra's core products and lower outbound delivery volumes due to a lower supply of saw logs.

Operating loss for the quarter was mainly attributable to the market slowdown for Södra's core products, lower prices for sawn timber in particular, and higher raw material costs for saw logs. Net financial items for the quarter amounted to income

of SEK 153 million (expense: 73). Profit after net financial items for the quarter totalled SEK 45 million (595). Net sales for the full-year amounted to SEK 26,584 million (30,401) and operating profit to SEK 1,565 million (6,712).

Members

The number of members was 51,774 (51,476 at the end of the preceding year). The affiliated forest area increased by approximately 20,000 hectares and amounted to 2.8 million hectares (2.8 at the end of the preceding year).

Parent Company income statement, condensed

SEK million	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
Net sales	6,644	7,403	26,584	30,401
Other revenue	-58	-63	199	462
Operating expenses	-6,314	-6,358	-23,900	-22,932
Depreciation, amortisation and impairment	-380	-314	-1,318	-1,219
Operating profit/loss	-108	668	1,565	6,712
Net financial items	153	-73	185	-106
Profit after financial items	45	595	1,750	6,606
Appropriations	799	-665	799	-665
Profit/loss before tax	844	-70	2,549	5,941
Income tax	124	202	-133	-589
Profit for the period	968	132	2,416	5,352

Parent Company balance sheet, condensed

SEK million	31 Dec 2023	31 Dec 2022
ASSETS		
Intangible assets	1	1
Property, plant and equipment	14,518	14,099
Shares and participations in Group companies	4,485	4,480
Shares and participations in associates	99	99
Surplus in funded pension plans	11	11
Other non-current investments	31	31
Other non-current receivables	53	46
Deferred tax assets	42	37
Total non-current assets	19,240	18,804
Inventories	3,418	3,470
Current interest-bearing receivables from Group companies	258	234
Deferred tax assets	643	—
Current receivables	4,268	5,166
Current financial investments	7,277	8,292
Cash and bank balances	2,196	2,260
Total current assets	18,060	19,422
TOTAL ASSETS	37,300	38,226
EQUITY AND LIABILITIES		
Restricted equity	7,558	7,208
Non-restricted equity	9,096	9,924
Total equity	16,655	17,132
Untaxed reserves	7,637	8,347
Provisions	551	540
Non-current interest-bearing liabilities from Group companies	7	8
Non-current interest-bearing liabilities	1,131	1,163
Total non-current liabilities	1,138	1,171
Current interest-bearing liabilities from Group companies	810	788
Current interest-bearing liabilities	7,524	5,733
Current tax liabilities	—	278
Current operating liabilities and provisions	2,985	4,237
Total current liabilities	11,319	11,036
TOTAL EQUITY AND LIABILITIES	37,300	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 Group is currently assessing its exposure to the Pillar Two regulations when they come into force. Due to the complexity of the application of the regulations and the Pillar Two GloBE income calcu-

lation, the quantitative effect of the regulations is not yet possible to estimate with reasonable certainty. Although the average efficient tax rate is below 15 percent in one or more jurisdictions, there is no absolute certainty that the Pillar Two rules for top-up tax will be triggered for the Group. Furthermore, there may be Pillar Two tax effects for Group companies that apply an effective tax rate of more than 15 percent. Södra is currently working with tax specialists in order to apply the new regulations adequately and transparently. The reported tax expense calculated with account for the new top-up tax will be disclosed from the first quarter of 2024. 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 in the following section.

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	October-December											
	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	581	757	—	—	—	—	—	—	—	—	581	757
Wood products	—	—	1,157	1,442	—	—	83	39	—	—	1,240	1,481
Pulp	—	—	—	—	3,605	4,322	—	—	—	—	3,605	4,322
Energy products	374	269	134	147	324	387	34	60	—	—	866	863
Forestry services	603	566	—	—	—	—	—	—	—	—	603	566
Transportation	133	133	—	—	—	—	—	—	—	—	133	133
Other	–4	9	4	6	—	—	—	2	—	8	0	25
Net sales, goods and services	1,687	1,734	1,295	1,595	3,929	4,709	117	101	—	8	7,028	8,147

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 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial investments	39	39	34	34
Operating receivables	3,327	3,327	3,833	3,833
Current investments	6,361	6,361	5,733	5,733
Cash and cash equivalents	3,362	3,362	5,004	5,004
Total assets, financial instruments	13,089	13,089	14,604	14,604
Other assets, non-financial instruments	27,405		26,829	
Total assets	40,494		41,433	
Non-current liabilities	1,270	1,395	1,324	1,410
Current interest-bearing liabilities	7,622	7,868	5,809	5,903
Current operating liabilities	1,604	1,604	2,867	2,867
Total liabilities, financial instruments	10,496	10,867	10,000	10,180
Other liabilities, non-financial instruments	3,915		4,368	
Total liabilities	14,411		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, 31 December 2023				
SEK million	Level 1	Level 2	Level 3	Total
Assets	6,361	—	40	6,401
Liabilities	—	—	25	25

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

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

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 2023, the estimated fair value of Södra’s standing timber was SEK 4,650 million (3,976). The change in the balance sheet amounted to SEK 674 million (295), and pertains to fair value remea- surement and acquisitions of standing timber of SEK 280 million (61).

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 main- tenance.
In the fourth quarter, costs for scheduled maintenance shut- downs amounted to SEK 0 million (160). For the full-year, costs amounted to SEK 251 million (391).



Quarterly data and segment information

	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
NET SALES, SEK MILLION				
Södra Skog	4,319	3,956	15,819	14,613
of which external	(1,687)	(1,734)	(6,260)	(5,921)
Södra Wood	1,593	1,815	7,103	9,246
of which external	(1,295)	(1,595)	(6,083)	(8,493)
Södra Cell	4,019	4,777	16,388	18,658
of which external	(3,929)	(4,709)	(16,142)	(18,463)
Södra Innovation	117	101	412	298
of which external	(117)	(101)	(411)	(296)
Other segments	—	8	—	194
of which external	(—)	(8)	(—)	(194)
Intra-Group	—	—	—	—
Eliminations	-3,020	-2,510	-10,826	-9,642
Group	7,028	8,147	28,896	33,367
OPERATING PROFIT/LOSS BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT, SEK MILLION				
Södra Skog	349	291	446	440
Södra Wood	-108	-78	78	1,930
Södra Cell	710	1,644	3,693	7,923
Södra Innovation	-100	-75	-182	-70
Other segments	-1	0	-2	2
Intra-Group	-174	-414	-356	-1,089
Group	676	1,368	3,677	9,136
OPERATING PROFIT, SEK MILLION				
Södra Skog	327	273	367	366
Södra Wood	-201	-130	-175	1,723
Södra Cell	442	1,376	2,631	6,896
Södra Innovation	-122	-76	-227	-75
Other segments	-1	0	-2	0
Intra-Group	-178	-417	-368	-1,105
Group	267	1,026	2,226	7,805
OPERATING MARGIN				
Södra Skog	8%	7%	2%	3%
Södra Wood	neg.	neg.	neg.	19%
Södra Cell	11%	29%	16%	37%
Södra Innovation	neg.	neg.	neg.	neg.
Other segments	0%	0%	0%	0%
Group	4%	13%	8%	23%
ASSETS, SEK MILLION				
Södra Skog	—	—	6,119	6,128
Södra Wood	—	—	7,439	7,999
Södra Cell	—	—	30,566	28,597
Södra Innovation	—	—	135	296
Other segments	—	—	93	216
Intra-Group	—	—	-2,143	-346
Eliminations	—	—	-1,715	-1,457
Group	—	—	40,494	41,433

	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
AVERAGE OPERATING CAPITAL, SEK MILLION				
Södra Skog	—	—	7,075	6,106
Södra Wood	—	—	3,509	3,488
Södra Cell	—	—	14,344	14,125
Södra Innovation	—	—	1,169	874
Other segments	—	—	119	208
Group, average capital employed	—	—	24,089	22,476
RETURN ON OPERATING CAPITAL				
Södra Skog	—	—	5%	6%
Södra Wood	—	—	neg.	49%
Södra Cell	—	—	18%	49%
Södra Innovation	—	—	neg.	0%
Other segments	—	—	neg.	neg.
Consolidated return on capital employed	—	—	9%	35%
CASH FLOW AFTER INVESTMENTS, SEK MILLION				
Södra Skog	-1,499	-974	-942	-164
Södra Wood	-287	136	-329	1,832
Södra Cell	137	1,407	2,780	6,254
Södra Innovation	-51	-108	-292	-397
Other segments	36	-84	127	40
Intra-Group	-45	-541	-1,265	-1,745
Group	-1,709	-164	79	5,820
INVESTMENTS, SEK MILLION				
Södra Skog	95	209	608	343
Södra Wood	91	117	351	360
Södra Cell	198	361	886	1,076
Södra Innovation	49	73	146	230
Other segments	—	—	—	—
Intra-Group	5	1	16	2
Group	438	761	2,007	2,011
AVERAGE NUMBER OF EMPLOYEES				
Södra Skog	—	—	698	661
Södra Wood	—	—	946	921
Södra Cell	—	—	1,306	1,258
Södra Innovation	—	—	156	139
Other segments	—	—	—	2
Intra-Group	—	—	296	281
Group	—	—	3,402	3,262

Alternative performance measures

NET SALES, CHANGE

	2023 Jan–Dec	2022 Jan–Dec
Opening net sales	33,367	27,060
Closing net sales	28,896	33,367
Change	–13%	23%

Shows Södra's growth.

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

	2023 Jan–Dec	2022 Jan–Dec
Operating profit	2,226	7,805
Depreciation, amortisation and impairment	1,451	1,331
Operating profit before depreciation, amortisation and impairment	3,677	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–Dec	2022 Jan–Dec
Operating profit before depreciation, amortisation and impairment	3,677	9,136
Net sales	28,896	33,367
EBITDA margin	13%	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, SEK MILLION

	2023 Jan–Dec	2022 Jan–Dec
Net sales	28,896	33,367
Other revenue and profit from shares in associates	598	758
Operating expenses	–25,817	–24,989
Depreciation, amortisation and impairment	–1,451	–1,331
Operating profit	2,226	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–Dec	2022 Jan–Dec
Operating profit	2,226	7,805
Net sales	28,896	33,367
Operating margin	8%	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–Dec	2022 Jan–Dec
Interest-bearing provisions	—	—
Interest-bearing liabilities	8,878	7,108
Financial receivables	0	0
Current investments and cash and cash equivalents	–9,723	–10,737
Net debt	–845	–3,629

Shows Södra's financial strength.

DEBT/EQUITY RATIO, TIMES

	2023 Jan–Dec	2022 Jan–Dec
Net debt	–845	–3,629
Equity	26,083	27,065
Debt/equity ratio	0.0	–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–Dec	2022 Jan–Dec
Assets	40,494	41,433
Surplus in funded pension plans	–138	–221
Financial assets	–9,762	–10,884
Provisions*	–540	–529
Income tax*	–1,944	–2,287
Non-interest-bearing operating liabilities	–3,024	–4,420
Capital employed	25,086	23,092
Average	24,089	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–Dec	2022 Jan–Dec
Average capital employed	24,089	22,476
Operating profit	2,226	7,805
Return	9%	35%

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

EQUITY RATIO

	2023 Jan–Dec	2022 Jan–Dec
Equity	26,083	27,065
Assets	40,494	41,433
Equity ratio	64%	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 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 on 24 April 2024.
- » Interim reports can be downloaded from sodra.com/financials

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

