

# Södra's year-end report with interim report 1 October – 31 December 2020

## 1 OCTOBER – 31 DECEMBER

- Net sales amounted to SEK 4,433 million (5,274).
- Operating profit before depreciation, amortisation and impairment amounted to SEK 645 million (408).
- Operating profit totalled SEK 350 million (62).
- The operating margin including assets held for sale was -4 percent (pos: 1)
- Cash flow after investments including assets held for sale was SEK -154 million (-73).

## 2020 IN BRIEF

- Net sales amounted to SEK 20,351 million (23,183).
- Operating profit before depreciation, amortisation and impairment amounted to SEK 2,164 million (3,897).
- Operating profit totalled SEK 891 million (2,582).
- The operating margin including assets held for sale was 2 percent (11).
- Cash flow after investments including assets held for sale was SEK 646 million (2,227).
- Return on capital employed including assets held for sale was 2 percent (12).
- The Board proposes a distribution of profit totalling SEK 598 million.

Key indicators	2020 Oct-Dec <sup>1)</sup>	2019 Oct-Dec	2020 Jan-Dec <sup>1)</sup>	2019 Jan-Dec
Net sales, SEK million	4,433	5,274	20,351	23,183
Operating profit before depreciation, amortisation and impairment, SEK million	645	408	2,164	3,897
Operating profit, SEK million	350	62	891	2,582
EBITDA margin, %	9	8	9	17
Operating margin, %	neg.	1	2	11
Return on capital employed, %	—	—	2	12
Equity ratio, %	—	—	57	59
Cash flow after investments, SEK million	-154	-73	646	2,227
No. of employees	—	—	3,141	3,150
Fossil CO <sub>2</sub> from production, ktonnes	22	19	70	70
Fossil CO <sub>2</sub> from transportation, ktonnes <sup>2)</sup>	—	—	227	207
Forest growth, m <sup>3</sup> fo/ha and year <sup>2)</sup>	—	—	6.4	6.3
Lost-time-accidents (LTA) <sup>3)</sup> , no.	17	16	47	62
Lost-time-accident rate (LTAR) <sup>4)</sup>	12	12	9	12

<sup>1)</sup> 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. The comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and backwards), but are reconcilable with historical reports.

<sup>2)</sup> These key indicators are not calculated quarterly.

<sup>3)</sup> LTA (lost-time-accident): occupational injury with absence.

<sup>4)</sup> LTAR (lost-time-accident rate): number of lost-time-accidents per million hours worked.



# Operating profit of SEK 891 million in challenging times

Södra posted operating profit of SEK 891 million (2,582) for 2020, a year challenged by the pandemic, slowing global growth and a widespread spruce bark beetle outbreak. Net sales amounted to SEK 20,351 million (23,183). The Board proposes a profit distribution of SEK 598 million.

## EXCEPTIONAL YEAR WITH SURPRISING MARKET CONDITIONS

The turbulent and uncertain macroeconomic environment created major challenges for Södra. Our main focus was to protect the health and safety of our employees, customers, suppliers and any others we come into contact with due to COVID-19. By working together, we have continuously adapted our operations to minimise the spread of the virus while maintaining business continuity.

In the first half-year, the global economy contracted rapidly due to the pandemic, but recovered in the second half. The global economy was also affected by a series of political events, including the US presidential election, the US-China trade war and Brexit. The outlook for global economic growth is highly uncertain, but the expansionary monetary policy adopted by governments and central banks is supporting the recovery. As vaccination efforts pick up speed, the spread of the virus will hopefully ease and support the development of the global economy.

The sawn timber market showed a surprisingly positive trend in 2020 and was still strong at the end of the year. At the same time, the weak price trend for market pulp continued, although there was a slight upturn at the end of 2020. Despite an unprecedented tough financial position, demand for our core products was favourable and production output remained high and stable throughout the year. By working together, Södra has commendably engaged its entire supply chain – from owners, contractors, employees to mills – in efforts to limit the effects of the widespread spruce bark beetle outbreak, which posed major demands on adaptation and adjustment at all levels.

## STABLE TREND BUT RESULT IMPACTED BY DOWNWARD PRESSURE ON PULP PRICES

For full-year 2020, net sales declined to SEK 20,351 million (23,183) and operating profit totalled SEK 891 million (2,582). The lower result was mainly attributable to lower price levels for Södra core products. During the year, average prices for market pulp declined 14 percent. Average prices for sawn timber also decreased by several percent. Return on capital employed amounted to 2 percent (12) including assets held for sale, and the equity ratio was 57 percent (59). The Board proposes a profit distribution of SEK 598 million.



In the fourth quarter, sales amounted to SEK 4,433 million (5,274) and operating profit totalled SEK 350 million (62). The result was positively impacted by SEK 348 million attributable to the remeasurement of biological assets, and negatively impacted by lower production volumes and costs due to the scheduled maintenance shutdowns at two of our pulp mills. Assets held for sale (the agreed divestment of Trivselhus AB) are not included in operating profit, but recognised in profit or loss and amounted to SEK –537 million, of which non-recurring costs accounted for SEK 461 million.



### **GROUP STRATEGY FOR PROFITABLE AND SUSTAINABLE GROWTH**

The starting point for Södra's new Group strategy, 2025+, is to create profitable and sustainable growth in an ever-changing world. We will continue to develop our existing products and markets, but also increase our focus on further processing and innovation. The aim is to increase value-generation and strengthen the Södra brand. To succeed with this goal, we need to work efficiently and seize the opportunities offered by digitisation. One result of this strategy, to further increase the focus on our core business, was the decision to divest the Trivselhus subsidiary.

We are pleased to see the positive shift in Södra's sustainability efforts, clear targets have led to a greater focus on sustainability. Södra has essentially climate-positive operations due to the growing raw material base and the positive effects of using our products to replace fossil-derived products. Södra also became a signatory to the UN Global Compact in 2020. We have committed to implementing the Ten Principles for corporate sustainability and we report our sustainability performance every year.

### **THE FUTURE IS MADE OF TREES**

The coming year will be a challenge and Södra operates in a cyclical industry. We will continue to focus on what we can influence by strengthening conditions for family forestry and processing wood raw material into climate-smart products and solutions. Demand for forest-based products will gradually increase as the bioeconomy grows.

We would like to conclude by thanking our dedicated employees for their hard work and efforts during the year, and our members for their commitment and confidence in Södra.

**Lotta Lyrå**  
President and CEO

**Peter Karlsson**  
CFO, former Interim  
President and CEO



# The period in brief

Södra posted operating profit of SEK 891 million (2,582) for 2020, a year challenged by the pandemic, slowing global growth and a widespread spruce bark beetle outbreak. Net sales for the full-year amounted to SEK 20,351 million (23,183). Sales for the fourth quarter amounted to SEK 4,433 million (5,274). Operating profit totalled SEK 350 million (62) and the equity ratio was 57 percent (59).

## MARKET CONDITIONS

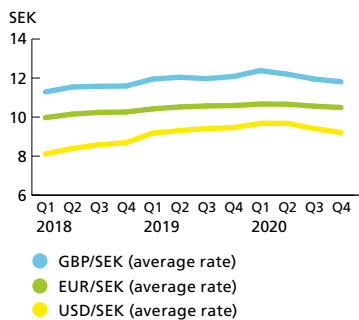
2020 ended on an optimistic note due to the progress in vaccine development. The Purchasing Managers Index continued to rise for several major economies following a record deterioration at the onset of the pandemic. It appears the global economy is in the early stages of a new phase of recovery. However, the distribution of vaccines and pace of vaccination moving forward will largely determine how fast communities and economies can return to some kind of normality.

Hopes for global economic recovery will probably be tested given the current situation around the world. The rapid spread of the virus has continued, many countries are introducing new restrictions and there is an obvious risk that vaccine distribution will take longer than planned. Fiscal stimulus combined with the expansionary monetary policy adopted by central banks is fuelling the economic recovery at present. In the long term, the global economy will have to generate growth without the help of these enormous stimulus packages. These public finances will eventually need to be restored, which could lead to a heavy tax burden in many countries. Europe's economic growth was already shrinking before the pandemic and the sharp rise in coronavirus cases in 2020 led to a sharp drop in GDP for the region as a whole. Differences between countries are largely due to the fact that countries in southern Europe have a strong reliance on consumer spending, the service sector and tourism. A glimmer of

hope for Europe was that the EU and the UK finally reached a Brexit trade deal. Under the deal, goods are not subject to custom duties but initially a declaration and administration related to VAT are required. Many issues remain and it is still difficult to estimate the consequences and long-term effects of the EU withdrawal.

Following a relatively positive start to the autumn, US small-business optimism fell at the end of 2020. The labour market recovery lost tempo and the number of permanent vacancies rose. Judging by statistics, companies are adapting to the post-pandemic demand scenario. The period following the presidential election has revolved around democratic processes. When the storming of the US Capitol building in Washington had subsided, it was clear the Democrats had taken control of both the Senate and the House of Representatives. That will make it easier for Joe Biden to implement his policies, but the new President has taken office in a country burdened by both internal and external challenges, where a 'divided America' and the trade war with China are just two of the complex issues facing the country. The Federal Reserve slashed interest rates in 2020, wiping out all rate hikes over the past five years. However, long-term market rates in the US have started to climb from low levels. The main cause of the rising rates will be interesting to follow: Either the US economy is recovering faster than expected, or inflation expectations are rising.

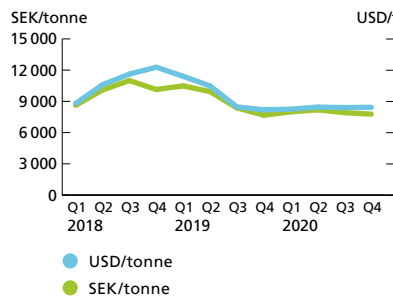
Foreign exchange rates



During the period, the SEK strengthened against the USD, EUR and GBP.

Source: ECB

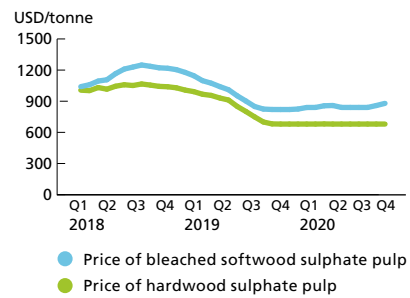
Pulp prices



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

Source: Foex PIX Pulp Index and Södra

List price for softwood and hardwood pulp



The price of softwood pulp rose slightly, while the price of hardwood pulp remained stable during the quarter. The diagram shows gross prices before discounts in the North European market.

Source: Foex PIX



China's economic growth was strong towards the end of 2020. From GDP growth in the fourth quarter, it appeared the country had handled the pandemic better than both Europe and the US. The growth rate was actually higher than pre-pandemic levels. Industrial production for December was high, supporting the view that China had handled the pandemic without a major economic setback. China was relatively restrained in terms of fiscal stimulus during the year, probably to avoid a sudden rise in national debt.

The Purchasing Managers Index recovered sharply in the Swedish economy. As for the rest of the world, there are signs of a sustained recovery, albeit at a slow pace. However, consumer confidence remains low, which may be due to the growing number of coronavirus cases. While restrictions have been tightened, the distribution of vaccines is now under way, which is positive. The SEK strengthened substantially in the second half of the year and was one of the currencies that strengthened most in 2020. However, a strong SEK does not bode well for Swedish exports. The Riksbank has expressed concern over the rapidly rising SEK exchange rate, but also signalled a reluctance to move rates back to below zero. The Riksbank probably intends to use other measures.

The Norwegian economy continued its recovery after a year that opened with tumbling oil prices and a pandemic. Denmark followed a similar pattern of economic recovery but ended the year with a rise in coronavirus cases and new restrictions. At the end of 2020, industrial production recovered in other European countries, but weakened in Finland.

Following a slight decline at the end of the third quarter, the SEK gradually strengthened against the USD, EUR and GBP in the final quarter of the year.

Demand for saw logs varied during the year. The level of demand was normal at the beginning of the year, but then fell back in April and May due to the extensive production restrictions at the sawmills due to the pandemic. Demand for saw logs subsequently increased in line with strong demand for sawn timber. In Sweden, demand for pulpwood was slightly lower than normal, mainly due to lower demand from printing and publishing paper producers. Forest damaged by spruce bark beetles was cleared according to plan but spruce bark beetles still pose a major threat to forestry in southern Sweden.

Favourable conditions for the sawn timber market continued, and both customers and producers have low levels of stock. Sawn timber prices showed a strengthening trend during the year in line with the positive market trend. Combined with low levels of stock across the entire supply chain, this is creating a positive outlook, at least in the short term. In Sweden, demand was favourable in all segments with price formation reflecting demand. One effect of Brexit is increased administration, but demand in the UK market is strong, especially in the building materials trade. Even in the Netherlands, Södra's third-largest core market, demand

remained favourable. The non-European sawn timber markets also showed a positive trend, creating conditions for a more balanced sawn timber market moving forward.

Following a period with low and stable prices for pulp (PIX) in 2020, there are some positive signals and the price formation improved in the final quarter. The rising price trend is expected to continue in early 2021. During the year, underlying demand was favourable worldwide and is expected to continue rising. Södra announced a price increase to USD 960 per tonne from 1 January 2021. At the end of the fourth quarter, the price was USD 879 per tonne for softwood sulphate pulp and USD 680 per tonne for hardwood sulphate pulp, compared with USD 840 and USD 680 respectively, at the end of the preceding quarter. The current price of USD 879 per tonne is considered relatively weak, compared with USD 1,200 at the end of 2018.

The ongoing pandemic is causing major uncertainty, with varying degrees of impact on market demand and thus pulp producers around the world. The dissolving pulp market is showing signs of a strong recovery following several months of weak growth and falling prices in the wake of COVID-19. The price of dissolving pulp rose sharply and amounted to USD 730 per tonne at the end of the quarter, according to CCFGroup.

## NET SALES

In the fourth quarter, consolidated net sales amounted to SEK 4,433 million (5,274). The negative sales growth was attributable to lower delivery volumes of softwood sulphate pulp, and effects of SEK -679 million derived from assets held for sale.

Cumulative net sales were SEK 20,351 million (23,183), related to lower prices for Södra's core products and the effect of assets held for sale as described above. Delivery volumes for both market pulp and sawn timber were higher year-on-year.

## RESULT

Operating profit for the quarter totalled SEK 350 million (62). Profit before tax was SEK 303 million (-22). The tax effect for the period was positive and amounted to SEK 29 million (11). Underlying operating profit for the fourth quarter was in line with expectations and reflects the market conditions for market pulp and the effects of scheduled maintenance shutdowns during the quarter.

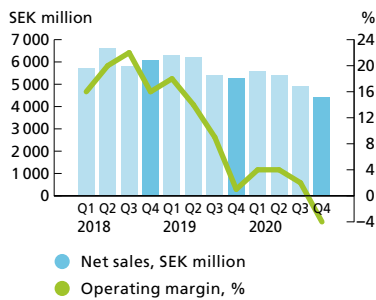
Cumulative operating profit amounted to SEK 891 million (2,582). The earnings trend for 2020 was mainly due to the sharp deterioration in the price formation for market pulp and the stronger SEK. Due to well-invested industrial facilities, Södra delivered high-quality and stable volumes. Outbound deliveries increased year-on-year for both market pulp and sawn timber. Profit before tax was SEK 746 million (2,495). The accumulated tax expense was SEK 67 million (323).



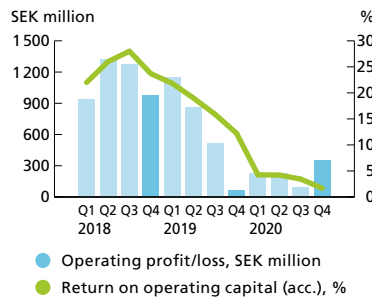
**BUSINESS AREAS**

SEK million	Net sales				Operating profit			
	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Södra Skog	3,001	3,012	11,510	11,980	357	137	445	298
Södra Wood	1,609	1,271	6,220	5,756	204	-42	416	262
Södra Cell	2,188	2,790	10,227	12,594	-227	95	317	2,511
Other segments	-418	307	246	1,231	23	-23	-90	-52
Intra-Group	—	—	—	—	-7	-105	-197	-437
Eliminations	-1,947	-2,106	-7,852	-8,378	—	—	—	—
<b>Group</b>	<b>4,433</b>	<b>5,274</b>	<b>20,351</b>	<b>23,183</b>	<b>350</b>	<b>62</b>	<b>891</b>	<b>2,582</b>

**Net sales and operating margin**



**Operating profit and return on capital employed**



Södra's long-term target for return on capital employed is 10 percent.

The estimated key indicators of operating margin and return on capital employed include assets held for sale since Södra uses these indicators to manage all of its operations. Refer also to Alternative performance measures on pages 22–23.



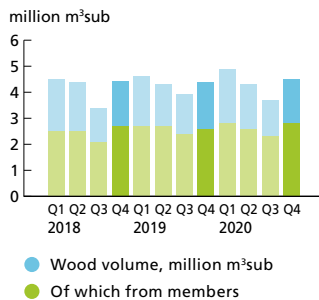
# Business areas

## Södra Skog

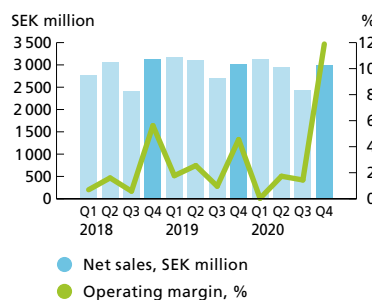
**Södra Skog's** operating profit for the period totalled SEK 9 million (12), excluding remeasurement of the biological assets. The remeasurement effect of the biological assets was SEK 348 million (125) and attributable to changed policies, where the market valuation of the Swedish holding generated a positive effect of SEK 353 million. Valuation of the holding in the Baltics was positively impacted by an increase in growing stock and higher saw log prices calculated on a five-year average, however, this was offset by the negative effect of a stronger SEK. The total remeasurement effect for the holding

in the Baltics was thereby a negative SEK 5 million. Including this change in value, operating profit for the business area was SEK 357 million (137) for the period. During the period, Södra Skog acquired 4.5 million m<sup>3</sup>sub, comprising 54 percent pulpwood and cellulose chips, 34 percent saw logs and 12 percent biofuels. Cumulative operating profit amounted to SEK 445 million (298), including remeasurement of the biological assets.

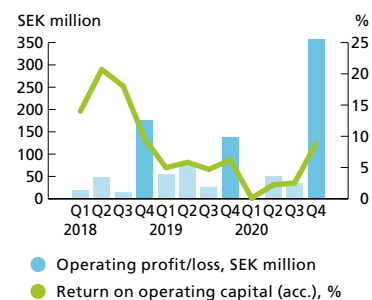
### Wood volume



### Net sales and operating margin



### Operating profit/loss and return

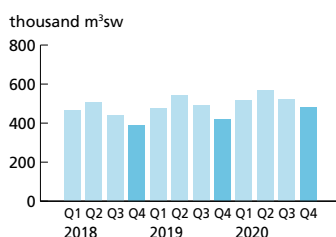


## Södra Wood

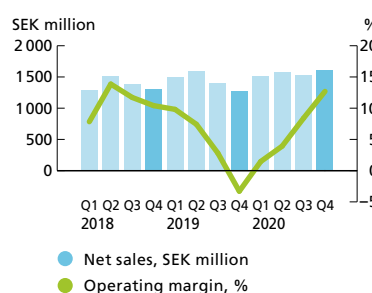
**Södra Wood's** operating profit for the period totalled SEK 204 million (42), reflecting the improved price formation and favourable demand for sawn timber. Underlying demand for sawn timber remained favourable and deliveries from Södra Wood increased to 483 thousand m<sup>3</sup>sw, compared with 417 thousand m<sup>3</sup>sw in the year-earlier period. Sales for the quarter amounted to SEK 1,609 million (1,271). Cumulative

sales amounted to SEK 6,220 million (5,756). Cumulative operating profit totalled SEK 416 million (262). The earnings improvement was attributable to continued favourable demand, with a 9-percent higher delivery volume year-on-year and lower raw material costs. Compared with the preceding year, the full-year result was negatively impacted by a

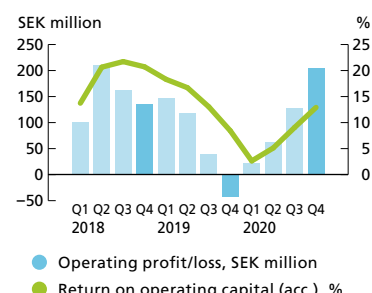
### Sales volume, sawn timber



### Net sales and operating margin



### Operating profit/loss and return



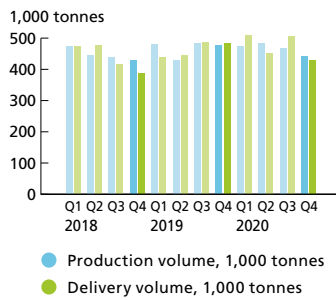


## Södra Cell

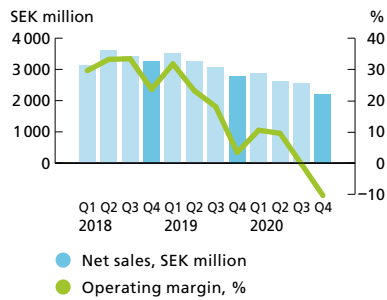
**Södra Cell's** operating loss for the period totalled SEK –227 million (profit: 95). The earnings trend was attributable to lower volumes due to maintenance shutdowns during the period and a weaker USD exchange rate. The quarter was also impacted by costs of SEK 176 million for the scheduled maintenance shutdowns at Mönsterås and Mörrum. Sales for the quarter amounted to SEK 2,188 million (2,790). During the quarter, the production volume totalled 440 ktonnes (476), comprising 390 ktonnes (404) of softwood sulphate pulp, 27 ktonnes (36) of hardwood sulphate pulp and 23 ktonnes (36) of dissolving pulp.

Cumulative sales amounted to SEK 10,227 million (12,594). Operating profit for the full-year totalled SEK 317 million (2,511), representing an operating margin of 3 percent (20). The change in earnings was attributable to a weaker price formation and the negative effects of a stronger SEK. During the quarter, electricity generated at the pulp mills was 452 GWh. Excess electricity amounted to 149 GWh. The excess represented about 33 percent of the generated volume and was sold on the open market.

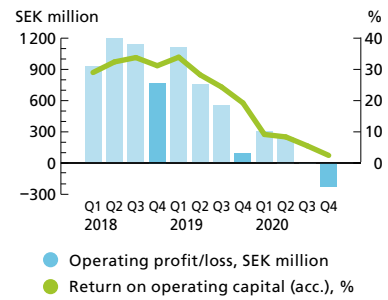
**Production and delivery volume**



**Net sales and operating margin**



**Operating profit/loss and return**



## Other segments

Other segments reported total operating profit of SEK 23 million (loss: 23) for the period. During the period, the result was impacted by SEK 33 million related to Södra's investment in the development of liquid biofuel in Silva Green Fuel. Södra's

share of the SunPine associate's loss was SEK –1 million (profit: 4).

Cumulative operating loss for Other segments totalled SEK –90 million (–52).





### NET FINANCIAL ITEMS

The Group's net financial items amounted to an expense of SEK 47 million (expense: 84) for the quarter.

### CASH FLOW

Cash flow before investments amounted to SEK 597 million (292) for the quarter. Cash flow after investments was SEK -154 million (-73). Cumulative cash flow before investments amounted to SEK 2,317 million (3,343) and after investments to SEK 646 million (2,227). At the end of the quarter, cash and cash equivalents and current investments amounted to SEK 3,187 million (3,010).

### FINANCIAL POSITION

At 31 December 2020, equity amounted to SEK 16,759 million (17,382), of which paid-up and issued contributed capital accounted for SEK 4,891 million (4,636). Total assets declined to SEK 29,253 million (29,337). At 31 December 2020, the equity ratio was 57 percent (59). Södra's borrowings comprised loans of SEK 4,625 million (4,086) from members, a loan of SEK 732 million (868) with a six-year maturity from the Nordic Investment Bank and a green bond of SEK 1,000 million (1,000) listed with Nasdaq Stockholm that reaches maturity in June 2021. 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 four years. In addition to the club agreement, Södra has three bilateral credit facilities totalling SEK 1,500 million with one to three year maturities. The debt/equity ratio was 0.2 (0.2).

### INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

In the fourth quarter of 2020, investments totalled SEK 593 million (374), of which SEK 336 million (244) pertained to Södra Cell, SEK 154 million (129) to Södra Wood and SEK 49 million (49) to Södra Skog. The investments were mainly focused on expansion, productivity and the environment.

### EVENTS AFTER THE CLOSE OF THE PERIOD

No significant events occurred after the balance-sheet date.

### EMPLOYEES

At 31 December, the number of employees was 3,141 (3,150), of whom 23 percent (23) were women.

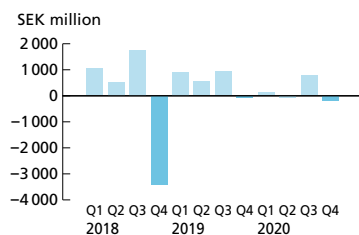
### PROPOSED APPROPRIATION OF PROFITS

The Board proposes a profit distribution of SEK 598 million, representing a total dividend of SEK 98 million on contributed capital, a dividend of SEK 411 million on wood deliveries and a bonus issue of SEK 89 million.

### FUTURE OUTLOOK

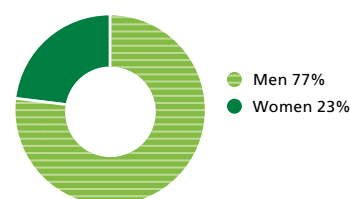
Södra's operations are impacted by the pandemic, and uncertainty surrounding the economic forecast and future price trends is great. The prices for market pulp remained stable at a low level throughout 2020, with a considerably lower average than in 2019. However, the price formation is expected to show an upward trend in the first half of 2021, driven by a growing demand for market pulp. The sawn timber market gained traction during the year, and the strong market by year-end is expected to continue in the short term. The trend for the coming year is difficult to forecast in light of the ongoing pandemic. Due to favourable underlying demand for forest-based products in the ongoing transition towards a more sustainable bioeconomy, the medium and long-term outlooks remain positive.

Cash flow after investments



Cash flow after investments including assets held for sale amounted to SEK -154 million during the quarter.

Employees



The number of employees was 3,141, of whom 23 percent were women.



## SUSTAINABILITY

### Sustainability targets

Efforts to achieve the Group's sustainability targets continued during 2020. Three of the targets are high priority: fossil-free production and fossil-free transportation, a higher rate of forest growth and a zero accident vision. The sustainability targets are included in Södra's business and action plans and are continuously monitored. While all areas have made a positive shift since 2015, a number of targets were not achieved in 2020. These efforts will continue, and new and ambitious sustainability targets will be set in 2021 as part of Södra's 2025+ Group strategy.

### Fossil-fuel free

Södra is aiming for fossil-free production by 2020 and fossil-free transportation by 2030. Fossil CO<sub>2</sub> emissions from production, operational machinery and internal transportation amounted to 22 ktonnes (19) in the fourth quarter of 2020, of which direct emissions accounted for 10 ktonnes (6) and indirect emissions for 12 ktonnes (13). The outcome for full-year 2020 was 70 ktonnes (70), of which direct emissions accounted for 27 ktonnes (28) and indirect emissions for 43 ktonnes (42). Due to the COVID-19 pandemic, investments that would have enabled the pulp mills to run without fossil fuel oil, also during start-up and operational disruptions, were postponed. For full-year 2020, fossil CO<sub>2</sub> emissions from transportation amounted to 227 ktonnes (207).

During the year, the world's first fossil-free biomethanol plant was inaugurated at the pulp mill in Mönsterås. Södra's associate, Silva Green Fuel, commenced the construction of a demo facility for biodiesel production in Tofte, Norway. The Fastwater project, funded by the European funding programme Horizon 2020, is conducting long-term tests of Södra's biomethanol as a marine fuel with the aim of reducing GHG emissions from shipping. The construction of a timber terminal in Dalsland will make it possible to shift wood raw material from truck to rail, which will reduce GHG emissions from transportation. A feasibility study on the production of aviation biofuel from forest biomass together with KLM and other partners was completed during the year. Södra's own harvesting teams began testing electrical power saws. The aim is to reduce our reliance on fossil fuels and spread knowledge amongst Södra's members. In partnership with fuel company Aspen, Södra began testing a blend of biofuel and alkylate fuel as fuel for clearing and power saws.

### Forest growth

Södra's target is a 20 percent higher rate of forest growth by 2050 compared with 2015. In 2020, the average rate of forest

growth on land owned by Södra members was 6.4 m<sup>3</sup>fo per hectare and year, which means that growth is now 5 percent lower compared with the base year of 2015. The variation between years can be great and a longer observation series is required to read trends. Key measures for achieving the target are effective forest management, fertilisation/nutrient recycling, forest tree breeding and damage reduction.

During the year, control-pollinated Söregärde spruce seedlings were launched, which will lead to a higher rate of forest growth over time. Despite frost damage, seed orchard harvests were high, creating favourable conditions for achieving the forest growth target in the future. The shift to regenerating forests with more pine on pine sites is continuing. The pilot facility for seedlings based on somatic embryogenesis (SE) is progressing as planned. Efforts to reduce wild-life browsing damage intensified during the year, to reduce the long-term decline in forest growth.

An inventory in 2020 showed that spruce bark beetle damage was more serious than previously shown and forest protection efforts will continue with high priority.

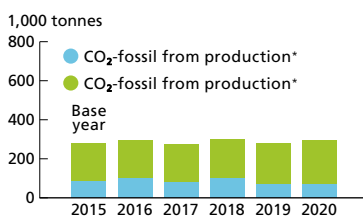
### Occupational health and safety (OHS)

Södra has a zero accident vision and the lost-time-accident rate (LTAR – number of occupational injuries with absence per million hours worked) will decrease 15 percent per year by 2020. In the fourth quarter of 2020, the number of lost-time accidents (LTA – occupational injuries with absence) was 17 (16) and the LTAR was 12 (12). The outcome for full-year 2020 was 47 (62) lost-time-accidents and a lost-time-accident rate of 9 (12).

Efforts to achieve the zero accident vision are focused on continuous preventive measures, including risk observations and risk analyses based on the approaches of Lean, Behaviour-Based Safety (BBS) and Man-Technology-Organisation (MTO). During the year, the Interim CEO and HR Director conducted Safety Walks at Södra's units. An extra initiative during the year was the Group-wide process to ensure safer delivery sites at Södra's mills.

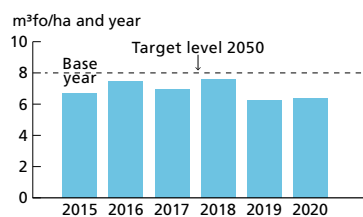
Due to the current situation with COVID-19, Södra is continuously following the guidance issued by the Public Health Agency of Sweden to ensure continued safety and security at work. To facilitate and improve working conditions for employees working from home, a standard range of office furniture and IT equipment has been developed for employees to borrow. A training programme for managers and leaders, 'Leda på distans' (remote leadership), was introduced in autumn 2020.

Fossil-fuel free



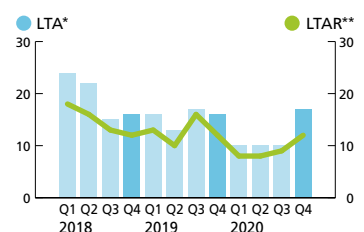
\* The production target includes emissions from production, operational machinery (including external harvesting contractors who work on Södra's behalf) and internal transportation. The transportation target includes emissions from other transportation, including Södra's own haulage operations.

Forest growth



\* 2020 relates to average growth during the 2014-2018 period, the most recent value available. The forest growth rate is based on the National Forest Inventory's data for land owned by Södra's members.

Occupational injuries



\* LTA (lost-time-accident). Occupational injury with absence.  
\*\* LTAR (lost-time-accident rate). Number of occupational injuries with absence from work per million hours worked.



On behalf of the Board of Directors

Växjö, 17 February 2021

Ann-Charlotte Lyrå  
*President and CEO*

**ASSURANCE REPORT**

This interim report has not been audited.



# Condensed consolidated statement of comprehensive income

SEK million	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Net sales	4,433	5,274	20,351	23,183
Other revenue	393	150	486	354
Operating expenses	-4,181	-5,016	-18,673	-19,640
Depreciation, amortisation and impairment	-295	-346	-1,273	-1,315
<b>Operating profit</b>	<b>350</b>	<b>62</b>	<b>891</b>	<b>2,582</b>
Net financial items	-47	-84	-145	-87
<b>Profit before tax</b>	<b>303</b>	<b>-22</b>	<b>746</b>	<b>2,495</b>
Income tax	29	11	-67	-323
Gain/loss on assets held for sale, net after tax	-537	—	-537	—
<b>Profit for the period</b>	<b>-205</b>	<b>-11</b>	<b>142</b>	<b>2,172</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit or loss	45	205	2	-61
Items that will be reclassified to profit or loss	45	-103	47	43
<b>Other comprehensive income for the period</b>	<b>90</b>	<b>102</b>	<b>49</b>	<b>-18</b>
<b>Total comprehensive income for the period</b>	<b>-115</b>	<b>91</b>	<b>191</b>	<b>2,154</b>
<b>Profit attributable to</b>				
Owners of the Parent	-205	-11	142	2,172
<b>Profit/loss for the period</b>	<b>-205</b>	<b>-11</b>	<b>142</b>	<b>2,172</b>
<b>Comprehensive income attributable to</b>				
Owners of the Parent	-115	91	191	2,154
<b>Comprehensive income for the period</b>	<b>-115</b>	<b>91</b>	<b>191</b>	<b>2,154</b>



# Condensed consolidated statement of financial position

SEK million	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
Intangible assets	107	393
Property, plant and equipment	15,262	15,118
Biological assets	3,338	2,918
Shares and participations in associates	367	324
Financial investments	33	36
Other non-current receivables	40	12
Deferred tax assets	3	4
<b>Total non-current assets</b>	<b>19,150</b>	<b>18,805</b>
Inventories	3,364	3,835
Tax assets	13	142
Operating receivables	3,216	3,545
Current investments	887	938
Cash and cash equivalents	2,300	2,072
Assets held for sale	323	—
<b>Total current assets</b>	<b>10,103</b>	<b>10,532</b>
<b>TOTAL ASSETS</b>	<b>29,253</b>	<b>29,337</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to owners of the Parent	16,759	17,382
<b>Total equity</b>	<b>16,759</b>	<b>17,382</b>
Non-current interest-bearing financial liabilities	1,248	2,368
Non-current interest-bearing operating liabilities	139	210
Provisions for pensions	463	477
Non-current provisions	100	143
Deferred tax liabilities	1,624	1,554
Other non-current operating liabilities	7	35
<b>Total non-current liabilities</b>	<b>3,581</b>	<b>4,787</b>
Current interest-bearing financial liabilities	5,235	3,729
Current interest-bearing operating liabilities	76	118
Income tax liabilities	15	12
Other current operating liabilities and provisions	3,147	3,309
Liabilities held for sale	440	—
<b>Total current liabilities</b>	<b>8,913</b>	<b>7,168</b>
<b>Total liabilities</b>	<b>12,494</b>	<b>11,955</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,253</b>	<b>29,337</b>



# Condensed consolidated statement of changes in equity

SEK million	Total equity
Opening balance, 1 January 2020	17,382
Effect of new accounting policy	—
Comprehensive income for the year	191
Contributed capital, paid-up by members	135
Contributed capital, paid-out to members	-47
Dividends to members	-901
<b>Closing balance, 31 December 2020</b>	<b>16,759</b>
Opening balance, 1 January 2019	16,011
Effect of new accounting policy	-5
Comprehensive income for the year	2,154
Contributed capital, paid-up by members	121
Contributed capital, paid-out to members	-38
Dividends to members	-861
<b>Closing balance, 31 December 2019</b>	<b>17,382</b>

# Condensed consolidated statement of cash flows

SEK million	2020 Jan-Dec	2019 Jan-Dec
Profit before tax	746	2,495
Gain/loss on asset held for sale	-537	
Adjustment for non-cash items and change in provisions	1,584	834
Income tax paid	85	-415
<b>Net cash flow from operating activities before change in working capital</b>	<b>1,878</b>	<b>2,914</b>
Change in inventories (increase -)	207	-14
Change in operating receivables (increase -)	294	497
Change in operating liabilities (increase +)	-62	-54
<b>Cash flow from operating activities</b>	<b>2,317</b>	<b>3,343</b>
Cash flow from investing activities	-1,671	-1,116
<b>Cash flow after investing activities</b>	<b>646</b>	<b>2,227</b>
Change in contributed capital	88	83
Dividends paid	-901	-861
Change in loans from members	539	557
Change in loans	-151	-105
Change in current investments with maturity > 90 days	21	-711
Other changes	—	1
<b>Cash flow from financing activities</b>	<b>-404</b>	<b>-1,036</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>242</b>	<b>1,191</b>
Cash and cash equivalents at beginning of period	2,072	873
Exchange gains/losses on cash and cash equivalents	-14	8
Cash and cash equivalents at end of period	2,300	2,072



# Parent Company

## RESULT AND FINANCIAL POSITION

Net sales declined to SEK 4,507 million (4,611) and operating loss declined to SEK -105 million (-96). Operating loss for the quarter reflects the continued weak price formation for market pulp. The result was positively impacted by favourable delivery volumes, and slightly lower average prices year-on-year for sawn timber. Södra's well-invested facilities continued to deliver high-quality and stable volumes. Outbound deliveries of market pulp and sawn timber were higher year-on-year. Cumulative net sales amounted to SEK 18,691 million (20,453) and operating profit totalled SEK 451 million (2,256).

Net financial items amounted to an expense of SEK 286 million (expense: 146) for the quarter.

Loss after net financial items for the period amounted to SEK -391 million (-242).

## MEMBERS

The number of members increased to 52,921 (52,192 at year-end) and the affiliated membership area increased by approximately 60 thousand hectares during the year to 2.70 million hectares (2.64 at year-end).

# Parent Company income statement, condensed

SEK million	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Net sales	4,507	4,611	18,691	20,453
Other revenue	45	-25	149	191
Operating expenses	-4,369	-4,399	-17,255	-17,289
Depreciation, amortisation and impairment	-288	-283	-1,134	-1,098
<b>Operating profit</b>	<b>-105</b>	<b>-96</b>	<b>451</b>	<b>2,256</b>
Net financial items	-286	-146	-374	-103
<b>Profit/loss after financial items</b>	<b>-391</b>	<b>-242</b>	<b>77</b>	<b>2,153</b>
Appropriations	138	-317	138	-317
<b>Profit/loss before tax</b>	<b>-253</b>	<b>-559</b>	<b>215</b>	<b>1,836</b>
Income tax	51	101	-29	-196
<b>Profit/loss for the period</b>	<b>-202</b>	<b>-458</b>	<b>186</b>	<b>1,640</b>



# Parent Company balance sheet, condensed

SEK million	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
Intangible assets	2	1
Property, plant and equipment	13,129	12,978
Shares and participations in Group companies	4,462	4,604
Interest-bearing receivables from Group companies	—	31
Shares and participations in associates	99	99
Surplus in funded pension plans	2	40
Other non-current investments	33	35
Other non-current receivables	22	12
Deferred tax assets	37	60
<b>Total non-current assets</b>	<b>17,786</b>	<b>17,860</b>
Inventories	2,456	2,906
Current interest-bearing receivables from Group companies	899	710
Current receivables	2,918	3,373
Current financial investments	1,155	1,329
Cash and bank balances	1,869	1,482
<b>Total current assets</b>	<b>9,297</b>	<b>9,800</b>
<b>TOTAL ASSETS</b>	<b>27,083</b>	<b>27,660</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	6,304	6,049
Non-restricted equity	3,737	4,619
<b>Total equity</b>	<b>10,041</b>	<b>10,669</b>
Untaxed reserves	7,213	7,483
Provisions	102	183
Non-current interest-bearing liabilities from Group companies	8	8
Non-current interest-bearing liabilities	1,248	2,368
Non-current operating liabilities	6	8
<b>Total non-current liabilities</b>	<b>1,262</b>	<b>2,384</b>
Current interest-bearing liabilities from Group companies	132	154
Current interest-bearing liabilities	5,209	3,687
Current tax liabilities	9	—
Current operating liabilities and provisions	3,115	3,100
<b>Total current liabilities</b>	<b>8,465</b>	<b>6,941</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>27,083</b>	<b>27,660</b>





# 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 2019 Annual Report, except for new standards and revisions of standards and interpretations applicable to annual periods beginning on or after 1 January 2020 and that have not already been applied in the preparation of the 2019 Annual Report. 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. The comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and backwards), but are reconcilable with historical reports.

In 2020, Södra reviewed the policies for measuring the value of forest assets. This resulted in a shift to market valuation to determine the fair value of the Swedish holding. A market valuation means that the total forest value is based on market transactions involving forest land in the areas where Södra owns forest assets. This change means that land assets attributable to forest assets are also measured at fair value, and led to the application of a new accounting policy. The forest holding in the Baltics is valued according to the previous policy, since the market transaction statistics that are available are not considered sufficiently reliable.

The land assets were previously measured at cost, but are now measured at fair value using the revaluation model on page 31 of IAS 16. The change in value of land is recognised as other comprehensive income and does not affect profit or loss for the year. The comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and backwards), but are reconcilable with historical reports.

A number of new or amended standards and interpretations have not yet come into effect, 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 2020 financial year has been planned, and none of these are expected to have any material impact on the consolidated financial statements.

The regulations for economic associations have been applied in 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 affected the tax expense recognised in profit 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 2019 Annual Report, except that WHO declared the outbreak of COVID-19 a pandemic. For a description of risks and uncertainties, refer to Södra's 2019 Annual Report under "Risks and risk management" on pages 48-49, and to "Events after the close of the period" on page 9 of this report. 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 Treasury Unit 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 2019.



## Note 4 | Revenue

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

SEK million	Oct-Dec									
	Södra Skog		Södra Wood		Södra Cell		Other segments		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Wood raw material	529	393	—	—	—	—	—	—	529	393
Wood products	—	—	1,349	1,007	—	—	—	0	1,349	1,007
Market pulp	—	—	—	—	2,081	2,644	—	—	2,081	2,644
Energy products	193	232	53	58	73	85	4	14	323	389
Houses and lots	—	—	—	—	—	—	-280	125	-280	125
Forestry services	473	446	—	—	—	—	—	—	473	446
Transportation	101	93	—	—	—	—	—	—	101	93
Construction contracts	—	—	—	—	—	—	-151	159	-151	159
Other	7	11	—	—	—	—	1	7	8	18
<b>Net sales, goods and services</b>	<b>1,303</b>	<b>1,175</b>	<b>1,402</b>	<b>1,065</b>	<b>2,154</b>	<b>2,729</b>	<b>-426</b>	<b>305</b>	<b>4,433</b>	<b>5,274</b>

## Note 5 | Financial instruments

Financial assets and liabilities are essentially of the same nature and scope as in the most recently published annual report.

Group, SEK million	31 Dec 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial investments	34	34	36	36
Operating receivables	2,386	2,386	2,494	2,494
Current investments	887	887	938	938
Cash and cash equivalents	2,300	2,300	2,072	2,072
<b>Total assets, financial instruments</b>	<b>5,607</b>	<b>5,607</b>	<b>5,540</b>	<b>5,540</b>
Other assets, non-financial instruments	23,646		23,797	
<b>Total assets</b>	<b>29,253</b>		<b>29,337</b>	
Non-current liabilities	1,507	1,572	2,605	2,700
Current interest-bearing liabilities	5,331	5,392	3,847	3,890
Current operating liabilities	2,360	2,361	2,390	2,390
<b>Total liabilities, financial instruments</b>	<b>9,200</b>	<b>9,325</b>	<b>8,842</b>	<b>8,980</b>
Other liabilities, non-financial instruments	3,294		3,113	
<b>Total liabilities</b>	<b>12,494</b>		<b>11,955</b>	

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 unobservable inputs.

### Group, 31 Dec 2020

SEK million	Level 1	Level 2	Level 3	Total
Assets	887	—	79	966
Liabilities	—	—	0	0

### Group, 31 Dec 2019

SEK million	Level 1	Level 2	Level 3	Total
Assets	1,359	—	37	1,396
Liabilities	27	—	1	28

The fair value of financial instruments is measured on the basis of quoted market prices at the balance-sheet date. Derivatives are measured on the basis of published price quotations in an active market. For unquoted shares where a reliable market value cannot be 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 2020, the estimated fair value of Södra's standing timber was SEK 3,338 million (2,918 at 31 December 2019). The change in the balance sheet amounted to SEK 420 million (60), which relates to remeasurement at fair value and an asset acquisition of SEK 13 million via the acquisition of Alfredsson Latvia SIA, and acquisitions of standing timber in the Baltics of SEK 59 million.

As of 31 December 2020, Södra has adopted a new accounting method for measuring the value of the company's forest holdings in Sweden, based on the market value of transactions carried out in the areas where Södra owns forest land.

In light of the price of forest assets in the forest land transactions carried out, Södra has conducted a review of the method and assumptions used to determine the value of the Group's forest assets on the balance sheet. Based on this review, the value of the forest holding in Sweden will now be determined on the basis of its market value, while the value of the forest holding in the Baltics will continue to be determined using the previous policy, since the statistics that are available for market transactions are not considered sufficiently reliable. Södra intends to continue monitoring the possibility of assessing the value of forest holdings in the Baltics using their market value.

## Note 7 | Business combinations

In December, Södra concluded an agreement to divest its Trivselhus AB operations, and subsequently exited the single-family homes market. For more information, refer to Note 10. The transfer date is 1 March 2021. There were no other material acquisitions or divestments during the reporting period.

## Note 8 | Scheduled maintenance shutdowns

At Södra Cell, in addition to routine maintenance during normal operation, 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, costs for maintenance shutdowns amounted to SEK 176 million (93). For the full-year, cost amounted to SEK 221 million (187).

## Note 9 | Mergers

	2020
Merged subsidiaries	SW Project AB
Corp. ID no.	559007-5312
Date of merger	7 Sep 2020
Merged net sales	30
Merged profit	1
<b>Assets</b>	
Non-current assets	0
Current assets	14
<b>Assets</b>	<b>14</b>
<b>Liabilities, provisions and equity</b>	
Equity	7
Untaxed reserves	2
Current liabilities	5
<b>Liabilities, provisions and equity</b>	<b>14</b>

## Note 10 | Gain/loss on assets held for sale

Gain/loss on assets held for sale	2020
Net sales	679
Other revenue	3
Change in inventories of finished products and work in process	37
Raw materials and consumables	-517
Employee expenses	-117
Other expenses	-281
Depreciation, amortisation and impairment	-341
<b>Operating loss</b>	<b>-537</b>
<b>Loss before income tax</b>	<b>-537</b>
<b>Loss for the year</b>	<b>-537</b>

Financial position from assets held for sale	
<b>Assets</b>	
Property, plant and equipment	184
Deferred tax assets	1
<b>Total non-current assets</b>	<b>185</b>
Inventories	96
Tax assets	5
Operating receivables	37
<b>Total current assets</b>	<b>138</b>
<b>Total Assets</b>	<b>323</b>
<b>Liabilities</b>	
Non-current interest-bearing operating liabilities	120
Current interest-bearing operating liabilities	20
<b>Total non-current liabilities</b>	<b>140</b>
Current non-interest-bearing operating liabilities	300
<b>Total current liabilities</b>	<b>300</b>
<b>Total liabilities</b>	<b>440</b>

Cash flow statement from assets held for sale	
<b>Operating activities</b>	
Loss before tax	-537
<b>Net cash flow from operating activities before change in working capital</b>	<b>-40</b>
Change in working capital	-45
<b>Cash flow from operating activities</b>	<b>-85</b>
<b>Cash flow from investing activities</b>	<b>-72</b>
<b>Cash flow after investing activities</b>	<b>-157</b>

Trivselhus AB was divested in December 2020, and will be transferred on 1 March 2021. As a result, assets held for sale are now presented separately in the consolidated income statement and balance sheet for 2020. The Group's cash flow statement and key indicators include assets held for sale. Comparative figures have not been restated.



# Quarterly data and segment information

	2020 Oct-Dec <sup>1)</sup>	2019 Oct-Dec	2020 Jan-Dec <sup>1)</sup>	2019 Jan-Dec
<b>NET SALES, SEK MILLION</b>				
Södra Skog	3,001	3,012	11,510	11,980
of which external	(1,303)	(1,175)	(4,578)	(4,565)
Södra Wood	1,609	1,271	6,220	5,756
of which external	(1,402)	(1,065)	(5,459)	(5,006)
Södra Cell	2,188	2,790	10,227	12,594
of which external	(2,154)	(2,729)	(10,076)	(12,383)
Other segments	-418	307	246	1,231
of which external	(- 426)	(305)	(239)	(1,229)
Intra-Group	—	—	—	—
Eliminations	-1,947	-2,106	-7,852	-8,378
<b>Group</b>	<b>4,433</b>	<b>5,274</b>	<b>20,351</b>	<b>23,183</b>
<b>OPERATING PROFIT/LOSS BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT, SEK MILLION</b>				
Södra Skog	374	154	514	366
Södra Wood	255	10	618	462
Södra Cell	12	335	1,273	3,432
Other segments	4	5	-74	3
Intra-Group	0	-96	-167	-366
Eliminations	—	—	—	—
<b>Group</b>	<b>645</b>	<b>408</b>	<b>2,164</b>	<b>3,897</b>
<b>OPERATING PROFIT/LOSS, SEK MILLION</b>				
Södra Skog	357	137	445	298
Södra Wood	204	-42	416	262
Södra Cell	-227	95	317	2,511
Other segments	23	-23	-90	-52
Intra-Group	-7	-105	-197	-437
Eliminations	—	—	—	—
<b>Group</b>	<b>350</b>	<b>62</b>	<b>891</b>	<b>2,582</b>
<b>OPERATING MARGIN, %</b>				
Södra Skog	12	4	4	2
Södra Wood	13	neg.	7	5
Södra Cell	neg.	3	3	20
Other segments	neg.	neg.	neg.	neg.
Intra-Group	—	—	—	—
Eliminations	—	—	—	—
<b>Group</b>	<b>neg.</b>	<b>1</b>	<b>2</b>	<b>11</b>
<b>ASSETS, SEK MILLION</b>				
Södra Skog	—	—	4,325	3,772
Södra Wood	—	—	3,391	3,017
Södra Cell	—	—	17,667	17,484
Other segments	—	—	1,395	1,269
Intra-Group	—	—	3,795	4,869
Eliminations	—	—	-1,320	-1,074
<b>Group</b>	<b>—</b>	<b>—</b>	<b>29,253</b>	<b>29,337</b>

<sup>1)</sup> 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. The comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and backwards), but are reconcilable with historical reports.



	2020 Oct-Dec <sup>1)</sup>	2019 Oct-Dec	2020 Jan-Dec <sup>1)</sup>	2019 Jan-Dec
<b>AVERAGE OPERATING CAPITAL, SEK MILLION</b>				
Södra Skog	—	—	5,047	4,795
Södra Wood	—	—	3,222	3,111
Södra Cell	—	—	12,862	13,044
Other segments	—	—	1,015	1,234
Intra-Group	—	—	—	—
Eliminations	—	—	—	—
<b>Group, average capital employed</b>	<b>—</b>	<b>—</b>	<b>21,039</b>	<b>21,104</b>
<b>RETURN ON OPERATING CAPITAL, %</b>				
Södra Skog	—	—	9	6
Södra Wood	—	—	13	8
Södra Cell	—	—	2	19
Other segments	—	—	neg.	neg.
Intra-Group	—	—	—	—
Eliminations	—	—	—	—
<b>Consolidated return on capital employed, %</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>12</b>
<b>CASH FLOW AFTER INVESTMENTS, SEK MILLION</b>				
Södra Skog	-392	-451	250	129
Södra Wood	-18	-1	364	131
Södra Cell	267	455	686	2,653
Other segments	24	-13	-216	137
Intra-Group	-35	-63	-438	-823
Eliminations	—	—	—	—
<b>Group</b>	<b>-154</b>	<b>-73</b>	<b>646</b>	<b>2,227</b>
<b>INVESTMENTS, SEK MILLION</b>				
Södra Skog	49	49	126	145
Södra Wood	154	129	292	384
Södra Cell	336	244	1,001	684
Other segments	24	1	75	11
Intra-Group	30	-49	55	40
Eliminations	—	—	—	-136
<b>Group</b>	<b>593</b>	<b>374</b>	<b>1,549</b>	<b>1,128</b>
<b>AVERAGE NO. OF EMPLOYEES</b>				
Södra Skog	—	—	596	599
Södra Wood	—	—	916	902
Södra Cell	—	—	1,185	1,177
Other segments	—	—	177	197
Intra-Group	—	—	238	251
Eliminations	—	—	—	—
<b>Group</b>	<b>—</b>	<b>—</b>	<b>3,112</b>	<b>3,126</b>

<sup>1)</sup> 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. The comparative figures for prior years have not been restated for the above-mentioned effect (from 2019 and backwards), but are reconcilable with historical reports.



# Alternative performance measures

## NET SALES, CHANGE IN %

	2020 Jan-Dec	2019 Jan-Dec
Opening net sales	23,183	24,230
Closing net sales	20,351	23,183
Assets held for sale	679	—
Closing incl. Assets held for sale	21,030	23,183
<b>Change</b>	<b>-9</b>	<b>-4</b>

Shows Södra's growth.

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

	2020 Jan-Dec	2019 Jan-Dec
Operating profit	891	2,582
Assets held for sale	-537	—
Operating profit incl. assets held for sale	354	2,582
Depreciation, amortisation and impairment	1,273	1,315
Assets held for sale	341	—
Depreciation, amortisation and impairment	1,614	1,315
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>1,968</b>	<b>3,897</b>

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

## EBITDA MARGIN, %

	2020 Jan-Dec	2019 Jan-Dec
Operating profit before depreciation, amortisation and impairment	1,968	3,897
Net sales	21,030	23,183
<b>EBITDA margin</b>	<b>9</b>	<b>17</b>

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 measurement is used to produce an overall trend analysis of Södra's performance, and for comparison with other companies.

## OPERATING PROFIT, SEK MILLION

	2020 Jan-Dec	2019 Jan-Dec
Net sales	20,351	23,183
Other revenue	486	319
Operating expenses	-18,673	-19,605
Depreciation, amortisation and impairment	-1,273	-1,315
Assets held for sale	-537	—
<b>Operating profit</b>	<b>354</b>	<b>2,582</b>

Operating profit/loss 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, %

	2020 Jan-Dec	2019 Jan-Dec
Operating profit including assets held for sale	354	2,582
Net sales including assets held for sale	21,030	23,183
<b>Operating margin</b>	<b>2</b>	<b>11</b>

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 expenses and tax, and to provide acceptable dividends. The measurement 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 (APMs). Södra uses the following alternative performance measures and believes they provide valuable complementary information for analysing Södra's performance.

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**NET DEBT, SEK MILLION**

	2020 Jan-Dec	2019 Jan-Dec
Interest-bearing provisions	—	—
Interest-bearing liabilities	6,838	6,425
Financial receivables	0	—
Current investments and cash and cash equivalents	-3,187	-3,010
<b>Net debt</b>	<b>3,651</b>	<b>3,415</b>

Shows Södra's financial strength.

**DEBT/EQUITY RATIO, TIMES**

	2020 Jan-Dec	2019 Jan-Dec
Net debt, SEK million	3,651	3,415
Equity	16,759	17,382
<b>Debt/equity ratio</b>	<b>0.2</b>	<b>0.2</b>

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**

	2020 Jan-Dec	2019 Jan-Dec
Assets	29,253	29,337
Financial assets	-3,220	-3,046
Provisions*	-100	-143
Income tax*	-1,639	-1,566
Non-interest-bearing operating liabilities	-3,154	-3,344
Assets held for sale	-300	—
<b>Capital employed</b>	<b>20,840</b>	<b>21,238</b>
Average	21,039	21,104

\* 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, %**

	2020 Jan-Dec	2019 Jan-Dec
Average capital employed	21,039	21,104
Operating profit	891	2,582
Assets held for sale	-537	—
Operating profit including assets held for sale	354	2,582
<b>Return</b>	<b>2</b>	<b>12</b>

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

**EQUITY RATIO, %**

	2020 Jan-Dec	2019 Jan-Dec
Equity	16,759	17,382
Assets	29,253	29,337
<b>Equity ratio</b>	<b>57</b>	<b>59</b>

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/loss before depreciation, amortisation and impairment, SEK million**  
Operating profit/loss excluding depreciation and amortisation 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 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 reporting

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- The interim report for January-March will be published on 20 April 2021 at 11:00 a.m.
- The Annual General Meeting will be held in June 2021.
- Interim reports can be downloaded from [sodra.com](http://sodra.com)

The information in this interim report is such that Södra Skogsägarna ekonomisk förening is required to disclose under the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 11:00 a.m. on 18 February 2021.

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## This is Södra

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Founded in 1938, Södra is Sweden's largest forest-owner association with 53,000 forest owners as its members. We are also an international forest industry group, with operations based on processing our members' forest products. Södra is one of the largest European suppliers of market pulp, and has one of the largest sawmill operations in Europe. In 2020, the wood volume was 17.4 million m<sup>3</sup>sub, sales amounted to SEK 20 billion and employees totalled 3,141.