

Södra's interim report

1 July – 30 September 2021

- » Net sales amounted to SEK 6,999 million (4,925).
- » Operating profit before depreciation, amortisation and impairment amounted to SEK 2,495 million (415).
- » Operating profit totalled SEK 2,148 million (93).
- » The operating margin was 31 percent (2).
- » Cash flow after investments was SEK 2,119 million (746).

Key indicators	2021 July–Sept	2020 July–Sept	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Net sales, SEK million	6,999	4,925	20,018	15,918	20,351
Operating profit before depreciation, amortisation and impairment, SEK million	2,495	415	5,114	1,519	2,164
Operating profit, SEK million	2,148	93	4,021	541	891
EBITDA margin, %	36	8	26	10	9
Operating margin, %	31	2	20	3	2
Return on capital employed, %	—	—	26	3	2
Equity ratio, %	—	—	62	57	57
Cash flow after investments, SEK million	2,119	746	2,904	800	646
No. of members	—	—	52,254	52,810	52,921
Affiliated forest area, million hectares	—	—	2.71	2.68	2.70
No. of employees	—	—	3,137	3,155	3,141
Net positive climate effect ¹ , million tonnes CO ₂	—	—	—	—	10.0
Lost-time-accidents (LTA) ² , no.	14	10	40	29	47
Lost-time-accident rate (LTAR) ³	13	9	11	8	9

¹ This key indicator is not calculated quarterly.

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

³ LTAR (lost-time-accident rate): number of occupational injuries with absence per million hours worked.

7.0

SEK billion Net sales

62

% Equity ratio

2.1

SEK billion Operating profit

2.7

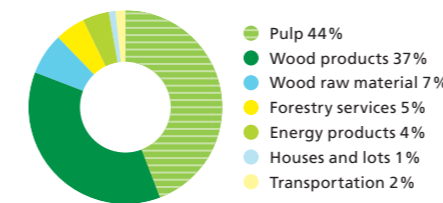
million hectares Affiliated forest area

26

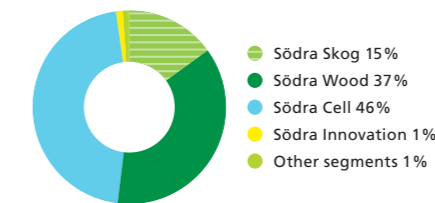
% Cumulative return on capital employed

13

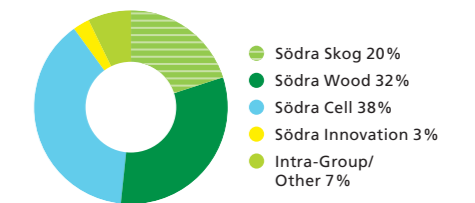
LTAR (lost-time-accident rate)
Number of occupational injuries with absence per million hours worked



Net sales per revenue category.



Sales per business area.
Total SEK 6,999 million, excluding internal deliveries.



Employees per business area.
3,137 employees in total.

The quarter in brief



Fossil-free deliveries – Kalmar Energi first customer

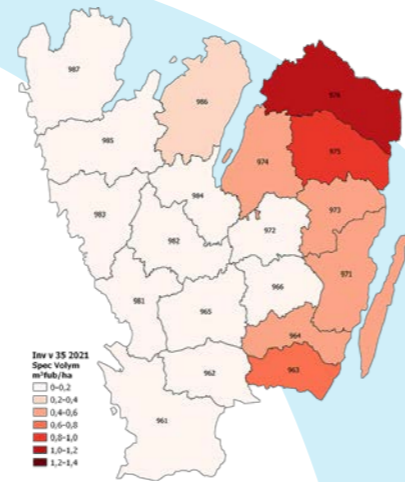
The energy company Kalmar Energi will be first to receive Södra's forest products that are delivered using certified, fossil-fuel-free transportation. The company delivers electricity, district heating, fibre and energy services to almost 25,000 customers in the Kalmar region. Kalmar Energi currently uses residues from the forest industry (branches and treetops, wood chips and bark) in its combined power and heating plants and transportation will now be completely free from fossil fuels.

The agreement with Kalmar Energi currently only applies to fossil-fuel-free transportation. But Södra also offers fossil-fuel-free products, that have been produced without the use of any fossil fuels. They were produced and transported fossil-free through all stages of the value chain: from forest management, through the industrial process and onward in the transportation to customers. Södra's products are guaranteed independent of fossil fuel through mass balance and verified by a third party.

Södra supports Fossil Free Sweden's biostrategy

Within the framework of Fossil Free Sweden, the government's national coordinator Svante Axelsson has presented a biostrategy, which many companies from the Swedish business sector now endorse. Including Södra.

"The biostrategy highlights the importance of replacing fossil products with renewable products and points to opportunities to invest in domestic production of biofuels. Two strong reasons why we chose to support the strategy," said Lotta Lyrå, President and CEO of Södra.



Almost 1 million m³ of members' forests damaged by bark beetles

In 2021, almost 1 million m³ of spruce forest on estates owned by Södra's members was damaged by spruce bark beetle. This is shown in Södra's damage inventory.

"It has followed a similar pattern to previous years. As very large volumes of forest continue to be killed by the insects, then it is important to persist with the control measures to reduce damage in coming years," said Henrik Holmberg, forest management and contractor developer at Södra.



Top marks for Södra in major sustainability rating

Södra is among the top 1 percent of companies assessed in terms of sustainability in the international packaging, pulp and paper sector. This is according to a survey by the French company EcoVadis.

EcoVadis is an independent research company that every year provides business sustainability ratings. The survey is based on 21 criteria in four different fields: Environment, Labour and Human Rights, Ethics and Sustainable Procurement.

"With a Group strategy focused on sustainability, I am delighted and proud that we have continued to improve Södra's work in sustainability in particular. Our high rating is proof that we are heading in the right direction," said Södra's Director of Sustainability, Anders Norén.

Premium raised for certified forest raw material

In mid-September, Södra raised the premium for certified forest raw material. This means that a certified forest owner receives an additional payment of SEK 15 or SEK 30 per m³sub (cubic metres solid volume underbark), depending on whether they are certified according to one or two of the existing standards. Forest management certification is an important tool for Södra's members to show that they are engaged in long-term and sustainable forestry.

"Family forest owners feel great responsibility and this means a high percentage of Södra's members have certifications. There is also strong demand for certified wood, both for pulp and sawn timber," said Tomas Rahm, forestry specialist for certification and sustainability at Södra.



BraSatt to improve site preparation and planting

The BraSatt project aims to develop new technology in site preparation and planting that can contribute to Södra's target to increase forest growth. The aim of the project is to create a proof of concept for prototype machinery for testing in the field during the 2023 planting season. The project, which includes a number of partners, started in spring 2020 and one important element has been to prepare a business plan and interview various stakeholder groups to gain insights. The focus also lies on technology and mechanical development.



Expansion continues in cross-laminated timber

Södra's second production facility for cross-laminated timber (CLT) is scheduled for completion by mid-2022 at Södra's existing facility at Värö. The facility will be able to deliver framing materials for 4,000 homes per year, which is ten times the current output. In order to realise the investment, the number of employees in the Södra Building Systems business segment will need to grow from the current number of 40 to at least 80 within three years. New employees will be needed in several areas, including production, market and technology.

Establishment in Denmark

Södra already operates in Denmark but is now establishing a new position in CLT construction across the country and expanding the existing business. This is the first step of our establishment of the business in Europe. Södra's complete offering of CLT panels for frame assembly with complementary products and services will now be available in the Danish market.



Recycled material in packaging

Södra's investment in circularity continues. Through a new partnership with Swedish company Trioworld, our sawn timber packaging will now contain 30 percent recycled plastic, which is expected to reduce annual emissions from the packaging by around 23 percent.

"With the new packaging, we are ensuring high-quality deliveries for our customers, while also taking an additional step towards a more circular business model with lower emissions. This is a trend we will continue to pursue," said Andreas Jonasson, Sales & Marketing Director at Södra Wood.

Keeping pace with the times

We are working with a number of strategic targets to ensure that Södra is heading in the right direction in relation to our strategy. The most important target addresses the profitability of the forest estate, both the overall picture of revenue and costs related to the forest estate (net forest income) and profit distribution from Södra. This reflects Södra's current and future assignment, to generate value for the forest estate. The target may sound like a technical issue, but it demonstrates how well we are achieving our assignment and governs our long and short-term decisions.

We are seeing how the world around us is moving, perhaps more quickly than ever. And as the world changes, the challenges and opportunities facing Södra and our owners also change. To manage our assignment and these changes, we must keep pace with the times. Södra has, throughout history, made more or less bold decisions to do precisely this. Everything from the tar and turpentine industry in 1940 to the construction of the world's first biomethanol plant in 2020. We will need to make bold decisions again – with an eye on the future.

Roots in the forest

With our roots in the forest and creating the future – this is Södra for me. It is a natural part of the family forest owner's daily life and a linchpin of our strategy moving forward.

During the quarter, we took several steps in the right direction:

1. We have continued to grow our cross-laminated timber (CLT) business. This time all the way to Denmark. This is in response to the high interest in Södra's products, and it represents the first step towards an establishment of the building system in Europe. The new plant in Värö will also be completed in 2022.
2. We have worked from the perspective of cooperation. Part of this involved finding out the expectations family forest owners and members have on Södra. Another part is to work through the democratic processes and see how these can be made future-proof. Södra is a leading cooperative movement and this strength must never be taken for granted.



As the world changes, the challenges and opportunities facing Södra and our owners also change.

Lotta Lyrå
President and CEO

When we work with development, we must naturally do everything in our power to minimise risk and errors. But everything is not perfect from the outset. For me, it is important that we make many small improvements and take major development steps to gradually become slightly better than yesterday. Not only to keep pace with the times, but sometimes to also take the lead. And to continuously learn along the way.

Pulp mill in the cloud

During the quarter, we also intensified work in the area of digitisation and efficient improvement. As part of the World-class efficiency project, we have started a project called the Air traffic control tower. The name is significant. At an airport, the air traffic control tower is crucial in all decisions made in terms of the big picture of what is happening in the air and on land. Without this type of overview, you run the risk of suffering everything from efficiency losses to accidents. In Södra's value chain – from forest to customer – we will offer our employees similar support, in a digital format.

Another stage on the same journey is the installation of a thousand sensors at our three pulp mills during the autumn to provide better control of maintenance work. We hope these will eventually eliminate 25 percent of all unscheduled shutdowns and raise our production by 3 percentage points,

which would strengthen profitability for Södra's just over 52,000 forest-owning members. With this – a pulp mill in the cloud – we are leading digital development, which will allow us to keep pace with the times and identify risk factors before they materialise.

Exceptionally strong market

Sometimes, we need to look back to understand how far we have travelled, and to see the scale of the changes. This applies in particular to the market. In the third quarter, Södra was favourably impacted by the continuing robust market for our core products and our well-functioning industries. This meant our sales amounted to SEK 7 billion and our operating profit improved year-on-year. We are very pleased with the result and the contributions made by many employees. In parallel, we know that the market is at an exceptionally high level, partly as a reaction to 2020. I believe we should view these unique years as a whole and not as two separate years. We can then see the broader trends and allow these to steer our long-term goals.

Regardless of market conditions, our key focus must be to continue to work with what we can control. This will offer us the best opportunities to generate long-term value for the members' forest estates and to deliver on our assignment – by keeping pace with the times.

Profitable and sustainable growth in an ever-changing world

The starting point for Södra's Group strategy is to create profitable and sustainable growth in an ever-changing world. The strategy lays the foundation for what we do every day, with the long-term goal of strengthening value for our owners.

To achieve this goal, we have selected six focus areas that permeate our value chain of climate-smart solutions – from seed to customer.

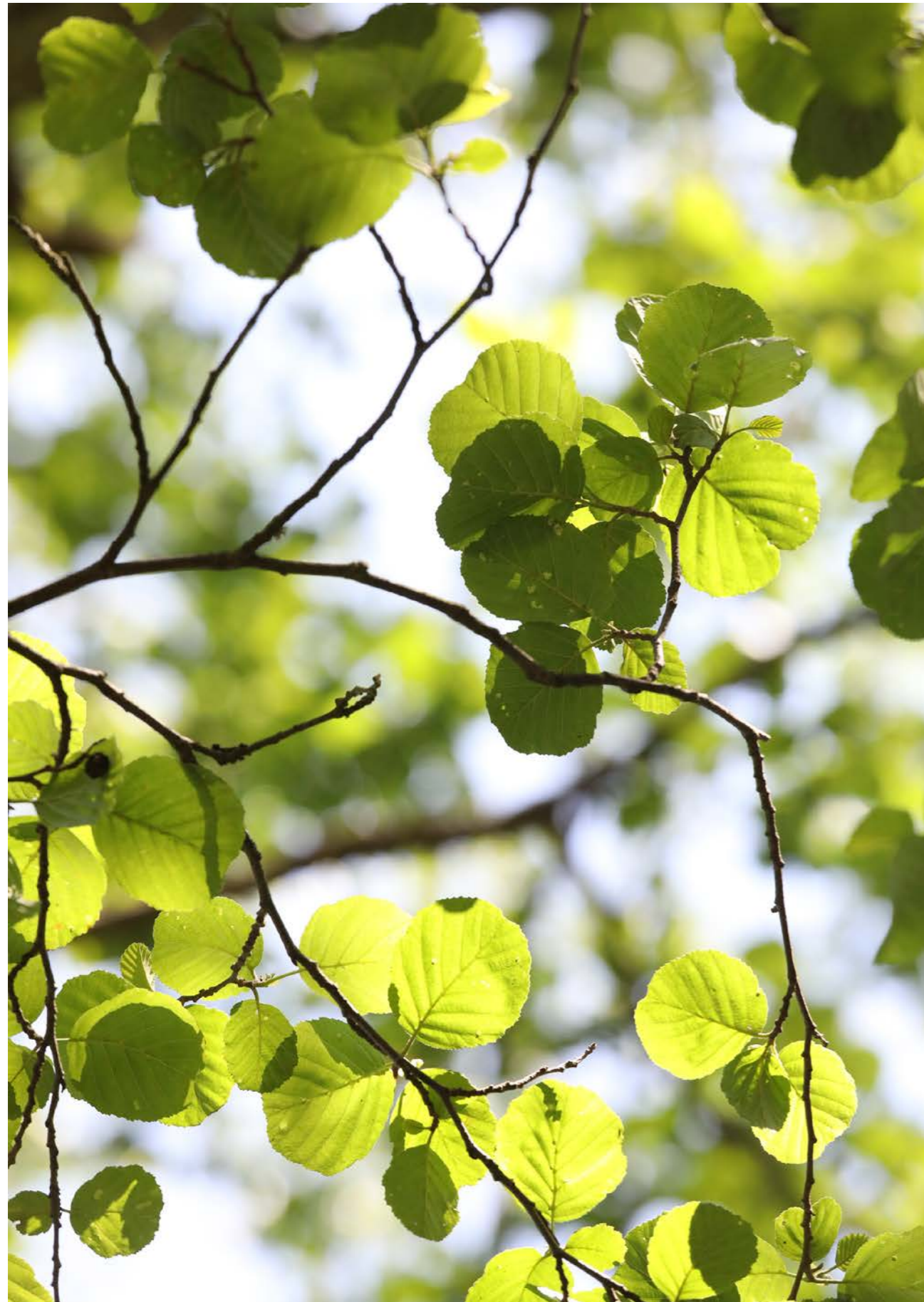


The six focus areas of the Group strategy



The aim of the strategy is to strengthen the profitability of forest estates by investing in the future, and by making Södra more efficient every day.

Lotta Lyrå
President and CEO



The period in brief

Operating profit for the third quarter amounted to SEK 2,148 million (93) and is the highest quarterly result for Södra to date. Sales rose 42 percent to SEK 6,999 million (4,925). Operating profit amounted to SEK 4,021 million (541) for the first nine months of the year. At the end of the quarter, return on capital employed was 26 percent and the equity ratio 62 percent.

Market conditions

Economic sentiment

The global economic recovery continued during the third quarter, despite some concerns about the increased spread of the Delta variant of COVID-19 and rapidly rising inflation. At the beginning of the quarter, the International Monetary Fund (IMF) published a new economic forecast where global GDP was expected to grow by 6.0 percent in 2021. In 2022, the growth figure was revised upwards by 0.5 percentage points to 4.9 percent. The growth forecast for the US was adjusted up while expectations for developing countries' economies were revised downwards, due to vaccine shortages and budgetary difficulties.

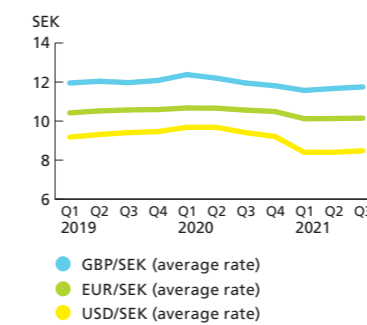
As the market climate enters a more mature phase, central banks are preparing for a gradual normalisation of monetary policy. Central banks have carefully monitored developments in inflationary and employment data during the quarter and are continuing to support the economic recovery while in parallel neutralising any potential overheating tendencies. The US is leading the way in the economic recovery where the Federal Reserve is expected to be first to taper its stimulus packages by reducing bond buying. However, the Federal Reserve has been clear that it does not wish to disrupt the recovery, given the uncertainty caused by the Delta variant of COVID-19. The focus is on employment and inflation, and employment growth in the US was much lower than expected in August. Weaker employment growth and a declining rate of inflation in both July and August have provided the US central bank

with further cause for reflection. However, towards the end of the third quarter the Federal Reserve sharpened its tone, which meant the market now expects a decision on tapering in November.

The European Central Bank (ECB) has been able to stay one step behind the Federal Reserve in terms of planned adjustments to stimulus measures and key lending rates despite GDP growth figures being surprisingly positive in the second quarter. Nevertheless, inflation rose sharply in August to 3.0 percent, which is the highest level for ten years and consequently well above the ECB target of 2 percent. However, ECB believes the high rate of inflation is temporary and at the end of the third quarter the President of the European Central Bank, Christine Lagarde, advised a continued cautious approach and said the ECB will not taper off its stimulus packages too quickly. The difference in central bank rhetoric between the US and Europe led to the gradual weakening of the EUR/USD relationship during the third quarter.

The Chinese economy continued to slow in the third quarter. China's Purchasing Managers' Index (Caixin) fell gradually during the quarter and passed 50 in September. Business profits declined due to a shortage of materials and new virus outbreaks, which led to growing concern among consumers. In response to this and an indication of the concern in the Chinese leadership, China's central bank and Ministry of Finance announced increased fiscal policy stimulus. China's new five-year plan focuses on work, salaries and vocational training. The aim is to raise domestic demand and upgrade industry. By 2025, 55 million urban jobs are

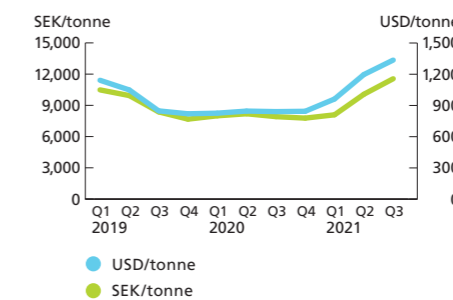
Foreign exchange rates



The above diagrams show the annual average exchange rate.

Source: ECB

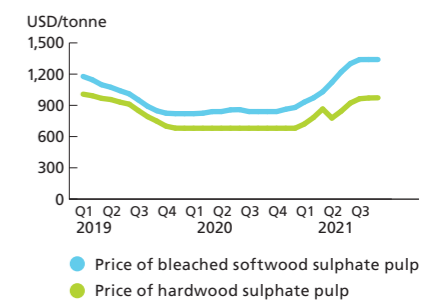
Pulp prices



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

List price for softwood and hardwood pulp



The price of hardwood sulphate pulp and softwood sulphate pulp rose during the quarter. The diagram shows gross prices before discounts in the North European market.

Source: FOEX PIX

expected to be created, compared with the 50 million jobs announced for the 2016–2020 period.

As in the US and Europe, the Swedish central bank remains cautious. The Riksbank regards the higher inflation rate as temporary and has left the key interest rate unchanged. The Economic Tendency Indicator has gradually fallen during the third quarter but remains at a very high level. The National Institute of Economic Research (NIER) further concludes that the Swedish government's expansionary autumn budget will help the Swedish economy to enter a mild economic boom in the second half of 2022. The shortage of input goods and logistics problems will continue to inhibit production to some extent over the next few quarters but the economy will continue to strengthen despite this. Unemployment will remain high. The Swedish labour market is facing a clear problem with matching, which is expected to mean unemployment will not drop to 7 percent until 2023.

Norway gradually eased its pandemic restrictions in the third quarter. This benefited the Norwegian economy together with rising oil and gas prices. The economic recovery convinced the Norwegian central bank to raise its key interest rate at the end of the third quarter.

The third quarter also noted high energy prices. In Sweden, the Karlshamn oil-fired power station was started several times in September due to the limited nuclear power capacity and the negative hydrological balance. Europe was under pressure from high prices for gas, coal and emission permits, which meant several UK energy companies became insolvent. China introduced electricity rationing to secure grid balancing. Stricter environmental regulations and a reduction in import volumes of coal from Australia has put the Chinese manufacturing industry under pressure, which in turn may disrupt global manufacturing chains.

In the third quarter, the SEK weakened against the USD and was highly volatile. The SEK also weakened against the EUR, but strengthened against the GBP.

Wood supply

Demand for saw logs and pulpwood was favourable during the quarter. The period was also characterised by relatively high biofuel supply volumes. Conditions for harvesting and timber transportation were favourable. The spruce bark beetle inventory conducted in Södra's surveillance estates showed continued high levels of damage in parts of Södra's forestry operations areas. The total damaged volume is in parity with damage in 2018.

Sawn timber

The sawn timber market showed a negative trend during the quarter, even if the price formation remained highly favourable. In the Swedish market, demand was slightly weaker from the building materials trade, but remained positive from industry. The greatest challenge was the situation in the UK, which was adversely impacted by weaker demand in the building materials trade in combination with logistics challenges. The decline in demand was attributable to high raw material prices in general and

that consumers have begun to prioritise other things than home renovations following a long period of pandemic restrictions.

Demand in Södra Wood's third core market, the Netherlands, was weaker than expected, but the outlook is considered slightly more positive. Other markets also indicated growing uncertainty. Overall, the market trend and price formation for sawn timber for the coming quarter is uncertain. Underlying demand is healthy but the market remains cautious.

Pulp market

Pulp prices (PIX) were at a stable, low level in 2020 with an average price for softwood sulphate pulp of USD 844 per tonne. During the current year, the price noted strong growth and the positive trend continued in the third quarter. At the end of the quarter, the price was USD 1,340 per tonne for softwood sulphate pulp and USD 1,140 per tonne for hardwood sulphate pulp, compared with USD 1,300 and USD 1,099, respectively, at the end of the previous quarter. Underlying demand remained at a favourable level. The current price level of USD 1,340 per tonne is considered highly favourable. The effects of the pandemic entail continued uncertainty, which is affecting both market demand and pulp producers all over the world to varying degrees. The price of dissolving pulp remained favourable and amounted to USD 1,000 per tonne at the end of the quarter, according to CCFGroup.

Net sales

During the quarter, consolidated net sales amounted to SEK 6,999 million (4,925), up 42 percent. The positive sales trend was due to considerably stronger price levels for Södra's core products, while delivery volumes for both softwood sulphate pulp and sawn timber were lower than the preceding year. Net sales for the first nine months of the year amounted to SEK 20,018 million (15,918), with sales growth related to much more favourable price levels for Södra's core products.

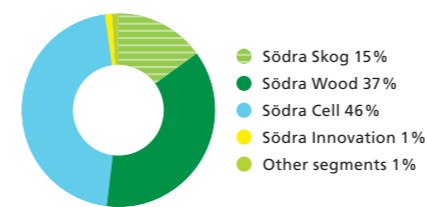
Result

Operating profit for the quarter totalled SEK 2,148 million (93), representing an operating margin of 31 percent (2). Profit before tax was SEK 2,052 million (87). Tax expense for the period was SEK 262 million (41). Operating profit for the quarter reflects the highly favourable price formation for both market pulp and sawn timber. Outbound deliveries of market pulp and sawn timber were lower year-on-year. As part of customary impairment testing of the Group's assets, an impairment related to intangible assets was identified of SEK 212 million, which was charged to the result for the period. Operating profit for the first nine months of the year totalled SEK 4,021 million (541). Return on capital employed was 26 percent (3). The result is due to a considerably stronger price formation for Södra's core products.

BUSINESS AREAS

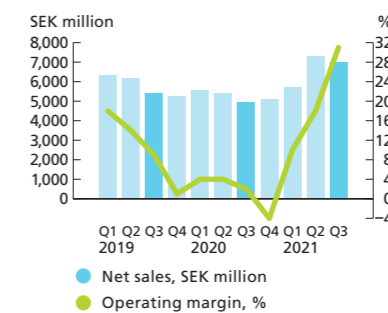
SEK million	Net sales					Operating profit/loss				
	2021 July–Sept	2020 July–Sept	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec	2021 July–Sept	2020 July–Sept	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Södra Skog	2,670	2,428	8,965	8,509	11,510	4	35	88	88	445
Södra Wood	2,734	1,510	7,268	4,553	6,143	1,121	136	2,327	231	447
Södra Cell	3,284	2,545	9,029	8,039	10,227	1,248	-8	2,286	544	317
Södra Innovation	40	21	125	83	114	56	-18	-39	-114	-161
Other segments	97	191	480	639	209	5	-10	-10	-30	25
Intra-Group	—	—	—	—	—	-284	-42	-629	-178	-182
Eliminations	-1,826	-1,770	-5,849	-5,905	-7,852	-2	—	-2	—	—
Group	6,999	4,925	20,018	15,918	20,351	2,148	93	4,021	541	891

Sales per business area

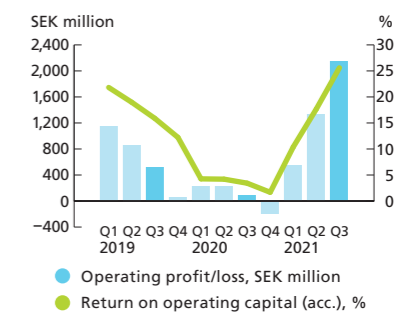


Total SEK 6,999 million, excluding internal deliveries.

Net sales and operating margin



Operating profit and return on capital employed



Södra's financial target is a minimum long-term return of 10 percent on capital employed.

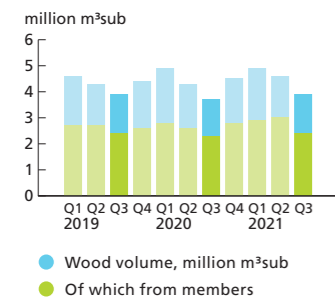
Business areas

Södra Skog

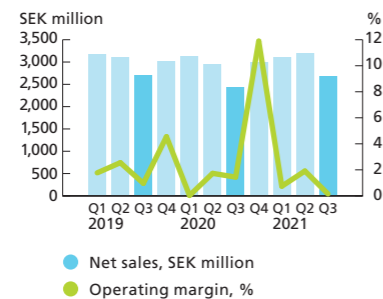
Södra Skog's operating profit for the period totalled SEK 4 million (35). The change in earnings was due to weaker margins. During the period, Södra Skog acquired 3.9 million

m³sub, comprising 59 percent pulpwood and cellulose chips, 33 percent saw logs and 8 percent biofuels. Cumulative operating profit amounted to SEK 88 million (88).

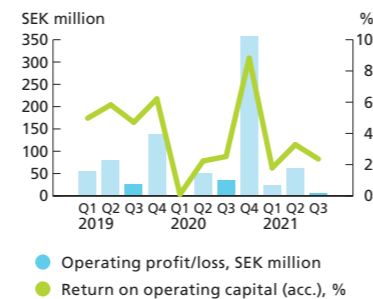
Wood volume



Net sales and operating margin



Operating profit/loss and return on operating capital

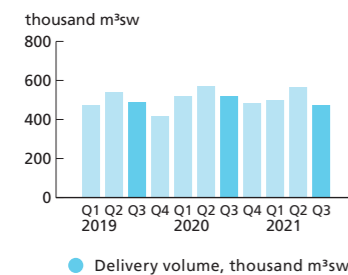


Södra Wood

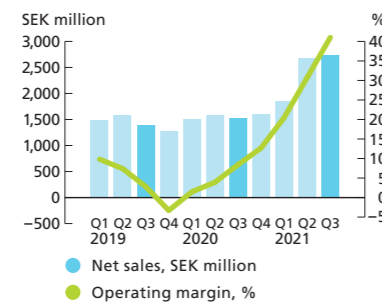
Södra Wood's operating profit for the period totalled SEK 1,121 million (136), reflecting the favourable price formation for sawn timber. The delivery volume declined to 474 thousand m³sw, compared with 520 thousand m³sw in the year-earlier period.

The decline in outbound deliveries is due to a more cautious market on the basis of increased uncertainty. Sales for the quarter amounted to SEK 2,734 million (1,510). Cumulative operating profit amounted to SEK 2,327 million (231).

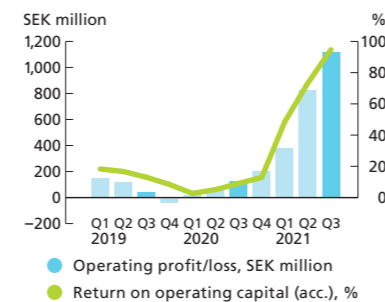
Delivery volume, sawn timber



Net sales and operating margin



Operating profit/loss and return on operating capital



Södra Cell

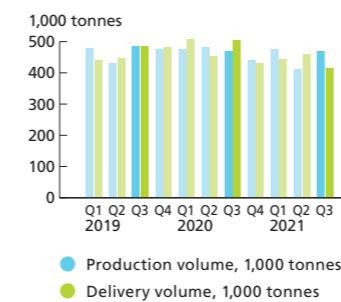
Södra Cell's operating profit for the period totalled SEK 1,248 million (loss: -8). The earnings improvement was due to a considerably stronger price level. Sales for the quarter amounted to SEK 3,284 million (2,545). The delivery volume declined to 415 ktonnes, compared with 505 ktonnes in the year-earlier period. The decline in outbound deliveries is related to inventory accumulation ahead of the maintenance stoppage in Värö in the coming quarter. The production volume totalled 469 ktonnes (468), comprising 408 ktonnes

of softwood sulphate pulp, 34 ktonnes of hardwood sulphate pulp and 27 ktonnes of dissolving pulp.

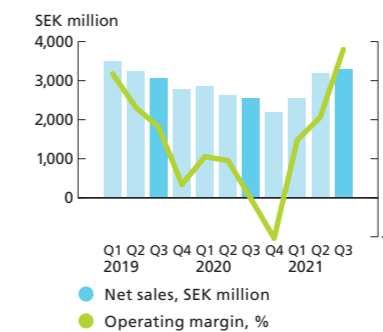
Cumulative operating profit amounted to SEK 2,286 million (544).

During the quarter, electricity generated at the pulp mills was 437 GWh. Excess electricity amounted to 96 GWh. The excess represented about 22 percent of the generated volume and was sold on the open market.

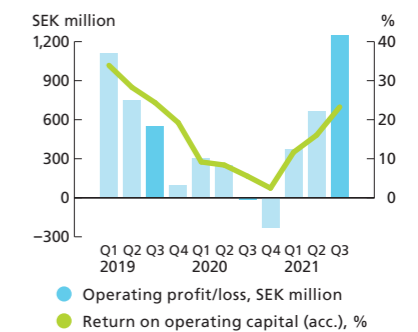
Production and delivery volume



Net sales and operating margin



Operating profit/loss and return on operating capital



Södra Innovation

Södra Innovation's operating profit for the period totalled SEK 56 million (loss: -18). The change is due to the fact that the holding in Silva Green Fuel is now recognised as participations in partnerships and is charged to net financial items.

Previously the holding was recognised as participations in associates and was charged to operating profit. Cumulative operating loss totalled SEK -39 million (-114).

Other segments

Other segments posted total operating profit of SEK 5 million (loss: -10) for the period, pertaining to remaining operations in Trivselhus.

Net financial items

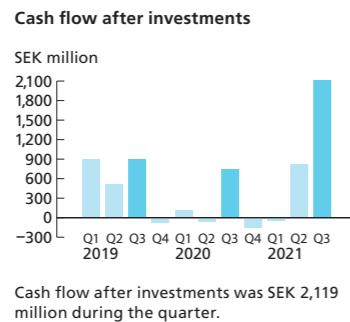
The Group's net financial expense amounted to SEK -96 million (-6) for the quarter. The change is due to the fact that the holding in Silva Green Fuel is now recognised as participations in partnerships and SEK 83 million is charged to net financial items.

Cash flow

Cash flow before investments for the quarter was SEK 2,657 million (997). Cash flow after investments was SEK 2,119 million (746). At the end of the quarter, cash and cash equivalents and current investments amounted to SEK 4,633 million (3,181).

Financial position

At 30 September 2021, equity amounted to SEK 19,800 million (16,759 at 31 December 2020), of which paid-up and issued contributed capital accounted for SEK 5,033 million (4,891 at 31 December 2020). Total assets increased to SEK 32,071 million (29,253 at 31 December 2020). At 30 September 2021, the equity ratio was 62 percent (57 at 31 December 2020). At the end of the quarter, Södra's borrowings comprised loans of SEK 4,702 million (4,625 at 31 December 2020) from members, and a loan of SEK 667 million (732) from the Nordic Investment Bank that matures in April 2026. Södra has a credit agreement in the form of a club agreement, enabling the company to borrow up to SEK 2,000 million over a period of just over three years. Södra has three bilateral credit facilities totalling SEK 2,000 million with one to three year maturities amended to the club agreement. At 30 September 2021, the debt/equity ratio was 0.1 times (0.2 at 31 December 2020).



Investments, acquisitions and divestments

Investments for the quarter totalled SEK 378 million (267), of which SEK 175 million (201) pertained to Södra Cell, SEK 41 million (21) to Södra Wood, SEK 33 million (21) to Södra Skog and SEK 129 million (9) to Södra Innovation. The investments were mainly focused on expansion, productivity and the environment.

Events after the close of the period

On 12 October, the European Commission initiated unannounced inspections at a number of pulp producers in several European countries, including Södra. The Commission's suspicions relate to the issue of softwood pulp pricing.

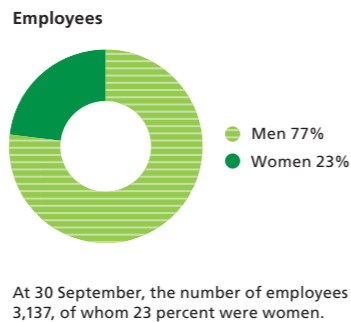
No other significant events occurred after the end of the reporting period.

Employees

At 30 September, the number of employees was 3,137 (3,155), of whom 23 percent (23) were women.

Future outlook

Uncertainty surrounding the economic forecast and future price trends in the wake of the COVID-19 pandemic is great. As more countries gradually ease their pandemic restrictions, the fiscal stimulus packages are also expected to be progressively tapered off, though with the proviso to not disrupt the recovery. Demand for Södra's core products is expected to remain favourable throughout the short term with a continued stable and positive price formation for pulp. The price formation for sawn timber is more difficult to predict, but despite the recent price adjustments remains at a high level historically. The long-term outlooks are considered favourable since underlying demand for sustainable forest-based products is favoured by the ongoing transition towards a more sustainable bioeconomy.



Sustainability

Sustainability permeates Södra's 2025+ Group strategy. Key focus areas are a net positive climate effect, responsible forest management, and occupational health and safety (OHS).

Net positive climate effect

Carbon sequestration in forests, products with low climate impact and reduced greenhouse gas (GHG) emissions are key factors for a net positive climate effect. The goal of Södra's 2025+ Group strategy is to increase the net positive climate effect. A net positive climate effect originates in the forest, a result of members' long-term commitment to responsible forest management. By continuing to offer products with low climate impact that can replace products with a higher carbon footprint, Södra is helping to reduce GHG emissions.

In 2021, Södra will set long-term science-based targets for reducing GHG emissions in accordance with the Science Based Target initiative. A comprehensive inventory of direct (Scope 1) and indirect (Scope 2 and 3) GHG emissions will be performed. Key indicators will also be identified.

In the third quarter, Södra completed the first delivery of solid biofuels under a new, third-party reviewed concept using a verified fossil-fuel-free value chain. The pulp mill in Värö initiated a test of a hybrid forklift in the wood yard. The forklift operates on both electricity and HVO (biodiesel) and the aim is to reduce emissions to air.

Responsible forest management

Responsible forest management involves increasing the rate of forest growth sustainably, maintaining the long-term production capacity of forests, and preserving and promoting the conservation, cultural and social values of forests.

Södra's target is a 20 percent higher rate of forest growth by 2050 compared with 2015. Key measures for the achievement of this target are effective forest management, nutrient recycling, forest tree breeding and damage reduction.

In the third quarter, a research project started where Södra and other companies and universities are working to reduce forest damage from the root rot fungus on spruce in future spruce stands. The objective is to be able to select spruce seedlings with greater resistance to root rot and to create new seedlings either through traditional breeding or

through somatic embryogenesis. The technique entails the production of many identical copies of a tree from a single seed, and desirable characteristics can be developed in the same way as with cuttings.

Occupational health and safety

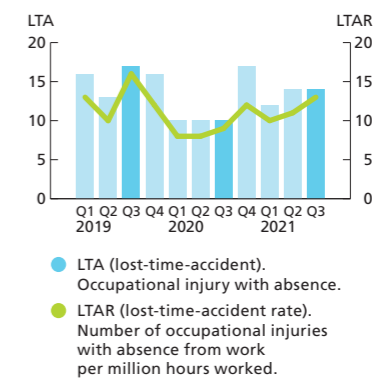
A safe and secure work environment is a basic requirement for Södra's operations and Södra has a zero accident vision.

In the third quarter of 2021, the number of lost-time-accidents (LTAs) was 14 (10) and the lost-time-accident rate (LTAR) was 13 (9).

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). Work is under way to align processes and guidelines across the Group and in the business areas.

Due to the current situation with COVID-19, Södra is continuously following the guidance issued by the Public Health Agency of Sweden to ensure a continued safe and secure workplace. On 29 September, Södra removed its restrictions related to COVID-19 for meetings, travel and remote working. A risk analysis linked to COVID-19 and the current situation, including an assessment of the future development, has been conducted. During the third quarter, a new internal training course was launched called "Work environment for employees".

Occupational injuries



The Board and President's assurance

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

Växjö, 20 October 2021

Lena Ek
Chairman

Paul Christensson
Vice Chairman

Kristina Alsér
Board member

Dan Andersson
Employee representative

Hans Berggren
Board member

Pål Börjesson
Board member

Magnus Hall
Board member

Ylva op den Velde Hammargren
Board member

Pontus Johansson
Employee representative

Ulf Johansson
Board member

Lars Nilsson
Employee representative

Mats Sandgren
Board member

Lotta Lyrå
President and CEO

Assurance report

Södra Skogsägarna ekonomisk förening, corporate identity number 729500-3789

Introduction

We have conducted a review of the interim financial information (interim report) provided by Södra Skogsägarna ekonomisk förening at 30 September 2021, and the nine-month period ending on that date. The Board of Directors and the President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, 'Review of Interim Report Performed by the Independent Auditor of the Entity.' A review consists of making inquiries, primarily of persons responsible for financial and accounting

matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit in accordance with ISAs and other generally accepted auditing standards. The procedures performed in a review do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. Accordingly, the conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

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

Växjö, 20 October 2021

Martin Johansson
Authorised Public Accountant
PricewaterhouseCoopers AB

Madeleine Edberg
Authorised Public Accountant
PricewaterhouseCoopers AB

Carina Arvidsson Löw
Member Representative Auditor

Dick Stagmo
Member Representative Auditor

Condensed consolidated statement of comprehensive income

SEK million	2021 July–Sept	2020 July–Sept	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Net sales	6,999	4,925	20,018	15,918	20,351
Other revenue	127	45	243	93	486
Operating expenses	-4,631	-4,554	-15,147	-14,492	-18,673
Depreciation, amortisation and impairment	-347	-323	-1,093	-978	-1,273
Operating profit	2,148	93	4,021	541	891
Net financial items	-96	-6	-93	-97	-145
Profit before tax	2,052	87	3,928	444	746
Income tax	-262	-41	-549	-96	-67
Loss on asset held for sale	—	—	—	—	-537
Profit for the period	1,790	46	3,379	348	142
Other comprehensive income					
Items that will not be reclassified to profit or loss	82	-35	82	-43	2
Items that will be reclassified to profit or loss	10	19	36	0	47
Other comprehensive income for the period	92	-16	118	-43	49
Total comprehensive income for the period	1,882	30	3,497	305	191
Profit attributable to					
Owners of the Parent	1,790	46	3,379	348	142
Profit for the period	1,790	46	3,379	348	142
Comprehensive income attributable to					
Owners of the Parent	1,882	30	3,497	305	191
Comprehensive income for the period	1,882	30	3,497	305	191

Condensed consolidated statement of financial position

SEK million	30 Sept 2021	30 Sept 2020	31 Dec 2020
ASSETS			
Intangible assets	65	410	107
Property, plant and equipment	15,354	15,224	15,262
Biological assets	3,364	2,956	3,338
Shares and participations in associates	248	270	367
Financial investments	131	34	33
Other non-current receivables	13	23	40
Deferred tax assets	11	4	3
Total non-current assets	19,186	18,921	19,150
Inventories	3,732	3,232	3,364
Tax assets	25	126	13
Operating receivables	4,495	3,892	3,216
Current investments	1,348	868	887
Cash and cash equivalents	3,285	2,313	2,300
Assets held for sale	—	—	323
Total current assets	12,885	10,431	10,103
TOTAL ASSETS	32,071	29,352	29,253
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent	19,800	16,822	16,759
Total equity	19,800	16,822	16,759
Non-current interest-bearing financial liabilities	1,124	1,210	1,248
Non-current interest-bearing operating liabilities	117	293	139
Provisions for pensions	354	525	463
Non-current provisions	139	111	100
Deferred tax liabilities	1,539	1,550	1,624
Other non-current operating liabilities	7	22	7
Total non-current liabilities	3,280	3,711	3,581
Current interest-bearing financial liabilities	4,344	5,143	5,235
Current interest-bearing operating liabilities	64	95	76
Income tax liabilities	460	2	15
Other current operating liabilities	4,123	3,579	3,147
Liabilities held for sale	—	—	440
Total current liabilities	8,991	8,819	8,913
Total liabilities	12,271	12,530	12,494
TOTAL EQUITY AND LIABILITIES	32,071	29,352	29,253

Condensed consolidated statement of changes in equity

SEK million	Total equity
Opening balance, 1 January 2021	16,759
Comprehensive income for the year	3,497
Contributed capital, paid-up by members	95
Contributed capital, paid-out to members	-42
Dividends to members	-509
Closing balance, 30 September 2021	19,800
Opening balance, 1 January 2020	17,382
Comprehensive income for the year	305
Contributed capital, paid-up by members	83
Contributed capital, paid-out to members	-47
Dividends to members	-901
Closing balance, 30 September 2020	16,822

Condensed consolidated statement of cash flows

SEK million	2021 Jan-Sept	2020 Jan-Sept	2020 Jan-Dec
Profit before tax	3,928	444	746
Loss on asset held for sale	—	—	-537
Adjustment for non-cash items and change in provisions	1,292	895	1,584
Income tax paid	-230	-80	85
Net cash flow from operating activities before change in working capital	4,990	1,259	1,878
Change in inventories (increase -)	-479	505	207
Change in operating receivables (increase -)	-1,065	-362	294
Change in operating liabilities (increase +)	816	318	-62
Cash flow from operating activities	4,262	1,720	2,317
Cash flow from investing activities	-1,358	-920	-1,671
Cash flow after investing activities	2,904	800	646
Change in contributed capital	53	36	88
Dividends paid	-509	-901	-901
Change in loans from members	77	345	539
Change in loans	-1,092	-90	-151
Change in current investments with maturity > 90 days	-455	61	21
Cash flow from financing activities	-1,926	-549	-404
CASH FLOW FOR THE PERIOD	978	251	242
Cash and cash equivalents at beginning of period	2,300	2,072	2,072
Exchange gains/losses on cash and cash equivalents	7	-10	-14
Cash and cash equivalents at end of year	3,285	2,313	2,300

Parent Company

Result and financial position

Net sales rose to SEK 6,081 million (4,313) and operating profit increased to SEK 2,038 million (84). The positive sales trend was due to considerably stronger price levels for Södra's core products, while delivery volumes for both softwood sulphate pulp and sawn timber were lower than the preceding year. Operating profit for the quarter reflects the highly favourable price formation for both pulp and sawn timber. The result was boosted by Södra's well-invested facilities, which continued to deliver high volumes at a stable level with high quality. Net financial expense for the quarter amounted to SEK -13 million (-1). Profit after net financial items for the period totalled SEK 2,025 million (85).

Members

The number of members declined to 52,254 (52,921 at year-end) and the affiliated forest area increased to 2.71 million hectares (2.70 at year-end).

Parent Company income statement, condensed

SEK million	2021 July-Sept	2020 July-Sept	2021 Jan-Sept	2020 Jan-Sept	2020 Jan-Dec
Net sales	6,081	4,313	17,539	14,184	18,691
Other revenue	59	41	179	104	149
Operating expenses	-3,808	-3,987	-12,992	-12,886	-17,255
Depreciation, amortisation and impairment	-294	-283	-899	-846	-1,134
Operating profit	2,038	84	3,827	556	451
Net financial items	-13	1	-175	-88	-374
Profit after financial items	2,025	85	3,652	468	77
Appropriations	—	—	—	—	138
Profit before tax	2,025	85	3,652	468	215
Income tax	-300	-35	-547	-80	-29
Profit for the period	1,725	50	3,105	388	186

Parent Company balance sheet, condensed

SEK million	30 Sept 2021	30 Sept 2020	31 Dec 2020
ASSETS			
Intangible assets	2	3	2
Property, plant and equipment	13,414	12,921	13,129
Shares and participations in Group companies	4,489	4,653	4,462
Shares and participations in associates	99	98	99
Surplus in funded pension plans	5	2	2
Other non-current investments	33	33	33
Other non-current receivables	12	23	22
Deferred tax assets	33	42	37
Total non-current assets	18,087	17,775	17,786
Inventories	2,757	2,313	2,456
Current interest-bearing receivables from Group companies	811	901	899
Current receivables	3,956	3,556	2,918
Current financial investments	1,960	1,062	1,155
Cash and bank balances	2,372	1,905	1,869
Total current assets	11,856	9,737	9,297
TOTAL ASSETS	29,943	27,512	27,083
EQUITY AND LIABILITIES			
Restricted equity	6,446	6,252	6,304
Non-restricted equity	6,242	3,939	3,737
Total equity	12,688	10,191	10,041
Untaxed reserves	7,213	7,485	7,213
Provisions	143	113	102
Non-current interest-bearing liabilities from Group companies	8	8	8
Non-current interest-bearing liabilities	1,124	1,210	1,248
Non-current operating liabilities	7	6	6
Total non-current liabilities	1,139	1,224	1,262
Current interest-bearing liabilities from Group companies	461	228	132
Current interest-bearing liabilities	4,344	5,121	5,209
Current tax liabilities	408	—	9
Current operating liabilities and provisions	3,547	3,150	3,115
Total current liabilities	8,760	8,499	8,465
TOTAL EQUITY AND LIABILITIES	29,943	27,512	27,083

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 2020 Annual Report, except for new standards and revisions of standards and interpretations applicable to annual periods beginning on or after 1 January 2021 and that have not already been applied in the preparation of the 2020 Annual Report. The effect of assets held for sale is presented in the Consolidated statement of comprehensive income and Consolidated statement of financial position.

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 2021 financial year has been planned, and none of these are expected to have any material impact on the consolidated financial statements.

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

The new Södra Innovation business area established in the first quarter is also reported as a segment. Prior periods have been restated, making comparison with previously published information difficult.

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 2020 Annual Report. For a description of risks and uncertainties, refer to Södra's 2020 Annual Report under 'Risks and risk management' on pages 52–53. 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 2020.

Note 4 | Revenue

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

SEK million	July–Sept											
	Södra Skog		Södra Wood		Södra Cell		Södra Innovation		Other segments		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Wood raw material	486	389	—	—	—	—	—	—	—	—	486	389
Wood products	—	—	2,539	1,319	—	—	21	14	—	—	2,560	1,333
Market pulp	—	—	—	—	3,086	2,276	—	—	—	—	3,086	2,276
Energy products	77	74	38	34	171	232	15	12	—	—	301	352
Houses and lots	—	—	—	—	—	—	—	—	87	136	87	136
Forestry services	357	323	—	—	—	—	—	—	—	—	357	323
Transportation	102	51	—	—	—	—	—	—	—	—	102	51
Construction contracts	—	—	—	—	—	—	—	—	10	55	10	55
Other	10	10	—	—	—	—	—	—	0	0	10	10
Net sales, goods and services	1,032	847	2,577	1,353	3,257	2,508	36	26	97	191	6,999	4,925

Note 5 | Financial instruments

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

Group SEK million	30 September 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial investments	34	34	34	34
Other non-current receivables	9	9	—	—
Operating receivables	3,604	3,604	2,386	2,386
Current investments	1,348	1,348	887	887
Cash and cash equivalents	3,285	3,285	2,300	2,300
Total assets, financial instruments	8,280	8,280	5,607	5,607
Other assets, non-financial instruments	23,791	—	23,646	—
Total assets	32,071	—	29,253	—
Non-current liabilities	1,241	1,283	1,507	1,572
Current interest-bearing liabilities	4,408	4,417	5,331	5,392
Current operating liabilities	2,864	2,864	2,360	2,361
Total liabilities, financial instruments	8,513	8,564	9,200	9,325
Other liabilities, non-financial instruments	3,758	—	3,294	—
Total liabilities	12,271	—	12,494	—

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, 30 September 2021

SEK million	Level 1	Level 2	Level 3	Total
Assets	1,348	—	46	1,394
Liabilities	—	—	1	1

Group, 31 December 2020

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

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 30 September 2021, the estimated fair value of Södra's standing timber was SEK 3,364 million (3,338 at 31 December 2020). The change on the balance sheet was SEK 26 million (38) and pertained to exchange-rate effects.

As of 31 December 2020, Södra has applied 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 | 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 third quarter of 2021, there were no scheduled maintenance shutdowns. In the year-earlier period, costs amounted to SEK 42 million.

Note 8 | Business combinations

During the second quarter, Ture Johansson Trävaru AB, Tenhults Impregneringsverk AB and Hordab Mekaniska Verkstad AB were acquired. The acquisitions are not deemed material in relation to the Group's sales and earnings.

Quarterly data and segment information

	2021 July–Sept	2020 July–Sept	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
NET SALES, SEK MILLION					
Södra Skog	2,670	2,428	8,965	8,509	11,510
of which external	(1,032)	(847)	(3,798)	(3,276)	(4,578)
Södra Wood	2,734	1,510	7,268	4,553	6,143
of which external	(2,577)	(1,353)	(6,705)	(3,998)	(5,383)
Södra Cell	3,284	2,545	9,029	8,039	10,227
of which external	(3,257)	(2,508)	(8,923)	(7,923)	(10,076)
Södra Innovation	40	21	125	83	114
of which external	(36)	(26)	(112)	(83)	(105)
Other segments	97	191	480	639	209
of which external	(97)	(191)	(480)	(639)	(210)
Intra-Group	—	—	—	—	—
Eliminations	-1,826	-1,770	-5,849	-5,905	-7,852
Group	6,999	4,925	20,018	15,918	20,351
OPERATING PROFIT/LOSS BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT, SEK MILLION					
Södra Skog	21	54	138	140	514
Södra Wood	1,173	181	2,545	376	641
Södra Cell	1,491	231	3,013	1,261	1,273
Södra Innovation	61	-14	-26	-103	-145
Other segments	5	-2	6	0	36
Intra-Group	-254	-35	-561	-155	-155
Eliminations	-2	—	-1	—	—
Group	2,495	415	5,114	1,519	2,164
OPERATING PROFIT/LOSS, SEK MILLION					
Södra Skog	4	35	88	88	445
Södra Wood	1,121	136	2,327	231	447
Södra Cell	1,248	-8	2,286	544	317
Södra Innovation	56	-18	-39	-114	-161
Other segments	5	-10	-10	-30	25
Intra-Group	-284	-42	-629	-178	-182
Eliminations	-2	—	-2	—	—
Group	2,148	93	4,021	541	891
OPERATING MARGIN, %					
Södra Skog	0	1	1	1	4
Södra Wood	41	9	32	5	7
Södra Cell	38	18	25	7	3
Södra Innovation	140	neg.	neg.	neg.	neg.
Other segments	5	neg.	neg.	neg.	neg.
Intra-Group	neg.	neg.	neg.	neg.	—
Eliminations	—	—	—	—	—
Group	31	2	20	3	2
ASSETS, SEK MILLION					
Södra Skog	—	—	4,860	4,081	4,325
Södra Wood	—	—	6,265	3,240	3,405
Södra Cell	—	—	19,837	17,758	17,667
Södra Innovation	—	—	325	101	186
Other segments	—	—	182	1,413	1,201
Intra-Group	—	—	2,048	3,970	3,789
Eliminations	—	—	-1,446	-1,211	-1,320
Group	—	—	32,071	29,352	29,253

	2021 July–Sept	2020 July–Sept	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
AVERAGE OPERATING CAPITAL, SEK MILLION					
Södra Skog	—	—	4,962	4,626	5,047
Södra Wood	—	—	3,277	3,020	3,069
Södra Cell	—	—	13,105	13,114	12,862
Södra Innovation	—	—	454	207	292
Other segments	—	—	352	1,076	767
Intra-Group	—	—	—	—	—
Eliminations	—	—	—	—	—
Group, average capital employed	—	—	20,940	21,156	21,039
RETURN ON OPERATING CAPITAL, %					
Södra Skog	—	—	2	3	9
Södra Wood	—	—	95	10	13
Södra Cell	—	—	23	6	2
Södra Innovation	—	—	neg.	neg.	neg.
Other segments	—	—	neg.	neg.	neg.
Intra-Group	—	—	—	—	—
Eliminations	—	—	—	—	—
Consolidated return on capital employed, %	—	—	26	3	2
CASH FLOW AFTER INVESTMENTS, SEK MILLION					
Södra Skog	357	327	619	642	250
Södra Wood	1,296	494	1,891	426	510
Södra Cell	907	80	1,348	419	686
Södra Innovation	-136	-64	-287	-48	-161
Other segments	77	-92	251	-251	-226
Intra-Group	-382	1	-918	-388	-413
Eliminations	—	—	—	—	—
Group	2,119	746	2,904	800	646
INVESTMENTS, SEK MILLION					
Södra Skog	33	21	124	77	126
Södra Wood	41	21	115	103	140
Södra Cell	175	201	676	665	1,001
Södra Innovation	129	9	279	35	152
Other segments	0	13	3	51	75
Intra-Group	0	2	121	25	55
Eliminations	—	—	-80	—	—
Group	378	267	1,238	956	1,549
AVERAGE NO. OF EMPLOYEES					
Södra Skog	—	—	631	616	596
Södra Wood	—	—	954	882	884
Södra Cell	—	—	1,196	1,182	1,185
Södra Innovation	—	—	91	74	77
Other segments	—	—	45	180	177
Intra-Group	—	—	209	193	193
Group	—	—	3,126	3,127	3,112

Alternative performance measures

NET SALES, CHANGE IN %

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Opening net sales	15,918	17,908	23,183
Closing net sales	20,018	15,918	20,351
Assets held for sale	—	—	679
Closing incl. Assets held for sale	20,018	15,918	21,030
Change	26	-11	-9

Shows Södra's growth.

OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT, SEK MILLION

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Operating profit/loss	4,021	541	891
Assets held for sale	—	—	-537
Operating profit incl. assets held for sale	4,021	541	354
Depreciation, amortisation and impairment	1,093	978	1,273
Assets held for sale	—	—	341
Depreciation, amortisation and impairment	1,093	978	1,614
Operating profit before depreciation, amortisation and impairment	5,114	1,519	1,968

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

EBITDA MARGIN, %

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Operating profit before depreciation, amortisation and impairment	5,114	1,519	1,968
Net sales	20,018	15,918	21,030
EBITDA margin	26	10	9

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

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Net sales	20,018	15,918	20,351
Other revenue	243	93	486
Operating expenses	-15,147	-14,492	-18,673
Depreciation, amortisation and impairment	-1,093	-978	-1,273
Assets held for sale	—	—	-537
Operating profit	4,021	541	354

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, %

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Operating profit including assets held for sale	4,021	541	354
Net sales including assets held for sale	20,018	15,918	21,030
Operating margin	20	3	2

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

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Interest-bearing provisions	—	—	—
Interest-bearing liabilities	5,649	6,741	6,838
Financial receivables	0	0	0
Current investments and cash and cash equivalents	-4,633	-3,181	-3,187
Net debt	1,016	3,560	3,651

Shows Södra's financial strength.

DEBT/EQUITY RATIO, TIMES

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Net debt, SEK million	1,016	3,560	3,651
Equity	19,800	16,822	16,759
Debt/equity ratio	0.1	0.2	0.2

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

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Assets	32,071	29,352	29,253
Financial assets	-4,764	-3,215	-3,220
Provisions*	-139	-111	-100
Income tax*	-1,999	-1,552	-1,639
Non-interest-bearing operating liabilities	-4,130	-3,601	-3,154
Assets held for sale	—	—	-300
Capital employed	21,039	20,873	20,840
Average	20,940	21,056	21,039

*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, %

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Average capital employed	20,940	21,056	21,039
Operating profit/loss	4,021	541	891
Assets held for sale	—	—	-537
Operating profit including assets held for sale	4,021	541	354
12-month operating profit	5,361	721	354
Return	26	3	2

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

EQUITY RATIO, %

	2021 Jan–Sept	2020 Jan–Sept	2020 Jan–Dec
Equity	19,800	16,822	16,759
Assets	32,071	29,352	29,253
Equity ratio	62	57	57

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

- » The interim report for October–December will be published in February 2022.
- » Interim reports can be downloaded from 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 on 21 October 2021.

This is Södra

Founded in 1938, Södra is Sweden's largest forest-owner association with just over 52,000 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.

Contact information and address

Peter Karlsson, CFO

TELEPHONE +46 (0)470-890 28

E-MAIL peter.ma.karlsson@sodra.com

Södra Skogsägarna ekonomisk förening

ADDRESS Skogsudden, SE-351 89 Växjö, Sweden

TELEPHONE +46 (0)470-890 00

E-MAIL info@sodra.com, medlemsservice@sodra.com

WEBSITE sodra.com

