

Södra's interim report

1 April – 30 June 2024

- » Net sales amounted to SEK 7,527 million (7,322).
- » Operating profit before depreciation, amortisation and impairment amounted to SEK 773 million (803).
- » Operating profit totalled SEK 398 million (464).
- » The operating margin was 5 percent (6).
- » Cash flow after investments was a negative SEK 166 million (pos: 606).

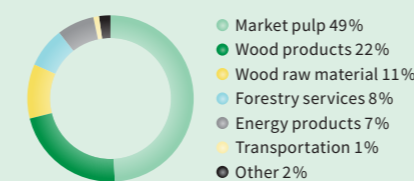
Key indicators	2024 Apr–Jun	2023 Apr–Jun	2024 Jan–Jun	2023 Jan–Jun	2023 Jan–Dec
Net sales, SEK million	7,527	7,322	15,140	15,323	28,896
Operating profit before depreciation, amortisation and impairment, SEK million	773	803	1,716	2,221	3,677
Operating profit, SEK million	398	464	966	1,549	2,226
EBITDA margin	10%	11%	11%	14%	13%
Operating margin	5%	6%	6%	10%	8%
Return on capital employed	—	—	8%	13%	9%
Equity ratio	—	—	60%	61%	64%
Cash flow after investments, SEK million	-166	606	1,161	929	79
No. of members	—	—	52,100	51,780	51,774
Affiliated forest area, million hectares	—	—	2.82	2.80	2.81
Average no. of employees ¹⁾	3,212	—	3,170	3,348	3,251
Positive climate effect ²⁾ , Mt CO ₂ e	—	—	—	—	11.4
Lost time accidents (LTA) 3), no.	11	8	20	21	38
Lost time accident rate (LTAR) ⁴⁾	8	6	7	8	7

¹⁾ New definition from 2024: comprises actual hours worked divided by scheduled hours for a full-time employee. As of the second quarter of 2024, the average number of employees per quarter is also reported. The comparative figures for full-year 2023 have been restated.
²⁾ CO₂e=carbon dioxide equivalents. This key indicator is not calculated on an annual basis.
³⁾ LTA (lost time accident): occupational injury with absence.
⁴⁾ LTAR (lost time accident rate): number of occupational injuries with absence per million hours worked.

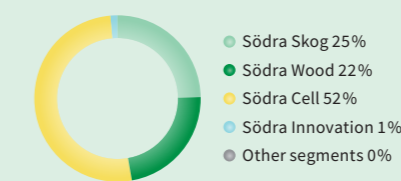
This is a translation of the interim report. This translation does not replace the original report. In the event of any lack of clarity or disparity between this translation and the interim report, the interim report will always take precedence.

The quarter in figures

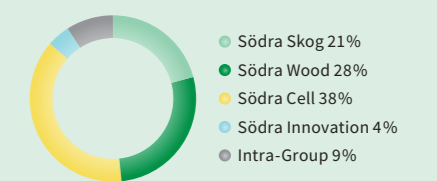
Some of our most important figures and key indicators for the second quarter of 2024.



Net sales per revenue category. SEK 7,527 million in total, excluding internal deliveries.



Net sales per business area. SEK 7,527 million in total, excluding internal deliveries.



Average no. of employees per business area. 3,212 employees in total.

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

The quarter in brief



Largest producer of kraft lignin in the world

Södra is establishing a new business to become a world leader in the production of kraft lignin. The production facility at the combined facility in Mönsterås will be the first commercial facility in Sweden and the largest of its kind in the world. It's expected to be in operation in 2027. This is an investment of over SEK 2 billion, supported by the Swedish Energy Agency.

Kraft lignin can replace fossil materials in, among other things, glue, batteries, rubber and composites, and form the basis for new biofuels.

"The forest is being called on for many things as society seeks to replace fossil-based materials. To succeed in that transition, sustainability and profitability need to go hand in hand and Södra's kraft lignin investment is a good example of that. We are doing more with each tree and strengthening our profitability. This is a big investment for Södra and for the green transition," said Lotta Lyrå, CEO of Södra.



OnceMore® and Lindex celebrate the Swedish midsummer

Together with Lindex, OnceMore® has launched a midsummer collection. It is inspired by Swedish flora and is composed of dresses, tops, trousers, shorts, skirts, blouses and accessories with unique hand-painted floral patterns.

OnceMore® is a high-quality dissolving pulp made of textile waste and wood from Södra's responsibly managed

Swedish forest. The collaboration with Lindex started in 2022 and Lindex has so far produced more than one million garments based on OnceMore®.

Investment in production of vegetable tanning agent

Södra is investing in a production line at Värö which will create a vegetable tanning agent from bark. This new tannin can be used to process leather in a more environmentally friendly way. Scheduled to be commissioned in 2026, the plant will have the capacity to produce tannins for millions of square metres of leather.

"This investment decision fits well with our overall ambition to increase the added value from every tree and thus contribute to the profitability of the forest estate. Developing more environmentally friendly alternatives by making additional products from the forest is an excellent example of how we use our experience, knowledge and innovation expertise to make the most of the forest's resources," said Lotta Lyrå, CEO of Södra.



BraSatt planting machine receives award

BraSatt, Södra's investment in new advanced technology for better plant survival, was awarded in June at the Red Dot Awards, one of the world's most important design competitions. The innovation agency Boid and Södra have together with several other partners developed the first automated planting technology that won the Best-of-the-Best prize in the category "Autonomous".



SEK 1.5 billion to members

Södra's Annual General Meeting in Kalmar resolved to distribute profit of SEK 1,474 million to the members. This corresponds to an average distribution of SEK 28,478 per member and 65 percent of profit before tax and comprises.

- » Dividend on wood deliveries: SEK 844 million (12 percent)
- » Dividend on contributed capital (paid-up and issued): SEK 492 million (8 percent)
- » Bonus issue on paid-up contributed capital: SEK 138 million (6 percent).



A single tree produces a thousand opportunities

On the day after the Annual General Meeting, meeting participants took part in an excursion to the combined facility in Mönsterås with the theme of "A single tree produces a thousand opportunities".

"I arrived here as a forest owner and leave here as an industrial owner," said Tomas Svensson, a delegate in the Mönsterås forestry district.



Frontwood® is being used for interior design in a large innovation cluster

Södra's Frontwood® has been chosen for parts of the interior design in Construction City in Oslo, a leading and unique innovation cluster in the construction sector. With a vision of establishing a hub for innovations, the project's architect has focused on wood as the central building material.

"Construction City will serve as a living example of how wood can harmonise beauty, functionality, and sustainability and I'm excited about Södra's contribution to the interior design of this project. Frontwood is a wood product well-suited for creating a vibrant expression and promoting well-being," said Lars Broström, Sales Manager for facades and interior cladding at Södra.

Membership in network for diversity and inclusion issues

In order to accelerate work with gender equality, diversity and inclusion, Södra has become a member of the Diversity Charter Sweden, the world's largest diversity and inclusion network.

"We are proud, delighted and interested to see how the membership can help our activities – our joint effort to create an even more equal and inclusive Södra where everyone feels welcome, respected and appreciated," said HR Director Isabella Wärvik.



Investment in unique drone solution for forestry activities

Södra Ädla has become a partner in Nordluft Automation – a Swedish startup that is developing a unique drone solution to spread bio-ash and forest fertilisation in forestry. The drones are loaded with bio-ash or fertiliser from a base station and are then flown multiple times to spread these across the surrounding land.

"We see that drone-based ash recycling adds significant value for forest estates and the investment is yet another step for Södra to actively contribute to the development of smarter forest management with increased circularity," said Erik Bengtson, Investment Manager at Södra Ädla.



Further investments in green electricity generation at Mönsterås

In order to ensure increased electrification and high availability, a decision was taken to complement existing electricity infrastructure in Mönsterås through an investment in gas-insulated switchgear (GIS). The mill at Mönsterås is one of the most modern and high-tech pulp mills in the world, but is also an important and significant producer of green electricity in electricity price area 4.



Lotta Lyrå
President & CEO

Stable quarter with important strategic decisions

Södra's strategy aims to maximise the value of every tree in the members' forests. During the second quarter of 2024, we took important steps in that direction with the decision to invest in kraft lignin and tannin, at the same time as our business continued to deliver a stable result. And with the assignment to refine and renew the value of family forestry, Södra can continue to deliver products and solutions that facilitate the climate transition and strengthen the profitability of family forest owners. Sustainability and profitability should go hand in hand.

In the second quarter, Södra delivered a stable result that was just ahead of expectations. The result was positively impacted above all by high pulp prices and good cost control, while it was burdened by higher raw material prices and costs of approximately SEK 275 million for scheduled maintenance shutdowns at Värö and Mörrum. Operating profit totalled SEK 398 million and sales increased 3 percent compared with the year-earlier period to SEK 7,527 million. Return on capital employed was 8 percent, and the equity ratio was 60 percent. During the quarter, our work with World-class efficiency – our way of working with continuous improvements – generated improvements and efficiencies with a recurring annual effect of SEK 184 million.

High paper pulp prices and stable prices for sawn timber

Demand for paper pulp remains positive in relation to supply, and this is reflected in a favourable price scenario. For sawn timber, the weak economy has continued to affect the market, though prices have been maintained due to low supply situation.

The consolidation of the industrial structure within Södra Wood, which we began at the beginning of the year, has progressed as planned. The industrial adaptation is in response to the prevailing raw material situation and creates better platform for our competitiveness moving forward. The ramping up of the CLT facility at Värö is proceeding well and there is good delivery potential when the market recovers. The quarter also indicated a slight improvement in order book for CLT, albeit from a low level. Demand remains high for forest raw material and during the quarter we adjusted our prices, thereby strengthening profitability for the members of Södra.

The announcement during the spring of lower inflation and falling interest rates signals the potential of a brighter outlook for the economy. The probability of further cuts has increased, which should provide further support for market demand moving ahead. Forecasts indicate an economic recovery. In parallel, there is a shortage of raw material that is expected to be long-term, with continued high prices for forest raw materials. This is favourable for members while making additional demands on strengthened competitiveness in Södra's value chain and industry.

New business increases added value from every tree

During the quarter, we decided to establish two new businesses for Södra – kraft lignin and tannin – two good examples of how Södra strives to ensure that sustainability and profitability go hand in hand. Kraft lignin can replace fossil materials in, among other things, the production of glue, rubber and batteries. The investment of more than SEK 2 billion in Mönsterås is expected to be operational in 2027 and will make us the largest kraft lignin producer in the world. The investment is financed by own funds, cash flow from operating activities, and with support from the Swedish Energy Agency.

There is substantial interest and we have already signed agreements with customers for a large share of the future production volume. Tannin is another new product where we can harness the tree's broad potential. This is a vegetable tanning agent from bark that can be used to process leather in a more environmentally friendly way. The investment is being made in a production line at Värö and is scheduled to become operational in 2026.

A single tree produces a thousand opportunities

Södra was founded on the conviction that we become stronger together. One occasion when this becomes apparent is at the Annual General Meeting. This year's Meeting at the end of May resolved to disburse SEK 1.5 billion to the members, which reflects Södra's strength.

It is also from this position of strength – built by family forest owners, elected representatives and employees over more than 80 years – that we address the future. Climate change, geopolitical developments and a changing forest policy means we find ourselves in a new position with a raw material situation that is having a fundamental impact on the market.

The new situation offers many opportunities for a cooperative that is in step with the times, with the unique commitment brought about by member ownership, and there are competitive advantages for the industrial operators that can use the entire tree wisely. We approach this transition with great humility but also with the conviction that with changing conditions comes new opportunities. We stand firm and are curious in the knowledge that a single tree produces a thousand opportunities.



The period in brief

Operating profit for the quarter totalled SEK 398 million, compared with SEK 464 million in the year-earlier period. Sales rose 3 percent to SEK 7,527 million (7,322). Return on capital employed was 8 percent (13) and the equity ratio was 60 percent (61).

Market conditions

Global economic growth was minor but stable. The economic trend has varied depending on where we look. The continuing volatile geopolitical situation contributed to a degree of unpredictability for industry and export-dependent countries, in terms of both inflation and growth. In general, however, inflation has continued to fall, mainly driven by declining energy prices. Overall, lower inflationary pressure and an expectation of lower interest rates contributed to the improved economic outlook during the second quarter.

The economic situation for the global manufacturing industry improved though it remains difficult to discern any clear growth. The US economy has been strong, but has shown signs recently of a slowdown. The European economy has shown a mixed performance during the year but growth seems to be improving.

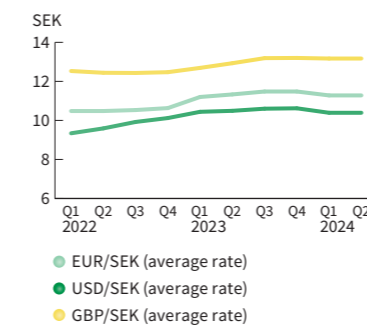
The improved economic outlook is driven by dampened inflationary pressure. The Federal Reserve (Fed) has signalled that a first interest rate cut could take place in the second half of the year. The European Central Bank (ECB) cut interest rates in June but emphasised that further cuts would be based on future inflation and wage trends. At its latest meeting in June,

the Riksbank left the benchmark interest rate unchanged. Assuming the inflationary outlook is accurate, it sees an opportunity to cut the benchmark interest rate two or three times during the second half of the year.

According to the National Institute of Economic Research's (NIER) Swedish Economy Report for June, Swedish businesses perceived the current situation as neither weaker nor stronger than normal. During the second quarter, Swedish households became less pessimistic about the future. Expectations of lower interest rates have probably contributed to increased optimism among households and companies. However, the labour market has continued to weaken slightly during the second quarter. Redundancies, which have been high for some time, have continued to rise. Despite weak demand for labour, the employment rate has remained high. Household consumption remained relatively weak and is not expected to increase until interest rates are cut.

In the second quarter, the SEK weakened against the USD, EUR and GBP on average compared with the preceding quarter. Year-on-year, the SEK was weaker against the USD, EUR and GBP on average.

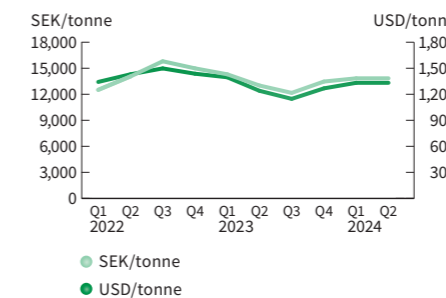
Foreign exchange rates



The diagram shows the annual average exchange rate.

Source: ECB

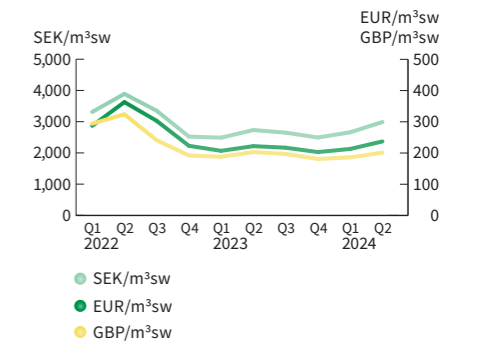
Delivery prices for bleached softwood sulphate pulp



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

Source: FOEX PIX and Södra

Delivery prices for sawn timber



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

Source: Södra

Wood supply

Demand for raw material from the forest was favourable during the quarter. Forest production was higher than the year-on-year period.

Conditions for harvesting were very good with no restrictions linked to the risk of fire, which was a reality last year. This, in combination with maintenance shutdowns in the pulp industry, led to additional terminal handling, but will strengthen the balance ahead of coming quarters. Södra notes continued favourable demand for all ranges.

Sawn timber

During the quarter, the sawn timber market was characterised by relatively weak demand from our European customers, and this – in combination with maintained production levels – has led to an increase in inventories among producers during the period. Prices during the quarter were stable, though we can see increased competition in certain markets, especially in the UK and Ireland. In Sweden, Södra sees improved demand from industrial customers, but a more cautious sales trend in the building materials trade.

For markets outside Europe, Japan reported healthy demand, while other markets are cautious in the same way as Europe. At one stage during the quarter, all purchasing was halted in Egypt, but the country has now re-entered the market. Demand is good in the US, though weak figures for new con-

struction meant that prices fell at the end of the quarter. However, there is good potential for these to make a swift recovery.

Pulp market

The pulp market in Europe remained strong, primarily due to a lower supply during the spring resulting in low producer inventories. The paper pulp market remains favourable though price increases are now being met with some resistance. The global economy is still relatively weak. Transport restrictions due to unrest near the Red Sea remain in place and have increased the price of transportation to and from Asia. The market situation in China is slightly cooler, due to overcapacity in paper and stagnated profitability, and accordingly the price trend has been slightly lower.

Södra has low inventories of pulp following protracted maintenance shutdowns during the quarter. The market for dissolving pulp was relatively stable during the quarter with slightly rising prices.

Net sales

During the quarter, consolidated net sales amounted to SEK 7,527 million (7,322), up 3 percent, mainly due to higher price levels despite slightly lower delivery volumes for Södra’s core products.

Net sales for the first half-year amounted to SEK 15,140 million (15,323), down 1 percent.

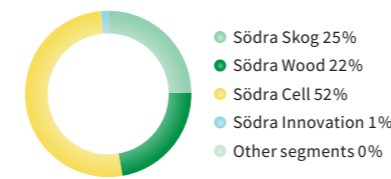
Result

Operating profit for the quarter totalled SEK 398 million (464), representing an operating margin of 5 percent (6). Profit before tax was SEK 418 million (433). Tax expense for the period was SEK 102 million (124). Operating profit for the quarter was just ahead of expectations and reflects the price increase in the market for Södra’s core products.

Operating profit for the first half-year totalled SEK 966 million (1,549). Return on capital employed was 8 percent (13).

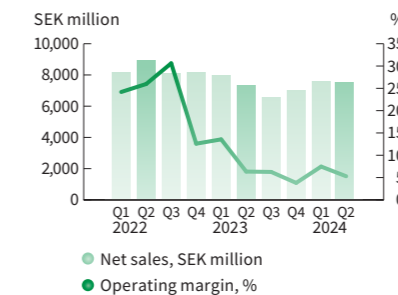
BUSINESS AREAS	Net sales					Operating profit				
	2024 Apr-Jun	2023 Apr-Jun	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec	2024 Apr-Jun	2023 Apr-Jun	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Södra Skog	1,867	1,688	3,452	3,320	6,260	46	31	32	10	367
Södra Wood	1,691	1,681	3,312	3,341	6,083	128	8	93	-26	-175
Södra Cell	3,884	3,855	8,186	8,464	16,142	380	572	1,160	1,782	2,631
Södra Innovation	85	98	190	198	411	-54	-19	-123	-89	-227
Other	—	—	—	—	—	-102	-128	-196	-128	-370
Group	7,527	7,322	15,140	15,323	28,896	398	464	966	1,549	2,226

Sales per business area

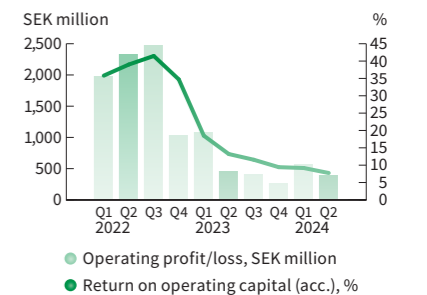


SEK 7,527 million in total, excluding internal deliveries.

Net sales and operating margin



Operating profit/loss and return on capital employed



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

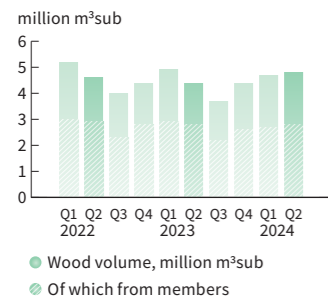
Business areas

Södra Skog

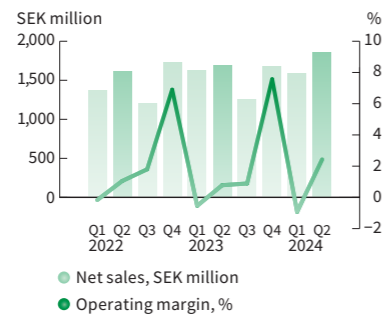
Södra Skog's operating profit for the quarter totalled SEK 46 million (31). Sales for the quarter amounted to SEK 1,867 million (1,688), an effect of further price increases and higher delivery volumes. Demand for all ranges was good, though logistics challenges meant that excess pulpwood was handled via terminals. The total outbound deliveries of saw logs, pulpwood and

energy products for the quarter were 4.8 million m³sub (4.4). The earnings trend during the quarter was primarily due to higher delivery volumes resulting from favourable conditions for harvesting and road transport. Margins declined due to increased costs for terminal handling. Cumulative sales amounted to SEK 3,452 million (3,320) and operating profit totalled SEK 32 million (10).

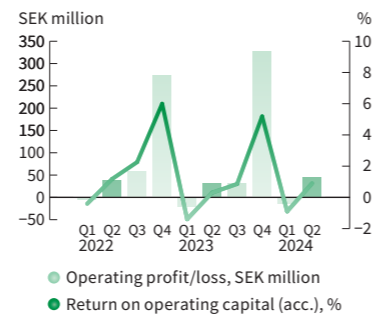
Wood volume



Net sales and operating margin



Operating profit/loss and return on operating capital



Södra Wood

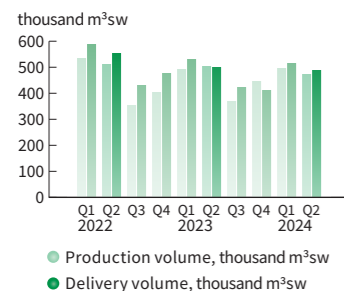
Södra Wood's operating profit for the quarter totalled SEK 128 million (8). Sales for the quarter amounted to SEK 1,691 million (1,681), mainly an effect of increased delivery prices.

The production volume for the quarter was 473 thousand m³sw, down 31 thousand m³sw compared with the year-earlier period. Outbound deliveries of sawn timber for the quarter

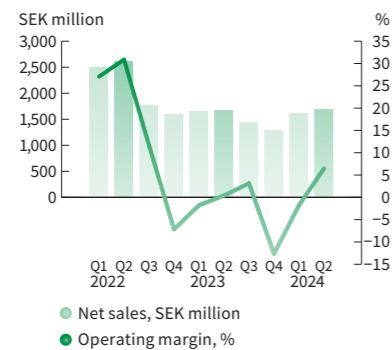
were 490 thousand m³sw, down 11 thousand m³sw compared with the year-earlier period.

The earnings trend during the quarter was mainly due to higher delivery prices despite slightly lower demand in the sawn timber market. Cumulative sales amounted to SEK 3,312 million (3,341) and operating profit totalled SEK 93 million (loss: 26).

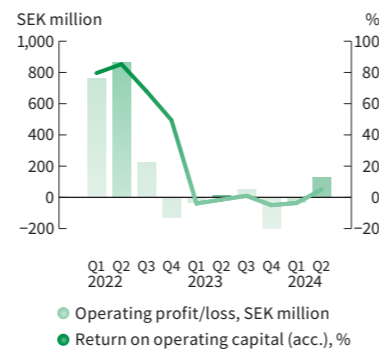
Production and delivery volume, sawn timber



Net sales and operating margin



Operating profit/loss and return on operating capital



Södra Cell

Södra Cell's operating profit for the quarter totalled SEK 380 million (572). Sales for the quarter amounted to SEK 3,884 million (3,855), an effect of higher pulp prices and price reductions for energy products.

During the quarter, the production volume totalled 413 ktonnes (430), comprising 362 ktonnes (383) of softwood sulphate pulp, 29 ktonnes (12) of hardwood sulphate pulp and 22 ktonnes (36) of dissolving pulp. Outbound deliveries of pulp for the quarter were 445 ktonnes, down 12 ktonnes compared with the year-earlier period. Outbound deliveries of liquid bioproducts for the quarter amounted to 9 ktonnes,

up 2 ktonnes higher compared with the year-earlier period. The earnings trend during the quarter was primarily due to lower delivery volumes resulting from scheduled maintenance shutdowns and higher raw material costs, which were offset by rising pulp prices. Cumulative sales amounted to SEK 8,186 million (8,464) and operating profit totalled SEK 1,160 million (1,782). During the quarter, electricity generated by the pulp mills, wind turbines and the hydropower plant was 417 GWh. Excess electricity amounted to 119 GWh. The excess represented about 29 percent of the generated volume and was sold on the open market.

Production and delivery volume, pulp



Net sales and operating margin



Operating profit/loss and return on operating capital



Södra Innovation

Södra Innovation's operating loss for the quarter totalled SEK 54 million (loss: 19). Sales for the quarter amounted to SEK 85 million (98), an effect of the prevailing market conditions with lower demand.

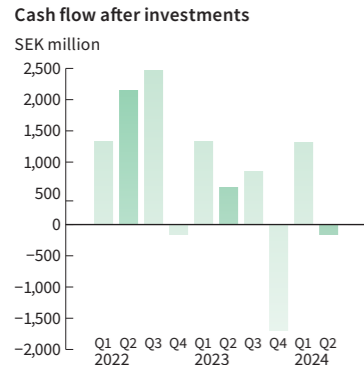
The year-on-year earnings trend was mainly attributable to depreciation and lower profit from shares in associates. Ongoing innovation initiatives are progressing as planned. Cumulative sales amounted to SEK 190 million (198) and operating loss totalled SEK 123 million (loss: 89).

Net financial items

Net financial items for the quarter amounted to income of SEK 20 million (expense: 31).

Cash flow

Cash flow before investments for the quarter was SEK 324 million (1,156). Cash flow after investments for the quarter was a negative SEK 166 million (pos: 606). At the end of the quarter, cash and cash equivalents and current investments amounted to SEK 10,341 million (9,723 at 31 December 2023).



During the quarter, cash flow after investments was a negative SEK 166 million.

Financial position

At 30 June 2024, equity amounted to SEK 25,839 million (26,083 at 31 December 2023), of which paid-up and issued contributed capital accounted for SEK 6,378 million (6,145 at 31 December 2023). Total assets amounted to SEK 43,326 million (40,494 at 31 December 2023). At 30 June 2024, the equity ratio was 60 percent (64 at 31 December 2023).

Södra's borrowing comprised loans of SEK 9,053 million (8,322 at 31 December 2023) from members and a loan of SEK 267 million (333 at 31 December 2023) from the Nordic Investment Bank that matures in April 2026. Södra has a credit agreement in the form of a club agreement, enabling Södra to borrow up to SEK 3,000 million until December 2028. The debt/equity ratio was 0.0 times (0.0 at 31 December 2023).

Investments, acquisitions and divestments

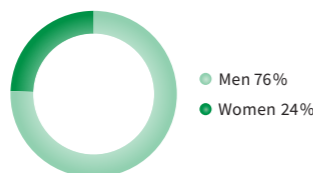
Investments for the quarter totalled SEK 482 million (574), of which SEK 302 million (318) pertained to Södra Cell, SEK 93 million (94) to Södra Wood, SEK 66 million (120) to Södra Skog and SEK 16 million (39) to Södra Innovation. The investments were mainly focused on productivity and the environment.

Events after the close of the period

No significant events occurred after the balance-sheet date.

Employees

The average number of employees was 3,170 (3,251 for full-year 2023), of whom 24 percent were women (25).



Future outlook

The rate of inflation continued to fall during the second quarter, which resulted in the first interest rate cut in Sweden. Future uncertainty has decreased slightly and the assessment is that a continued decline in inflation will also enable continued interest rate cuts. This should have a positive effect on economic growth, but from a low level. Electricity prices were relatively low in the second quarter and continued to be more stable than in recent years, but it is difficult to estimate the long-term price trend.

Pulp prices continued to rise due to higher demand and, to some extent, lower supply. This was mainly driven by higher demand in Europe, and there is a tendency that this will continue, although the pace is uncertain. For sawn timber, uncertainty around demand and price trends is higher. In the short term, demand is affected by the slowdown in residential construction, but a more balanced market is expected now that supply has also decreased. A slight increase in prices could be seen in many markets in the second quarter. Yet there is still great uncertainty regarding future developments.

Full-year 2024 is expected to be a more challenging year with demand uncertainty, and a stronger SEK that will, however, be offset by higher prices for pulp in USD. The long-term outlook for Södra's core products is considered favourable. Global economic growth will bolster the underlying demand for sustainable forest-based products. Tightened emissions-reduction targets are also driving the transition towards a more sustainable bioeconomy.

Sustainability

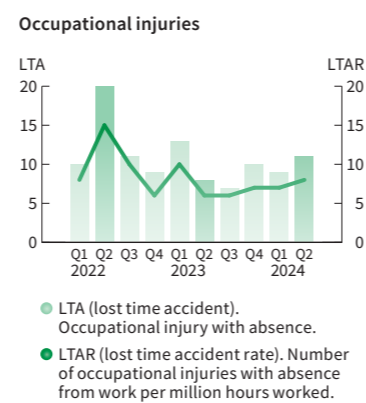
Sustainability permeates Södra's Group-wide strategy. Key areas are people and culture at the centre, and sustainable use of the forest and earth's resources.

People and culture at the centre

Health and safety is a top priority and Södra works continuously and systematically to realise its zero accident vision. The target is a lost time accident rate (LTAR) of 6 or less in 2024, and 2 or less by 2032. In the second quarter of 2024, the number of lost time accidents (LTA) was 11 (8) and the LTAR was 8 (6).

The AI chatbot Jörgen continued to be developed in the second quarter. The chatbot analyses all reported adverse events and presents opportunities for data-driven analysis and greater proactive efforts in systematic OHS management.

Södra continued to develop a strong culture of safety by offering training and behaviour-based safety activities. The Grow Health & Safety course has now provided most of Södra's managers and leaders with a basic understanding of how to build up a safety culture.



Södra is working to break down traditional cultural barriers by increasing diversity, equality and inclusion in several ways. Södra aims to offer an equal and inclusive culture where everyone feels welcome, respected and valued, and has the target that 50 percent of newly appointed managers will be women by 2025.

Work in the new strategic area of diversity, equality and inclusion continued in the second quarter. A programme group was appointed to work on these issues together with the operations. Group Senior Management attended a workshop and was briefed on the current status and future activities. Several in-person and online talks on the subject were held during the quarter. Södra takes part in Pride parades throughout the region of Götaland, and in May it joined the parade in Växjö.

Södra became a member of the Diversity Charter Sweden, Sweden's largest diversity and inclusion network. As a member, Södra can actively share experiences and continuously take part in activities to expand its knowledge, thus strengthening the company's ability to carry out and support internal efforts in this area.

Sustainable use of the forest and earth's resources

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

A new app was launched in the second quarter to more easily monitor the quality of plantations. The app will be used by Södra's field workers and seasonal student workers. The results of the monitoring will form the basis of systematic OHS management for achieving better scarification and planting, which will lead to increased growth.

Södra works to preserve and protect biodiversity – a process under continuous development. The aim is that Södra will contribute to a richer biodiversity for future generations. In Götaland, nature-conservation measures are important for the preservation and promotion of biodiversity. Södra's target for nature-conservation measures is an area corresponding to 3,000 hectares per year until 2025.

In the second quarter, Södra updated its conservation value assessment procedures and an app for conservation value assessments was made available to Södra's field workers. These measures mean that high conservation value (HCV) areas can be identified and relevant action taken.

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

Södra's short-term targets for reduced GHG emissions have been validated by the Science Based Targets initiative (SBTi). The targets involve halving GHG emissions by 2030, compared with the base year of 2020. For emissions from processing of sold products, the target is an engagement strategy whereby customers corresponding to 70 percent of the emissions will have set their own science-based targets by 2027. In the second quarter, Scope 1 and 2 emissions were 22 ktonnes CO₂e (32).

Under the Conscious delivery initiative, a pilot project has been developed together with suppliers and customers to reduce carbon emissions from transportation. The first deliveries of paper pulp via fossil-free sea freight from Sweden to the Netherlands took place using the mass balance approach. Further investments in electrified vehicles were made and the first electric forklift was delivered to the sawmill in Unnefers.

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

On behalf of the Board of Directors
Växjö, 24 July 2024

Lotta Lyrå
President and CEO

Assurance report
This interim report has not been audited.

Condensed consolidated statement of comprehensive income

SEK million	2024 Apr–Jun	2023 Apr–Jun	2024 Jan–Jun	2023 Jan–Jun	2023 Jan–Dec
Net sales	7,527	7,322	15,140	15,323	28,896
Other revenue	56	148	194	172	598
Operating expenses	-6,810	-6,667	-13,618	-13,274	-25,817
Depreciation, amortisation and impairment	-375	-339	-750	-672	-1,451
Operating profit	398	464	966	1,549	2,226
Net financial items	20	-31	54	-8	46
Profit before tax	418	433	1,020	1,541	2,272
Income tax	-102	-124	-166	-223	-151
Profit for the period	316	309	854	1,318	2,121
Other comprehensive income					
Items that will not be reclassified to profit or loss	-	-	-	-	-114
Items that will be reclassified to profit or loss	-84	274	152	361	-96
Other comprehensive income for the period	-84	274	152	361	-210
Total comprehensive income for the period	232	583	1,006	1,679	1,911
Profit attributable to					
Owners of the Parent	316	309	854	1,318	2,121
Profit for the period	316	309	854	1,318	2,121
Comprehensive income attributable to					
Owners of the Parent	232	583	1,006	1,679	1,911
Comprehensive income for the period	232	583	1,006	1,679	1,911

Condensed consolidated statement of financial position

SEK million	30 June 2024	30 June 2023	31 Dec 2023
ASSETS			
Intangible assets	69	69	68
Property, plant and equipment	16,607	16,891	16,503
Biological assets	4,702	4,112	4,650
Shares and participations in associates	346	348	339
Surplus in funded pension plans	150	251	138
Financial investments	44	117	39
Non-current financial receivables	10	-	-
Other non-current receivables	43	44	53
Deferred tax assets	3	41	4
Total non-current assets	21,974	21,873	21,794
Inventories	4,376	3,957	3,965
Tax assets	1,000	741	668
Operating receivables	5,635	5,130	4,344
Current investments	7,164	7,398	6,361
Cash and cash equivalents	3,177	3,362	3,362
Total current assets	21,352	20,588	18,700
TOTAL ASSETS	43,326	42,461	40,494
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent	25,839	25,790	26,083
Total equity	25,839	25,790	26,083
Non-current interest-bearing financial liabilities	679	893	1,131
Non-current interest-bearing operating liabilities	97	140	125
Provisions for pensions	13	26	25
Non-current provisions	523	526	540
Deferred tax liabilities	1,920	2,031	1,922
Other non-current operating liabilities	12	37	13
Total non-current liabilities	3,244	3,653	3,756
Current interest-bearing financial liabilities	8,641	7,990	7,524
Current interest-bearing operating liabilities	81	85	98
Income tax liabilities	68	248	22
Other current operating liabilities	5,453	4,695	3,011
Total current liabilities	14,243	13,018	10,655
Total liabilities	17,487	16,671	14,411
TOTAL EQUITY AND LIABILITIES	43,326	42,461	40,494

Condensed consolidated statement of changes in equity

SEK million	Total equity
Opening balance, 1 January 2024	26,083
Comprehensive income for the year	1,006
Contributed capital, paid-up by members	95
Contributed capital, paid-out to members	-2
Dividends to members	-1,343
Closing balance, 30 June 2024	25,839
Opening balance, 1 January 2023	27,065
Comprehensive income for the year	1,679
Contributed capital, paid-up by members	91
Contributed capital, paid-out to members	-13
Dividends to members	-3,032
Closing balance, 30 June 2023	25,790

Condensed consolidated statement of cash flows

SEK million	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Profit before tax	1,020	1,541	2,272
Adjustment for non-cash items and change in provisions	1,122	356	886
Income tax paid	-458	-915	-1,024
Cash flow from operating activities before change in working capital	1,684	982	2,134
Change in inventories (decrease +/increase -)	-425	164	210
Change in operating receivables (decrease +/increase -)	-847	165	890
Change in operating liabilities (increase +/decrease -)	1,537	608	-1,344
Cash flow from operating activities	1,949	1,919	1,890
Cash flow from investing activities	-788	-990	-1,811
Cash flow after investing activities	1,161	929	79
Change in contributed capital	94	78	139
Dividends paid	-1,343	-3,032	-3,032
Change in loans from members	732	2,054	1,892
Change in loans	-67	-67	-133
Dividends received	0	-	25
Change in current investments with maturity > 90 days	-789	-1,643	-594
Cash flow from financing activities	-1,373	-2,610	-1,703
CASH FLOW FOR THE PERIOD	-212	-1,681	-1,624
Cash and cash equivalents at beginning of period	3,362	5,004	5,004
Exchange gains/losses on cash and cash equivalents	27	39	-18
Cash and cash equivalents at end of period	3,177	3,362	3,362

Parent Company

Result and financial position

Net sales for the quarter amounted to SEK 7,233 million (6,690) and operating profit was SEK 285 million (429). The sales trend for the quarter was mainly due to higher price levels for our core products.

Operating profit for the quarter was in line with expectations and reflects the price increase in the market for Södra's core products.

Net financial items for the quarter amounted to income of SEK 17 million (expense: 35). Profit after net financial items for the quarter totalled SEK 302 million (394). Cumulative sales amounted to SEK 14,227 million (13,986) and operating profit totalled SEK 780 million (1,444).

Members

The number of members was 52,100 (51,774 at 31 December 2023). The affiliated forest area increased by approximately 5,000 hectares to 2.82 million hectares (2.81 at 31 December 2023).

Parent Company income statement, condensed

SEK million	2024 Apr-Jun	2023 Apr-Jun	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Net sales	7,233	6,690	14,227	13,986	26,584
Other revenue	81	127	218	194	199
Operating expenses	-6,689	-6,082	-12,984	-12,126	-23,900
Depreciation, amortisation and impairment	-340	-306	-681	-610	-1,318
Operating profit	285	429	780	1,444	1,565
Net financial items	17	-35	40	-17	185
Profit after financial items	302	394	820	1,427	1,750
Appropriations	-	-	-	-	799
Profit before tax	302	394	820	1,427	2,549
Income tax	-48	-52	-126	49	-133
Profit for the period	254	342	694	1,476	2,416

Parent Company balance sheet, condensed

SEK million	30 June 2024	30 June 2023	31 Dec 2023
ASSETS			
Intangible assets	1	1	1
Property, plant and equipment	14,570	14,360	14,518
Shares and participations in Group companies	4,485	4,480	4,485
Shares and participations in associates	99	99	99
Surplus in funded pension plans	11	11	11
Other non-current investments	32	31	31
Non-current financial receivables	10	—	—
Other non-current receivables	43	44	53
Deferred tax assets	42	36	42
Total non-current assets	19,293	19,062	19,240
Inventories	3,655	3,364	3,418
Current interest-bearing receivables from Group companies	275	283	258
Deferred tax assets	975	719	643
Current receivables	5,418	4,767	4,268
Current financial investments	7,903	8,603	7,277
Cash and bank balances	2,202	1,891	2,196
Total current assets	20,428	19,627	18,060
TOTAL ASSETS	39,721	38,689	37,300
EQUITY AND LIABILITIES			
Restricted equity	7,791	7,497	7,558
Non-restricted equity	8,309	8,157	9,096
Total equity	16,100	15,654	16,655
Untaxed reserves	7,637	8,347	7,637
Provisions	532	537	551
Non-current interest-bearing liabilities from Group companies	8	8	7
Non-current interest-bearing liabilities	679	893	1,131
Total non-current liabilities	687	901	1,138
Current interest-bearing liabilities from Group companies	854	868	810
Current interest-bearing liabilities	8,641	7,990	7,524
Current operating liabilities and provisions	5,270	4,392	2,985
Total current liabilities	14,765	13,250	11,319
TOTAL EQUITY AND LIABILITIES	39,721	38,689	37,300

Notes

Note 1 | Accounting policies

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

The accounting policies applied are consistent with those presented in the 2023 Annual Report, except for new standards and revisions of standards and interpretations applicable to annual periods beginning on or after 1 January 2024 and that have not already been applied in the preparation of the 2023 Annual Report.

A number of new or revised standards and interpretations are not yet effective, and have not been applied in advance in the preparation of these financial statements. No early adoption of updates or amendments that take effect after the 2024 financial year has been planned, and none of these are expected to have any material impact on the consolidated financial statements.

On 1 January 2024, Sweden introduced a new law on top-up tax law for companies in multinational groups to ensure they are taxed

at a minimum effective tax rate of 15 percent in any jurisdiction in which the group has a subsidiary or branch. The law is based on an EU directive which, in turn, is based on a global treaty between over 130 countries in the OECD/G20 Inclusive Framework (IF). In the second quarter, Södra recognised an effective tax expense in all jurisdictions in which it operates that exceeds the threshold for top-up tax.

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

As of the first quarter of 2024, only external net sales per segment will be presented, while the operating margin per segment is estimated on the basis of total sales.

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

Note 2 | Risk and uncertainties

No additional material risks have been identified since the 2023 Annual Report. For a description of risks and uncertainties, refer to Södra's 2023 Annual Report under 'Risks and risk management' on pages 50–51. An overall description of a selection of such risk areas, and the key measures for control and management, are presented below.

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

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

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

Note 3 | Related parties

There were no transactions between Södra and related parties with any significant effect on the company's financial position or result. The nature and scope of transactions with related parties are consistent with those that existed in 2023.

Note 4 | Revenue

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

SEK million	April-June									
	Södra Skog		Södra Wood		Södra Cell		Södra Innovation		Group	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Wood raw material	801	723	—	—	—	—	—	—	801	723
Wood products	—	—	1,587	1,542	—	—	68	70	1,655	1,612
Pulp	—	—	—	—	3,708	3,616	—	—	3,708	3,616
Energy products	246	192	106	134	176	239	15	28	543	593
Forestry services	582	632	—	—	—	—	—	—	582	632
Transportation	83	133	—	—	—	—	—	—	83	133
Other	155	8	-2	5	0	—	2	—	155	13
Net sales, goods and services	1,867	1,688	1,691	1,681	3,884	3,855	85	98	7,527	7,322

Note 5 | Financial instruments

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

Group, SEK million	30 June 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial investments	44	44	39	39
Operating receivables	4,155	4,155	3,327	3,327
Current investments	7,165	7,165	6,361	6,361
Cash and cash equivalents	3,177	3,177	3,362	3,362
Total assets, financial instruments	14,541	14,541	13,089	13,089
Other assets, non-financial instruments	28,828		27,405	
Total assets	43,369		40,494	
Non-current liabilities	788	861	1,270	1,395
Current interest-bearing liabilities	8,722	8,988	7,622	7,868
Current operating liabilities	3,276	3,276	1,604	1,604
Total liabilities, financial instruments	12,786	13,125	10,496	10,867
Other liabilities, non-financial instruments	4,680		3,915	
Total liabilities	17,466		14,411	

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

Level 1: Based on prices quoted in active markets for identical instruments.

Level 2: Based on direct or indirect observable market data not included in level 1.

Level 3: Based on inputs that are unobservable in the market.

Group, 30 June 2024					Group, 31 December 2023				
SEK million	Level 1	Level 2	Level 3	Total	SEK million	Level 1	Level 2	Level 3	Total
Assets	7,165	—	45	7,210	Assets	6,361	—	40	6,401
Liabilities	—	—	23	23	Liabilities	—	—	25	25

The fair value of financial instruments is measured on the basis of quoted market prices at the balance-sheet date. Derivatives are measured on the basis of published price quotations in an active market. For unquoted shares where a reliable market value cannot 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 June 2024, the estimated fair value of Södra's standing timber was SEK 4,702 million (4,650 at 31 December 2023). The change in the balance sheet amounted to SEK 52 million (136), which mainly relates to exchange-rate effects but also to acquisitions of standing timber in the Baltics.

Note 7 | Scheduled maintenance shutdowns

At Södra Cell, in addition to routine maintenance during normal operations, there are also scheduled maintenance shutdowns to perform more extensive maintenance, whereby pulp production is stopped.

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

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

During the quarter, costs for scheduled maintenance shutdowns amounted to SEK 278 million (107).



Quarterly data and segment information

	2024 Apr-Jun	2023 Apr-Jun	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
NET SALES, SEK MILLION					
Södra Skog	1,867	1,688	3,452	3,320	6,260
Södra Wood	1,691	1,681	3,312	3,341	6,083
Södra Cell	3,884	3,855	8,186	8,464	16,142
Södra Innovation	85	98	190	198	411
Group	7,527	7,322	15,140	15,323	28,896
OPERATING PROFIT/LOSS BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT, SEK MILLION					
Södra Skog	68	50	75	46	446
Södra Wood	180	63	200	80	78
Södra Cell	655	833	1,711	2,303	3,693
Södra Innovation	-33	-17	-80	-86	-182
Other	-97	-126	-190	-122	-358
Group	773	803	1,716	2,221	3,677
OPERATING PROFIT/LOSS, SEK MILLION					
Södra Skog	46	31	32	10	367
Södra Wood	128	8	93	-26	-175
Södra Cell	380	572	1,160	1,782	2,631
Södra Innovation	-54	-19	-123	-89	-227
Other	-102	-128	-196	-128	-370
Group	398	464	966	1,549	2,226
OPERATING MARGIN					
Södra Skog	2%	1%	1%	0%	2%
Södra Wood	6%	0%	2%	neg.	neg.
Södra Cell	10%	15%	14%	21%	16%
Södra Innovation	neg.	neg.	neg.	neg.	neg.
Group	5%	6%	6%	10%	8%
OPERATING ASSETS, SEK MILLION					
Södra Skog	—	—	9,453	8,747	8,961
Södra Wood	—	—	4,589	4,382	4,158
Södra Cell	—	—	15,811	15,560	15,088
Södra Innovation	—	—	1,319	1,302	1,452
Other	—	—	1,095	1,004	980
Financial assets	—	—	11,059	11,466	9,855
Total consolidated assets	—	—	43,326	42,461	40,494

	2024 Apr-Jun	2023 Apr-Jun	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
AVERAGE OPERATING CAPITAL, SEK MILLION					
Södra Skog	—	—	7,059	6,342	7,075
Södra Wood	—	—	3,771	3,583	3,509
Södra Cell	—	—	14,337	14,394	14,344
Södra Innovation	—	—	1,204	1,159	1,169
Other	—	—	82	111	119
Group, average capital employed	—	—	24,946	23,444	24,089
RETURN ON OPERATING CAPITAL					
Södra Skog	—	—	1%	0%	5%
Södra Wood	—	—	5%	neg.	neg.
Södra Cell	—	—	16%	25%	18%
Södra Innovation	—	—	neg.	neg.	neg.
Consolidated return on capital employed	—	—	8%	13%	9%
CASH FLOW AFTER INVESTMENTS, SEK MILLION					
Södra Skog	-100	-24	1,359	548	-942
Södra Wood	72	-144	-190	-272	-329
Södra Cell	447	1,009	959	1,852	2,780
Södra Innovation	-54	-63	-111	-183	-292
Other	-531	-172	-856	-1,016	-1,138
Group	-166	606	1,161	929	79
INVESTMENTS, SEK MILLION					
Södra Skog	66	120	95	217	608
Södra Wood	93	94	159	177	351
Södra Cell	302	318	496	554	886
Södra Innovation	16	39	35	76	146
Other	5	3	6	5	16
Group	482	574	791	1,029	2,007
AVERAGE NUMBER OF EMPLOYEES					
Södra Skog	686	—	667	672	702
Södra Wood	885	—	872	949	876
Södra Cell	1,214	—	1,208	1,287	1,239
Södra Innovation	142	—	139	142	148
Other	285	—	284	298	286
Group	3,212	—	3,170	3,348	3,251

Alternative performance measures

NET SALES, CHANGE

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Opening net sales	15,323	17,118	33,367
Closing net sales	15,140	15,323	28,896
Change	-1%	-10%	-13%

Shows Södra's growth.

OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES SEK MILLION

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Operating profit	966	1,549	2,226
Depreciation, amortisation and impairment of assets	750	672	1,451
Operating profit before- depreciation, amortisation and impairment	1,716	2,221	3,677

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

OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT MARGIN

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Operating profit before- depreciation, amortisation and impairment	1,716	2,221	3,677
Net sales	15,140	15,323	28,896
EBITDA margin	11%	14%	13%

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

OPERATING PROFIT/LOSS, SEK MILLION

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Net sales	15,140	15,323	28,896
Other revenue and profit from shares in associates	194	172	598
Operating expenses	-13,618	-13,274	-25,817
Depreciation, amortisation and impairment	-750	-672	-1,451
Operating profit	966	1,549	2,226

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

OPERATING MARGIN

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Operating profit	966	1,549	2,226
Net sales	15,140	15,323	28,896
Operating margin	6%	10%	8%

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

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Interest-bearing provisions	0	—	—
Interest-bearing liabilities	9,498	9,108	8,878
Financial receivables	10	0	0
Current investments and cash and cash equivalents	-10,341	-10,760	-9,723
Net debt	-833	-1,652	-845

Shows Södra's financial strength.

DEBT/EQUITY RATIO, TIMES

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Net debt	-833	-1,652	-845
Equity	25,839	25,790	26,083
Debt/equity ratio	0.0	-0.1	0.0

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

CAPITAL EMPLOYED, SEK MILLION

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Assets	43,326	42,461	40,494
Surplus in funded pension plans	-150	-251	-138
Financial assets	-10,395	-10,877	-9,762
Provisions*	-523	-526	-540
Income tax*	-1,988	-2,279	-1,944
Non-interest-bearing operating liabilities	-5,465	-4,732	-3,024
Capital employed	24,805	23,796	25,086
Average	24,946	23,444	24,089

* 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

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Average capital employed	24,946	23,444	24,089
Operating profit	966	1,549	2,226
12-month operating profit	1,932	3,098	2,226
Return	8%	13%	9%

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

EQUITY RATIO

	2024 Jan-Jun	2023 Jan-Jun	2023 Jan-Dec
Equity	25,839	25,790	26,083
Assets	43,326	42,461	40,494
Equity ratio	60%	61%	64%

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

DEFINITIONS

Operating profit before depreciation, amortisation and impairment, SEK million

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

EBITDA margin, %

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

Operating profit/loss, SEK million

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

Operating margin, %

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

Net debt, SEK million

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

Debt/equity ratio, times

Net debt in relation to equity.

Capital employed, SEK million

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

Return on capital employed, %

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

Equity ratio, %

Equity expressed as a percentage of assets.

Financial statements

- » The interim report for July-September will be published on 28 October 2024 at 11:00 a.m.
- » Interim reports can be downloaded from sodra.com/financials

This is Södra

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

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