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Australian Government
Australian Customs and Border Protection Service

Trade Measures Branch

Exporter Questionnaire

SÖDRA

Product	Structural Timber
From	Austria, Canada, Czech Republic, Estonia, Germany, Lithuania, Sweden and the USA
Period of Investigation	1 July 2010 to 30 June 2011
Response due by	19 October 2011 Extended to 4 November 2011
Investigation case manager	Mick Kenna
Phone **Fax** **E-mail**	+61 2 6275 6544 +61 2 6275 6990 michael.kenna@customs.gov.au
Australian Customs and Border Protection website	www.customs.gov.au
Return completed questionnaire to	Trade Measures Branch Australian Customs and Border Protection Service 5 Constitution Avenue Canberra ACT 2601 AUSTRALIA Attention: Director Operations 3

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GOODS UNDER CONSIDERATION

The goods under consideration (the goods) ie the goods exported to Australia, allegedly at dumped prices, are:

> "Structural timber, being coniferous wood that is sawn or chipped lengthwise, suitable for use in structural applications in accordance with the Building Code of Australia and that:
>
> - has a thickness exceeding 6mm; and
> - has a cross-sectional area of less than 120cm^2; and
> - is untreated or treated to meet the requirements of hazard class H1 or H2 as specified in Australian standard AS1604.1.
>
> For clarification, the goods do not include weatherboards or timber treated to a level above hazard class H2 but do include end-jointed or finger-jointed structural timber."

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SECTION A
COMPANY STRUCTURE AND OPERATIONS

This section requests information relating to company details and financial reports.

A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office

Name	**Ragnhild Oskarsson**
Position in the company	**Market controller**
Address	**352 89 Växjö** **Sweden**
Telephone	**+46 470 89 489**
Facsimile number	**+46 470 89 219**
E-mail address of contact person	**ragnhild.oskarsson@sodra.com**

Factory

The like goods sold on the domestic market are produced mainly at our Mönsterås sawmill:

Name	**Södra Timber Mönsterås**
Address	**Box 509** **383 25 Mönsterås** **Sweden**

The sawmill that produces the product for the Australian market is:

Name	**Södra Timber Orrefors**
Address	**380 40 Orrefors** **Sweden**

A-2 Representative of the company for the purpose of investigation

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Name	**Daniel Moulis of Moulis Legal**
Address	**6/2 Brindabella Circuit** **Brindabella Business Park** **Canberra International Airport** **ACT 2609**
Telephone	**+61 2 6163 1000**
Facsimile number	**+61 2 6162 0606**
E-mail address of contact person	**daniel.moulis@moulislegal.com**

Please contact Mr Moulis in the first instance in relation to all matters concerning Sodra AB's participation in this investigation.

Note that in nominating a representative, Customs and Border Protection will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.

A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

   Södra Timber AB ("Sodra Timber") is the name of the responding company. Södra Timber is a limited liability company. Södra Timber does not have any different business name that it uses to export and/or sell the goods. See *Attachment 1 – Sodra Group.*

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

   Södra Timber AB is part of the Sodra Group is fully owned and controlled by Södra Skogsägarna Ekonomisk Förening ("SSEF"). SSEF is a co-operative society that is owned by its members. Its members are 51,000 private forest owners in southern Sweden.

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

   See answer to question 2, above.

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

   Not applicable

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

   Södra has four business areas. They are Södra Skog; Södra Cell; Södra Timber; and Södra Interiör. See *Attachment 1, slide 9.*

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

   Yes. A management fee relating to shared services is charged. This is included in our administration costs. The management fee average has been [TEXT DELETED – CONFIDENTIAL INFORMATION].

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

Södra Timber produces timber products and timber houses in southern Sweden. Both the sawmill and house-production operations are among the leaders in the country.

Södra Timber has eight sawmills, two treatment plants (Åstorp and Åtvidaberg) and one timber house producer. See *Attachment 1.*

Note: Traryd sawmill stopped production on 1 April 2011, and Åtvidaberg sawmill stopped production in June 2011.

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

Södra Timber performs all these functions.

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

See *Attachment 2 – Sodra Timber.*

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

See *Attachments 3(a) and 3(b) – Sodra 2010.*

A-4 General accounting/administration information

1. Indicate your accounting period.

Calendar year

2. Indicate the address where the company's financial records are held.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;

  See *Attachments 4(a) and 4(b) - Kontoplan.*

- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);

  See *Attachment 5 - Sodra 2009 Annual Report* and *Attachments 6(a), 6(b)*

and 6(c) – Sodra 2010 Annual report.

- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

  These documents should relate to:

  - the division or section/s of your business responsible for the production and sale of the goods under consideration, and
  - the company.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

3. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

   Not applicable

4. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

   The accounting principles of Södra Timber do not differ in any way from the generally accepted accounting principles of Sweden.

5. Describe:

   The significant accounting policies that govern your system of accounting, in particular:

   - the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

     FIFO (2009) and average net sales price (2010)

   - costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

     Cost per nominal cubic metres for produced goods in saw, kiln drying, adjusting, delivery and planing

   - valuation methods for damaged or sub-standard goods generated at the various stages of production;

     See above cost method after deduction of 3% inventory obsolescence when using FIFO-method, otherwise net sale price

   - valuation methods for scrap, by products, or joint products;

     Average price for last quarter period

   - valuation and revaluation methods for fixed assets;

     Cash flow impairment tests

   - average useful life for each class of production equipment and depreciation method and rate used for each;

     Depreciation rates as follows:

5% for buildings and land developments
10% for machinery
20% for vehicles and equipment
33% for computers.

- treatment of foreign exchange gains and losses arising from transactions;

  Booked ongoing during the financial year for the difference between invoiced and paid amount in the related currency

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

  Valuation of sales ledger and buying ledger per end of each month and for each currency

- inclusion of general expenses and/or interest;

  Booked ongoing each month

- provisions for bad or doubtful debts;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]

- expenses for idle equipment and/or plant shut-downs;

  Cost for shut-downs are valued by calculating residual values for each equipment

- costs of plant closure;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]

- restructuring costs;

  Not applicable

- by-products and scrap materials resulting from your company's production process;

  Booked ongoing each month

- effects of inflation on financial statement information.

  Not applicable

6. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

   Not applicable

A-5 Income statement

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'* (the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

	Most recent completed financial year (specify)		Investigation period	
	All products	Goods Under Consideration	All products	Goods Under Consideration
Gross Sales (1)				

Sales returns, rebates and discounts (2)				
Net Sales (3=1-2)				
Raw materials (4)				
Direct Labour (5)				
Depreciation (6)				
Manufacturing overheads (7)				
Other operating expenses (8)				
Total cost to make (9=4+5+6+7+8)				
OPERATING INCOME (10=3-9)				
Selling expenses (11)				
Administrative & general expenses (12)				
Financial expenses (13)				
SG&A expenses (14)=(11+12=13)				
INCOME FROM NORMAL ACTIVITIES (15)=(10-14)				
Interest income (16)				
Interest expense (enter as negative) (17)				
Extraordinary gains and Losses – enter losses as negative (18)				
Abnormal gains and losses – enter losses as negative (19)				
PROFIT BEFORE TAX (20)=(15+16+17+18+19)				
Tax (21)				
NET PROFIT (22)=(20-21)				

Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

Prepare this information on a spreadsheet named "**Income statement**".

See *Attachment 8 – Income statement.*

This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.

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A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

	Most recent completed financial year (specify)		Investigation period	
	Volume	Value	Volume	Value
Total company turnover (**all products**)				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the nearest business unit, for which financial statements are prepared, which includes the goods under consideration				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the **goods under consideration**				
Domestic market				
Exports to Australia				
Exports to Other Countries				

Prepare this information in a spreadsheet named "TURNOVER".

See *Attachment 9 - Turnover.*

This information will be used to verify the cost allocations to the goods under consideration in Section G.

Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.

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SECTION B
SALES TO AUSTRALIA (EXPORT PRICE)

This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory. Export prices are usually assessed at FOB point, but Customs and Border Protection may also compare prices at the ex factory level.

*You should report prices of **all** Goods Under Consideration (the goods) **shipped** to Australia during the investigation period.*

The invoice date will normally be taken to be the date of sale. If you consider:

the sale date is not the invoice date (see 'date of sale' column in question B4 below) and;

an alternative date should be used when comparing export and domestic prices

*you **must** provide information in section D on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

B-1 For each customer in Australia to whom you shipped goods in the investigation period list:

Contact name and phone/fax number where known; and
trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

[TEXT DELETED – CONFIDENTIAL INFORMATION].

B-2 For each customer identified in B1 please provide the following information.

(a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

(b) In container to different ports in Australia. [TEXT DELETED – CONFIDENTIAL INFORMATION]

Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.

[TEXT DELETED – CONFIDENTIAL INFORMATION].

(c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

The ownership changes from Södra to [TEXT DELETED – CONFIDENTIAL INFORMATION] at port in Australia.

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(d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

Sodra Timber has no agency or distributor agreements in relation to the Australian market.

(e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.

Prices are agreed by negotiation with [TEXT DELETED – CONFIDENTIAL INFORMATION] before shipping.

(f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

[TEXT DELETED – CONFIDENTIAL INFORMATION]

(g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

See *Attachment 10 – Forward order.*

B-3 Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

B-4 Prepare a spreadsheet named "Australian sales" listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period. You must provide this list in electronic format. Include the following export related information:

See *Attachment 11 – Australian sales.*

Column heading	Explanation
Customer name	names of your customers
Level of trade	the level of trade of your customers in Australia
Model/grade/type	commercial model/grade or type
Product code	code used in your records for the model/grade/type identified. Explain the product codes in your submission.
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date *other than* the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date.
Order number	if applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Shipping terms	Delivery terms eg. CIF, C&F, FOB, DDP (in accordance with

	Incoterms)
Payment terms	agreed payment terms eg. 60 days=60 etc
Quantity	Quantity in units shown on the invoice. Show basis eg kg.
Gross invoice value	gross invoice value shown on invoice *in the currency of sale, excluding taxes.*
Discounts on the invoice	if applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description.
Invoice currency	the currency used on the invoice
Exchange rate	Indicate the exchange rate used to convert the currency of the sale to the currency used in your accounting system
Net invoice value in the currency of the exporting country	the net invoice value expressed in your domestic currency as it is entered in your accounting system
Rebates or other allowances	the amount of any deferred rebates or allowances paid to the importer in the currency of sale
Quantity discounts	the actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount.
Ocean freight**	the actual amount of ocean freight incurred on each export shipment listed.
Marine insurance	Amount of marine insurance
FOB export price**	the free on board price at the port of shipment.
Packing*	Packing expenses
Inland transportation costs*	inland transportation costs included in the selling price. For export sales this is the inland freight from factory to port in the country of export.
Handling, loading & ancillary expenses*	handling, loading & ancillary expenses. For example, terminal handling, export inspection, wharfage & other port charges, container tax, document fees & customs brokers fees, clearance fees, bank charges, letter of credit fees, & other ancillary charges incurred in the exporting country.
Warranty & guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services, such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns of data. Indicate in your response to question B2 whether the commission is a pre or post exportation expense having regard to the date of sale.
Other factors*	**any other** costs, charges or expenses incurred in relation to the exports to Australia (include additional columns as required). See question B5.

* All of these costs are further explained in section E-1.
** FOB export price and Ocean Freight:

FOB export price: An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spreadsheet.

Ocean freight: as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the investigation period.

Freight allocations must be checked for consistency.

B-5 If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

B-6 For each type of discount, rebate, allowance offered on export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

B-7 If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

B-8 If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

The delivery term used in Sodra Timber's sales to Australia has been CIF.

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price
Other costs	Customs brokers, port and other costs incurred (itemise)

B-9 Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer's purchase order, order confirmation, and contract of sale;
- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

See ***Attachments 13(a), 13(b), 13(c) and 13(d) – Export documentation.***

Customs and Border Protection will select additional shipments for payment verification at the time of the visit.

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SECTION C
EXPORTED GOODS & LIKE GOODS

C-1 Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

Planed construction timber. See answer to question C-2 below for product specification.

C-2 List each type of goods exported to Australia (these types should cover all types listed in spreadsheet "**Australian sales**" – (see section B of this questionnaire).

[TEXT DELETED – CONFIDENTIAL INFORMATION]

C-3 If you sell like goods on the domestic market, for each type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically;

and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to goods exported to Australia.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

C-4 Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

Any differences between the GUC and like goods sold on the domestic market are minor.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

See ***Attachment 14 – Photograph of structural timber.***

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SECTION D
DOMESTIC SALES

This section seeks information about the sales arrangements and prices in the domestic market of the country of export.

All domestic sales made during the investigation period must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you ***must*** *contact the case officer* ***before*** *completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets Customs and Border Protection requirements. If agreement cannot be reached as to the appropriate method Customs and Border Protection may not visit your company.*

Customs and Border Protection will normally take the invoice date as being the date of sale in order to determine which sales fall within the investigation period.

If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices –

you ***must*** *provide information on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

If you do not have any domestic sales of like goods you must contact the case officer who will explain the information Customs and Border Protection requires for determining a normal value using alternative methods.

D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]

- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

  Sodra Timber does not have agency or distributor agreements for the goods concerned on the domestic market.

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

None of the customers listed are associated with Södra Timber AB.

D-2 Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

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Despite different types of buyers, the prices do not show a consistent difference between distribution channels. The end-users to whom Sodra Timber make direct sales are often bigger end-user/industries. Distributors give service to small end-user/industries. That is not to say that there are not different costs incurred by Sodra Timber in respect of different sales.

D-3 Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and

  The sales process involves these activities:
  - **inquiry from customer (small volumes – load by load)**
  - **quotation**
  - **negotiation (price is agreed for each inquiry)**
  - **order**
  - **delivery**
  - payment **[TEXT DELETED – CONFIDENTIAL INFORMATION]**
- whether price includes the cost of delivery to customer.

  Some sales are into customer's store with Sodra Timber incurring the delivery cost.

If sales are in accordance with price lists, provide copies of the price lists.

Sales are not made in accordance with published pricelists.

D-4 Prepare a spreadsheet named "**domestic sales**" listing **all** sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

Column heading	Explanation
Customer name	names of your customers. If an English version of the name is not easily produced from your automated systems show a customer code number and in a separate table list each code and name.
Level of trade	the level of trade of your domestic customer
Model/grade/type	commercial model/grade or type of the goods
Product code	code used in your records for the model/grade/type of the goods identified. Explain the product codes in your submission.
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date *other than* the invoice date best establishes the material terms of sale and should be used, report that date. For example, order confirmation, contract, or purchase order date.
Order number	show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Delivery terms	eg ex factory, free on truck, delivered into store
Payment terms	payment terms agreed with the customer eg. 60 days=60 etc
Quantity	quantity in units shown on the invoice eg kg.
Gross Invoice value	gross value shown on invoice *in the currency of sale*, net of taxes.
Discounts on the Invoice	the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide description.

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Net invoice value in the currency of the exporting country	the net invoice value expressed in your domestic currency as recorded in your accounting system
Rebates or other Allowances	the actual amount of any deferred rebates or allowances in the currency of sale
Quantity discounts	the actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount.
Packing*	packing expenses
Inland transportation Costs*	amount of inland transportation costs included in the selling price
Handling, loading And ancillary Expenses*	handling, loading & ancillary expenses.
Warranty & Guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services such as technical assistance or installation costs.
Commissions*	commissions paid. If more than one type is paid insert additional columns of data.
Other factors*	**any other** costs, charges or expenses incurred in relation to the domestic sales (include additional columns as required). See question D5

Costs marked with * are explained in section E-2.

See *Attachment 15 – Domestic sales.*

D-5 If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see "other factors"). For example, certain other selling expenses incurred.

D-6 For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

D-7 Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)

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Customs and Border Protection will select additional sales for verification at the time of our visit.

See ***Attachments 16(a) and 16(b) – Domestic documentation.***

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SECTION E
FAIR COMPARISON

Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (ie. the normal value).

Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.

As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.

To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. Customs and Border Protection must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.

Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence Customs and Border Protection may disallow the adjustment.

Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.

A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.

The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. Customs and Border Protection will not consider new claims made after the verification visit.

E-1 Costs associated with export sales

(These cost adjustments will relate to your responses made at question B-4, '**Australian sales**')

1. **Transportation**
   Explain how you have quantified the amount of inland transportation associated with the export sale (**"Inland transportation costs"**). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

The average cost is [TEXT DELETED – CONFIDENTIAL INFORMATION], depending on the load x [TEXT DELETED – CONFIDENTIAL INFORMATION]. Approximately average [TEXT DELETED- CONFIDENTIAL INFORMATION]. See *Attachments 13(a) and 13(d).*

2. **Handling, loading and ancillary expenses**
List all charges that are included in the export price and explain how they have been quantified (**"Handling, loading & ancillary expenses"**). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]
- wharfage and other port charges;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]
- container taxes;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]
- document fees and customs brokers fees;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]
- clearance fees;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]
- bank charges, letter of credit fees

  [TEXT DELETED – CONFIDENTIAL INFORMATION]
- other ancillary charges.

  [TEXT DELETED – CONFIDENTIAL INFORMATION]

3. **Credit**
The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, Customs and Border Protection will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

Noted

4. **Packing costs**

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List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed

[TEXT DELETED – CONFIDENTIAL INFORMATION]

5. **Commissions**

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

Report the amount in the sales listing in question B-4 under the column headed **"Commissions"**. Identify the general ledger account where the expense is located.

6. **Warranties, guarantees, and after sales services**

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (**"Warranty & guarantee expenses"** and **"Technical assistance & other services"**), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

7. **Other factors**

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed **"Other factors"**. For example, other variable or fixed selling expenses, including salesmen's salaries, salesmen's travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

Noted

8. **Currency conversions**

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a 'sustained' movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect 'sustained' movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

E-2 Costs associated with domestic sales

(These cost adjustments will relate to your responses made at question D-4, **"domestic sales"**)

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

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1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

Any physical differences are slight and are not relevant when averaging in m3.

2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;
- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: *"Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs"*

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

Not applicable

3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

(a) costs arising from different functions: the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;
- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

(b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an

examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, Customs and Border Protection will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system[1], the average credit period may be determined as follows:

1. Calculate an accounts receivable turnover ratio

This ratio equals the total credit sales divided by average accounts receivable.

(It is a measure of how many times the average receivables balance is converted into cash during the year).

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or

[1] Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

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- total monthly receivables divided by 12.

2. Calculate the average credit period

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

Noted

The following items are identified in the amounts quantified at question D-4:

5. Transportation

Explain how you have quantified the amount of inland transportation associated with the domestic sales (**"Inland transportation Costs"**). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

Some customers arrange and pay for transport themselves. When Sodra Timber transports to domestic customers it pays a per truck charge. The average volume per truck is [TEXT DELETED – CONFIDENTIAL INFORMATION].

6. Handling, loading and ancillary expenses

List all charges that are included in the domestic price and explain how they have been quantified (**"Handling, loading and ancillary Expenses"**). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

7. Packing

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed **"Packing"**.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

Report the amount in the sales listing under the column headed **"Commissions"**. Identify the general ledger account where the expense is located.

9. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (**"Warranty & Guarantee expenses"** and **"Technical assistance & other services"**), including the basis of any

allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed "**Other factors**". List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

Noted. See also [TEXT DELETED – CONFIDENTIAL INFORMATION] re [TEXT DELETED – CONFIDENTIAL INFORMATION]

E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson's salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

Noted

SECTION F
EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA (THIRD COUNTRY SALES)

Your response to this part of the questionnaire may be used by Customs and Border Protection to select sales to a third country that may be suitable for comparison with exports to Australia.

Sales to third countries may be used as the basis for normal value in certain circumstances. Customs and Border Protection may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.

F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.

Column heading	Explanation
Country	Name of the country that you exported like goods to over the investigation period.
Number of customers	The number of different customers that your company has sold like goods to in the third country over the investigation period.
Level of trade	The level of trade that you export like goods to in the third country.
Quantity	Indicate quantity, in units, exported to the third country over the investigation period.
Unit of quantity	Show unit of quantity eg kg
Value of sales	Show net sales value to all customers in third country over the investigation period
Currency	Currency in which you have expressed data in column SALES
Payment terms	Typical payment terms with customer(s) in the country eg. 60 days=60 etc
Shipment terms	Typical shipment terms to customers in the third country eg CIF, FOB, ex-factory, DDP etc.

Supply this information in spreadsheet file named "Third country"

See ***Attachment 17 – Third country sales.***

F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia concerning 'like goods'.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

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SECTION G
COSTING INFORMATION AND CONSTRUCTED VALUE

The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- *testing the profitability of sales of like goods on the domestic market;*
- *determining a constructed normal value of the Goods Under Consideration (the goods) - ie of the goods exported to Australia; and*
- *making certain adjustments to the normal value.*

You will need to provide the cost of production of both the exported goods (the goods) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

If, in response to question B4 (Sales to Australia, Export Price) you:

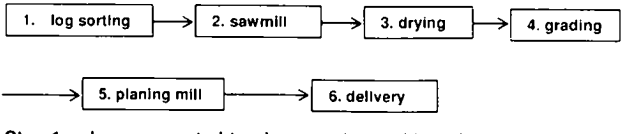
- *reported that the date of sale is not the invoice date and consider that this alternative date should be used when comparing domestic and export prices, and*
- *provided information on domestic selling prices for a matching period as required in the introduction to Section D (Domestic Sales)*

you must provide cost data over the same period as these sales even if doing so means that such cost data predates the commencement of the investigation period.

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

G-1. Production process and capacity

1. Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.



Step 1 **logs are sorted to size, species and length**
Step 2 **logs are debarked. Timber is cut to different sawing pattern depending on size. The timber is packed with sticks every layer**
Step 3 **the timber is dried for 3 to 5 days**

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Step 4 the timber is grading according to different qualities
Step 5 the sawn timber is planed to different profiles, and packaged according to customers' requirement
Step 6 delivery

The trimmings from the logs are sold as chips to Södra Cell.

G-2. Provide information about your company's total production in the following table:

	PREVIOUS FINANCIAL YEAR	MOST RECENT FINANCIAL YEAR	Investigation Period
A – Production capacity (eg kg, tonnes)*	[TEXT DELETED – CONFIDENTIAL INFORMATION]		
B – Actual production in volume (eg kg, tonnes)			
C – Capacity utilisation (%) (B/A x 100)			

* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example assuming: normal levels of maintenance and repair; a number of shifts and hours of operation that is not abnormally high; and a typical production mix.

Provide this information on a spreadsheet named **"Production"**.

See ***Attachment 18 - Production.***

G-3. Cost accounting practices

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

   Economic business system used is [TEXT DELETED – CONFIDENTIAL INFORMATION]. The information on each account is transferred to [TEXT DELETED – CONFIDENTIAL INFORMATION] which program is used to issue the annual report. Furthermore a group consolidation program named [TEXT DELETED – CONFIDENTIAL INFORMATION] is used.

2 Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

   Sodra Timber does not use standard costing in its accounting system.

3 Provide details of any significant or unusual cost variances that occurred during the investigation period.

   Not applicable

4 Describe the profit/cost centres in your company's cost accounting system.

   All sawmills are defined as profit/cost centres. Central, trading and other profit/cost centres are also defined.

5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

6 Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

7 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

Not applicable

8 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

Not applicable

9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation it its accounting records.

Not applicable

G-4 Cost to make and sell on domestic market

This information is relevant to testing whether domestic sales are in the ordinary course of trade.[2]

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.

   * You should provide separate costs for at least untreated and treated structural timber. Costs should be provided for lower levels of product type if these are normally calculated by your company.

2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

	Quarter X	Quarter X	Quarter X	Quarter X
Like Domestic Model/Type – from spreadsheet LIKEGOOD				
Material Costs[1]				
Direct Labour				
Manufacturing Overheads				

[2] *Customs applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO anti-dumping agreement – see Article 2.2.1.*

Other Costs[2]				
Total Cost to Make				
Selling Costs				
Administration Costs				
Financial Costs				
Delivery Expenses[3]				
Other Costs[3]				
Unit Cost to Make and Sell				

Prepare this information in a spreadsheet named "**Domestic CTMS**".

[1] Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.
[2] Relating to costs of production only; identify each cost separately.
[3] Identify each cost separately. Please ensure non-operating expenses **that relate to the goods** under consideration are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

See *Attachment 19 – Domestic CTMS*.

G-5 Cost to make and sell goods under consideration (goods exported to Australia)

The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.

	Quarter X	Quarter X	Quarter X	Quarter X
Model/Type exported to Australia – from spreadsheet LIKEGOOD				
Material Costs[1]				
Direct Labour				
Manufacturing Overheads				
Other Costs[2]				
Total Cost to Make				

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Selling Costs				
Administration Costs				
Financial Costs				
Delivery Expenses[3]				
Other Costs[3]				
Unit Cost to Make and Sell				

Prepare this information in a spreadsheet named "**Australian CTMS**".

[1] Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.
[2] Relating to costs of production only; identify each cost separately.
[3] Identify each cost separately. Please ensure non-operating expenses **that relate to the goods** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

See *Attachment 20 – Australian CTMS.*

1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

Production against order for Australia gives less stock cost than for [TEXT DELETED – CONFIDENTIAL INFORMATION] domestic sales of products. Average turnover of stock is [TEXT DELETED – CONFIDENTIAL INFORMATION] per year.

The capital cost for our stock of sawn and planed timber in 2010 was an average of [TEXT DELETED – CONFIDENTIAL INFORMATION].

2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total

production cost.

[TEXT DELETED – CONFIDENTIAL INFORMATION]

For these major inputs:

- identify materials sourced in-house and from associated entities;

  [TEXT DELETED – CONFIDENTIAL INFORMATION]

- identify the supplier; and

  [TEXT DELETED – CONFIDENTIAL INFORMATION]

- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

  Actual cost of logs is the value at which these raw materials are brought into the costs of production.

Where the major input is produced by an associate of your company Customs and Border Protection will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the Customs Act. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.

SECTION H
EXPORTER'S DECLARATION

☒ I hereby declare that Södra Timber AB (company) did, during the period of investigation export the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

☐ I hereby declare that.....(company) did not, during the period of investigation, export the goods under consideration and therefore have not completed the attached questionnaire.

Name	Peter Nilsson	Mattias Johansson
Signature		
Position in Company	CEO	General Counsel
Date	2011-11-03	2011-11-03

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SECTION I
CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

Section	Please tick if you have responded to all questions
Section A – general information	☑
Section B – export price	☑
Section C – like goods	☑
Section D – domestic price	☑
Section E – fair comparison	☑
Section F – exports to third countries	☑
Section G – costing information	☑
Section H – declaration	☑

Electronic Data	Please tick if you have provided spreadsheet
INCOME STATEMENT	☑
TURNOVER – sales summary	☑
AUSTRALIAN SALES – list of sales to Australia	☑
DOMESTIC SALES – list of all domestic sales of like goods	☑
THIRD COUNTRY – third country sales	☑
PRODUCTION – production figures	☑
DOMESTIC COSTS – costs of goods sold domestically	☑
AUSTRALIAN COSTS – costs of goods sold to Australia	☑

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LIST OF ATTACHMENTS

Number	Name	Confidential
1	Sodra Group	Non-Confidential
2	Sodra Timber	Non-Confidential
3(a) and (b)	Sodra 2010	Non-Confidential
4(a) and (b)	Kontoplan (chart of accounts)	Confidential
5	Sodra 2009 Annual Report	Confidential
6(a), (b) and (c)	Sodra 2010 Annual Report	Confidential
7	Internal results report 2009 and 2010	Confidential
8	Income statement	Confidential
9	Turnover	Confidential
10	Forward orders	Confidential
11	Australian sales	Confidential
12(a), (b) and (c)	**[TEXT DELETED – CONFIDENTIAL INFORMATION]**	Confidential
13(a), (b), (c) and (d)	Export documentation	Confidential
14	Photograph of structural timber	Non-Confidential
15	Domestic sales	Confidential
16(a) and (b)	Domestic documentation	Confidential
17	Third country sales	Confidential
18	Production	Confidential
19	Domestic CTMS	Confidential
20	Australian CTMS	Confidential

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Group

Södra facts

- Net sales SEK 20,000 M
- 3,900 employees
- Owned by Södra's 51,000 forest owners

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Forestry operations

Felling assignments, forest conservation, advisory services, transports etc.

19 forestry areas in 3 regions

Comprehensive wood trading

Södra Skog's deliveries of wood:
16,6 million m^3fub

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Industrial operations

- **Pulp mills:** Mönsterås, Mörrum, Värö, Tofte and Folla
- **Sawmills:** Kisa, Långasjö, Mönsterås, Orrefors, Ramkvilla, Torsås, Unnefors, Värö, Åtvidaberg
  Distribution centre in Billingsfors
  House manufacture: Korsberga, Landsbro, Näshult
- **Interior wood production**: Grimslöv, Kallinge, Ronneby, Umeå, Hedåker, Våxtorp, Jokkmokk, Rottne, Nordingrå, In Norway: Brumunddal, Engesetdal, Arendal, Namsos. In Denmark: Sunds, Åbyhøj. In Lithuania Panevezys
  Leaf sawmill: Djursdala, Traryd
  Gardermoen head office in Norway
- **Pellets factory:** Mönsterås, Åtvidaberg, Långasjö

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Industrial production

- **Pulp:** 2.1 million tonnes per year
  One of the world's leading pulp producer of market pulp in the world
- **Sawn timber:** 1.6 million m^3 per year
  One of Europe's leading suppliers of construction timber
- **Interior wood products:** Net sales SEK 1,174 million. Leading position in Sweden and Norway
- **Biofuels:** Deliveries 4.3 TWh per year. One of Sweden's largest bioenergy companies

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Business concept

Södra shall contribute to the profitability of its members' forestry by:

- trading in, developing and processing forest raw material
- developing and marketing processed forest products that provide added value to customers
- Pursuing an active economic policy
- providing felling and other forestry services

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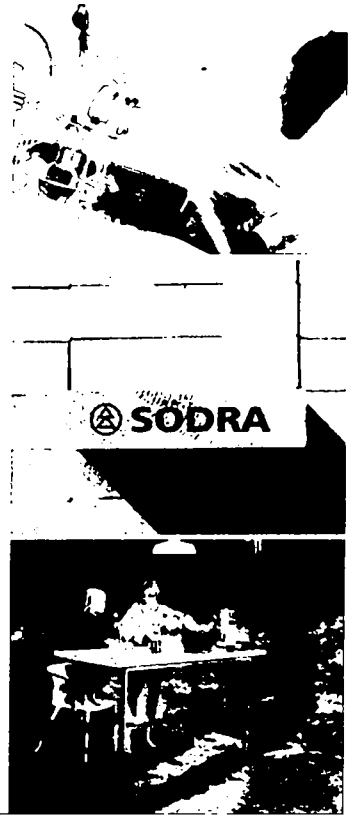
Corporate business concept

Södra shall be a leading converter of forest raw materials into products that add value to customers and owners.



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Core

Södra creates value from the forest

- Södra adds value to its members and customers
- Södra is an attractive company with competent, knowledgeable and involved employees
- Environmental programmes follow an ecocycle approach and create competitive advantage

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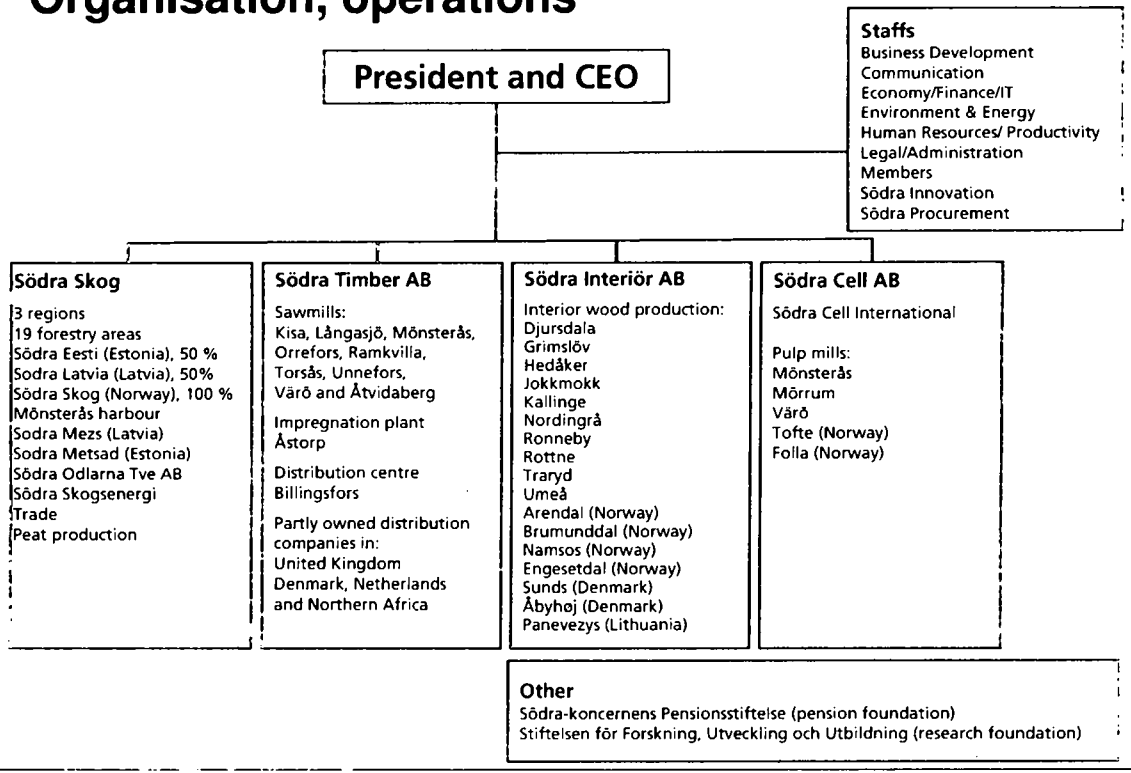
Organisation, operations



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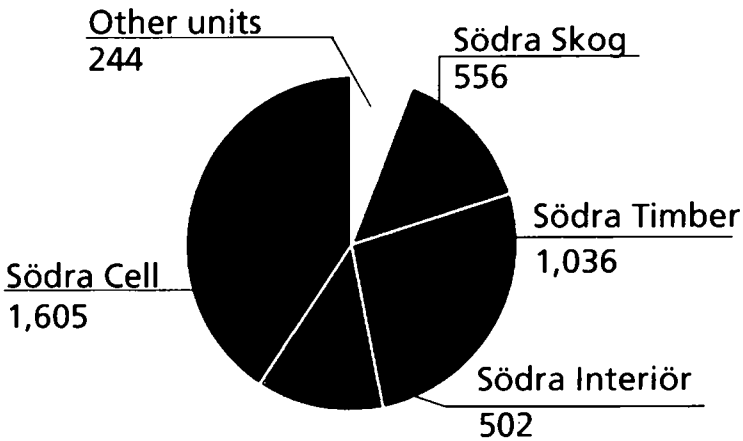
3,943 employees

- **Competence**
- **Commitment**
- **Security**
- **Teamwork**



Of the employees there are 577 outside Sweden

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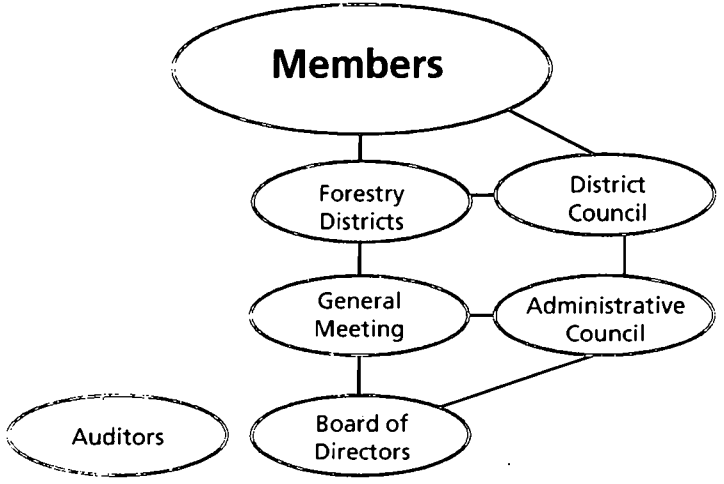
Organisation, members



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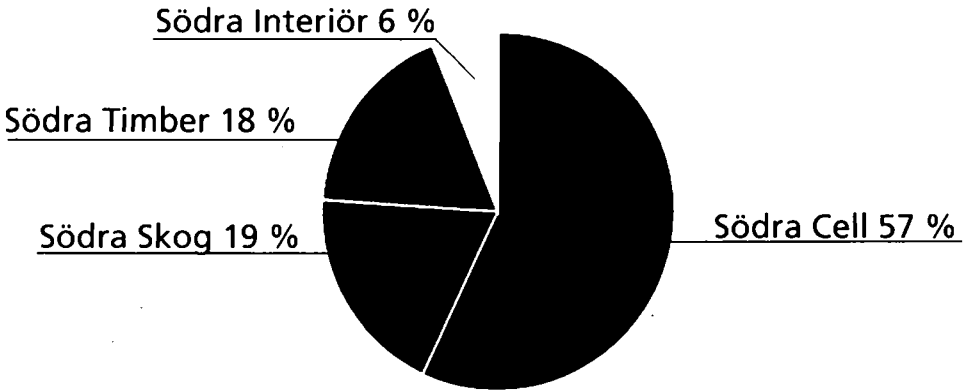
Net sales by operation



Net sales 2010: SEK 20,000 M

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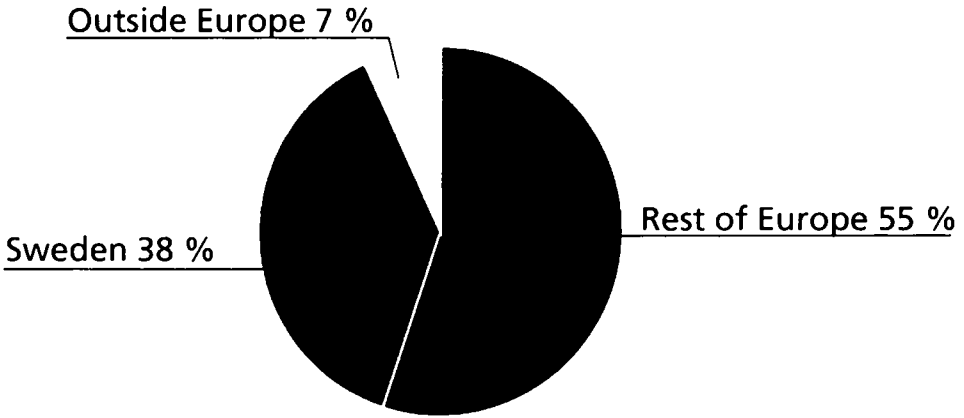
Net sales by market



Net sales 2010: SEK 20,000 M

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Research and Development

- 58 employees.
- Pulp research centre at Värö.
- Research on production and applications of pulp. New application areas for wood raw material
- Co-operation with companies universities and research institutions

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Södra and the environment

- Environment and nature conservation policies
- Ecocycle principle
- Overall view of environmental impact
- Environmental management systems
- Forest certification
- Environmental report

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Financial targets

- Equity ratio: 50 %
- Return on capital employed: 10 %
- The dividend shall be at least one third of pre-tax profit (measured over a business cycle)

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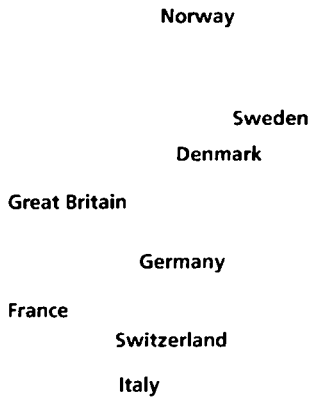
Sales companies abroad

Exports 2010 (outside Sweden and Norway):
SEK 11,000 M

Most of Södra's exports are destined for Europe

Largest export markets:
Germany, Great Britain, Italy and Austria



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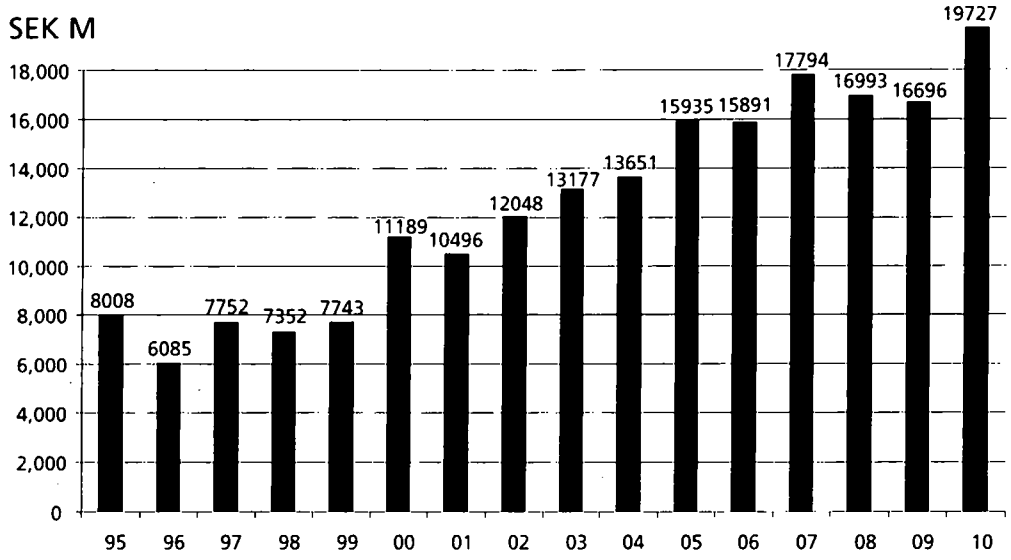
Net sales



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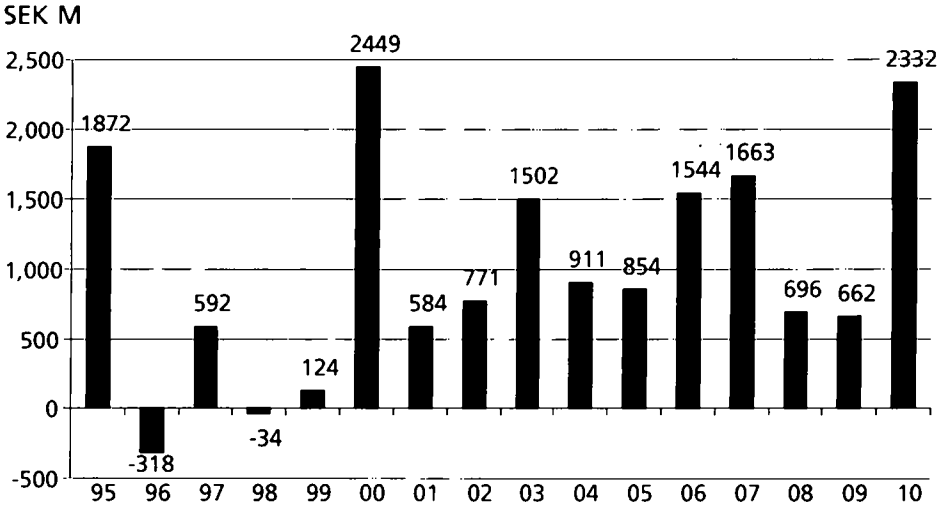
Profit after net financial items



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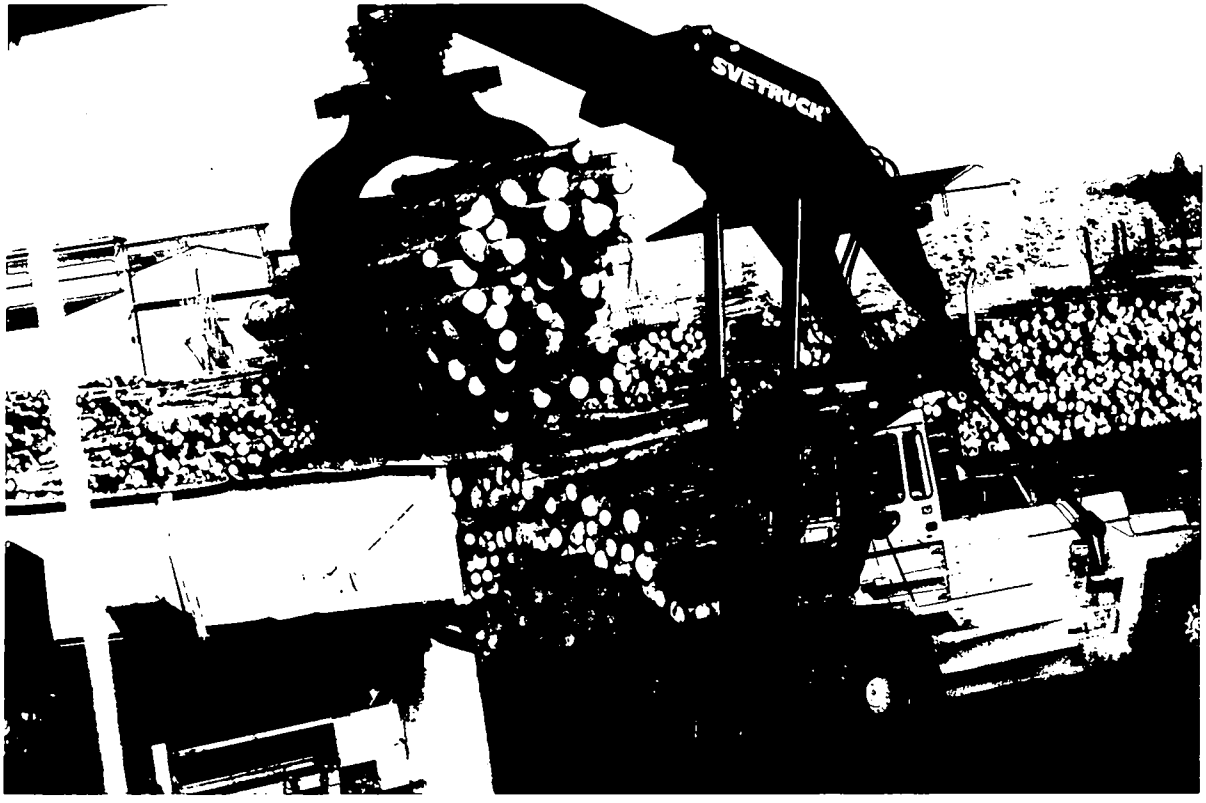

○ Södra Timber

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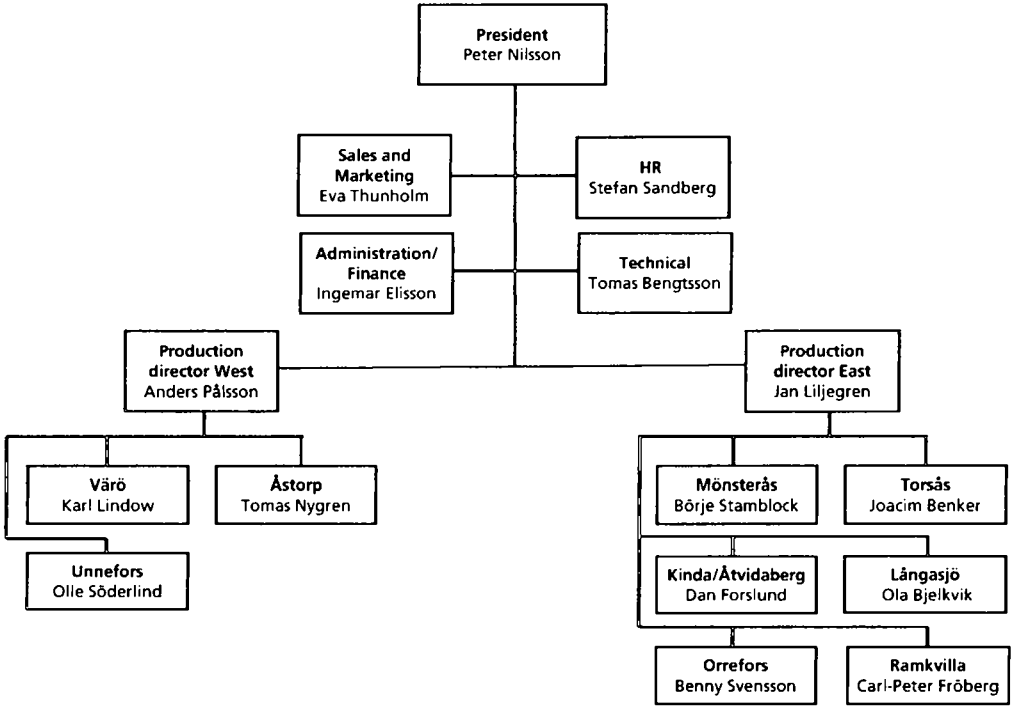
Södra Timber AB



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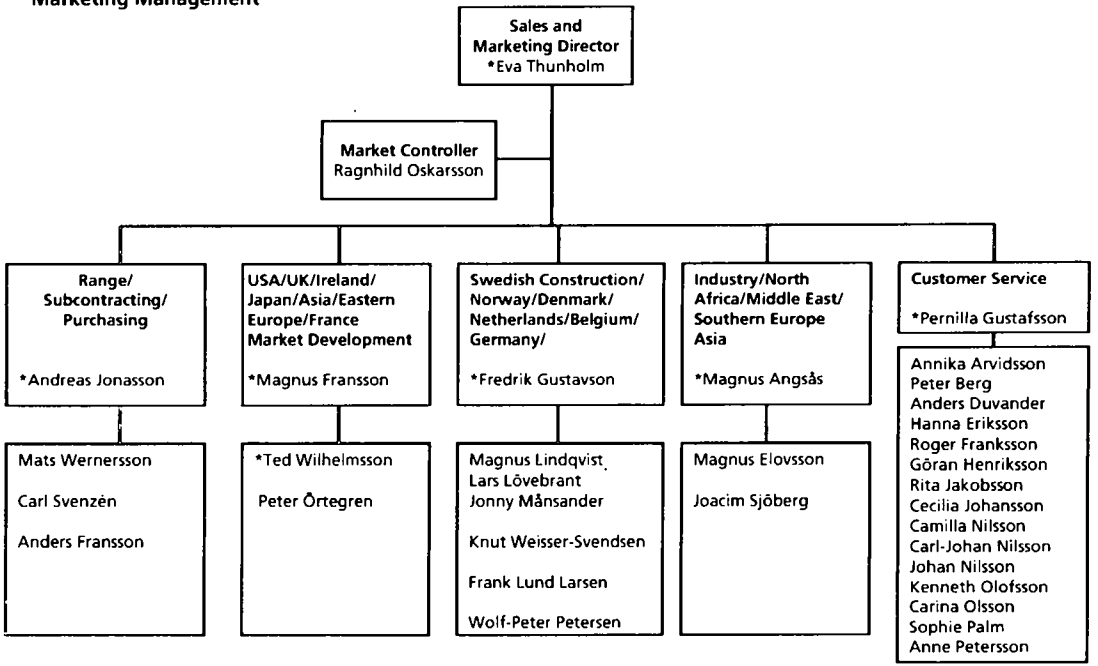
Sales organisation, Södra Timber

*** Marketing Management**



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Södra Timber

- A complete supplier for everyone who builds in timber.
- Approx. 800 employees.
- Approx. 1.6 million m^3 sawn timber produced at ten sawmills.

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Södra Timber 2010

Production

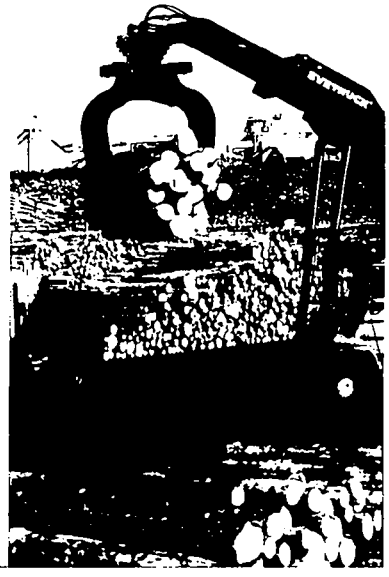
1,600,000 m^3

Sales

Approx. SEK 3,800 M

Employees

Approx. 800



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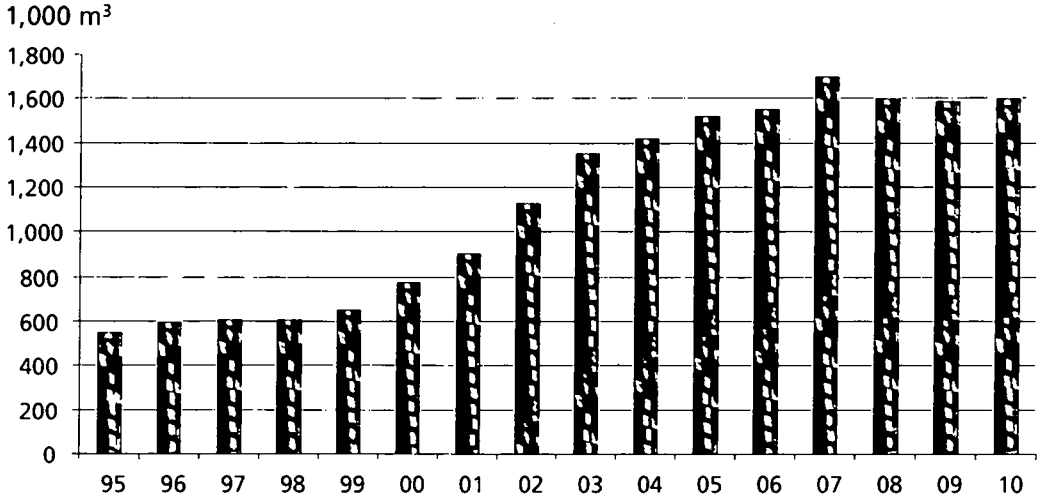
Södra's sawn timber production



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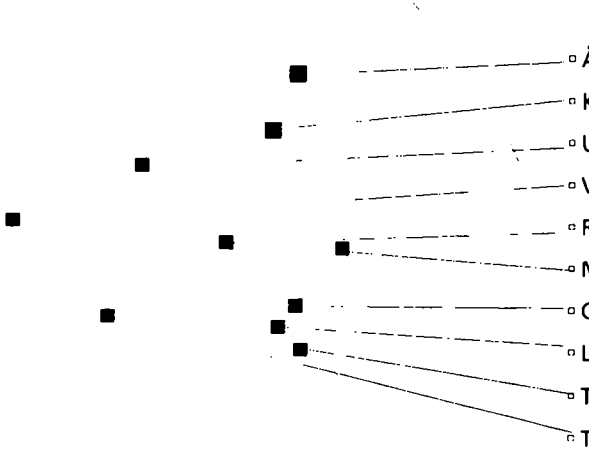
Södra's sawmills 2010



	Sawn timber	Capacity
Åtvidaberg	78,000 m³	120 000 m³
Kisa	217,000 m³	220 000 m³
Unnefors	110,000 m³	110 000 m³
Värö	257,000 m³	300 000 m³
Ramkvilla	110,000 m³	115 000 m³
Mönsterås	357,000 m³	400 000 m³
Orrefors	62,000 m³	75 000 m³
Långasjö	259,000 m³	280 000 m³
Torsås	74,000 m³	80 000 m³
Traryd	48,000 m³	140 000 m³

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Further-processing at the sawmills

- Planed goods: approx. 1,000 000 m^3
- Further-processing ratio: approx. 61 %

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Sawmills
Market orientation

Market segments

- Building materials trade directed at professional builders.
- Industrial wood-working customers selling to the building industry.

Main markets

- Scandinavia
- Great Britain and Ireland
- Holland

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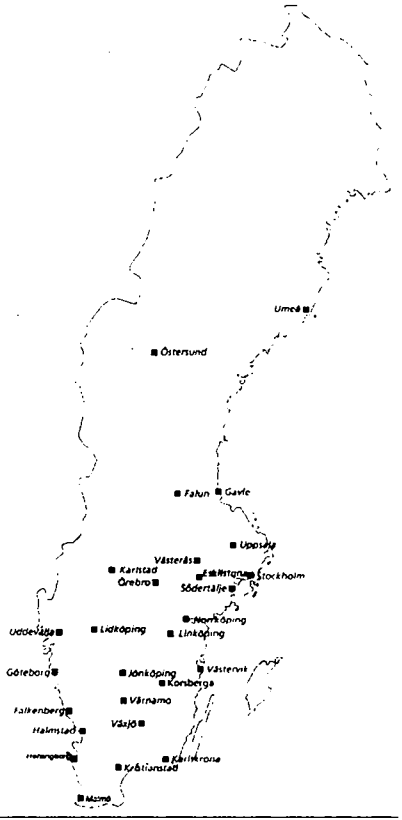
Trivselhus sales offices

Retailers in:

Denmark
England
Netherlands
Norway
Switzerland
Germany



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SÖDRA 2010
A YEAR OF INNOVATION AND DEVELOPMENT

SÖDRA

This is Södra

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Södra 2010 contains an unaudited financial report for 2010
The annual accounts are published in full on www.sodra.com.

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Södra in brief

Södra is an economic association with a membership base of 51,000 forest owners in southern Sweden. Its key function is to secure markets for its members' forest products and contribute to the profitability of their forestry.

Södra members own a total of 36,000 forest estates, representing more than half the privately owned forest in the region. They are also owners of a forest industry group that is active on the Swedish and international market.

The Group has four business areas: Södra Skog, Södra Cell, Södra Timber and Södra Interiör. They purchase and process the members' forest raw materials into pulp, sawn timber, timber houses and interior wood products.

Södra is also a major employer with some 4,000 employees involved in everything from forest management and conservation to production, product development, accounting and sales.

Key indicators	2010	2009	2008	2007*	2006*
Net revenue, SEK million	19,727	16,696	16,993	17,794	15,891
Operating profit, SEK million	2,271	593	809	1,669	1,551
Return on capital employed, %	23	6	8	17	16
Equity ratio, %	61	58	57	63	58
Number of employees	3,943	3,967	3,612	3,675	3,678
Affiliated forest area, 1,000 hectares	2,366	2,346	2,331	2,314	2,231
Wood volume, million m³sub	16.6	16.6	17.8	19.2	18.7

* Södra has applied International Financial Reporting Standards (IFRS) since 2009. Only 2008 comparison figures have been recalculated in accordance with IFRS.

Business area	Operations	Products/Customers
Södra Skog		
Södra Cell		
Södra Timber		
Södra Interiör		

Södra Skog 19%
Södra Cell 57%
Södra Timber 18%
Södra Interiör 6%

Total SEK 19,727 million
Excluding internal deliveries

Södra Skog 2%
Södra Cell 91%
Södra Timber 6%
Södra Interiör 1%

Total SEK 2,271 million

Södra Skog 10%
Södra Cell 60%
Södra Timber 26%
Södra Interiör 4%

Total SEK 10,013 million
Pertains to average
capital employed

Södra Skog 14%
Södra Cell 41%
Södra Timber 26%
Södra Interiör 13%
Other 6%

Number of employees 3,943

The year in summary

Net revenue
Net revenue increased to SEK 19,727 million, primarily as a result of large volumes and high prices.

Income
Income increased to SEK 2,271 million, thanks to raised pulp prices.

Return on capital employed
Return on capital employed was 23 per cent. The objective is not less than 10 per cent over a business cycle.

Equity ratio
The equity ratio was 61 per cent at the end of the year. Södra's objective is 50 per cent to enable it to withstand fluctuations in the business cycle and other pressure factors.

Wood volume
Forestry activity was high and wood volumes totalled 16.6 million m³fub. The forestry activities were reorganised in 19 forestry operations areas.

New large sawmill
During the year, German sawmill machinery was purchased and moved to Värö where a large sawmill is being built. The new sawmill will have an annual capacity of 750,000 cubic metres.

Number of employees
At the end of the year, Södra had 3,943 employees, 579 in countries other than Sweden. A new human resources strategy was formulated during the year.

Dividend proposal
The Board proposes a dividend on contributed capital of 12 per cent and on wood deliveries of SEK 74 per m³fub of standard softwood saw logs and of 12 per cent on other wood ranges, or SEK 762 million in total. In addition, a bonus issue of SEK 89 million is proposed. A divi[illegible] million is paid on subordinated debent[illegible]ntract. The Board's proposal for profit allocation[illegible]ted on page 67.

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Comment from the Chairman and the CEO

After two years of the market being overshadowed by the effects of the financial crisis, 2010 began with a welcome upswing. Production in the Group's plants was at full capacity. The only exceptions were shut-downs in the sawmills during the Christmas and New Year's holidays as an adjustment to a weakened market position.

Christer Segerstéen: We can also note that 2010 was a strong year for Södra's members. Operations in Sodra exist to support the members, the forest owners, and are nothing more than an extension of the forest estate

What were the key milestones?
Leif Brodén: Södra Cell Värö became the world's first fossil-free pulp mill. Our other Swedish pulp mills are expected to make similar progress in the next three years.

Another breakthrough in the energy area was our procurement, construction and commissioning of ten new wind power plants in Monsterås. We own six of these, while four are being built together with Statkraft on adjoining land.

During the year, Södra cooperated with the lamp company Wastberg to present the w101 lamp in Milan. The lamp won the 2010 Design S, Swedish Design Award and the Good Design Award in the United States. The lamp was made of the new pulp-based material DuraPulp which is fully recyclable, compostable and sustainably produced. DuraPulp saw the light of day in 2009 when the Parupu children's chair was presented at the design week in Milan.

Södra decided to build a tennis hall of timber in Vaxjo, which is also a concept for a modern sports centre with a purely wooden design. The project is being pursued with assistance from Swedish tennis legends Stefan Edberg and Carl-Axel Hageskog.

Together with our partners Preem and Sveaskog, we also inaugurated Sunpine in Piteå, the world's first plant for the production of green diesel from forest raw materials.

At the end of the year, the Board decided to invest in the production of textile pulp in Södra Cell Mörrum, marking a new chapter for Södra. For the first time, we will become a sub-contractor to the textile industry and do so with a sustainable product.

Why are new products so important to Södra?
Segerstéen: The correlation is simple. If Sodra does not have sufficient capacity to pay for the wood, company operations will not benefit the forest owner. Consequently, the Group has to manage changes in behaviour patterns on the market, making new products a necessity. It is pleasing that this work is being done on many fronts in the Group In addition to the examples Brodén has listed, product development is under way for sawn timber while Södra Interior introduced several new interior products of many different types of Swedish hardwood during the year.

The business climate contributed to a strong year for Södra and its members. Prices could be raised and new products launched, and operations displayed positive development

What ties together all of the new steps taken during the year?
Brodén: A factor common to the new product projects being conducted or launched by Södra is that they are all further steps on the path towards sustainability, recyclability and renewability that Sodra always follows.

The 2010 financial year was characterised by relatively favourable prices for such products as pulp The price is set by the global market and Sodra cannot influence it. How do we address this?
Brodén: We cannot control prices on the global market. This means that we can only work with what we can influence, which is developing our productivity. This is absolutely crucial in efforts to secure our long-term competitiveness. Södra's unique approach for utilising the ideas of employees is a large part of this.

It was another milestone year for productivity work. In total, 3,867 improvement proposals from the employees were implemented with an overall effect equivalent to SEK 134 million in annual profit improvement. The total average productivity improvement in the Group was 3.4 per cent during the year.

How important is productivity when the Board monitors Södra's development?
Segerstéen: The improvement is proof of the Group's ability to handle the very tough demands set by the members. The Company has to strive to maintain a place at the very cutting edge of the market. If we fail and become complacent, the customers will not be able to afford to choose us. In such a case, Sodra would no longer be sufficiently competitive in terms of the capacity to pay for the wood.

Do these productivity efforts also apply to Södra's many partners?
Brodén: We are under considerable pressure to develop productivity, but no chain is stronger than its weakest link. This sets equally high demands on both us and our partners. It is our obligation to invite suppliers in and help them to conduct productivity work, and thankfully most of them perceive this as natural and positive.

During the year, the construction of Sweden's largest sawmill was begun. When will it be finished?
Brodén: The sawmill is being built at Södra's combined facility in Varö and is scheduled for inauguration in autumn 2011. At the same time, the entire facility combining pulp mill and sawmill will be made free from fossil-based energy in normal operations and will become the first forest industry facility in the world of this type to be able to do so. This is a large-scale industrial project and a major challenge for the organisation. The sawmill has the potential to become very competitive.

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What does the support offer for the Scots pine?

Segerstedt: We've worked for 300 years to make it as good for the timber. The company's growth depends on good building material and the demand we have for wooden constructions from the public. It's clear that the new overall support scheme for the forestry sector is very welcomed by the forest owners. It follows the Swedish Rural Development Programme 2007–2013 and will reduce the costs of timber to ensure the timber industry's necessary long-term ability to pay well for the logs.

Broderick: The Scots pine project is not only a large-scale forestry initiative, but also an entirely new approach for the Group's work with timber. It is not only a matter of the forest, but also how the flow of the interaction between our various production units, both within and between industries, works. The new organisational involves changes in marketing efforts, such as the establishment of a new customer showroom for smaller products.

Segerstedt: This is the first year since 2007 that SCA has had a positive result in the forestry sector.

[illegible] Segerstedt: [illegible]

[illegible]

The Group's forestry operations are certified by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification schemes (PEFC). How is this proceeding?

Segerstedt: It is gratifying to note that interest in timber certification – according to the FSC and PEFC systems – has increased substantially. There is great demand for the supply of wood that is produced according to these certification systems. SCA was one of the first companies in the world, and has been instrumental in making sure that the timber industry, corresponding to 1 per cent of the world's forest [illegible]

Segerstedt: [illegible]

Segerstedt: [illegible]

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Consolidated finances in summary

Income

A strong economy was positive for the demand of paper and pulp. Pulp prices rose strongly and volumes were robust. Inventories of sawn timber were in balance at the beginning of the year. Sales initially benefited from the currency exchange situation, but the SEK gradually strengthened and at year-end this advantage had disappeared. Consolidated net revenue increased by SEK 3,031 million to SEK 19,727 million.

Operating profit improved to SEK 2,271 million (593), including impairment of property, plant and equipment in pulp mills and sawmills amounting to SEK 222 million and a downward revaluation of inventory of SEK 64 million. The stronger economy meant that all business areas improved their operating profit compared with the preceding year.

Return on capital employed was 23 per cent (6). The average return over the past five-year period has been 14 per cent.

Financial position

The equity ratio strengthened during the year to 61 per cent (58). The balance sheet total increased by SEK 1,969 million to SEK 18,845 million (16,876) at year-end.

Equity increased to SEK 11,416 million (9,806), of which paid-up and issued contribution capital represented SEK 2,354 million (2,211). At the end of the year, Södra's external borrowing consisted primarily of loans from members.

Cash flow was SEK 269 million (339). Investments totalled SEK 1,750 million and primarily pertained to production-related investments in Södra Cell and Södra Timber. In addition, six wind power plants were completed at the mill in Monsterås and Södra Skog acquired an additional 1,900 hectares of forest in the Baltic States. Loans from the members increased during the year by SEK 197 million.

The Board's proposal for profit allocation involves a member transfer of SEK 851 million. The dividend on subordinated debentures is per contract.

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Consolidated statement of comprehensive income

	2010	
Operating profit	2,271	593
Profit before income tax	2,332	662

Net revenue and profit per operation

	Net revenue		Operating profit	
SEK million	2010	2009	2010	2009
Södra Skog	10,186	8,423	56	29
Södra Cell	11,610	9,604	2,224	486
Södra Timber	4,269	3,442	129	119
Södra Interiör	1,424	935	30	0
Other/Eliminations	-2,662	-2,806	-428	39
Group	24,827	19,596	2,271	593

Consolidated statement of financial position

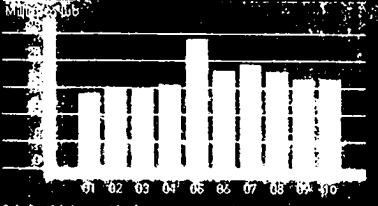
SEK million	31 Dec 2010	31 Dec 2009
Assets		
Biological assets	7,781	6,682
Other assets	8,457	7,230
Interest-bearing receivables	3,584	3,263
Cash and cash equivalents, restricted cash	1,423	2,802
Total assets	19,845	19,976
Equity and liabilities		
Equity	8,496	8,016
Interest-bearing liabilities	7,911	8,655
Other liabilities	3,438	3,305
Total equity and liabilities	19,845	19,976

Consolidated cash flow statement

	2010	
Cash flow from operating activities	3,105	2,207
Cash flow from investing activities	563	-830

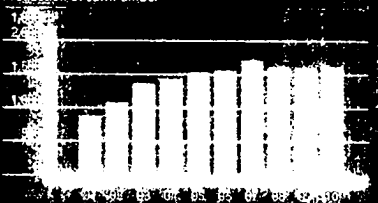
Wood delivered

Million cubic metres



Substantial demand for forest raw materials and price increases resulted in high levels of forestry activity. Competition on the wood market was intense.

Production of sawn timber



Production of pulp

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Five-year summary

	2010	2009	2008	2007*	2006*
Revenue and income, SEK million					
Net revenue	19,727	16,696	16,993	17,794	15,891
Profit before depreciation and amortisation	3,722	1,605	1,944	2,813	2,645
Depreciation, amortisation and impairment of assets	-1,451	-1,012	-1,135	-1,144	-1,094
Operating profit	2,271	593	809	1,669	1,551
Finance income and expenses	61	69	-113	-6	-7
Profit before income tax	2,332	662	696	1,663	1,544
Capital, SEK million					
Balance sheet total	18,845	16,876	16,411	16,625	15,118
Capital employed	10,013	10,038	10,182	9,943	9,497
Equity	11,416	9,806	9,346	10,418	8,709
Investments	1,750	1,387	1,412	1,189	1,142
Operating cash flow	1,381	1,438	318	1,394	476
Key indicators, %					
Return on capital employed	23	6	8	17	16
Return on equity	16	5	5	13	13
Equity ratio	61	58	57	63	58
Debt/equity ratio, times	0.2	0.3	0.3	0.2	0.3
Volumes					
Wood volume, mill. m³fub	16.6	16.6	17.8	19.2	18.7
Deliveries of biofuel, 1,000 m³s	5,043	4,360	3,742	3,303	3,209
Sawn timber production, 1,000 m³	1,601	1,590	1,601	1,702	1,550
Sale of interior products, SEK million	1,174	935	870	849	727
Pulp production, 1,000 tonnes	2,012	1,875	2,058	2,017	2,005
Electricity production, GWh	1,747	1,572	1,696	1,582	1,399
Other					
Affiliated forest area, 1,000 hectares	2,366	2,346	2,331	2,314	2,231
Member wood deliveries, mill. m³fub	9.0	7.9	8.7	12.0	12.0
Number of employees	3,943	3,967	3,612	3,675	3,678

* Sodra has applied International Financial Reporting Standards (IFRS) in its financial statements since 2009. Comparison figures have only been recalculated for 2008

Definitions

Capital employed
Average of non-current assets in the balance sheet and net operating capital less non-current liabilities and tax liabilities (net).

Return on capital employed
$$\frac{\text{Operating profit}}{\text{Average capital employed}}$$

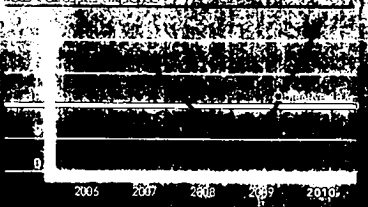
Return on equity
$$\frac{\text{Income after finance income and expenses less 26.3\% standard tax}}{\text{Average equity}}$$

Operating cash flow
Cash flow after investments

Equity ratio
$$\frac{\text{Equity}}{\text{Total assets}}$$

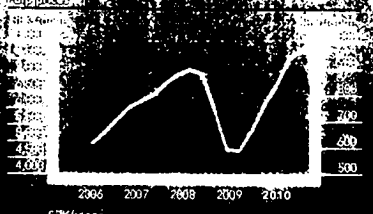
Debt/equity ratio
$$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$$

Return on capital employed



Return on capital employed has averaged 14 per cent over the past five-year period.

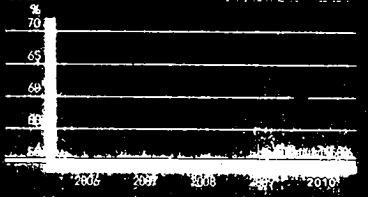
Pulp prices



The price of northern softwood sulphate peaked in the summer at USD 980 per tonne to then drop somewhat. The price decline to SEK/tonne in the final quarter of the year exceeded that in USD/tonne due to a strong SEK.

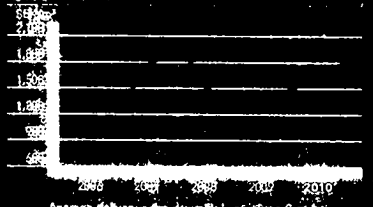
Source: Foex PIX average prices for softwood sulphate delivered to European customers (quarterly average).

Equity ratio



The equity ratio was 61 per cent at the end of the year.

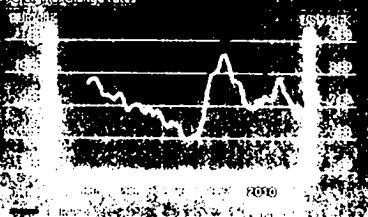
Sawn timber prices



Average delivery price, sawmills in southern Sweden.

Sawn timber prices rose gradually in the first eight months of the year. The trend was subdued by market turbulence and financial unrest in the latter part of the year.

Foreign exchange rates



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A year of major fluctuations

The year was characterised by sharp fluctuations. Growth in Sweden's GDP was robust while many countries where Södra has its markets experienced significantly weaker growth.

The forest industry is sensitive to economic cycles and reacts promptly to economic changes. Profitability is affected mainly by demand, which is currency-related, as well as by costs, particularly for wood and energy. Södra's business comprises the processing chain from forest to industry.

The year was characterised by major fluctuations in price and inventory levels, and by the significance of the SEK to the competitive situation.

Strong demand for properties and raw materials

The price of forest land is driven by supply, location, land quality and the market for wood. The price rose sharply and has increased more than 160 per cent in the past decade. The turnover of forest properties is low and ownership changes take place primarily because of generation changes. More than 70 per cent of the transactions were complementary acquisitions by neighbours and active forest farmers. The trend in properties being sold outside the family is increasing, because the desire and possibility of taking over operations decline in the second and third generation.

The price of forest raw materials is normally set when a harvesting contract is signed or upon the purchase of standing inventory. The harvesting time varies, thus reducing the sawmills' margins if the raw material price remains stable at the same time as the price of sawn timber drops, which was the case at the end of the year.

As a result of a strong market combined with the emptied storm-felled inventory, the price of saw logs turned upwards until mid-year. It increased by nearly 50 per cent between autumn 2009 up to mid-year 2010. At the same time, clearing registrations for planned harvesting increased by 60 per cent. However, the timber market cycle turned downwards early in the autumn and the price of saw logs dropped.

Good supply of cellulose chips

The raw materials of pulp mills are pulpwood from harvesting and cellulose chips from sawmills. A healthy supply of cellulose chips meant that the pulpwood market was in balance, despite relatively low pulpwood inventories. Pulpwood price increased gradually during the year.

Uncertainty regarding the market for sawn timber

The trend for sawn timber is affected by factors such as raw material supply, exchange rates, new construction, renovations, the business cycle and the national finances of various countries, as well as seasonal variations in construction.

Sweden, Finland, Germany and Austria account for most of the supply in Europe. Sweden had a competitive advantage that waned in pace with the appreciation of the SEK against the EUR. The Swedish sawmill industry remains very fragmented and has a low degree of consolidation.

The construction market is the driver of demand for Södra Timber's sawn timber, of which 80 per cent is whitewood for construction. The renovation sector in Scandinavia was strong and construction in Europe slowly increased from an extremely low level. Demand remained robust in the Middle East and North Africa, which led to more competition from other producer countries.

Short advance planning of the transactions means that inventories quickly increase if demand drops. The balance is then maintained through reduced production. Several producers announced production shutdowns during the 2010/2011 winter season.

Confidence in the long-term development of the timber market remains very strong. It is supported by the fact that new construction in Europe and the United States is still below average while the use of timber in building designs is increasing.

Interior wood holding ground in competitive market

Södra Interior is primarily active on the Scandinavian market with its largest sales in Sweden. Competition from producers in Scandinavia and the Baltic States is substantial. Despite little new construction, the market was satisfactory, driven mainly by the government renovation grant (ROT) in Sweden.

The building trade is the largest customer category. Södra Interiör motivates a somewhat higher price level with high product quality, new product innovations and a high level of service with short delivery times that minimise the customers' inventory.

Pulp remains main input

Södra Cell's business is predominantly based on long-fibre chemical pulp suitable for applications such as high-quality graphic paper. Demand for pulp is directly related to consumption of paper and other pulp-based products. Pulp is broadly divided into four application areas: printing paper, packaging paper, tissue for hygiene applications and speciality paper such as different types of filters.

Pulp prices are set on a transparent basis globally. In 2010, the fluctuations were noted in price and inventory levels, as well as in exchange rates between USD and SEK. Prices increased strongly until mid-year to then drop marginally. The price depends on demand and supply, which is sometimes affected by the forces of nature: Chile was struck by an earthquake at the beginning of the year and some of the country's pulp mills stood still for a protracted period of time.

China built large inventories of purchased pulp, resulting in the producers' inventory levels dropping to extremely low levels in the spring. Rising pulp prices normally lead to inventory growth at the producers. The second half of the year witnessed a return to more normal inventory levels.

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The consumption of printing and writing paper is dropping in Europe, Japan and North America, a decline that is structural and largely determined by the digital advances, where North America has made the most progress.

Excess capacity among paper producers in the industrialised countries is leading to intense competition and difficulty in compensating for pulp price increases. This is resulting in continued, lasting capacity cutbacks in Europe.

Global economic growth has boosted the consumption of packaging paper and tissue paper. For example, the use of hygiene paper increases in pace with a higher standard of living.

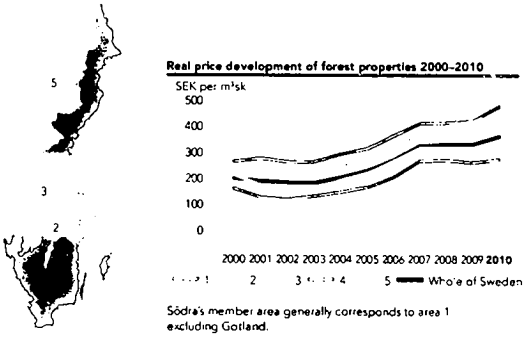
Demand for pulp is also growing for special paper, covering a broad spectrum ranging from coffee filters to air filters for engines. As a result of the economic advantages of wood fibre, it is often used in preference to or in combination with synthetic fibres.

Bioenergy shows steady growth

The expansion of power and heating plants run on biofuel is driving Södra Skogsenergi's business. Market growth is steady at just over 3 per cent annually. Biofuel consumption in Södra Skogsenergi's market area is approximately 17 TWh. In autumn 2010, deliveries began at a significantly higher pace than previously due to colder-than-normal weather, but mainly to a high price of electricity, which stimulated high power generation and thereby a greater need for fuel.

Long term, more co-generation capacity will be added in the region. Some stakeholders have invested in waste incineration, a trend also observed in Norway and Germany. This is expected to lead to a fuel shortage in Sweden for this kind of boiler, in which case a good deal of this fuel will be imported.

The supply of biofuel is gradually improving as branches and tops from harvesting are increasingly utilised. By-products from the industry are also increasing; for example, Södra Cell Varo has begun the drying and delivery of bark.



Södra's member area generally corresponds to area 1 excluding Gotland.

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Södra's products are part of the ecocycle

Södra is one of Sweden's largest export companies with two-thirds of its sales outside Sweden. The main market for its products is Europe.

An overriding feature of Södra's strategy is the process of continuous improvements, an endeavour that encompasses all business areas and staff functions. During 2000 to 2009, more than 10,000 improvement proposals from the employees were implemented, corresponding to a value of approximately SEK 500 million.

In the strategy for 2010 to 2014, the ambition is to implement the same number of proposals in half the time. The productivity generated by the employees' proposals will thereby be doubled during the period and the pace of concept generation has already been exceeded. During the year, more than 3,800 proposals from the employees were implemented with an overall effect equivalent to SEK 134 million in annual profit improvement.

An overriding feature of the strategy is the process of continuous improvements. Based on its industrial output, Södra aims to secure a market for its members' wood materials at market prices.

Value-based leadership provides motivation

The human resources strategy is founded on a value-based management philosophy that emphasizes the manager's important task of managing human resources and relationships.

The employee mainly contributes his or her expertise, which is the sum of the individual's abilities, knowledge and, in particular, will.

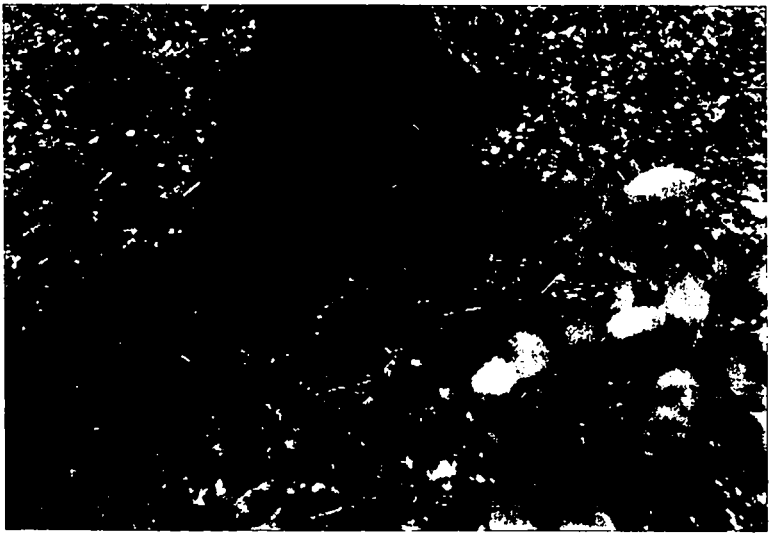
The whole, closeness and movement are three guiding concepts used to provide room for motivation and will in the daily work. The whole entails that every employee is aware of his or her own significance to the whole. Closeness is the certainty that meetings and relationships strengthen both Södra and the individual employee. With movement, a permissive company culture is cultivated that stimulates change and innovative thinking. Work is followed up through recurring employee surveys, among other efforts.

Recyclable, renewable and compostable

Södra's business strategy is based on its mills providing an appropriate market for its members' wood raw materials at market prices. All operations are conducted in harmony with the forest's ecocycle, constant renewal and growth. The products are inherently a part of the ecocycle: recyclable, renewable and compostable.

Strategy: Sodra Skog

Södra Skog's strategy includes five overriding objectives. The first is to develop an early, profitable service concept with an adapted range of products and services, and stronger communication regarding the offering. The second objective involves a long-term increase in forest growth combined with well-developed consideration of the environment. The third is greater professionalism in the customer and supplier



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relationship and involves continued development of purchasing efforts and market communication aimed at members, more efficient logistics and the development of the internal cooperation between Södra Skog and the other business areas of the Group.

Södra Skog's fourth objective is to increase its market share and profitability in the biofuel business, mainly through larger purchases in the field, increased peat production, more international transactions and the development of new technology. The fifth objective is higher volumes of all wood product ranges and the maintenance of the external trade. This objective includes increasing delivery activity among the existing members and attracting new members.

Strategy: Södra Cell

Södra Cell's strategy is summarised in the business area's three key objectives. The first is to be the most productive company, both in terms of nurturing the productivity culture and work to develop new products.

The second is to be the most energy-efficient company. This pertains to efforts to make the operations fossil-free in regular operation, which has already been achieved in Södra Cell Värö, and a leveraging of the potential of existing and new energy carriers.

The third is to be the most attractive company for employees and customers. Södra Cell aims to be the customers' first choice and contribute to the customers' value-creating product development.

Strategy: Södra Timber

Södra Timber will undergo relatively extensive changes in the next few years, particularly through the new sawmill in Värö. When it is finished in 2011, it is expected to be Sweden's largest sawmill with an annual production capacity of 750,000 cubic metres.

The business area attaches considerable importance to the development of sales work. The strategy includes becoming a larger, more attractive producer on the market through efficient logistics, more collaboration with other parties and a well-developed customer offering. An important point is to increase internal cooperation, such as with Södra Interiör.

Strategy: Södra Interiör

Södra Interior has a strong position in Northern Europe. The company produces an extensive range of interior wood products characterised by both product breadth and product depth. This is the core of the operation throughout the entire strategy period.

The business area will continue to grow. Growth is expected to primarily take place organically based on the current organisation. The objective is to grow in virtually all the product areas in which the company is already active, including the sawn hardwood and processing product areas. Another focus area is Södra Interiör's brand work. The campaign initiated in 2010 is the first step in a multi-year endeavour.

Strategy: Wind power

Södra is planning and building wind power plants at the pulp mills in Monsterås, Värö and Mörrum. The main owner of the company that develops and builds wind power plants on the members' land is the Norwegian energy group Statkraft.

The aim is that productivity in the Group will increase by at least 2 per cent per year. Productivity improvements will make Södra more competitive and help maintain profitability despite a decline in real prices.

The objective for return on capital employed is 10 per cent. The equity ratio should be at least 50 per cent. Profit distribution over a full business cycle should represent at least one-third of profit.

Workplace injuries are to be eliminated. This is to be achieved through measures such as improved follow-up of [illegible]

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The members' forest is the basis of the value created

Södra is owned by 51,000 forest owners in southern Sweden who cooperate to strengthen the economy of the forest estates and develop family forestry. Each member has a vote, regardless of the amount of capital they have contributed or the size of their forest estate. A new division of the forestry districts was made during the year.

Members and their forest estates are the basis of all value creation in Södra. Value creation takes place in several steps including good forest management, sale of wood, ownership of mills and business policy lobbying.

Members have access to advice and education concerning forest management. They are offered value-creating forestry services ranging from planting to final harvesting.

24,400 members delivered a total of 9 million m³fub of wood raw material. Own processing enables members to share in mill profits.

Contribution-based membership

Members do not pay a fee to be part of Södra, but rather participate with risk capital in the form of capital contributions that are paid back when membership ends. The required contribution is SEK 600 per hectare of productive forest land and is paid in stages by deducting it from the amount paid for wood deliveries. Contributions are not required for land exceeding 200 hectares, but members may contribute more if they wish. A growing number of members elect to do this as capital contributed is the basis for profit dividends.

The capital belongs to members, but Södra uses the money during the membership period and pays dividends on contributed capital. At year-end, member capital contributed in Södra totalled SEK 2,354 million, of which SEK 894 million was paid-up. Through bonus issues, SEK 1,460 million has been transferred to the members' individual capital contribution accounts.

Owners and suppliers

The members are also owners of a major forest industry group, suppliers of wood raw materials, lenders to their own company and customers who buy services and goods.

As owners, they can present their points of view, at for example member meetings, to their local elected representatives who have a dialogue with the Board through the Administrative Council. This is a kind of owner management that distinguishes the association from limited liability companies.

An important assignment is to secure markets for members' wood at market prices. The wood is mainly processed in Södra's own industry and the products are sold on an international market. Södra is one of the world's leading suppliers of pulp and one of the largest producers of sawn timber products in Europe.

During the year, 24,471 members delivered 9 million m³fub raw materials in the form of saw logs, pulpwood and biofuel to Södra with a total value of SEK 3,984 million. The average per property was 514 m³fub equal to a value of SEK 227,000.

Largest lender

Members invest money in Södra and collectively comprise its largest lender. At the end of the year, loans from members totalled SEK 2,343 million, allocated between member accounts SEK 1,611 million, forest loans SEK 38 million, payment plans SEK 686 million and liquidity accounts SEK 9 million.

Dividends are deposited in member accounts if not requested otherwise. This money is freely available to the owner and pays an interest which compares favourably with traditional bank accounts. Forest loans enable Södra to borrow money from members, which pays an even higher interest rate with a fixed-rate period of six months. On two occasions, Södra has also offered members the opportunity to take out subordinated debentures that run over five years or more with annual dividends. The offers were also made to relatives and employees.

Purchase goods and services

During the year, members purchased goods and services from Södra for a total of SEK 1,300 million, mainly for harvesting services. Södra also offers services such as forest maintenance, forestry plans, forest certification and products in the form of saplings and tools.

Profit dividend

The members share mill profits. The objective is that profit distribution over a full business cycle will represent at least one-third of profit. The Annual General Meeting resolves on profit distribution at the end of each financial year.

The dividend is based on the capital contributed by members as well as on the their wood deliveries during the year. The aim is that half of the profit and any bonus issue will be based on contributed capital and half on the value of the wood delivered. Bonus issues entail that collectively owned non-restricted equity can also be transferred to the members' individual contribution capital. This increases the calculation base for future profit dividends.

Way members act as

The Focus on Forest project was initiated in 2007 and was concluded at the end of 2010. A number of activities were conducted, such as study groups, forest days, seminars and visits to demonstration estates. The objective was to enable forest owners to learn more about measures that increase the growth and profitability of their own forest estate. Södra had 37,000 participants in the activities, which can be compared with the target of 19,000 participants for the entire project period.

The level of activity with regard to safety issues in the forestry work was high during the year. Elected representatives and other members are committed to developing safety for active forest owners. In Södra's membership area, 7,500 people have taken power saw driving licences to date. During the year, test courses were arranged for brush saw driving licences.

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Training was held for wildlife representatives, nature conservation representatives and the district councils.

The annual meetings in the forestry districts attracted some 5,000 participants and were dominated by price and market issues and global market conditions.

A new round of owner meetings was held during the year.

Annual General Meeting (AGM)

Södra's AGM was held in Falkenberg on 19 May. The AGM resolved to pay a dividend totalling SEK 306 million and implement a bonus issue of 10 per cent based on available capital contributed. The AGM addressed several new motions and motions addressed at previous AGMs were reported on.

Lars-Eric Åström stepped down from the Board after 31 years, 17 of which were as Chairman, and was appointed the honorary chairman. Lena Ek and Lars Idermark also left the Board. They were succeeded by Paul Christensson and Eva-Carin Tengberg. After the AGM, Anders Ripström withdrew from the Board at his own request.

The day after the AGM, an excursion was arranged to Södra Odlarna in Falkenberg and Södra Skog near Ullared. In Falkenberg, new robot technology, new logistics and better genetics in cultivated saplings were presented. In Ullared, the theme was forest renewal and efficient management of biofuels. Here, hauling of fresh branches, stump harvesting, ash recycling and machine planting were displayed.

Economic policy

Forest and land owners are affected by a large number of rules and ordinances. Södra protects the interests and rights of its members through active involvement in economic policy-making and lobbying. These efforts aim to protect the rights of individual forest-owners to manage their forest and are often run in conjunction with other forest-owner associations and the Federation of Swedish Farmers (LRF). Important areas for this work during the year included encroachment of large power lanes, the new elk administration and water issues.

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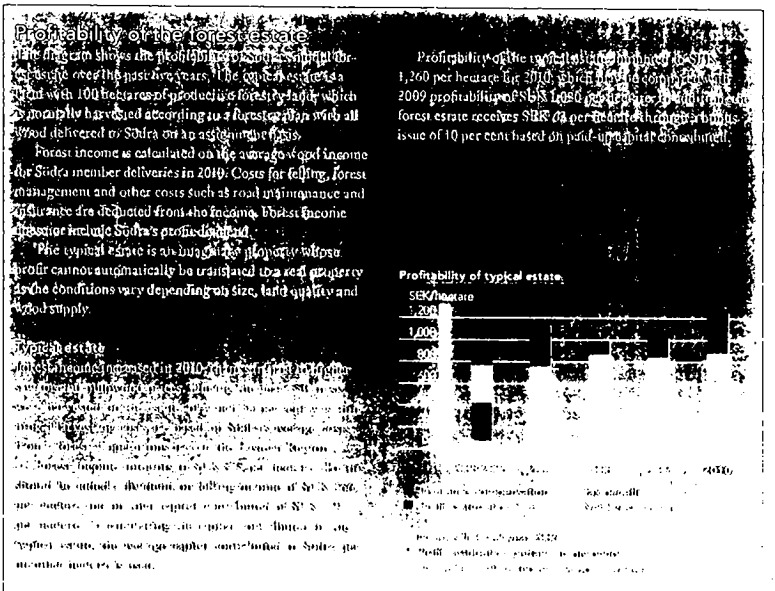
Södra arranged election year meetings with members of parliament in the counties of Kronoberg, Blekinge, Kalmar and Jönköping as well as the Sjuhärad area to emphasize important issues, such as forest conservation, game damage, kilometre tax, climate change and ownership rights. Meetings with municipal politicians were arranged in various locations.

New organisation

The Board decided to extend the local organisation to 36 forestry districts from the previous 32. Work on the new organisation started at the beginning of the year with the ambition of shortening the distance between the elected representatives and other members. Prior to the Board's decision, the new division was discussed within and between district councils and then in the Administrative Council. Elections of representatives in the new organisation will be held at the annual meetings in March 2011.

Trade in contributed capital

Trade in issued capital takes place on an external trading site, through SEB Aktiehandel Syd, with monthly closure. Trading for the year was SEK 12.2 million. The rate on the issued capital that was traded varied between 101 and 107 per cent. In November, it was also made possible to trade in paid-up contributed capital.



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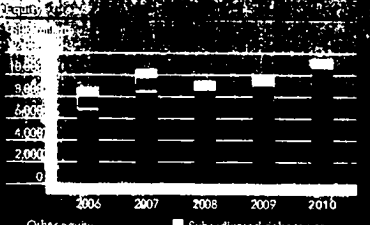
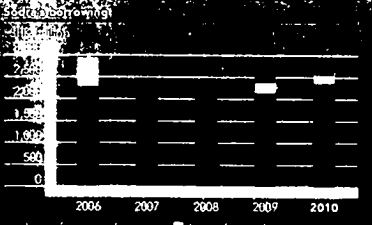
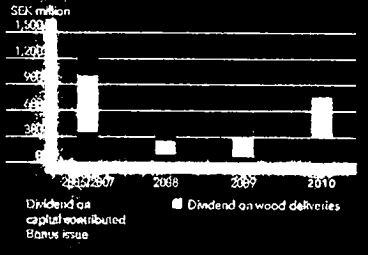


Total equity amounted to SEK 11,400 million, of which SEK 2,400 million was paid-up and bonus capital contributed. From 2008 subordinated debentures are not included in Group equity in accordance with IFRS.



Following loan repayments in 2007, Södra borrowings mainly consist of loans from members. From 2008 subordinated debentures are included in Group borrowing in accordance with IFRS.

Profit dividends and bonus issues



2010: Proposed dividend

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New meetings with Södra's members

Södra owner meetings are a new type of meeting where the members have a unique opportunity to influence the direction of the company. The meetings were held in Växjö and in Mark for the first time. First, the forestry districts arranged meetings in small groups. With 10–20 participants around the table, everyone had the chance of saying what they thought in forthcoming discussions. These small meetings were headed by members of the district council and led to joint answers, as well as questions to be addressed to the Board.

The second part of the owner meeting was a seminar in each forestry district. There, the owners had the opportunity of meeting representatives of the Board and the member department, who in turn were able to study the responses to the topics discussed at the small meetings, which were the Södra model, market pricing and how Södra can be an association for the forest owners of tomorrow as well. These meetings gave the participants excellent chances of learning more about their company, and involvement was considerable.

The discussions, the advantages and disadvantages of Södra's model for pricing and distributing value were brought up, as well as reports on the market, which is not surprising as the most frequently asked questions are also course points of interest for public investors of wood deliveries by members. Many questions ended up in capital accumulation: how much money will Södra accumulate, is it time to transfer more of the shared capital to individual capital?

The price of wood was also discussed, of course. As per its charter, Södra applies market prices on wood bought from the members. The forestry industry is a capital-intensive industry and the need for investments and possibilities of raising

The topics discussed at the owner meetings were

One of the owner meetings in the Mark forestry district was held at Strömmaskolan in Satila and attended by 25 members. Among those who discussed how Södra should address new trends and reach out to new generations of forest owners were Jimmy Grinsvall, Anton Brandt, Lena Karlsson, Inger Toompea and Håkan Eriksson

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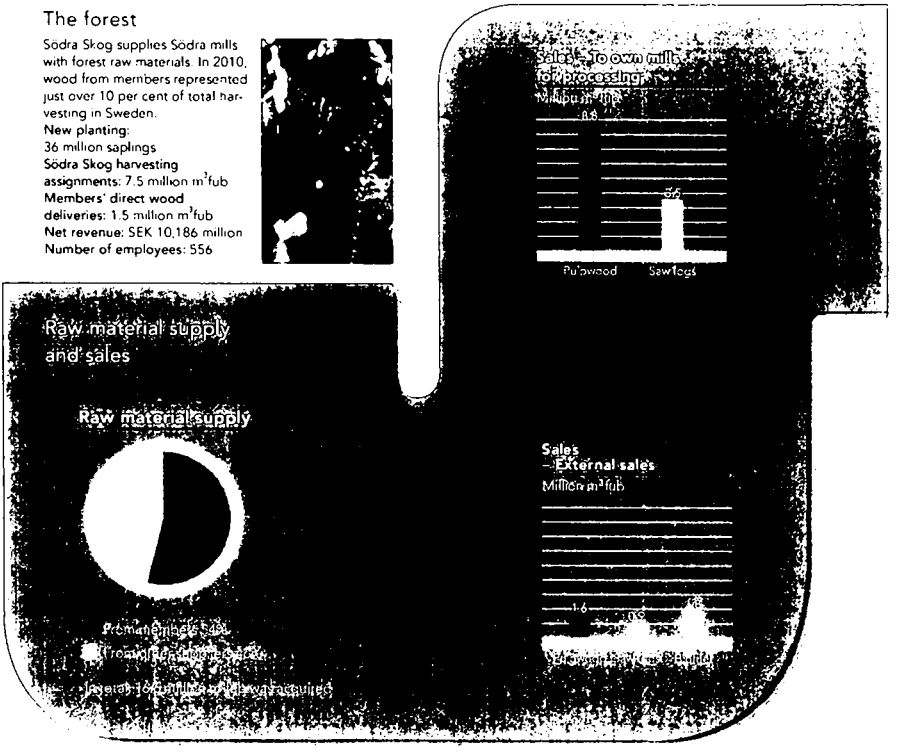
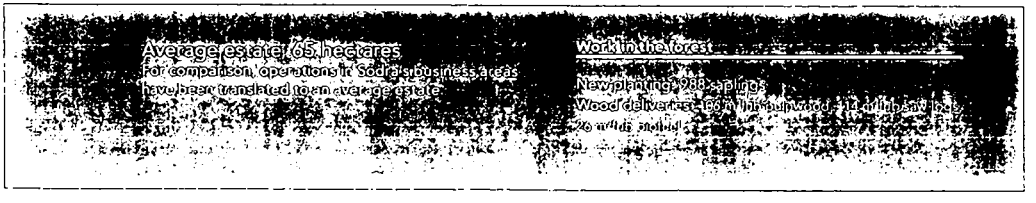
From forest to finished product

Södra's operations are based on the forest. Some of the harvested forest is sold externally, but most is sold internally for further processing into pulp, construction timber and interior products.

The forest

Södra Skog supplies Södra mills with forest raw materials. In 2010, wood from members represented just over 10 per cent of total harvesting in Sweden.
New planting:
36 million saplings
Södra Skog harvesting assignments: 7.5 million m^3fub
Members' direct wood deliveries: 1.5 million m^3fub
Net revenue: SEK 10,186 million
Number of employees: 556



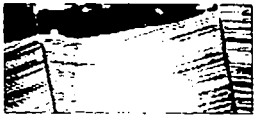


PUBLIC FILE

Processing

Södra Cell

Sodra Cell is one of the world's largest producers of bleached sulphate pulp. Pulp is produced at three mills in Sweden and two in Norway.
Number of employees: 1,605
Key market: Western Europe



Södra Timber

Sodra Timber produces construction timber at sawmills in southern Sweden. It is one of the largest sawmill businesses in Sweden. Trivselhus is one of the leading manufacturers of timber homes in Sweden.
Number of employees: 1,036
Key markets: Sweden, United Kingdom and the Netherlands

Södra Interiör

Sodra Interiör is one of Scandinavia's leading manufacturers of interior wood products with operations in Sweden, Norway and Denmark. Raw materials come from proprietary and external sawmills.
Number of employees: 502
Key market: Scandinavia

Sales of processed forest products

Pulp

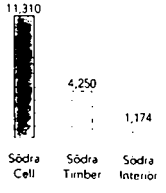
2.0 million tonnes

Sawn timber

1.6 million m^3

Sales value

SEK million



Operating profit

SEK 2,224 million

Operating profit

SEK 129 million

Operating profit

SEK 30 million

Share of processed volumes	Share of sales value	Share of operating profit
58 tonnes pulp 44 m³ timber products	SEK 459,000	SEK 65,415

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Considerable demand, sharp price increases and a high level of activity

Operations on the wood market were characterised by intense competition. Considerable demand for forest raw materials and sharp price increases resulted in high levels of activity in forestry. The earnings trend was positive and volumes and sales increased.

Södra Skog's main task is to find markets for the wood that the members want to harvest and obtain the forest raw materials processed in the Group's mills. Most of the wood is purchased from the members. The business area carries out forestry services for the members, including harvesting, forest management, green forestry plans and advice

The trend towards increasingly tough competition for forest raw materials was strengthened. A new operating organisation was introduced to address this trend

Intense competition for wood

The trend towards increasingly intensive competition for forest raw materials was strengthened. Higher demand and depleted storm-felled inventories led to strong and rapid price increases in the spring, primarily for saw logs. Prices reached record high levels. The supply of growing, standing forest increased, as did activity in the forest. The high level of wood contracts in the summer provided well-filled inventories of standing forest along with stable conditions for the operations in the autumn.

Despite troubling production and transport conditions due to cold weather and snow early and late in the year, the deliveries to Södra's mills worked well.

Operations in the recently established company for wood acquisition in Norway got off to a flying start and conditions are good for continued development.

After several years of rising demand and a limited supply of biofuel, the market stabilised. More efficient logistics and a reduction in terminal handling increased the payment capacity of the biofuel product lines.

Forestry services gaining speed

In order to increase and improve forestry services, a new position – forestry supervisor – was created in all forestry operations areas. The need for cleaning requirements is increasing as the felling areas planted after the storms Gudrun and Per become be ready for cleaning.

Efforts to create a more efficient distribution system for saplings were launched. The system was successfully tested, entailing that the saplings are automatically packed in boxes, frozen and then transported to the forest owner or contractor. Södra Odlarna's 40 million saplings will start being distributed this way in 2011.

2010 was a normal year without any major impact by storms. Bark beetle infestations increased somewhat compared with 2009, mainly in eastern Kronoberg County, but the damage was assessed to be moderate. The area in eastern Kronoberg that was infested by the red pine sawfly in 2009 was extended to the east and north in the summer, and many members' pine forests were afflicted. Södra has redoubled vigilance in the area.

Focus on Forest project finished

The campaign run jointly by the forest-owner movement and the Federation of Swedish Farmers to make family forestry more profitable by improving forest growth, called Focus on Forest, was concluded during the year. The vision is to increase growth by 20 per cent on the long term. Many subtargets for reaching this have been met: 37,000 forest owners participated in the activities and planting, ditch clearing and the demand for processed material have increased as well as the number of green forestry plans. Södra's work on skills development for forest owners is now being performed as a prioritised task in Södra Skog's ordinary operations.

Rapid pace of double certification

The double certification of the members' forestry according to FSC and PEFC continued. The year's target of one million hectares was reached as early as the spring. At the end of the year, 1.2 million hectares were double certified.

More deliveries of biofuel

Södra Skogsenergi trades in Södra's full range of biofuel. The year's deliveries to thermal power stations, co-generation stations, industry and pellets factories increased 16 per cent to the equivalent of 4.3 TWh. During the year, the organisation and market in Denmark and the UK were developed.

Successful productivity programmes

The improvement efforts were carried out through productivity programmes that were more targeted than before and in various development projects. The productivity programmes included collaboration with Södra Timber.

In order to enhance the operational efficiency and address the increasing competition on the wood market, the operating activities were reorganised. The focus is on more contact with the members, management, efficient logistics and refined marketing communication. These measures together with the idea-generation efforts have contributed to productivity. During the year, 1,451 ideas were generated and 18 improvement proposals were implemented each week.

Greater requirements, major challenges

Södra Skog's greatest challenges result from the more stringent requirements of suppliers and customers. Among other factors, the volumes of all product lines must increase substantially in the next five years. The service and product offering must be developed in a manner that is profitable and attractive to the members, an effort that commenced during the year. Södra Skog is also participating in a project aimed at developing future forestry plans together with the other forest-owner associations.

Positive business trend

Net revenue increased to SEK 10,186 million (8,723). Operating profit improved to SEK 56 million (29). Wood deliveries amounted to 16.6 million m³fub.

	2010	2009
Net sales, SEK million	17,758	9,704
– which to ownership	6,015	5,219
Operating profit, SEK million	66	29
Return on operating capital, %	5	2
Number of employees	556	559

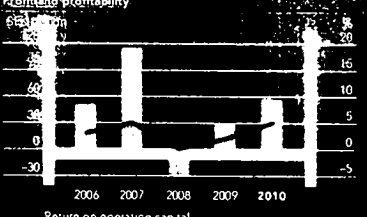
Acquisition of wood

	2010	2009
Total, mill.m³sub	16.6	13.7
From members, total	9.0	7.9
– as delivered wood	1.5	1.5
– as harvesting assignments	7.5	6.4
Imports to Sweden and Norway	1.6	1.2
Other acquisition (incl. sawmill chips)	6.0	4.6

Forestry services

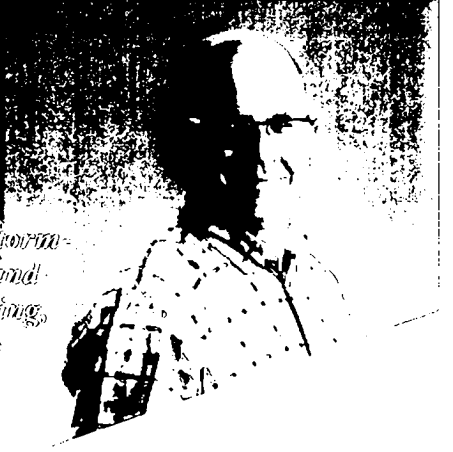
	2010	2009
Harvesting, mill.m³sub	7.6	6.5
Land preparation, hectares	10,000	11,000
Cleaning, hectares	13,400	14,900
Forestry plans, 1,000 hectares	136	150
Sale of seedlings, mill.	36	39

Profit and profitability



Sales per customer group

Sales are based on revenue.
Total wood deliveries Södra Skog: 16.6 million m³sub.



"Higher demand and depleted storm-felled inventories led to sharp and rapid price increases in the spring, primarily for saw logs."

Urban Eriksson, President, Södra Skog

Rapid access to the best saplings

The forest owners will gain faster access to the best plant material available. Södra is driving the development of new methods to increase forest growth and forestry profitability.

In order to achieve the best results in the forest, refined cultivation materials are used. Plant breeding is a long-term endeavour to develop genetically superior material. Characteristics in the material that are prioritised the highest are vitality, good growth and straight trees.

In order for high-quality material to always be available, seeds are bred en masse through the planting of seed plantations. Seeds now being harvested at the best plantations are assessed to result in trees with 10–15 per cent higher growth than is possible with unrefined material. However, the plant breeders already possess knowledge of how material can be chosen that results in 25–30 per cent better growth.

The problem of softwood seeds, above all, is that it takes a long time for the trees to bloom. Seeds that are harvested today represent the best knowledge we had a few decades ago. Södra acts as a driver of development in order for the forest owners to more quickly gain access to the very best sapling material.

One way forward is to pick seeds from controlled cross-breeds, which the plant breeders of the Forestry Research Institute of Sweden (Skogforsk) are doing. Since such seeds are very expensive, they cannot be used in commercial sapling production. In order to obtain saplings at a reasonable cost, these seeds need to be bred with other methods, such as by sowing the seed and cultivating elite saplings in a nursery and then taking cuttings. Each sapling provides 10 to 20 new cuttings that result in finished saplings after about five years.

The cutting activities have been under way for a few years at Södra Odlarna's nursery in Falkenberg. Elite trees from "Ekebo Elite" – Skogforsk's cultivation population – will become finished pine saplings in 2011. Around 300,000 saplings can then be delivered to Södra's members. In a few years, this number is expected to have increased to 1.5 million. Södra's cuttings are expected to provide around 25 per cent better growth than unrefined material, resulting in a rotation period in the forest that is five to ten years shorter.

Somatic embryogenesis is the name of a method for achieving the cultivation effects even faster. This entails that the embryos from pine seeds are bred artificially as "seed cuttings", which makes it possible to quickly produce many seedlings from one seed. Now that this research has been conducted in laboratories for several years, Södra is supporting a project conducted by Swe Tree Technologies to adapt the method to practical operations. If the outcome of the tests is positive, production can begin in a few years. Then it will only take one to two years before the saplings are in the hands of the forest owners.

While Södra is breeding the best material in terms of growth, the genetic variation is being preserved. The material that comes out to the forest owners will [illegible] at least a large [illegible] natural [illegible] [illegible] [illegible] genetically possible [illegible] the [illegible] [illegible] strategy that is promoted by Skogforsk's forestry [illegible]

Janna Skyllberg, site manager for the nursery in Falkenberg, and Södra Odlarna's production manager Jonan Henriksson look at pine cuttings that were taken at the end of August 2010. These cuttings grow around 25 per cent faster than the area's original pines. The saplings will be ready for delivery to forest owners in spring 2012.

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Distribution Limited to Area Staff Only

"Soviet is driving the development of new methods to increase forest growth and forestry profitability."

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A strong year with extensive demand and favourable prices

Following the financial crisis, consumption came under way with rising demand for pulp. Healthy volumes and elevated prices combined with revenues from energy sales resulted in a strong year.

Södra Cell is one of the world's largest producers of market pulp. Pulp is produced at five mills: Mörrum, Mönsterås and Värö in Sweden and Tofte and Folla in Norway. Customers are primarily European producers of fine paper, printing paper, tissue, speciality products and board. Södra Cell also engages in considerable production and sales of green energy in the form of electricity, district heating and biofuel.

Södra Cell creates added value through a broad range of products, considerable technical expertise, environmental responsibility and a stable supply of raw materials from the members' forests.

Pulp prices rose due to substantial demand and reduced supply resulting from natural disasters and a shortage of raw materials. Softwood pulp commands a strong position in the market.

Positive market trend

A stronger economy during the year had a positive impact on the demand for paper and pulp. The paper market developed well in terms of volume, but the producers of graphic paper had difficulty in raising their prices to match rising costs.

Early in the year, global pulp inventories were low after previous production cutbacks. After the financial crisis, pulp consumption made strong progress and prices rose. Reduced supply, after the earthquake in Chile resulted in shutdowns of some of the country's pulp mills for a protracted period, contributed to the strong market conditions. Other causes for the lower supply were labour market conflicts and shortages of wood raw materials in Finland and the United States. No significant new capacity was added during the year, either.

Production under favourable conditions

Good production conditions prevailed at the company's mills during the year. Production amounted to 2.0 million tonnes, of which the main product, bleached softwood sulphate pulp, accounted for 1.5 million tonnes. The focus is on pulp for use in tissue paper and special products. These product segments are expected to continue to be in greatest demand.

Certification of forestry is being demanded by the customers. Södra Cell can offer both FSC and PEFC certified softwood pulp, thus making the company the first-choice supplier of many customers.

Research and development is conducted in several areas, often in cooperation with research institutes and universities. The research division and its laboratories at the Värö mill are at the core of these efforts. One goal is to develop new pulp grades, such as for use in packaging and clothing. At year end; it was decided to invest in the mill in Mörrum for the annual production of 170,000 tonnes of dissolving pulp that can be used for applications such as textiles. Production is expected to begin in late 2011.

Through the Södra Pulp Labs website, some of the work on the future use of the pulp can be followed.

During the year, Värö became the world's first fossil-free pulp mill since no fuel oil is used in normal operations. This means that emissions of carbon dioxide decrease and biofuel is freed up for external sale.

Södra Cell reinforced its position as a supplier of green energy in the form of electricity, district heating and biofuel. Conditions exist to increase district heating deliveries.

Value adding service an extra plus

PulpServices is the collective name of a number of value adding services Södra Cell offers with the long-term aim of growing together with customers to meet increasing demands for quality, productivity and efficiency.

The concept includes key areas such as logistics, IT, environment, fixed price agreements, technical cooperation in customer product development and market information.

Productivity developed well

Productivity work focusing on increases in efficiency and competitiveness continued during the year. Many employees contributed to this work, which resulted in 2,065 ideas. Each week, 17 improvement proposals were implemented.

A bright future

The future is bright for cellulose fibres in both traditional and new areas of application. Södra Cell's foremost product, bleached softwood pulp, is an important and highly valued product on today's market. No significant expansion in the global production of softwood pulp is anticipated in the next few years, which provides latitude in the development of products and markets. Energy efficiency enhancements and larger energy deliveries are highly prioritised.

Improved profit

Net revenue increased to SEK 11,310 million (9,601). Operating profit improved to SEK 2,224 million (406) as a result of higher pulp prices and favourable energy deliveries.

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	2010	2009
[illegible]	[illegible]	9,603
[illegible]	2,274	486
Return on operating capital, %	32	6
Investments in fixed assets	786	1,024
Number of employees	1,606	1,634
Production, 1,000 tonnes	2,012	1,875
- softwood sulphate pulp	1,473	1,394
- hardwood sulphate pulp	435	396
- CTMP	104	85
Fibre consumption, mill. m³sub	8.8	8.5
of which softwood fibre	7.5	7.2

Board of Directors

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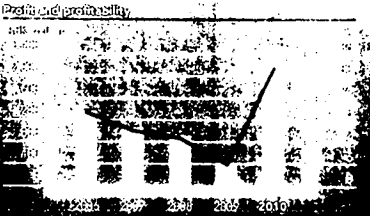
Christer Segerstéen, Vice Chairman
Gunilla Saltin, President
Tom Almgren
Gunilla Aschan
Jan Oksum
Eva-Carin Tengberg
Lars Nilsson, Employee representative
Ann Öhlin, Employee representative
Alternates
Stig-Arne Hermansson, Employee representative
Staffan Olsson, Employee representative

Production

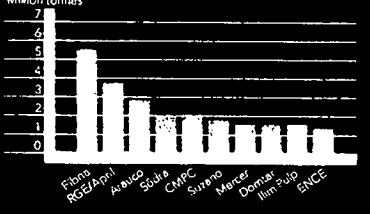
1,000 tonnes		2010	2009
Mårum		405	442
of which	softwood sulphate	315	297
	hardwood sulphate	90	145
Värö	softwood sulphate	430	379
Mörrsjerås		708	702
of which	softwood sulphate	494	547
	hardwood sulphate	214	155
Tofte		365	267
of which	softwood sulphate	234	171
	hardwood sulphate	131	96
Folla	CTMP	104	85
Total		2,012	1,875

Profit and profitability



Leading global producers of bleached sulphate pulp 2010

Million tonnes



Excluding speciality pulps such as fluff and dissolving pulp and internal deliveries

Application areas for Södra pulp

Södra's deliveries to the tissue segment have increased in recent years.

"Södra Cell reinforced its position as a supplier of green energy in the form of electricity, district heating and biofuel."

Gunilla Saltin, President, Södra Cell

Creating the materials of the future

The materials of the future should be degradable or recyclable; sustainable and economically advantageous – preferably a combination of these factors. Södra researches new areas where cellulose can replace materials that cannot be recycled or broken down.

Södra Innovation, the Group's research division, plays an important role in creating the materials of the future. Innovations include DuraPulp, the basis of the children's chair Parupu, and the lamp w101, both of which attracted considerable attention at the furniture fair in Milan. With these new materials, Södra has also made a name for itself in the furniture industry and DuraPulp has also proven to be of interest to the automotive industry.

Another area Södra has entered is barrier films, the material on the inside of milk packages that keeps the milk fresh. The barrier film Södra has created is renewable, which oil-based plastic barriers are not. For nearly a decade, researchers have worked to develop this application, which will be marketed to the packaging industry where demand is high. Patent applications have been filed and interested parties have been contacted.

With the forest as the basis, Södra is involved and contributes to making the products it creates environment friendly. Development is showing a need for environmentally friendly alternatives in more areas. The next chapter is about dissolving pulp, which is a pure form of cellulose used for textile production, among other applications. Following mill trials, Södra Cell has decided to convert one of the lines in Mörrum to the production of dissolving pulp. Today, 2 per cent of the world's textile fibres are based on cellulose, corresponding to 4 million tonnes of dissolving pulp.

Market demand is changing and the emphasis is on sustainability and environmental adaptation. For research, this means the exciting task of taking on new areas and opportunities. Södra is involved in many such projects.

Process engineer Jan-Eric Hedberg and development engineer Erica Johansson work at Södra Innovation in Växjö. They participated in the development of the w101 lamp made of the material DuraPulp, stamped at the factory in Nybro. The lamp is a result of the cooperation with the lamp company Wästberg and the design company Claesson Koivisto Rune.

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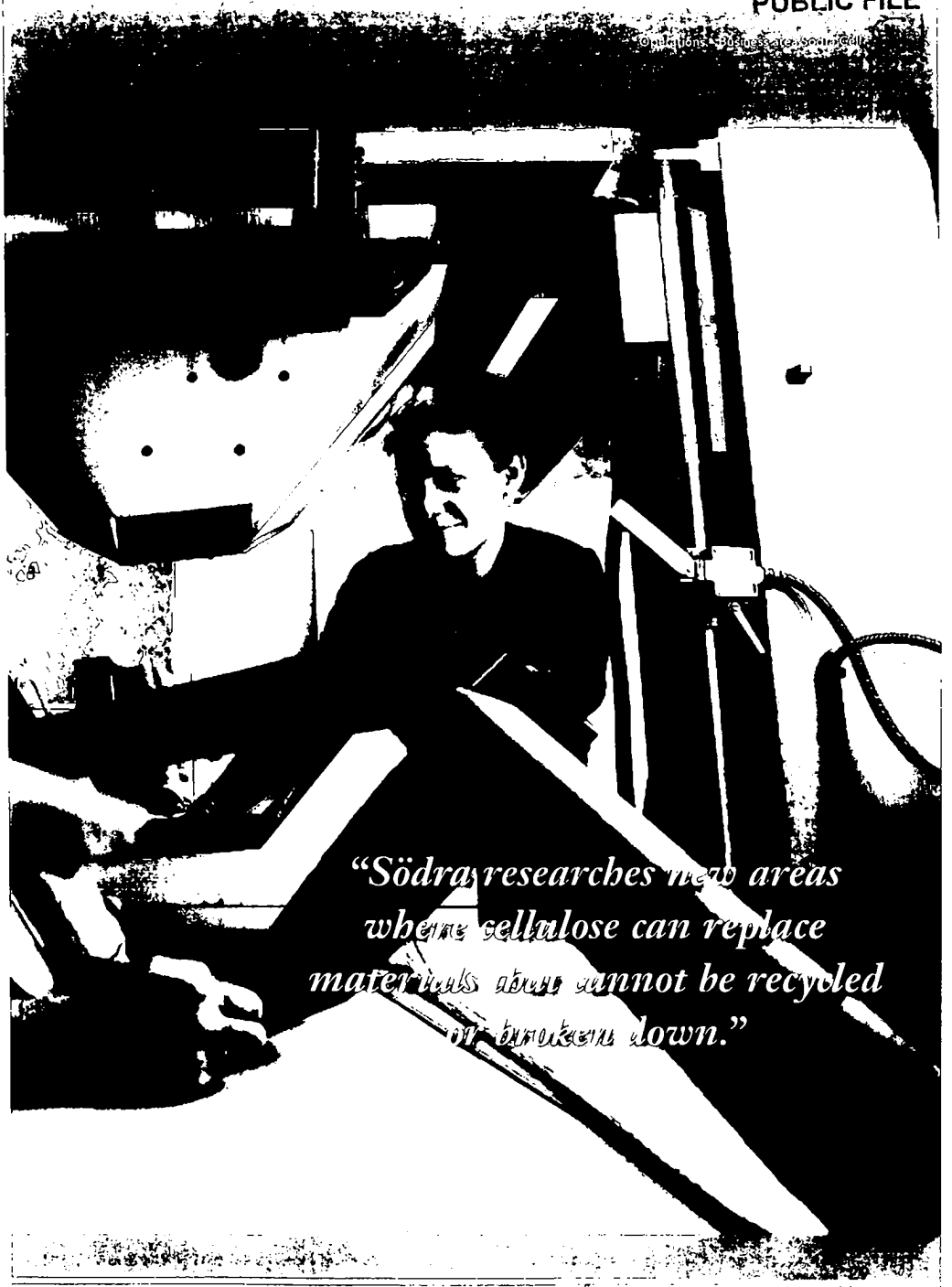
"Södra researches new areas
where cellulose can replace
materials that cannot be recycled
or broken down."

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Strong impact from exchange rate changes

The currency situation initially provided competitive advantages, a situation that had, however, been completely erased at year-end due to the increasingly stronger SEK. During the year, German sawmill machinery was purchased and moved to Värö where a large sawmill is being built.

Södra Timber produces and supplies sawn timber products to the building materials trade and construction industry. The objective is to be an agile company at the leading edge of its fields.

Saw logs come from member forests and are processed in the company's sawmills. During the year, a total of 1.6 million cubic metres of sawn timber was produced. Trivselhus manufactured 348 houses at three production units. Södra Timber also has a pressure treatment plant in Åstorp.

Södra Timber's strengths are a focus on a limited product range, construction timber, proximity to and establishment in the key markets in Europe and the combination of sawmills, pulp mills and energy production that contributes to efficiently optimising the raw material and product flows.

Timber as a building material has considerable advantages. The new sawmill in Värö provides economies of scale and greater capacity to pay for saw logs.

Business area development

A decision was made in April to invest in a new sawmill in Värö with a capacity of 750,000 cubic metres. This is being implemented through the acquisition of machinery that was moved from the Klausner Group's sawmill in Adelebsen, Germany, to Värö during the year. The investment will provide economies of scale through better cost efficiency and larger volumes. In addition, the company's mix of large and small sawmills is important for the product line and efficient customer offerings.

The marketing organisation was changed in stages. The aim is that new approaches will meet the customers' requirements of a large offering for the construction market. At the same time, long-term brand building was initiated. During the year, Södra Timber noted positive effects from the investment in partially owned marketing companies in the United Kingdom, Denmark and the Netherlands.

The benefit of ownership is achieved through productivity work and cost efficiency in the entire chain all the way to the customer. This creates profitability and capacity to pay well for the raw materials.

A fluctuating market

After a sharp drop in prices in 2008 and 2009, due to a downturn in construction in Europe and the US, sawn timber production decreased globally in 2009. This meant that 2010 began with balanced inventories and rising prices. Sweden initially enjoyed an advantageous exchange rate situation. The SEK then gradually strengthened and, by year-end, Sweden no longer had a cost advantage over European competitors. At the same time, raw material prices were rising.

Like the British market, the Swedish market improved gradually, while Denmark and the Netherlands experienced weaker development. During the entire economic decline, the North African market remained strong and Egypt is now Sweden's second largest export market for timber products. New construction in the US remains low, but there are signs of improvement. Another important factor is the rising use of timber products in China and India, which is positively affecting the market balance.

Productivity and work environment prioritised

Successful productivity work was conducted during the year. In total, 1,340 ideas were generated. Each week, 14 improvement proposals were implemented. In the autumn, steps were taken to increase the strength of the productivity work in administration and marketing.

The work environment efforts are under way in three areas. The first is systematising incident reports and following them up. The second is enclosing and making the workplaces safer. The third is changing the safety culture. Although this work is prioritised, changing a culture takes time.

New products under development

The ongoing development of the product offering is of key importance to the operations and will increase the market share.

The long-term R&D work is being conducted through the Centre for Timber Construction and Housing (CBBT). During the year, product development collaboration was initiated with Södra Innovation. Finger joints are expected to increase and studies of more efficient manufacturing methods are under way. Longer term, wet-laminated products are under development.

Larger market share for Trivselhus

Trivselhus, one of Sweden's largest timber house producers, has been a part of Södra Timber since 2009. The company adds knowledge of timber as a material and logistics and brand building. The Swedish market share increased during the year from 4 to 6 per cent. A "contractor guarantee" was introduced, which is a step towards offering turnkey contracts.

Bright future for wood

The future looks good for timber products. Timber as a building material has considerable advantages: it binds carbon dioxide, requires relatively little input energy and is flexible. The use of timber is increasing mainly in the US, China and India, while the supply of raw materials is limited. Timber is taking market share in new construction, while the renovation sector is also growing. The greatest threat is that timber as a building material is not successfully developed. That would mean that competing materials would increase their market shares despite the strong basic conditions offered by timber.

Profit improvement

Net revenue increased to SEK 4,250 million (3,442). Operating profit, including Trivselhus, was SEK 129 million (119). For the sawmill operations, profit was SEK 188 million after an impairment of non-current assets of SEK 58 million.

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	2010	2009
Net revenue, SEK million	4,260	3,412
Operating profit, SEK million	129	119
Return on operating capital, %	5	5
Investments, SEK million	593	196
Number of employees	1,036	1,000
Production, 1,000 m³	1,601	1,590
Sawlog consumption, 1,000 m³fub	3,219	3,266

Board of Directors

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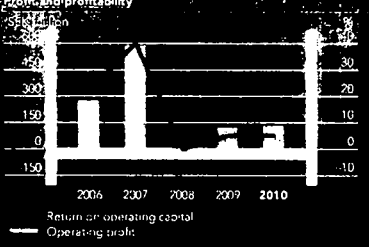
Bo Wilhelmsson
Jimmy Laadefjäll, Employee representative

Alternates

Kurt Karlsson, Employee representative
Magnus Lindström, Employee representative

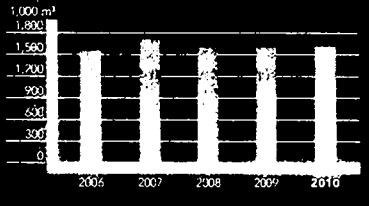
Profit and profitability

SEK million



Production of sawn timber

1,000 m³



"Timber is taking market shares in new construction, while the renovation sector is also growing."

Peter Nilsson, President, Södra Timber

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Four product developers in front of Limnologen in Växjö. Johan Blixt and Malin Andersson, Sodra, Erik Serrano, CBBT, and Peter Nilsson, President, Sodra Timber

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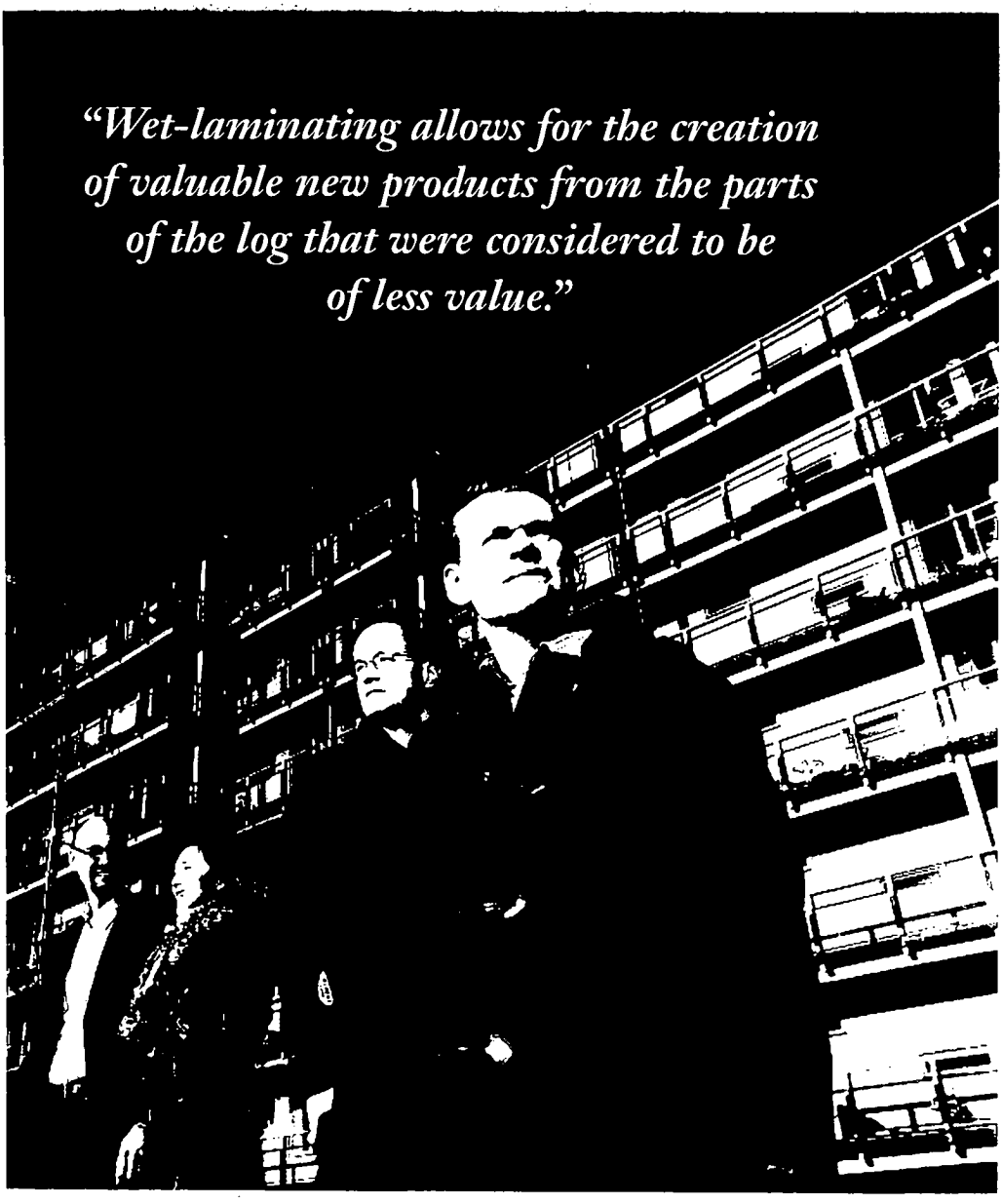

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Business area Sodra Interiör

Strong demand, but overcapacity exerted pressure on prices

The volumes increased sharply, but overcapacity in the industry exerted downward pressure on prices. Production was adjusted to the market situation and distribution networks were reinforced. New hardwood products were developed and launched.

Södra Interiör manufactures and develops interior wood products for all environments. The strength lies in the broad range of products, the regular launch of new products, the distribution network and the increased internal supply of raw materials.

The business operates from ten locations in Sweden, five in Norway and two in Denmark. After several acquisitions in prior years, consolidation and efficiency were assigned priority. The factories focused on costs and staffing. In Norway, some production was discontinued or moved to Sweden as a part of changes to improve profitability. In Denmark, production was moved from Silkeborg to Åbyhoj.

The concept underlying Södra's own manufacturing is to create a broad, deep and attractive range that targets key customer segments including the building trade, housing constructors and the timber industry. Products include mouldings, panelling, flooring, glued-joint boards, poles and sawn hardwood products.

A number of new products were launched during the year and considerable energy was spent marketing them. The use of hardwood is increasing

Good raw materials and efficient logistics

The raw material is of major importance to production output and one challenge is finding the right raw material at a competitive price. A constant dialogue is conducted with the suppliers in order to secure quality from both a production and marketing perspective. The raw material supply through Södra Skog and Södra Timber continued to grow.

New distribution warehouses improved service and internal logistics became more efficient. A major part of the products go directly to customers from Ronneby or Umeå, and special deliveries to house-factories are delivered from Växtorp. In Norway, Arendal and Namsos became important distribution warehouses, as did Åbyhoj in Denmark. A new distribution centre in southern Sweden is planned in Kallinge.

Strong volume trend

Scandinavia is Södra Interiör's domestic market. Export destinations include Japan, South Korea, Eastern Europe and Germany.

Early in the year, demand was relatively moderate in Sweden and Norway, but turned upwards in the second quarter and volumes developed well. In Sweden, the government renovation grant (ROT) had a positive impact on sales. The renovation sector was also behind the increase in demand in Norway, while new construction was low.

In Denmark, demand was very weak, but stabilised at a low level in the latter half of the year. By centralising production to Åbyhoj, costs were cut and operations were again reporting a profit at the end of the year.

Exports to Japan and South Korea developed well, with rising volumes.

Hardwood from the members' forests

An important task for Södra is being able to receive and process all types of wood from the members' forests. The hardwood mill in Djursdala plays an important role, both for receiving wood from the members and the possibility of cultivating the market for hardwood products.

The wood-processing industry is very interested in Swedish hardwood and Södra Interiör introduced a new sales organisation for this customer group. The plant in Grimslöv developed new hardwood products for the building trade and launched panelling and flooring based on several new types of wood. Nordingrå Trä started manufacturing fences and posts made of oak and birch. The factory in Rottne, which manufactures glued-joint boards, now also sells boards made of aspen, ash and beech.

With the higher interest, the possibilities of sawing more hardwood were investigated. Oak and birch were test sawed at Södra Timber Traryd. When Södra Interiör takes over the sawmill on 1 April 2011, only hardwood will be processed.

A great deal of energy is being devoted to marketing the hardwood products. Swedish hardwood products have a clear environmental profile, which is increasingly important to consumers.

Investments and productivity

Important investments were made in the sorting plant at the hardwood mill in Djursdala and decisions were made to install new drying chambers that will be ready in spring 2011. Several investments were initiated to increase the capacity of the factories. Measures to reduce energy costs resulted in a 10 per cent decrease in the factories' electricity consumption.

Work to increase productivity is prioritised. Systematic improvement work has resulted in the enhancement of efficiency at the facilities and a decrease in the cost per running metre produced. During the year, 1,530 ideas were generated and 22 improvement proposals were implemented each week.

Priorities and growth

Priorities for 2011 are effectiveness and profitability. Södra Interiör will continue to grow in its product areas through higher capacity in several production lines. An important task is increasing the use of hardwood in both the wood-processing industry and the building trade. New products will be developed and launched. Special sales efforts aimed at industrial customers will be conducted.

Price pressure affected profit

Net revenue rose to SEK 1,174 million (935), mainly as a result of previous corporate acquisitions. Operating profit was SEK 30 million (0), despite price pressure due to overcapacity in the industry and higher raw material prices.

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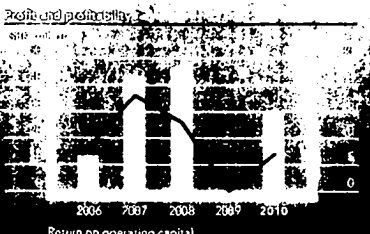
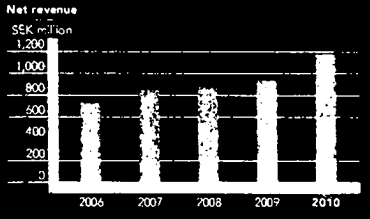
Facts

	2010	2009
Net revenue, SEK million	1,174	936
Operating profit, SEK million	30	0
Return on operating capital, %	7	neg
Investments, SEK million	20	66
Number of employees	502	547

Board of Directors

Leif Brodén, Chairman
Håkan Svensson, President
Peter Bernisson
Paul Christensson
Mats Hansson
Ramon Serrate Olivares, Employee representative
Alternate
Nils-Erik Brännvall, Employee representative





"New distribution warehouses, improved service and internal logistics became more efficient."

Håkan Svensson, President, Södra Interiör

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Södra Interiör has dedicated a great deal of energy to processing hardwood, in close cooperation between production and the sales organisation. Elm flooring is one example among many.

The sales manager for the industrial division, Richard Olsson, and factory manager, Karina Åkesson, believe in hardwood and see large opportunities to develop application areas, products and markets

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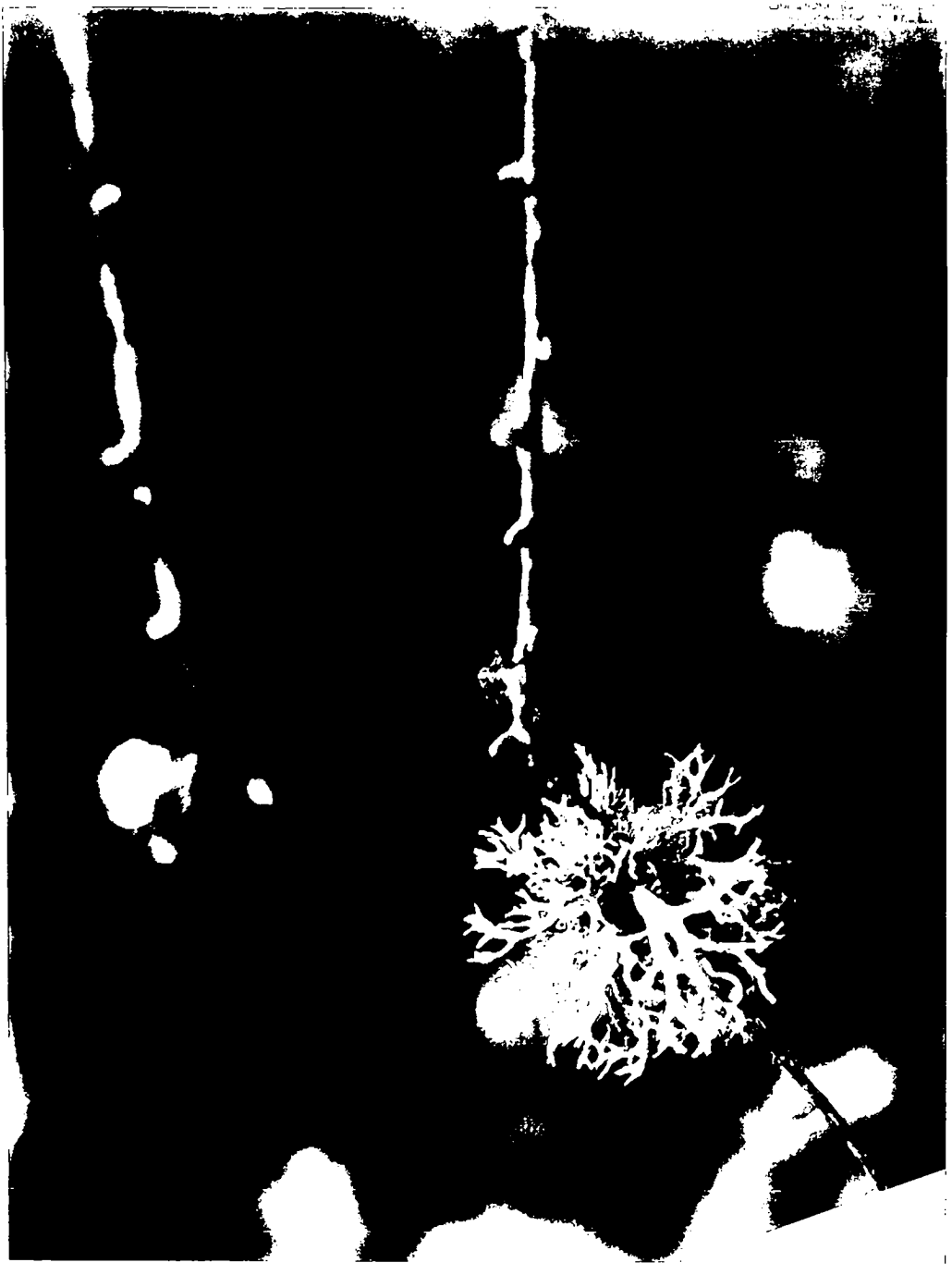

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New strategy focused on motivation-based leadership

A new human resources (HR) strategy was developed for the Group during the year. The strategy is based on cross-boundary approaches directed at processes rather than business areas. Human resource work is being made more efficient with more Group-wide solutions.

The HR policies and approaches take into account the fact that Södra is not only active in Sweden, but also in several other countries. The employees mainly contribute expertise, which is the sum of the individual's knowledge, will and abilities. The new strategy emphasises the significance of motivation-based leadership in order to increase the "will component". The strategy will be introduced during 2011-2014.

Södra should be attractive to the employees of today and tomorrow. An objective of the recruitment work is to increase internal mobility.

An attractive company

Södra should act in a respectable manner in all situations, both in the company and outwards towards the surrounding world. The employees should show care and respect for each other. Bullying and harassment are unacceptable.

The value words of whole, closeness and movement are the pillars of the HR strategy. Södra is *one* company and every employee should be aware of his or her significance to the whole. The meetings and close relationships strengthen the company and the employees in a corporate culture that stimulates change and innovation.

Strategic HR objectives have been established. Södra should be attractive to the employees of today and tomorrow, who should be able and willing to become involved, contribute and grow, while seeing the entire Group as a possible arena in doing so. Södra should provide positive, safe and stimulating working conditions.

The HR strategy stands for a "lifecycle perspective" in the employees' relationship to the company through the emphasis on objectives and processes for all stages of employment: attract, recruit, introduce, develop/retain, reward and resign/leave the company.

Attract

Södra's attractive employment offering is being made increasingly uniform to attract new and existing employees. The offer should be clear and communicated in a manner that emphasises Södra as an attractive employer.

In order to reach and attract new employees, Södra participates in exhibitions, work market days and similar activities. This participation will be broadened and not focus as much on Chalmers University of Technology and the Lund University Faculty of Engineering, but rather be based on the identified future requirements.

Södra supports local clubs in the locations where it operates, as well as associations that are active in areas such as preventing drug abuse and bullying. Representatives of the company provide information in schools about the business, either through their own visits or in cooperation with other players in the industry. Södra also offers work experience positions to young people and provides thesis opportunities.

Recruit

An objective in the recruiting work is to increase internal mobility, and in terms of managerial positions, three of four future managers should be recruited internally. External recruitment is always current and, as a part of this, eight trainees were recruited during the year. Recruitment services purchased externally will be reviewed, and a study is under way regarding the possibility of performing tests in the recruitment process within the company instead of externally.

Diversity is an area of improvement potential. The forestry industry is traditionally dominated by men and Södra works to attract more women to the company.

Introduce

All new employees are given the opportunity to attend a Group introduction programme. During the year, 377 employees participated in one of the eleven introductions arranged. In the course of one day, they had the opportunity to meet Group management and co-workers from the Group. Beginning in 2011, the introduction will cover two days, with the second day being focused on productivity issues.

Develop and retain

In order to develop and retain the employees, Södra is investing in two new Group-wide management training programmes. Recruitment across business area boundaries is encouraged in order to offer development and new challenges. To attract and motivate employees, there is a "Talent Management Process" mainly directed at internal recruitment of managers.

Talks with employees and employee surveys are important measures for creating a positive working climate and job satisfaction in the company. The talks between managers and employees are arranged annually, and employee surveys are conducted once every two years. The results form the basis of measures implemented at the workplace. A new survey is planned for 2011.

Reward and resign

A new Group-wide pension policy offers attractive pension and insurance solutions for all employees as a part of the company's reward process. To improve the efficiency of the salary process, one salary centre has been established in Sweden and one in Norway. A Group-wide approach is being developed for employees who resign or are asked to leave the company.

Many measures implemented in the Group

Sickness absence in the Group remained at around the same level in 2010 as in the preceding year. The exception to this was the operation in Norway, where sickness absence dropped sharply thanks to targeted measures. The trend for workplace accidents in the Group is increasing. Work has been initiated to influence workplace attitudes, among other factors, with the aim of reducing accidents and incidents.

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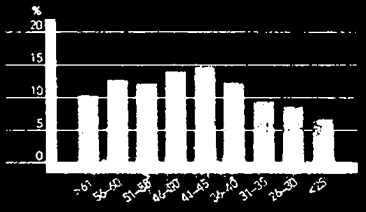
Key indicators

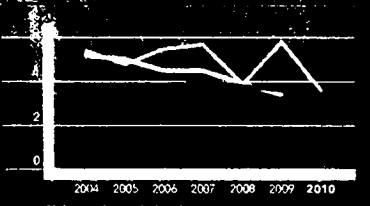
	2010	2009	2008	2007	2006
Number of employees	3,798	3,457	3,612	3,678	3,878
Women, %	16	16	16	17	17
Employee turnover, %	6.4	5.8	7.0	7.8	7.0
Average age, years	44	44	44	44	44
Wages, salaries and social security contributions, SEK million	2,256	2,061	2,160	1,901	1,746

Employee turnover: New employees plus departures, divided by the average number of employees

Age spread



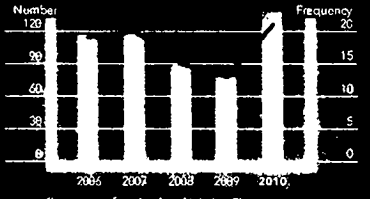
Sickness absence



Södra employees in Sweden
Södra employees in Norway
Industry average, Sweden*

*2010 figures not available

Workplace injuries



Frequency of work-related injuries, %
Number of work-related injuries

Frequency of work-related injuries: Number of work-related injuries x 1,000,000 / number of hours worked.

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Many ideas on new materials and products

Södra Innovation coordinates the areas of R&D (research and development) and project management. The unit has around 50 employees and conducts research and development projects as a service function for the Group. Project management is a new task that was added during the year.

Identifying good ideas and driving them to new products are fundamental parts of the work, which is often done in long-term projects together with the business areas.

R&D efforts previously focused on Södra Cell, but for the past year have also included Södra Timber. In 2010, steps were taken to establish a robust approach to R&D and to start the new project management office.

Identifying new ideas and driving them to new timber and pulp-based products are fundamental parts of the work.

Wet-lamination and textile pulp

Two major projects were initiated with Södra Timber. One is the finger jointing of joists and the other wet-lamination of boards for joists and beams. The latter comes from a collaborative project with Linnaeus University and involves a method for gluing together basic quality boards to achieve a high-value product.

Other projects involve, for instance, a new type of pulp that can be used for textiles in clothing and furnishings. Work is under way in several projects to take further steps in the textile process.

Speciality pulp and chemicals

A lamp made of the speciality pulp, DuraPulp, was presented at this year's Milan trade fair. This is the same material used in the children's chair Parupu that was exhibited at the show the year before. Marketing of the lamp will begin in 2011.

Several projects are under way with the aim of developing chemicals through biotechnology. Södra has identified the possibility of developing various kinds of chemicals from side streams in the pulp process. Development of the Lignoboost process for the extraction of lignin powder is continuing. Work is also under way to further process lignin into other materials

A project is in progress to improve the efficiency of and modernise quality control in pulp production. The objective is to escape manual analysis. The measurement of several parameters in the process makes it possible to rapidly supply quality data to customers. Several measurement devices were installed during the year and this will continue at all units in 2011.

Shared research

Södra has engaged in close collaboration with Chalmers University of Technology for several years. Södra and Chalmers jointly conduct various projects in the Avancell research cluster and have a number of patent applications in the works. Södra also conducts long-term work with Innventia in various programmes and research clusters focused on the development of existing and new products.

In addition, Södra participates in the industry's research programme that rallies the entire forestry industry. Vinnova manages the programme and accounts for half of the financing with the industry paying for the rest. Several projects are under way, including those concerning wood as a construction material. A large area of research involves new products from the forestry industry.

The Södra research foundation

The Södra Foundation for Research, Development and Education makes grants to research projects that promote forestry and forest-industrial operations in southern Sweden. During the year, grants were awarded to a plant cultivation project and a project aimed at studying how sensitive North American pines are to attacks from the European spruce bark beetle. Another project concerns tracking infested trees using dogs instead of manual inspections. New materials are always of interest, and one project supported by the foundation aims to survey the physical and mechanical characteristics of birch as a construction material. During the year, SEK 16 million was granted to eleven new projects.

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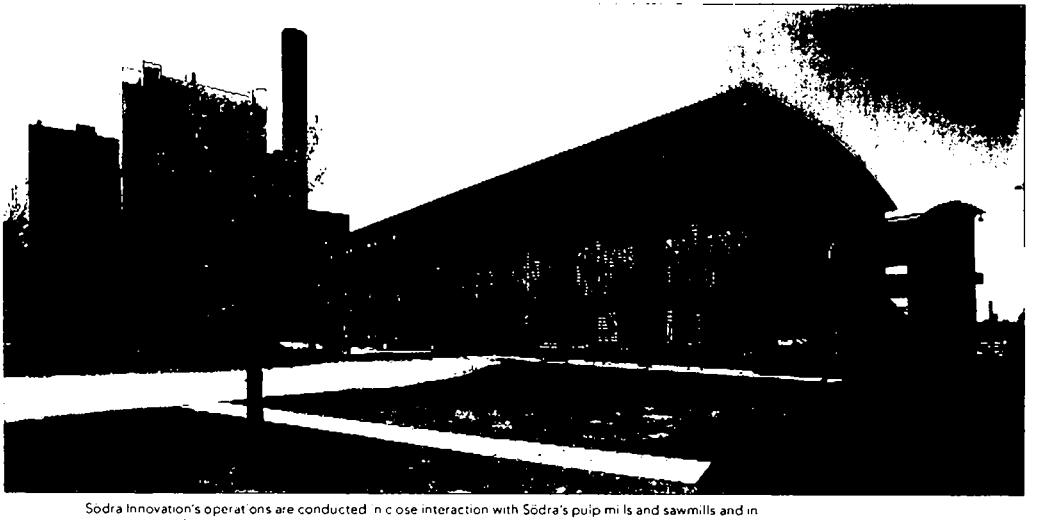

Södra Innovation's operations are conducted in close interaction with Södra's pulp mills and sawmills and in cooperation with universities, research institutes, customers and suppliers. The activities are divided between three departments: Research and development, external research relations and projects.

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Increased productivity makes the company stronger

Productivity and continuous improvement permeate Södra's operations. The work on small improvements is an established part of the organisation and integrated into daily work. By everyone being able to contribute to improvements, the productivity work develops both the company and the employees.

Södra's productivity work is based on a high degree of staff participation and on the work being conducted systematically and based on facts. The starting point is to motivate the employees to continuously think about how something can be done better. Commitment and interest in the productivity work grow and, for many, participation in the productivity programme is educational and enriching.

Six steps to the solution

To ensure that the productivity work is performed systematically, Södra uses a six-step model. In the first step, areas for improvement efforts are chosen. It is important to have a broad approach and choose an area where the efforts will provide the greatest benefit. In the second step, the chosen area is surveyed and the basic problem and its root causes are identified. The third step involves creativity where several employees gather to jointly present various ideas on the solution to the specific problem. In the fourth step, the proposals are evaluated and prioritised, resulting in a list of activities and a distribution of responsibility. The fifth step involves implementing the prioritised proposals, and in the sixth, follow-up is performed to determine whether the set goals were achieved. The results are also distributed to other involved parts of the organisation.

The improvement proposals in step three are gathered in an idea database that also includes the estimated savings. The idea database is open to everyone in the company to provide inspiration through good ideas.

Many employees participate in the productivity work. During the year, a total of 3,867 ideas were implemented and productivity increased by 3.4 per cent.

A department for productivity

The central productivity department develops and applies the system through their nine change leaders, navigators, who have the task of leading the productivity programmes or securing the system.

The department also trains employees in the organisation so that they can conduct improvement work according to Södra's methodology. Special productivity ambassadors, engines, also work as change leaders locally, but close to the central productivity department.

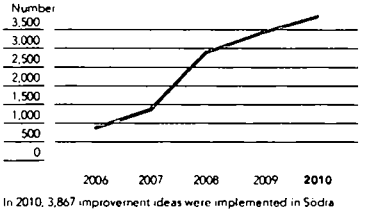
The business areas' improvement proposals have primarily concerned their own operation. However, improvement work has recently begun in the interfaces between the business areas. The work is often led by the productivity department's navigators, who have an independent role.

Productivity 2010

Södra's objective is to increase productivity by 2 per cent annually. Improvement is measured when income and expenses have been cleared of price changes, which means that measurements are not affected by changing prices for wood, timber products or pulp, but reflect factors that the organisation is able to affect.

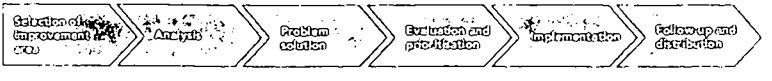
During the year, Södra's productivity increased by 3.4 per cent and a total of 3,867 ideas were implemented. The annual profit improvement from the ideas followed up during the year slightly exceeded SEK 134 million

Number of implemented ideas



In 2010, 3,867 improvement ideas were implemented in Södra operations, or 74 ideas per week

Systematic productivity work



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Cooperation could generate millions in savings

In spring 2010, Södra Timber and Södra Skog cooperated to improve productivity through better length adjustment of saw logs and sawn timber. The objective was to reduce trimming allowances and extra lengths. The results could mean savings in the millions.

Trimming allowance is the sawmill's margin for cutting off small pieces of the board to obtain clean, straight end surfaces with as few sun-shakes as possible. Extra length is the margin required for the harvester to supply logs of the right length to the sawmill.

Both trimming allowances and extra lengths are cut off in the sawmill before the product is delivered to the customer. By reducing the margins for trimming allowance and extra length, the sawmill will handle less unnecessary volume, thus increasing the yield and reducing the raw material cost. Wear to the equipment decreases and capacity for the main products of boards and planks increases. Södra Skog is able to get somewhat more saw logs from the harvest and the value of the wood increases for the forest owner.

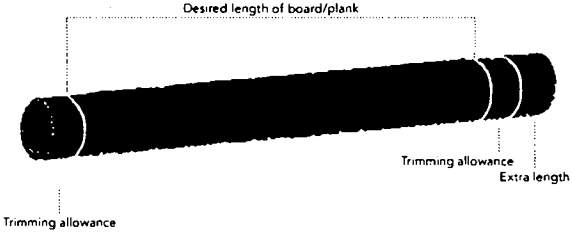
Södra Skog, Södra Timber and contractors participated in the "Reduction in trimming allowances and extra lengths" project in Mönsterås.

The productivity programme followed three main tracks. The first studied how the distribution of extra lengths could be reduced and how the follow-up of extra lengths per area and harvesters for each reception point could be improved.

The second track analysed the measurement station's precision with regard to log length. In the third track, a study was conducted to identify the smallest possible trimming allowance that could be run in the Mönsterås sawmill.

The objective was to establish the size of trimming allowances and extra lengths for the best profitability and exchange, and to develop a method for changes in the sawmills. After test runs in Mönsterås, it was decided that the trimming allowance could directly be reduced from 10 centimetres to 8 centimetres. Södra Skog and Södra Timber have also jointly reduced the number of log lengths, while being able to supply all of the timber products the customers want. This makes it easier for Södra Skog and the contractors to deliver the right length.

The results to date show that with unchanged production in the sawmill, the need for saw logs would be reduced by 1,000 cubic metres, which is raw material that need not be transported, debarked, sawn and handled. This corresponds to millions of SEK in the sawmill, just in raw material and handling costs alone.



Trimming allowances are the sawmill's cutting margin to obtain clean end surfaces. Over-measures are the margin necessary in the harvester to deliver the right length.

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Strategies for achieving the lowest total purchasing cost

Södra has a central organisation that is responsible for the Group's purchases. The purchasing work is long term and focused on achieving the lowest possible total cost over time. During the year, large procurements were conducted, including transports, wind power plants and input raw materials.

Marco Polo, Södra's purchasing productivity programme was concluded at the beginning of the year, one year ahead of schedule, since the objectives had already been achieved and exceeded. The programme resulted in a reduction of the total supply costs by slightly more than 11 per cent. The objective was to establish a strategic approach, at the same time as savings and efficiency enhancements were achieved. This method now forms the basis of the purchasing organisation's continued work.

Under the programme, more than 200 employees have been trained and a standardised purchasing process is now in place. The productivity work in purchasing is now continuing in accordance with Sodra's method.

The goal is cost-efficient supply that both enhances productivity and fulfils quality, safety and environmental requirements.

New organisation

In parallel with the productivity programme being carried out, the new central purchasing organisation has been built up. The purchasing organisation aims to find the most cost-effective supply opportunities, thus guaranteeing productivity improvements and fulfilling quality, safety and environmental requirements. The purchasing work is long term and focused on achieving the lowest possible total cost over time.

Sodra's purchases comprise 190 different product groups and approximately 200 investment procurements per year. During 2010, the purchasing organisation was adapted, in part by dividing the operations into a strategic and an operational part.

Major procurements

During the year, four central procurements were conducted: clothes and protection, insurance, consultants and inspections, and oil and diesel. Several transport procurements were also conducted across business-area boundaries, whereby a new logistics structure was built up in Norway for the transport of wood and chips to Tofte and Folla. In addition, transports of chips, biofuels and round timber in the Eastern Region were also procured.

Early in the year, the first investment procurement of wind power plants was completed. The procurement began with a survey of the market and available suppliers. Considerable work went into the calculation of the total cost over the investment's lifetime, including an evaluation of the best

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technical solution. This was done in close cooperation with Södra's wind power company. The solution chosen comprises the investment as well as continuous service and maintenance, which provides a surveyable total cost for the wind power park's entire lifetime.

In order to achieve the lowest supply cost over time, advanced planning is important. This work involves subjecting items to competition as well as evaluating substitutes, new markets or own manufacturing. A large part of the work conducted in 2010 involved evaluating alternative chemicals in cooperation with R&D. Since it is important to ensure that new products or substitutes function in production, many different test runs were done in the mills.

A new phase

The purchasing organisation is continuing its work on coordination, joint procurements and the development of strategic purchasing. Purchasing is now entering a new phase and being developed in the scope of Category Management, the aim of which is to use a systematic approach to evaluate various supply strategies for a product group and to implement the one that minimises the total cost. The Category Management method also aims for more in-depth, cross-functional cooperation whereby operational purchasing officers, strategic purchasing officers and technical order experts constitute an interdisciplinary group. This group develops an operational plan for 24 months that includes procurements and productivity projects. In continued work, purchases for the products and services not covered by the Marco Polo programme will also be coordinated and developed.

Within the purchasing areas of input commodities, transports, administration and MRO (maintenance, repairs and overhauls), 35 major central procurements will be carried out in 2011. The annual purchasing cost in these procurements totals SEK 2,600 million, corresponding to 55 per cent of the area's annual purchasing costs. Major procurements in 2011 include bleaching chemicals, sodium hydroxide solution, round timber transports in the Southern and Western Regions, domestic and international transports of finished goods by boat, road and rail, valves with associated services, machine protection and building, welding and mechanical services.

Close cooperation between purchasing officers, ordering agents and suppliers is a prerequisite for achieving the lowest supply cost over time. Tord Andersson, Eva Hultén, Madelene Johansson and Marcus Hellberg know this

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Forest certification that satisfies market demands

Environmental consideration and energy improvements have a prominent place in the business. The environmental efforts extend from the member to the customer, from seed to finished product. During the year, thousands of members double-certified their forestry and the pulp mill in Värö became independent of oil at normal operation.

The commitment to sustainable development is long term. Sustainable development is a constantly ongoing process and, for Södra, it involves respect for nature and a positive development of the economic, environmental and social issues that affect the Company.

Södra and its members cooperate naturally in many areas. Good forest management and respect for nature are important parts of this collaboration. Members decide how to manage their forests, with both production and natural capital in mind. Many manage their forest themselves, while others receive help from Södra.

In many ways, Södra help the members conduct sustainable forestry, both in practical forestry work, with advice, and in the certification of the forestry. Living up to the certification requirements provides good strength on the market.

The forest is of major importance to biological diversity and the climate. Trees bind carbon dioxide and are a carbon sink when the forest grows more than what is harvested.

The backbone of environmental work

Certification represents the backbone of environmental and sustainability work. The Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification schemes (PEFC) are the leading international certification systems. During the year, Södra contributed to FSC's certification becoming more suitable to the small-scale forestry that most of the members conduct.

Many have joined both systems and thereby double-certified their forest holdings. At the end of the year, PEFC certification represented 1.7 million hectares and FSC certification 1.2 million hectares. Some 73 per cent of member land was included in some form of forestry certification and 53 per cent of that area had double certification. The objective was that one million hectares of the more than two million hectares of forest that belong to the members would be double-certified at year-end. The rapid progress is in part due to special groups of elected members and forest inspectors working with certification.

Important tools in the environmental work

The green forestry plan is the forest owner's principal planning tool, by clarifying what areas will be taken care of for timber production and for nature conservation, respectively. Forest with high natural value can be protected voluntarily or through state intervention. On average, 10 per cent of the members' property area covered by green forestry management plans is reserved for nature conservation. The total member area with green plans through Södra amounted to 1.4 million hectares at year-end. The plan is compulsory for the certification of forestry.

Harvesting is conducted by certified contractors with green driving licences. This means they are trained to respect valuable natural and cultural value in the environment.

The harvesting work is reviewed and rated in the green accounts. Of the year's harvests, 168 were visited and 72 per cent were approved, compared with 75 per cent in 2009.

During the year, Södra Odlarna continued development of a mechanical sapling protection from the pine weevil. The objective is to move away from the use of chemicals in reforestation.

The forest is good for the climate

Södra has a key role to play as demand for a sustainable society grows. The forest is of major importance to both biological diversity and the climate. Trees effectively bind carbon dioxide and more is bound when forest growth exceeds the amount harvested, making the forest a carbon sink. Forest products can essentially replace fossil fuels. In the long term, it is best to take care of the forest well, ensure that it has a high level of growth and harvest and use the forest products.

Södra measures and reports on various types of environmental impact. The carbon footprint shows how much carbon dioxide and other greenhouse gases are taken up and released in the Company. Södra produces a large amount of wood that is mainly used in construction. The carbon in the wood stays there until the products are spent. The wood can then be recycled, broken down biologically or combusted as replacement energy for fossil fuel.

Policy and transparent reporting

The environmental work is based on the environmental policy, the nature conservation policy and the objectives and guidelines governing the Group and the units. Work is conducted within the framework of the business systems, including the environmental and energy systems. Employees are trained to handle the tasks responsibly.

The environmental work is audited by environmental auditors and the results form the basis for continuous improvements. Group operations are certified under the ISO 14001 environmental management system. Certification provides quality assurance in terms of competence and credibility. For the operations, a number of certificates are presented together with more detailed environmental information at www.sodra.com/en/Environment (Environmental documents).

The environmental policy states that environmental work is to be based on the ecocycle principle. Environmental impact is to be viewed holistically and includes all aspects – management of natural resources, purchasing, production, transportation and waste management. Environmental work is a process of continual improvement. The nature conserva-

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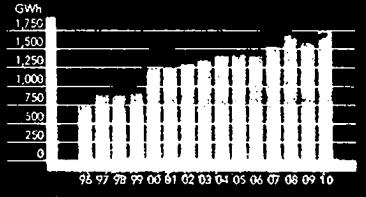
Environmental costs

SEK million	2010	2009
Subscription, licensing matters	10	10
Environmental charges, taxes	32	34
Operation of landfills, biological treatment	38	48
Employees, development	64	39
Premium for certified wood	124	36
Total costs	**268**	**159**

Costs increased during the year, due to more certification including double certification. More staff and several tasks being defined as environmentally related also affected the costs.

Electricity production and electricity consumption



Södra is self-sufficient in terms of electricity. Electricity consumption rose from approximately 750 GWh in 1995 to 1,696 GWh in 2010.

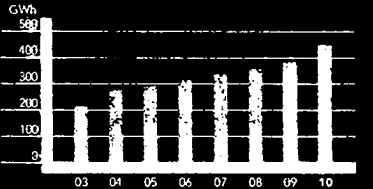
Consumption of fuel for production of heating energy and electricity

Resource consumption

	2010	2009
Fuel, GWh	6,201	7,220

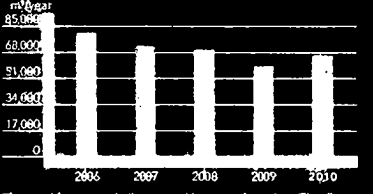
Södra's energy strategy is to reduce fossil fuel combustion and increase the use of biofuel for green electricity and district heating. Fuel oil increased, mainly because it replaces the tall oil that now instead goes to biodiesel production.

District heating deliveries



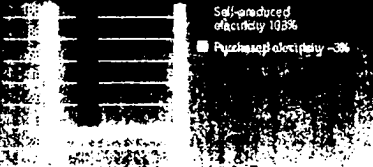
District heating deliveries have increased steadily in recent years. The year's sharp increase was mainly due to the cold weather at the beginning and end of the year.

Oil consumption



The need for external oil increased because the pulp mill's tall oil is not combusted in the facilities, but rather used for the production of biodiesel.

Electricity consumption for production



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tion policy details the intention of the environmental policy to combine cultivation and great attention to biological diversity. Södra aims to ensure that environmental and natural values are respected in all properties where it is involved.

Good working conditions are among the social issues that Södra safeguards, as are good contacts with those living close to harvesting and mill operations. This includes respecting the right of common access and the possibilities of recreation in the forest.

Södra will publish a corporate sustainability report (CSR) for 2010

Emissions from transports

Transportation generates some 248,000 tonnes of fossil carbon dioxide annually. Trucks carry wood from various Swedish raw material suppliers to Södra's mills, while trains are used when possible. Outbound deliveries primarily take place by boat and rail, while trucks are used to a decreasing extent.

Reducing these emissions is a challenge for Södra, which uses some 180 timber trucks and 50 wood-chip trucks for raw material transport.

One advantage is that most of the raw material is within around 100 kilometres from the pulp mill or sawmill. Continuous work is conducted to minimise the trucks' driving distance and unloaded driving, which is done through wood exchanges with other companies and good logistics planning. The use of modern vehicles results in lower emissions and the right driving technique - heavy eco driving - further reduces emissions.

The long-term chartered vessels that transport pulp use low-sulphur oil and have catalytic converters that sharply reduce emissions of nitrogen oxide. Requirements of low-sulphur oil are also set for other vessels.

Operational licences

Södra's ambition is that its impact on the environment will be less than what society requires. Emissions derive mainly from pulp production and transports. Forestry also has a significant environmental impact. Other impacts are relatively minor, but can nonetheless be perceived as disturbing. Investments in new technology and other measures have resulted in a gradual decrease in the environmental impact.

Mills are licensed in accordance with Swedish and Norwegian environmental legislation. Södra runs 73 operations subject to licence or reporting requirements in Sweden and two in Norway. Discharges, emissions and resource utilisation are calculated and reported every year.

Energy an increasingly important product

Södra produces and delivers various forms of energy including electricity, district heating and biofuel. The raw material largely consists of biomass from the forest. Efficiency, economy, environmental responsibility and resource management are fundamental to the energy efforts.

Electricity, which is generated from the surplus energy from the production of sulphate pulp, amounted to 1,747 GWh (1,572) for the year. A large part of the electricity is used in Södra's own operations, but the surplus is sold to members and employees, among others. At the end of 2010, electricity was added from Södra's first wind power plants, built next to the pulp mill in Mönsterås.

Surplus energy is also delivered in the form of hot water to municipal district heating grids in a number of areas. In 2010, Södra supplied a total of 447 GWh (382) for district heating. Conditions exist to increase district heating deliveries.

Södra also delivers large volumes of chips, pellets and peat to heating plants and pellets factories. These types of biofuel consist of chipped tops, branches and stumps from harvesting operations and shavings, bark and other residual products from wood industries. During the year, 4.3 TWh (3.7) of biofuel was delivered, including peat from member peat bogs.

Fossil-free and crude tall oil diesel

During 2010, Södra Cell Värö became the world's first fossil-free pulp mill; no fuel oil is used in normal operations. As a result of targeted work and large investments, the mill has moved from purchasing electricity and oil to selling green electricity, biofuel and district heating, which has led to a sharp decrease in the environmental impact. The goal is that the other Södra pulp mills in Sweden will be characterised by fossil-free production in the next few years.

The Programme for Improved Energy Efficiency (PFE) has commenced its second five-year period. In the last period, Södra Cell achieved annual energy savings of 2.3 per cent. Both Södra Cell and Södra Timber now participate in the programme. The objective of the efficiency enhancement has been set just as high as before, although the measures that provide the fastest results were already implemented in the last period.

All of Södra's mills are implementing efficiency enhancements. Instead of buying energy, they use the internal flows as much as possible and sell the surplus. The distinctive character of the mills has meant that they have differing emphases in the efficiency enhancement work.

Södra is a part owner of Sunpine, which began production of diesel from forest raw materials at the facility in Piteå in 2010. In the factory, tall oil from the pulp mill's process is converted into crude tall oil diesel, which is processed in refineries into high-quality diesel fuel. The objective is to produce 100,000 cubic metres of crude tall oil diesel per year, corresponding to a reduction of 250,000 tonnes per year in carbon dioxide emission.

Environmental costs and investments

Environmental costs, as presented in the table, amounted to SEK 268 million (159), environmental investments to SEK 9 million (83) and energy investments to SEK 178 million (659). These investments involve pure environmental and energy investments as well as the estimated share of other investments.

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Södra's first wind power plants generating electricity

An important part of Södra's strategy is to continue its renewable energy endeavour. Three years ago, work began on developing wind power, both on the company's own land and on member land. The first wind power plants were finished in the autumn.

The wind power effort has met with a very positive response from the members and 35 projects are currently under way involving approximately 350 wind power plants. Many see wind power as a good opportunity for business development of the forest property at the same time as it benefits the environment.

There has been a deficit of electricity production in southern Sweden since the Barsebäck nuclear power plant was shut down, while demand for electricity is increasing. In 2009, Södra entered a partnership with Statkraft, Europe's largest producer of renewable energy, in order to develop wind power and contribute to meeting this demand. Statkraft works solely with renewable energy, mainly hydro-electric power, but also wind power. This cooperation entails many advantages and has developed well during the year.

A long-term effort

Södra's wind power operations consist of three parts. Södra owns Södra Vind AB, which operates wind power plants on the company's own land. The wind power on leased member land is a part of Statkraft Södra Vindkraft AB, a holding company in which Statkraft owns 90.1 per cent of the shares and Södra owns the rest. Since 2010, the same ownership share has also applied to Södra Statkraft Vindkraft Utveckling AB which conducts the projects.

The development of wind power is a long-term effort that comprises planning, licence applications, construction and operation. Licence management is often a time-intensive factor that slows progress. The review is the responsibility of the county administrative boards, but the municipalities have the right of veto, which cannot be appealed.

Projects at Södra's mills

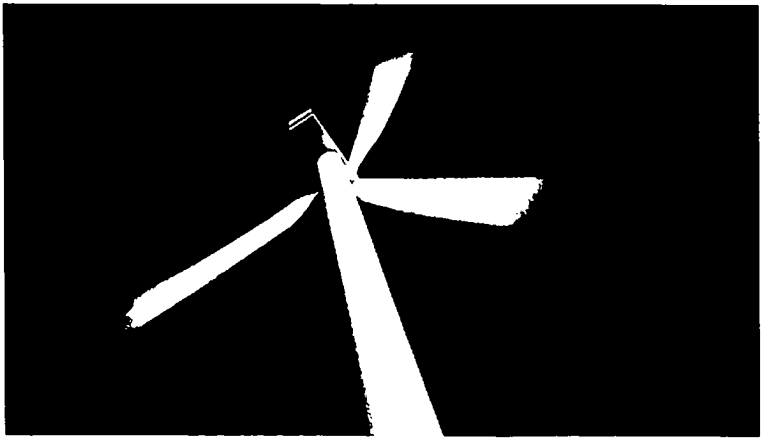
The licences for Södra's two first wind power parks were received in early 2010 and the parks were built during the year. At the pulp mill in Mönsterås, six wind power plants were built in the autumn, and four plants were built in the winter nearby on leased land at Emmaboda. In total, these wind power parks entailed an investment of SEK 300-350 million.

The projects are in various stages of the licensing process. Wind measurements are under way for some 20 projects. The measurements are conducted for a minimum of one year, and the wind strength is measured at three altitudes to make it possible to decide on the best locations for wind power plants. After the end of the year, licences were obtained for another six plants.

Trading company handles electricity sales

Södra's pulp mills produce a surplus of electricity. Two years ago, an electricity trading company was established to sell this electricity together with the electricity from wind power. To date, the offer has been directed at Södra's members and employees, and the trading company currently has just over 6,000 customers. The ambition is to offer green renewable electricity at a low price, and the company's prices have stably remained among the lowest in the country.

The development of wind power is a long-term effort that comprises planning, licence applications, construction and operation.



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Directors' Report

The Board of Directors and President of Södra Skogsägarna Economic Association (corporate identity number 729500-3789) hereby submit the Annual Report and Consolidated Financial Statements for the 2010 financial year. The Group's and Parent Company's development, profit and financial position are presented in the following consolidated statement of comprehensive income and consolidated statement of financial position and in the Parent Company's income statement and statement of comprehensive income, balance sheet and notes and comments.

Purpose of the organisation

The purpose of Södra is to promote the economic interests of its members through trading in and processing forest products, securing a market for its members' forest products at market prices, promoting high-value, advanced forest production while respecting cultural and natural values, supporting and developing individual forestry, monitoring and promoting the economic policy interests of members, and conducting operations otherwise compatible with the above.

Market

The recovery of the global economy continued, primarily with the help of various emerging markets. Growth was stronger than expected in the first half of the year, but slowed somewhat during the summer when outlooks were subdued due to growing concern for the national finances of certain countries, mainly in Europe, a slow recovery of the US labour market and concern that the beginnings of austerity measures in China would lead to a crash landing of China's economy.

New economic stimulus in the US in the form of quantitative relief packages, which infused USD 600 billion into the economy, contributed to stronger belief in the future in the second half of the year. This, together with continued strong growth of the emerging market economies and less concern for the Chinese economy, contributed to the global economic outlook again brightening at year-end. Global GDP is estimated to have increased by nearly 5 per cent in 2010.

The global economy was characterised by imbalances in which the differences between countries with economic surpluses and those with deficits increased, which contributed to growing trade policy tensions and currency conflicts. During the year, the global flows of capital were affected by the very relaxed monetary policy conducted by the US, the Euro area, Japan and the UK. Capital moved from low-interest countries to those with higher return opportunities. The driving force for the currency movements was a higher appreciation pressure on currencies in countries with strong national finances. China's cautious monetary policy, with a strong connection to a gradually weaker USD, resulted in more monetary policy tensions in the latter half of the year with demands for a strengthening of the Chinese currency to stimulate global economic growth.

A beneficial industry composition and the previously weak SEK contributed to a strong economic trend in Sweden in 2010. This contributed to the SEK regaining the decline that occurred during the financial crisis. After the USD had strengthened from SEK 7.18 at the beginning of the year to peak at SEK 8.06 in the second quarter, it weakened during the second half of the year to a minimum of SEK 6.54 following indications of slowing economic growth in the US and the decision of quantitative relief. At year-end, the exchange rate against the USD was SEK 6.79. Against the EUR, the SEK strengthened from SEK 10.29 at the beginning of the year to SEK 9.01 at year-end.

Demand for pulp was strong. At the beginning of the year, global pulp inventories were low after previous production cutbacks. Following the financial crisis, pulp consumption made strong progress and prices rose. A reduction in supply after the earthquake in Chile that shut down some of the country's pulp mills for an extended period of time contributed to the strong market situation. Other causes for the decrease in supply were labour market conflicts and shortages of wood raw materials in Finland and the United States. No significant new capacity was added during the year, either.

In early 2010, prices in Northern Europe for northern softwood sulphate were around USD 800 per tonne. They peaked in June and July at USD 980 per tonne to then drop marginally to USD 950 per tonne. Birch sulphate pulp rose from USD 700 per tonne at the beginning of the year to USD 920 in June and July. Prices then dropped back to USD 850 per tonne.

The first eight months of the year were very strong for sawn timber, with a balance in supply and demand, and prices gradually rose, although not in pace with raw materials prices. Increased production in the four major producer countries of Sweden, Finland, Germany and Austria led to a supply surplus on the market. The strengthening of the SEK in the third quarter also meant that the currency advantage of Swedish manufacturers disappeared. The market turbulence was made worse by the financial unease and led to the UK, the largest import country in Europe, opting for a large austerity package. These events led to falling sawn timber prices although the margins for the sawmills had shrunk to a minimum. In turn, this led most manufacturers to implement production limits at the end of the year. Short term, the consumption increase is low in Europe but the long-term market outlook appears positive.

Invalshus increased its market share during the year and sees a continued positive business trend in 2011.

The market for Södra Interior was strong in both Norway and Sweden during the year, although prices were under downward pressure in the Swedish market. Export markets also developed well. Growth in Denmark remained weak, but stabilised somewhat towards year-end. Above all, sales to the building trade and home builders exhibited positive development. New products in the form of oak decking and MDF panels grew substantially. Towards the end of the year, sales of hardwood to the flooring industry, among others, picked up pace.

The wood market was affected during the first to the third quarter by strong demand for saw logs with prices that rose to a record level. Södra increased the price on two occasions during the first half of the year and the supply of final harvests increased markedly. Many stakeholders have increased their inventories of standing forest to high levels. In the fourth quarter, demand for saw logs was impacted by developments on the sawn timber market and prices dropped. Södra's general market premium of SEK 50/m³fub was removed on 30 June and the price of standard saw logs was reduced by SEK 50/m³fub in November.

Demand for pulpwood was substantial throughout the year thanks to high production in industry and deliveries of volumes northwards in Sweden as well as exports. Prices increased gradually during the year. Södra raised the price of hard pulpwood in January and October and the price of soft pulpwood in March. In addition, Södra introduced a thinning premium of SEK 30/m³fub for soft pulpwood in June, which was later raised to SEK 50/m³fub in October.

Results

Consolidated net revenue increased to SEK 19,727 million (16,698) and operating profit rose to SEK 2,271 million (593). Operating profit includes profit effects of SEK 34 million (415) from currency derivatives and fixed-price contracts and of SEK 54 million (929) from sales of electricity certificates. Depreciation, amortisation and impairment of assets included an impairment loss of SEK 222 million on property, plant and equipment at pulp mills and sawmills. The profit effect of SEK 25 million from the impairment of shares in the associated company Sunpine AB was charged to operating profit. The preceding year's figures include a reversal of SEK 81 million of previous impairment losses at the sawmill in Mönsterås.

The profit improvement was primarily attributable to Södra Cell, where a strong pulp market with healthy volumes and increased prices resulted in significantly improved profit. Operating profit for Södra Cell totalled SEK 2,224 million (406). As a result of the decision to discontinue production of eucalyptus pulp at Södra Cell Tofte, an impairment loss of SEK 160 million was applied to property, plant and equipment related to the production of eucalyptus pulp. Södra Timber's operating profit improved to SEK 129 million (119) thanks to better prices for sawn timber. Towards year-end, the profitability of sawmill operations declined due to the stronger SEK, overproduction in the industry and high prices for saw logs. During the year, an impairment loss of SEK 58 million on non-current assets at sawmills was applied due to changes in market and raw material conditions. Södra Timber's income is also charged with an impairment loss of SEK 64 million on inventory and an adjustment of the depreciation plan for non-current assets at the Monsterås sawmill of SEK 27 million. The weakening of the market for sawn timber also gave rise to an impairment loss of SEK 55 million in the value of signed harvesting assignments with Södra Skog. Södra Interiör's operating profit, SEK 30 million (0), was negatively impacted in the first half of the year by continued restructuring of operations in Denmark and in Werner Träförädling (Djursdala). In the latter half of the year, when most of the measures had been completed, operations in Denmark presented a positive income and the sawmill in Djursdala noted a significant improvement in orders received. Södra Skog's operating profit improved to SEK 56 million (29). The profit improvement was mainly due to higher volumes of wood and prices, as well as a better profit from biofuel transactions. The profit trend for each business area is presented in Note 2 Operating segments.

Finance income and expenses amounted to income of SEK 61 million (69). The lower finance income was mainly an effect of negative exchange rate differences due to the year's appreciation of SEK. Profit after finance income and expenses improved to SEK 2,332 million (662). The consolidated tax expense totalled SEK 305 million (199), representing 13 per cent (30) of profit before tax. The tax rate reported for 2010 is considerably lower than the tax rate in the preceding year when, for precautionary reasons, deferred tax was not recognised in 2009 for carryforwards at the Norwegian pulp mills because of market related production shutdowns and uncertainty regarding when they could be utilised for tax purposes. In 2010, deferred tax assets were capitalised for all carryforwards for tax purposes in relation to Södra Cell Tofte.

Cash flow after investing activities deteriorated slightly to SEK 1,381 million (1,438) primarily due to the higher investments. The working capital tied up in inventory and receivables increased by SEK 537 million. This was partially countered by current operating liabilities increasing by SEK 297 million. Cash and cash equivalents and current investments increased during the year by SEK 1,351 million to SEK 4,133 million (2,782).

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Investments and acquisitions

Investments totalled SEK 1,750 million (1,387), of which SEK 786 million (1,024) in Södra Cell and SEK 593 million (196) in Södra Timber. During the planned maintenance shut-down at Södra Cell Mönsterås, a new preconcentrated weak black liquor cistern was installed, in order to increase the yield of tall oil, which in turn improves the energy balance. At the end of the year, it was decided that an investment would be made at Södra Cell Mörrum for the production of textile pulp and at Södra Cell Värö for the supply of energy to Södra Timber's new sawmill. Other approved investments concern a new more energy efficient pre and post screen room at Södra Cell Värö. During the second half of the year, Södra Timber commenced investment in the new sawmill in Värö, involving an existing facility in Adelebsen, Germany, being disassembled and moved to Sweden. Södra Interiör moved the operations in Vima A/S (Silkeborg) to Åbyhoj and began investments to rationalise the handling of mouldings. In addition, investments were made in labelling and bundling. Large rationalisation investments were made in Kallinge, including scanners in the floor production line. The pace of investment was increased further in the latter half of the year in production lines and more rational handling of finished goods.

Södra Skog added 1,900 hectares of forest, mainly in Latvia, to its forest assets and now owns nearly 28,100 hectares of forest, of which 20,600 hectares in the Baltic States.

During the year, six wind power plants were built at the pulp mill in Mönsterås and brought into use. These are wholly owned by Södra. In addition, four wind power plants were built on private land direct y north of the mill. This project is owned jointly by Södra and Norwegian Statkraft.

In two new issues during the year, Södra increased its ownersh p in SunPine AB by SEK 38 million. After the issues, the participating interest amounts to 25.9 per cent and SunPine AB is an associated company to Södra as of 1 May 2010.

Divestments

On 1 October, the Norwegian energy firm Statkraft acquired another 50.1 per cent of the shares in Södra Statkraft Vindkraft Utveckling AB, the project company that operates wind power projects in southern Sweden for both Södra and Statkraft. After the divestment, Södra's participating interest in the company is 9.9 per cent.

Productivity

The structured productivity work continued at a higher pace than in 2009. During the year, the number of submitted proposals increased to 6,973 (6,441) and 3,867 (3,472) were implemented. The best outcome to date was achieved in profit improvement as a result of the proposed ideas, SEK 134 million (96). The objective is for the Group to increase productivity by an average of 2 per cent per year over a five-year period. In 2010, the outcome was 3.4 per cent (1.7).

Södra's productivity work provides the possibility for employees to participate and influence their work. The system guarantees that the employees' proposals are addressed and implemented in a sincere and fact based manner. During the year, the objective was set of shortening the time for an idea to be implemented, to encourage idea submission.

A clearer emphasis was worked out for the systematic productivity work with a sharper focus on choosing, prioritising and implementing productivity programmes that have the greatest possible impact. The Group's nine "navigators" took on the role as change leaders in most of these programmes during the year. Long-term work also includes productivity improvements through investments, organic growth and acquisition-based growth.

Research and development (R&D)

Södra's R&D costs totalled SEK 90 million (80), including costs for corporate operations and support for external research projects.

On the forestry side and in sawn timber, research is mainly done in collaboration with research institutes and universities. The overall objectives are to promote a high level of sustainable forestry production, product development of sawn timber products and greater knowledge of timber construction.

Södra Cell's R&D investments focus on product and process development. Projects are conducted internally and in cooperation with customers, suppliers, universities and research institutes. Research is based at Södra's research centre in Värö.

Södra also supports research through the Södra Foundation for Research, Development and Education. The foundation aims to promote university-level research related to forestry and forest industry operations in southern Sweden.

Environment

Some 97 per cent of Södra's consolidated net revenue is subject to permits and reporting requirements. At year-end, Södra was running 73 (71) operations in Sweden that were subject to permits or reporting requirements under the Swedish Environmental Code and 2 (2) operations in Norway subject to permits under Norwegian law. Pulp mills, sawmills, Mönsterås harbour, wind turbines and peat bogs are operations requiring permits. Operations with reporting requirements include mills for processing sawn timber, wood terminals and biofuel terminals. Södra's impact on the environment mainly derives from discharges and emissions to water and air from pulp production.

After the storm Gudrun in 2005, Södra established some 30 watered log terminals, which have gradually been wound down. At the end of 2009, only one terminal remained at Lenhovda, which was wound down during 2010.

Pulp mills have permits with final or provisional conditions mainly related to discharges to air and water. Provisional conditions apply during a limited trial period after which the mill's status is reported and the final conditions determined.

The following were the most significant matters during the year.

- Trial period reports submitted for Mörrum and Mönsterås.
- On 23 June, the superior environmental court passed judgement regarding environmental remediation at the closed sawmill in Hjortsberga and set Södra's liability at 40 per cent of the cost. The reason for the adjustment is that the pollutants occurred to some extent prior to 1969. The court believes that Södra is not liable for the pollutants prior to 1960, some liability in the period 1960-1969 and full liability for pollutants that arose after 1969. The judgement does not state how the adjustment of the liability was calculated. The judgement means that the authorities will not be able to demand post treatment of pollutants that have arisen prior to 1960. This also means that the authorities must have financing before they can begin placing requirements on the business operator.
- At the closed impregnation operations in Hultsfred and Lidhult, where Södra has been an owner, Södra has been requested by the county administrative boards to investigate environmental risks and required measures. Södra has been notified that it is to pay 90 per cent of the cost of these measures at Lidhult. The county administrative board is now reviewing its order in view of new practice in the area. A risk assessment has been made for Hultsfred and an action proposal submitted to the county administrative board, which is preparing its report. For future orders that may become current, reasonable amounts have been allocated in prior years in the consolidated statement of financial position. These amounts are not significant with regard to the Group's financial position.
- On 22 September, the environmental review delegation in Halland County granted permission under the Swedish Environmental Code for Södra Timber to expand the sawmill operations and wood impregnation in Värö. Södra has appealed certain aspects of the permit.

Financial risk management

Through its operations, Södra is exposed to financial risks with regard to variations in income and cash flow due to fluctuations in exchange rates, raw material prices and interest rates along with refinancing and credit risks. There are correlations between certain risk variables. According to the Group's hedging strategy, focus shall be on hedging net exposures. Södra's financial policy, which is established by the Board, regulates the management of the financial risks by stipulating objectives, risk mandates and limits for financial activities. Hedging measures within the scope of the financial policy are approved when the situation for such a measure is judged to be financially beneficial. Consideration is also taken to the current access to commercially acceptable hedging terms.

Decisions regarding hedging measures and transactions are handled centrally by the Treasury unit. The overriding objective is to provide cost-effective financing and cash management and, when necessary, to manage financial market risks effectively when required and/or beneficial. The financial risks are continuously measured and compliance with the financial policy is monitored. The financial risks pertaining to hedged risks, objectives, hedging policies and current exposure and hedging level, which primarily relate to internationally active subsidiaries, are described in more detail in Note 22 Financial risk management.

Under the financial policy, up to 20 per cent of Södra's forecast pulp production may be hedged using pulp price derivatives. Hedged risk pertains to cash flow risk, which is the risk that Södra will receive a pulp price that is less than the long-term price level anticipated by the Group. Hedging is also taken out on the fair value risk that arises when Södra offers to deliver pulp to buyers at a fixed price through its PulpServices. Hedging value-added service. To ensure that fixed prices contracted with customers will not be lower than prevailing market prices at the time of delivery, the fixed price contract is swapped to variable prices. For 2011 and ensuing years, pulp price with regard to cash-flow risk is not hedged. For 2010, 14 per cent of the year's expected pulp production was hedged with regard to cash-flow risk.

Fair value hedges for 2011 have been entered into for fixed-price agreements representing 5 per cent of forecast pulp production. For 2010, the corresponding figure was 3 per cent. There is no fair-value hedging for 2012 and subsequent years.

Södra also has the opportunity to financially hedge oil, electricity and emission rights to minimise negative profit impact (cash flow risk) due to pricing variation over time. Oil exposure may be hedged for a period of 18 months with a varying share for each six-month period. Because of Södra's total energy exposure, consolidated profit is positively correlated with energy prices. Since only net exposures are to be hedged, no oil has been hedged for 2011 and subsequent years. The situation was the same at year-end 2009. With regard to financial electricity trading, forecast net positions may be hedged up to 100 per cent for the next two years and up to 80, 50 and 20 per cent in the subsequent three years. For 2011, 29 per cent is hedged, while there are no hedges from 2012 and onward. At year-end 2009, 35 per cent was hedged for 2010, with no other additional hedges. Södra's surplus emission rights are sold in accordance with policy guidelines. For the next 12-month period, up to 100 per cent of the net surplus may be sold while the limits for the subsequent two years are 50 and 30 per cent, respectively. No emission rights have been sold for 2011.

Södra's transaction exposure is hedged in accordance with the financial policy. Up to 70 per cent of the forecast net inflow during the coming 12-month period may be hedged, and up to 50 per cent of the inflow for the subsequent 12-month period. The two subsequent 12-month periods may be hedged up to 30 and 20 per cent respectively. At the end of the financial year, 20 per cent was hedged for the next year. For the time after 2011, there were no hedges. At year-end 2009, 42 per cent was hedged for 2010 and 15 per cent for 2011. Under the policy, currency forward contracts, currency swaps and currency bonds may be used as hedging

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nstruments. Translation exposure pertaining to net value in foreign subsidiaries is only currency hedged under special circumstances.

Liquidity and loan risks relate to the risk of liquidity being insufficient when needed, or refinancing being expensive or difficult. The financial policy states that the Group's cash and cash equivalents and its credit commitments are to represent at least 8 per cent of forecast annual revenue. The average credit maturity on the Group's loan liabilities should also be in relation to the Group's equity ratio. With an equity ratio below 50 per cent, the credit maturity should be a minimum of two years and with an equity ratio above 50 per cent, it should be a minimum of one year.

Credit risk is limited through the financial policy's requirement that most of Sodra's cash and cash equivalents be invested in instruments with high liquidity and a Standard & Poor's credit rating of A/K1 or higher.

For the Group's interest-bearing investments the financial policy indicates how the interest risk, which consists of the negative changes in market value that can arise from interest fluctuations in the yield curve, is to be limited through the allocation of investments over various fixed-rate periods. The composition of the investment portfolio is described in Note 22 Financial risk management, along with its purpose and return requirements in accordance with the financial policy.

For financial liability, the objective is to maintain fixed-interest terms within the 3–15 month interval because Sodra deems that a relatively short fixed-interest period reduces Group financing costs in the long term.

Sodra is exposed to share price risk through its holdings of shares, share index certificates, share index bonds and share funds. Exposure to share price risk totalled SEK 716 million (449) at the end of the year.

Human Resources

A new human resources (HR) strategy for the period 2011–2014 was developed for the Group during the year. The strategy is based on a cross-boundary approach to enhance the efficiency of the HR work and identify more Group-wide solutions.

The new strategy emphasises the significance of motivation-based leadership permeated by clear and transparent communication, innovative thinking and the will to change. Employees mainly contribute through their competencies. The corporate culture shall stimulate change and innovation. A new Group-wide pension policy offers attractive pension and insurance solutions for all employees.

The Human Resources strategy is translated into specific objectives for the various parts of the Group and these are followed up by Group Senior Management and Boards. Prioritised areas include competency supply in the face of growing retirement numbers in the next few years and increasing workplace mobility. The annual recruitment level is about 250 people. A new recruitment process will be launched in 2011 to facilitate rapid and professional recruitment of competent employees. Eight young university graduates are currently participating in Sodra's fifth trainee programme, which lays the foundation for competency supply of future managers.

The Group-wide introduction programme for new employees was held 11 times in 2010. More than 1,100 employees have taken part in the 3.4 introduction days held since 2006. The introduction helps new employees get to know the business units in the Group and gain an understanding of their own significance in the overall scheme. Beginning in 2011, the introduction will cover two days with the second day being focused on productivity work in the Company.

The work of reducing work-related injuries is a priority area. Despite targeted action programmes and a focus on reducing workplace accidents and incidents, work-related accidents are rising in the Group. Additional efforts have been initiated with the aim of changing workplace attitudes, etc.

To make Sodra a better employer, regular employee surveys give employees the chance to evaluate working conditions. Results are reported back on a workplace and work team level and necessary improvements are made at the appropriate level. A survey will be carried out in spring 2011.

Risks and uncertainties

The way the international economy trends in the future will be of great significance to the global market balance for market pulp and hence for pulp volume and price development. The economic situation also affects the national and international construction market and is of major significance to Sodra's sales of homes, sawn timber and interior products. The very large national stimulus packages that essentially form the basis of the recovery in the international economy have increased public budget deficits in several large industrial countries to levels that require consolidation of the national budgets. High unemployment in many countries will result in weak private demand and thereby difficulties in maintaining economic activity when the previous stimulus measures are repealed and replaced by necessary consolidation measures. For national financial reasons, EU countries such as Greece and Ireland have been forced to accept coordinated financial support combined with radical austerity measures. Portugal and Spain are at risk of ending up in the same situation. Somewhat further ahead, the situation is similar for several other large industrialised countries, which could again have a negative economic impact on the international economy.

Several Sodra operations are highly currency-dependent because a major part of their sales is denominated in currencies other than those in which their costs are denominated. The exchange rate trend for the USD and EUR in particular has a major impact on consolidated profit.

Sodra's single largest production costs are for wood, wages and salaries, chemicals and energy. Here too, the economic situation is an uncertainty that could affect the price trend for these input goods. The Group's productivity efforts and the efficiency improvements made in production and administration have the potential, however, to counteract undesirable price increases for input goods.

Note 22 Financial risk management presents what the effect on consolidated profit and equity would have been during the year had average key variables developed differently compared with actual levels.

Other

To enhance the efficiency of the business and meet the growing competition in the market, Sodra Skog reorganised its operational business into 19 forestry operations areas. The focus is on greater contact with members, leadership and more efficient logistics, and developed market communications. The democratic organisation was also changed when the number of forestry districts increased from 32 to 36.

On 1 July, the business in Werner Trafaroding AB was taken over by Sodra Interior AB in connection with an acquisition of net assets. The objective of the acquisition was to fully integrate the hardwood sawmill in Djursdala administratively and in terms of IT, and enable a more rational handling of the flows and inventory.

Sodra's acquisition agreement with Ittur AB concerning Tryse Hus included a confidential option requested by the counterparty that gave Ittur the right to buy back Tryselhus, at terms established in advance, no later than 15 December 2010. Ittur has notified Sodra that it has not been able to meet the terms in the option agreement. Furthermore, Ittur has taken certain legal action and threatened to claim for damages. The matter will thereby be reviewed legally.

2010 marked the conclusion of the second main lease and the sublease concerning the leasing transaction implemented in 1997 with two US banks as counterparties and pertaining to right of use of the equipment at Sodra Cell Mörrum.

Outlook for 2011

Economic growth is expected to continue at a somewhat calmer pace than in 2010. National budgetary imbalances in several mature industrial countries, currency unrest and trade policy tensions constitute uncertainties in terms of global GDP growth. High unemployment also indicates that most central banks are expected to proceed cautiously with key interest rate increases.

Demand for pulpwood is expected to remain high in terms of sawlogs, it is uncertain how large consumption will be in early 2011 due to the uncertain market for sawn timber. During the year, demand for sawlogs is expected to increase as a result of both Sodra and Holmen commissioning new sawmills. The market balance for pulp is assessed to be strong, as are the prices. Only limited volumes of new capacity are being added while an improvement in the global economy is anticipated and with it an increase in paper consumption.

The market for sawn timber is expected to deteriorate in the first half of 2011, but to normalise during the second half of the year. For interior products, an improved market is forecast where the outlook for the building trade and industrial supply is promising. Sodra is assessed to have good prospects of achieving satisfactory profitability in 2011.

Parent Company Södra Skogsägarna Economic Association

Results

The Parent Company's net revenue increased to SEK 9,437 million (8,375). Operating profit declined to SEK -133 million (-89). The increase in net revenue was primarily due to higher wood volumes and prices. The decline in operating profit was primarily due to the application of an impairment loss of SEK 55 million on signed harvesting assignments.

Finance income and expenses was SEK -86 million (292). The 2010 finance income and expense was charged with impairment losses of SEK 55 million on the shareholding in Bank & Warburg AB and of SEK 40 million on the shareholding in SunPine AB, while the preceding year's finance income and expense included substantial profit contributions from the divestment of subsidiaries. Profit after finance income and expenses declined to SEK -221 million (203).

Annual General Meeting (AGM)

Sodra's 2010 AGM was held in Falkenberg on 19 May. The meeting resolved to pay a dividend for the 2009 financial year of 3 per cent of capital contributed, 8 per cent of the value of wood deliveries and a bonus issue of 10 per cent of available paid-up capital per 31 December 2009, as well as a dividend on subordinated debentures as contracted.

At the AGM, Lena Ek, Lars Idermark and Lars-Eric Åström stepped down from the Board. Paul Christensson and Eva-Carin Tengberg were elected as new Board members. Later in the year, Anders Riostrom also withdrew from the Board.

Members

The number of members at year-end was 51,346 (51,365). The affiliated membership area was 2.37 million hectares (2.34).

Appropriation of profits

The Board's proposal to the AGM regarding the appropriation of profits is presented on page 67.

The proposal entails a dividend of SEK 851 million, comprising a dividend on contributed capital of 12 per cent, a dividend on wood deliveries of SEK 74 per m^3sub of standard softwood sawlogs and a dividend of 12 per cent on other wood ranges. A bonus issue is to be made in an amount of SEK 89 million.

A dividend of SEK 10 million will be paid on subordinated debentures as contracted.

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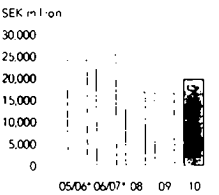
Consolidated statement of comprehensive income

SEK million	2010	2009
Net revenue	19,727	16,696
Other revenue	403	576
Change in inventories of finished products and products in process	275	-681
Capitalised work	42	44
Raw materials and consumables	-11,172	-10,016
Goods for resale	-393	-181
Freight and transportation	-979	-990
Employee expenses	-2,349	-2,139
Other expenses	-1,806	-1,706
Depreciation, amortisation and impairment of assets	-1,451	-1,012
Share of profit of associates	-26	2
Operating profit	**2,271**	**593**
Finance income	143	119
Finance expenses	-82	-50
Finance income and expenses	61	69
Profit before income tax	**2,332**	**662**
Income tax	-305	-199
Net profit for the year	**2,027**	**463**
Other comprehensive income		
Translation differences for the year on translation of foreign operations	-172	148
Revaluation of available-for-sale financial assets to fair value	-10	9
Cash flow hedges	23	80
Actuarial gains and losses	3	17
Tax attributable to other comprehensive income	-6	-32
Other comprehensive income for the year	**-162**	**222**
Total comprehensive income for the year	**1,865**	**685**
Profit attributable to:		
Parent Company	2,026	471
Minority share of income for the year	1	-8
Income for the year	**2,027**	**463**
Total comprehensive income for the year attributable to:		
Owners of the parent	1,864	693
Minority interest	1	-8
Total comprehensive income for the year	**1,865**	**685**

Net revenue



*Pertains to 18 months

Profit before income tax

*Pertains to 18 months

Comments on the consolidated statement of comprehensive income

Consolidated net revenue increased by SEK 3,031 million to SEK 19,727 million (16,696). All business areas increased sales compared with the preceding year. The largest increase was achieved by Södra Cell, to which a strong pulp market and high pulp prices contributed. The sales increase of other business areas mainly derived from higher prices and the full-year effect of corporate acquisitions conducted in 2009.

Operating profit improved to SEK 2,271 million (593). This included an impairment loss of SEK 222 million on property, plant and equipment in pulp mills and sawmills, a downward revaluation of SEK 64 million of inventory, an impairment loss of SEK 55 million on signed harvesting assignments and an impairment loss of SEK 25 million on receivables. Operating profit included profit effects totalling SEK 34 million (415) from currency derivatives and fixed-price contracts and of SEK 54 million (929) from sales of electricity certificates.

The profit trend for each business area is presented in Note 2 Operating segments. All business areas improved their profit. The largest profit increase was achieved by Södra Cell, where a strong pulp market with high volumes and high pulp prices contributed to operating profit amounting to SEK 2,224 million (406).

Finance income and expense amounted to income of SEK 61 million (69). The lower finance income was mainly an effect of negative exchange rate differences due to the strengthening of the SEK during the year. Profit before tax improved by SEK 1,670 million to SEK 2,332 million (662).

Return on capital employed was 23 per cent (6).

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Consolidated statement of financial position

31 December, SEK million	2010	2009
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	294	375
Other intangible assets	172	48
Total intangible assets	466	423
Property, plant and equipment		
Buildings and land	1,469	1,550
Machinery and equipment	5,261	5,553
Construction in progress	737	231
Total property, plant and equipment	7,467	7,334
Biological assets	461	472
Shares and participations in associates	109	62
Financial investments	17	55
Surplus in funded pensions plans	6	0
Non-current financial receivables	5	5
Non-current operating receivables	5	102
Deferred tax assets	165	149
Total non-current assets	**8,701**	**8,602**
Current assets		
Inventories	2,477	2,239
Tax assets	45	24
Current operating receivables	3,489	3,229
Current investments	2,669	1,559
Cash and cash equivalents	1,464	1,223
Total current assets	**10,144**	**8,274**
TOTAL ASSETS	**18,845**	**16,876**

31 December, SEK million	2010	2009
EQUITY AND LIABILITIES		
Equity		
Contributed capital	2,354	2,211
Other paid-up capital	1,253	1,225
Reserves	251	415
Retained earnings including profit for the year	7,552	5,950
Equity attributable to owners of the parent	11,410	9,801
Minority interest	6	5
Total equity	**11,416**	**9,806**
Liabilities		
Non-current liabilities		
Non-current interest-bearing liabilities	409	344
Provisions for pensions	306	323
Non-current provisions	134	133
Non-current operating liabilities	9	12
Deferred income tax liabilities	1,302	1,253
Total non-current liabilities	2,160	2,065
Current liabilities		
Current interest-bearing liabilities	2,267	2,167
Income tax liabilities	138	69
Current operating liabilities	2,864	2,769
Total current liabilities	5,269	5,005
Total liabilities	**7,429**	**7,070**
TOTAL EQUITY AND LIABILITIES	**18,845**	**16,876**

Comments on the consolidated statement of financial position

The balance sheet total increased by SEK 1,969 million to SEK 18,845 million (16,876). The strong profit contributed to consolidated cash and cash equivalents and current investments increasing by SEK 1,351 million to SEK 4,133 million. The remaining increase in the balance sheet total derived primarily from an increase in inventory and operating receivables.

Equity totalled SEK 11,416 million (9,806). Of equity, paid-up capital contributed and bonus issues accounted for SEK 2,354 million (2,211). Forthcoming repayments of contributed capital to members that resigned during the financial year amount to SEK 38 million (33).

Interest-bearing liabilities increased by SEK 165 million to SEK 2,676 million (2,511). The Group's external borrowings consist primarily of loans from members allocated in membership accounts of SEK 1,611 million, payment plans of SEK 686 million, forest loans of SEK 38 million and liquidity accounts of SEK 9 million. Issued subordinated debentures of SEK 130 million were reclassified under IFRS from equity to interest-bearing liabilities.

Södra has a credit agreement with a bank syndicate that enables it to borrow up to USD 200 million. The credit was not utilised at the end of the financial year.

The equity ratio was 61 per cent (58) and the debt-equity ratio was 0.2 times (0.3).

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Consolidated statement of changes in equity

Equity attributable to owners of the parent

Group, 2010	Contributed capital	Other paid-up capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings including profit for the year	Total	Minority interest	Total equity
Opening balance 1 January 2010	2,211	1,225	287	9	119	5,950	9,801	5	9,806
Net profit for the year	—	—	—	—	—	2,026	2,026	1	2,027
Other comprehensive income for the year	—	—	–172	–8	16	2	–162	—	–162
Total comprehensive income for the year	**—**	**—**	**–172**	**–8**	**16**	**2,028**	**1,864**	**1**	**1,865**
Capital contributed, paid-up by members	95	—	—	—	—	—	95	—	95
Capital contributed, paid-out to members	–33	—	—	—	—	—	–33	—	–33
Appropriation of profits	—	29	—	—	—	–29	—	—	—
Dividend to members	—	—	—	—	—	–305	–305	—	–305
Bonus issue	81	—	—	—	—	–81	—	—	—
Change of participating interest in associates*	—	—	—	—	—	–11	–11	—	–11
Other	—	–1	—	—	—	—	–1	—	–1
Closing balance 31 December 2010	**2,354**	**1,253**	**115**	**1**	**135**	**7,552**	**11,410**	**6**	**11,416**
Group, 2009									
Opening balance 1 January 2009	2,113	1,209	139	3	63	5,814	9,341	5	9,346
Net profit for the year	—	—	—	—	—	471	471	–8	463
Other comprehensive income for the year	—	—	148	6	56	12	222	—	222
Total comprehensive income for the year	**—**	**—**	**148**	**6**	**56**	**483**	**693**	**–8**	**685**
Capital contributed, paid-up by members	61	—	—	—	—	—	61	—	61
Capital contributed, paid-out to members	–39	—	—	—	—	—	–39	—	–39
Appropriation of profits	—	16	—	—	—	–16	—	—	—
Dividend to members	—	—	—	—	—	–255	–255	—	–255
Bonus issue	76	—	—	—	—	–76	—	—	—
Other	—	—	—	—	—	—	—	8	8
Closing balance 31 December 2009	**2,211**	**1,225**	**287**	**9**	**119**	**5,950**	**9,801**	**5**	**9,806**

*The result of an earlier shareholding becoming an associate through successive acquisitions

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Consolidated statement of cash flows

SEK million	2010	2009
Operating activities		
Profit before income tax	2,332	662
Adjustment for non-cash items		
Depreciation and amortisation	1,229	1,089
Impairment of non-current assets	222	-77
Value change in current investments	-82	-63
Profit from sale of non-current assets	-5	-179
Other items not affecting cash flow	-90	-234
Income tax paid	-256	-136
Net cash flow from operating activities before change in working capital	**3,350**	**1,062**
Change in		
Inventories (increase –)	-288	1,542
Operating receivables (increase –)	-249	295
Operating liabilities (increase +)	292	-327
Cash flow from operating activities	**3,105**	**2,572**
Investing activities		
Acquisition of subsidiaries	–	-60
Sale of subsidiaries	0	217
Change in other financial assets	-43	-5
Investments in intangible assets	-37	–
Investments in property, plant and equipment	-1,660	-1,324
Sale of property, plant and equipment	16	38
Cash flow from investing activities	**-1,724**	**-1,134**
Cash flow after investing activities	**1,381**	**1,438**
Financing activities		
Capital contributed, paid-up	95	61
Capital contributed, paid out	-33	-39
Change in subordinated debentures	-1	0
Dividend paid	-305	-258
Change in loans from members	197	-160
Repayment of other loans	-32	-92
Change in current investments with maturity > 90 days	-1,033	-611
Cash flow from financing activities	**-1,112**	**-1,099**
CASH FLOW FOR THE YEAR	**269**	**339**
Cash and cash equivalents at beginning of year	1,223	854
Exchange gains/losses on cash and cash equivalents	-28	30
Cash and cash equivalents at end of year	1,464	1,223

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Parent Company income statement

SEK million	2010	2009
Net revenue	9,432	8,375
Change in inventories of finished products and products in process	23	31
Other revenue	318	258
Goods for resale	-8,931	-7,901
Other external expenses	-456	-403
Employee expenses	-485	-418
Depreciation, amortisation and impairment of assets	-31	-30
Other operating expenses	-3	-1
Operating profit	**-133**	**-89**
Profit from shares in Group companies	-55	245
Profit from shares in associates	-40	—
Interest income and similar profit items	66	102
Interest expenses and similar items	-59	-55
Finance income and expenses	-88	292
Profit after financial items	**-221**	**203**
Appropriations	26	13
Profit before income tax	**-195**	**216**
Income tax	239	102
Profit for the year	**44**	**318**

Profit for the year matches Comprehensive income for the year

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Parent Company balance sheet

31 December, SEK million	2010	2009
ASSETS		
Non-current assets		
Intangible assets		
Other intangible assets	34	8
Total intangible assets	34	8
Property, plant and equipment		
Buildings and land	234	212
Machinery and equipment	86	70
Construction in progress	11	35
Total property, plant and equipment	331	317
Financial assets		
Shares in Group companies	2,207	2,192
Shares and participations in associates	48	1
Surplus in funded pension plans	29	21
Other non-current investments	13	52
Other non-current receivables	5	8
Deferred tax assets	46	47
Total financial assets	2,348	2,321
Total non-current assets	**2,713**	**2,646**
Current assets		
Inventories	209	306
Current receivables		
Interest-bearing receivables with Group companies	1,983	1,815
Deferred tax assets	19	—
Operating receivables	1,306	1,206
Total current receivables	3,308	3,021
Current financial investments	3,099	2,055
Cash and bank balances	493	344
Total current assets	**7,109**	**5,726**
TOTAL ASSETS	**9,822**	**8,372**

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Cont Parent Company balance sheet

31 December, SEK million	2010	2009
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Contributed capital	2,354	2,211
Subordinated debentures	130	131
Statutory reserve	1,253	1,224
Total restricted equity	3,737	3,566
Non-restricted equity		
Profit carried forward	1,078	405
Income for the year	44	318
Total non restricted equity	1,122	723
Total equity	**4,859**	**4,289**
Untaxed reserves	**190**	**216**
Provisions		
Provisions for pensions	52	47
Other non-current provisions	60	60
Total provisions	**112**	**107**
Non-current liabilities		
Non-current interest-bearing liabilities with Group companies	16	12
Non-current interest-bearing liabilities	279	213
Non-current operating liabilities	9	—
Total non-current liabilities	**304**	**225**
Current liabilities		
Current interest-bearing liabilities with Group companies	853	98
Current interest-bearing liabilities	2,065	1,934
Current income tax liabilities	—	19
Current operating liabilities	1,439	1,484
Total current liabilities	**4,357**	**3,535**
TOTAL EQUITY AND LIABILITIES	**9,822**	**8,372**
Pledged assets	164	157
Contingent liabilities	528	506

Parent Company statement of changes in equity

SEK million	Restricted equity: Contributed capital	Restricted equity: Subordinated debentures	Restricted equity: Statutory reserve	Non-restricted equity: Profit carried forward	Non-restricted equity: Profit for the year	Total equity
Opening balance 1 January 2010	2,211	131	1,224	405	318	4,289
Transfer of profit for the year	—	—	—	318	–318	—
Income for the year	—	—	—	—	44	44
Intra-Group transfers	—	—	—	1,055	—	1,055
Tax effect on intra-Group transfers	—	—	—	–278	—	–278
Total changes in net assets excluding owner transactions	2,211	131	1,224	1,500	44	5,110
Capital contributed, paid-up by members	95	—	—	—	—	95
Capital contributed, paid-out to members	–33	—	—	—	—	–33
Paid-out subordinated debentures	—	–1	—	—	—	–1
Appropriation of profits	—	—	29	–29	—	—
Dividend to members	—	—	—	–305	—	–305
Dividend on subordinated debentures	—	—	—	–7	—	–7
Bonus issue	81	—	—	–81	—	—
Closing balance 31 December 2010	**2,354**	**130**	**1,253**	**1,078**	**44**	**4,859**
Opening balance 1 January 2009	2,113	131	1,209	681	–178	3,956
Transfer of profit for the year	—	—	—	–178	178	—
Income for the year	—	—	—	—	318	318
Intra-Group transfers	—	—	—	347	—	347
Tax effect on intra-Group transfers	—	—	—	–91	—	–91
Total changes in net assets excluding owner transactions	2,113	131	1,209	759	318	4,530
Capital contributed, paid-up by members	61	—	—	—	—	61
Capital contributed, paid-out to members	–39	—	—	—	—	–39
Paid-out subordinated debentures	—	0	—	—	—	0
Appropriation of profits	—	—	16	–16	—	—
Dividend to members	—	—	—	–255	—	–255
Dividend on subordinated debentures	—	—	—	–7	—	–7
Bonus issue	76	—	—	–76	—	—
Closing balance 31 December 2009	**2,211**	**131**	**1,224**	**405**	**318**	**4,289**

Profit for the year matches Comprehensive income for the year

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Parent Company statement of cash flows

SEK million	2010	2009
Operating activities		
Profit after financial items	-221	203
Adjustment for non-cash items		
Depreciation and amortisation according to plan	31	30
Impairment of non-current assets	95	87
Change in value of current investments	-6	-63
Profit from sale of non-current assets	-1	-196
Other items not affecting cash flow	57	-33
Income tax paid	-75	-31
Net cash flow from operating activities before change in working capital	**-120**	**-3**
Change in		
Inventories (increase -)	97	708
Operating receivables (increase -)	-93	122
Operating liabilities (increase +)	-139	233
Cash flow from operating activities	**-255**	**1,060**
Investing activities		
Purchases of shares in subsidiaries	-70	-14
Sale of shares in subsidiaries	0	229
Changes in other financial assets	-49	17
Investments in intangible assets	-29	—
Investments in property, plant and equipment	-47	-102
Sale of property, plant and equipment	5	—
Cash flow from investing activities	**-190**	**130**
Cash flow after investing activities	**-445**	**1,190**
Financing activities		
Capital contributed, paid-up	95	61
Capital contributed, paid out	-33	-39
Change in subordinated debentures	-1	0
Dividends paid	-312	-262
Change in loans from members	197	-160
Change in other loans	759	-383
Intra-Group transfers received	1,121	485
Intra-Group transfers paid	-188	—
Change in current investments with maturity > 90 days	-990	-531
Cash flow from financing activities	**648**	**-829**
CASH FLOW FOR THE YEAR	**203**	**361**
Cash and cash equivalents at beginning of year	1,015	654
Cash and cash equivalents at end of year	1,218	1,015

Proposed appropriation of profits

The Board proposes that the profits at the disposal of the Södra AGM, an amount of SEK 1,122,652,553, be appropriated as follows

Dividend to members of 12 per cent of capital contributed, amounting to	SEK 282,425,524
Dividend to members of SEK 74 per m^3ub of standard softwood saw logs, amounting to	SEK 244,880,349
Dividend to members of 12 per cent of deliveries of other wood ranges, amounting to	SEK 234,307,523
The dividend is calculated on members' wood deliveries from 1 January 2010 to 31 December 2010 of all ranges, excluding sold standing forest	
To members' capital accounts through bonus issue	SEK 89,393,539
The bonus issue represents 10 per cent of available paid-up capital contributed at 31 December 2010	
Dividend of 7.1 per cent on subordinated debentures, series D	SEK 10,010,000
Appropriation to the statutory reserve	SEK 41,102,226
Amount carried forward	SEK 220,533,392
	SEK 1,122,652,553

The Group's non-restricted equity totalled SEK 5,383,448,000
Proposed appropriations to restricted equity totalled SEK 130,495,765

The consolidated accounts and annual accounts have been prepared in accordance with the international financial reporting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and generally accepted accounting principles in Sweden, and provide a true and fair view of the Group's and Parent Company's financial position and results.

The Directors' report for the Parent Company and the Group provides a true and fair overview of the Parent Company's and Group's operations, financial position and results and describes material risks and uncertainties faced by the Parent Company and the companies included in the Group

Växjö, 15 February 2011

Christer Segerstéen *Chairman*	Anders Grennborg *Vice Chairman*	Kent Almqvist *Employee representative*	Nils-Erik Andersson *Employee representative*
Gunilla Aschan	Paul Christensson	Mats Hansson	Carl-Olov Holmström
Hans-Olof Mattsson *Employee representative*	Eva-Carin Tengberg	Jan-Olof Thorstensson	Leif Brodén *CEO*

The annual report and consolidated financial statements presented above were approved for publication by the Board and the President on 15 February 2011. The consolidated statement of comprehensive income and consolidated statement of financial position and the Parent Company's income statement and balance sheet are subject to adoption at the AGM on 17 May 2011.

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

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Management of Södra

Each member of Södra has one vote, irrespective of the level of capital contributed and the size of the forest estate. The opportunity for individual influence is greatest at the local level. At other meetings, such as the AGM, matters are carried by elected representatives.

The members are 51,000 southern Swedish forest owners organised into 36 forestry districts. At the annual meeting of the forestry district, members are entitled to vote and can raise issues by registering them in advance. Following discussion, issues may be forwarded to the Board or the AGM.

The forestry district is run by a district council consisting of members elected by the annual meeting. The district councils are responsible for various local activities and for monitoring business policy issues on a local basis. At the annual meeting, the district council makes a report of the preceding year's operations and presents an operating plan for the current year. Members of the district council play a key role in the dialogue with individual members.

The main role of the Board is to focus on long-term and strategic issues affecting Södra and its members.

Delegates to the AGM

The AGM is Södra's highest decision-making body. Delegates to the AGM are elected at the annual meetings of the forestry districts. Each delegate has one vote. Board members and alternates, the President and CEO, members of the Administrative Council and the auditors are entitled to participate in the discussions and make proposals but not to vote. The AGM ratifies the annual financial statements and profit dividend, appoints members to the Board and appoints auditors.

Board of Directors

The main role of the Board is to focus on long-term and strategic issues affecting Södra and its members. The Board largely controls the Company's operations by determining strategic direction, issuing guidelines, adopting strategy plans, setting financial objectives and deciding on the scope of investments.

The Board annually reviews its formal work plan, which governs aspects such as the Board's overall duties and methods and the allocation of responsibility between the Board and operative management.

An Audit Committee, a Fees and Benefits Committee and a Finance Committee are responsible for preparing certain issues prior to Board meetings.

The Board has a maximum of 14 ordinary members and three alternates. The AGM elects the Board members with the exception of the three employee representatives. The Board also includes the President and CEO.

Administrative Council

The Administrative Council consists of the chairs of the district councils and is an advisory body to the Board and AGM. The Council's role is to work to establish member backing for Södra's strategic objectives and decisions. This is done by the Council preparing statements on matters to be raised at the AGM, or which have been referred to the Council by the Board and/or the AGM. It also prepares the AGM's election of the Nomination Committee. In addition, the Council is an important forum for dealing with business policy issues. Its responsibility and work methods are described in a specific document.

Nomination Committee

In addition to proposals to the AGM regarding Board members, auditors and Södra representatives to the meeting of the National Board of the Federation of Swedish Farmers (LRF), the Nomination Committee proposes fees for Board members and members of the Administrative Council as well as fees for AGM delegates and auditors.

At the 2010 AGM, Zeth Bergström, Örjan Christiansson, Marie Hallén (newly elected), Stig Lennartsson, Håkan Landenmark (convening), Mats Löfgren (newly elected) and Lotte Melin were elected as ordinary members of the Nomination Committee.

Auditors

The Auditors' overall duty is to examine the annual financial statements, consolidated financial statements and accounting as well as the administration by the Board and the CEO. The audit includes an estimate of the risk of errors occurring of such magnitude that they could significantly affect the Company's recognised profit and financial position, and thus the question of discharge of liability for the administration.

The duties and responsibilities of member representative auditors, in addition to that covered by legislation, are governed by an instruction on the division of work and information exchange between the member representative auditors and professional auditors.

Group Senior Management

Group Senior Management consists of the President and CEO, business area presidents and staff directors. The CEO's secretary is also secretary of the Group Senior Management. The CEO is responsible for the ongoing management of the business in accordance with Board guidelines and instructions. The CEO is chairman of business area boards.

Meeting description – number and issues

District councils

Each district council determines the number of ordinary meetings in its operations planning. Issues relate to financial and social activities that affect the general interest of members in ownership and management of the forest estates.

Administrative Council

The Council held four ordinary meetings during the year. The agenda for the meetings includes a presentation of the business situation and current matters relating to economic policy. During the first meeting of the year, matters are normally raised prior to the meetings of the forestry districts. The meeting prior to the AGM focuses on matters to be addressed at the AGM. At the first council meeting held in the autumn, the focus is on issues related to the wood market.

Board of Directors

The Board held one statutory and five scheduled meetings during the year. Additional telephone meetings were also held. At the statutory meeting following the AGM, a decision was made regarding the allocation of the director fee approved by the AGM. The Chairman and Vice Chairman of the Board were also appointed.

The February meeting includes a review and evaluation of the preceding year. At a two-day meeting in June, strategic issues for the business areas and the Group are discussed, along with work procedures for the Board and important issues for the upcoming year.

The autumn meeting focuses largely on R&D and/or environmental issues. At the December meeting, the budget is discussed along with objectives and Group policies. Employee issues are addressed as a specific item at each board meeting.

Group Senior Management

The Group Senior Management normally meets once per month and has at least one multi-day meeting per year with a focus on long-term and strategic issues. Key current issues are addressed at the meetings. Finance, market and employee matters are recurring agenda items.

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The democratic organisation

Members
Södra's membership base is 51,000 forest owners in southern Sweden.

Forestry districts
The member area is divided into forestry districts that are led by district councils. Members appoint district council members and AGM delegates at the annual meetings of the forestry districts. Each delegate has one vote.

Annual General Meeting
The AGM is Sodra's highest decision-making body. Delegates elected at the forestry district meetings convene at the AGM. The AGM ratifies the annual financial statements and profit dividend and appoints board members, auditors and the Nomination Committee.

District councils
The District Council monitors local economic policies, runs various local activities and has a key role in the dialogue with members in the forestry districts.

Administrative Council
The Administrative Council consists of the chairs of the district councils and is an advisory body to the Board and AGM. The Council's role is to work to establish member backing for Sodra's strategic objectives and decisions.

Board of Directors
The main role of the Board is to focus on long-term and strategic issues affecting Sodra and its members. Ten members are elected by the AGM; three are employee representatives.

The Board also includes the CEO. The Board appoints the President and members of subsidiary boards.

The Board has three committees that prepare specific matters prior to Board meetings: the Audit Committee, the Fees and Benefits Committee and the Finance Committee.

Auditors
Auditors are appointed by the AGM. The Auditors' overall duty is to examine the annual financial statements, consolidated financial statements and accounting as well as the administration of the Board and CEO. Two of the four ordinary auditors are elected from the membership base.

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Administrative Council

Members of the Administrative Council, elected at the annual meetings of the Forestry Districts in 2010

Södra Skåne	Lars-Olof Andersson, Höör, lars-olof.andersson@telia.com, +46 70 891 8443
Nordvästra Skåne	Bo Svensson, Ljungbyhed, svenstorp720@hotmail.com, +46 70 663 0556
Ljungby	Lars-Ove Johansson, Lagan, lars.ove.johansson@la.lrf.se, +46 70 518 3861
Snapphanebygden	Stig Lundström, Sibbhult, tagarod@telia.com, +46 70 697 1790
Mörrum	Ola Persson, Asarum, tararpsgard@telia.com, +46 70 657 5969
Tingsryd-Linneryd	Stig Lennartsson, Väckelsång, stig.lennartsson@gmail.com, +46 70 629 5534
Karlskrona-Ronneby	Carl-Johan Nordström, Johannishus, nordstrom.djurtorp@brevet.nu, +46 70 888 8807
Dackebygden	Roland Williamsson, Ljungbyholm, roland.williamsson@hs.lrf.se, +46 70 521 5489
Alvesta-Växjö	Mats Lofgren, Vederslöv, mats.lofgren@serkonsult.se, +46 70 548 2898
Norra Värend	Lars Johan Svensson, Rottne, ljs.ekna@telia.com, +46 70 569 3385
Kalmarsund	Kjell Haraldsson, Nybro, kjell.haraldsson@eon.se, +46 70 549 9901
Mönsterås	Dan Petersson, Oskarshamn, dan.petersson@okg.eon.se, +46 70 508 6103
Vimmerby-Hultsfred	Staffan Leijon, Hultsfred, ebba.leijon@telia.com, +46 70 699 8395
Skänninge	Anders Nylund, Askersund, andersnylund@telia.com, +46 70 339 3097
Östgöta Södra	Björn Holmberg, Åtvidaberg, bjorn.holmberg@e.lrf.se, +46 73 092 6407
Tjustbygden	Örjan Christansson, Ankarsrum, 60321@telia.com, +46 70 575 5377
Norrköping	Christian Ankarstrand, Östra Ryd, christian.ankarstrand@e.lrf.se, +46 70 556 6543
Njudung	Ronnie Johansson, Grimstorp, ronnie.johansson@citynetnassjo.se, +46 70 641 4136
Höglandet	Zeth Bergström, Bodafors, zeth.bergstrom@telia.com, +46 70 266 3021
Eksjö-Ydre	Peringe Kindstrand, Hult, peringekindstrand@gmail.com, +46 70 328 8512
Södra Halland	Karl-Olof Persson, Växtorp, raryd@telia.se, +46 70 992 8448
Norra Halland	Johan Johansson, Fjärås, johajoha@bredband.net, +46 70 372 0457
Mark	Rolf Göransson, Istorp, +46 70 259 6749
Kind	Karl-Åke Lagerqvist, Svenljunga, karl-ake.lagerqvist@dts.se, +46 70 562 0005
Vårgårda	Marie Hallén, Sollebrunn, marie.hallen@konsult.lrf.se, +46 076 114 4050
Ulricehamn-Skaraborg	Harald Gradén, Hokerum, harald@granared.se, +46 70 520 5175
Vänerbygden	Morgan Svensson, Sollebrunn, svensson.morgan@telia.com, +46 70 832 6983
Norra Skaraborg	Håkan Landenmark, Mariestad, hakan.landenmark@tele2.se, +46 70 659 1689
Bohuslän	Lennart Hagberg, Ellös, sorbo.gard@telia.com, +46 70 371 0260
Dalsland	Katarina Johnsson, Dals Långed, kjohnsson@pn.lrf.se, +46 73 428 0798
Finnveden	Inger Andersson, Burseryd, inger.andersson@f.lrf.se, +46 70 513 4858
Västerbygden	Gösta Lundin, Bottnaryd (chair), gosta.lundin@nordea.com, +46 36 19 5441

The district councils in the new organisation's 36 forestry districts will be elected at the 2011 annual meetings.

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Board of Directors

Christer Segerstéen
Born 1950. Chairman. Chairman of the Confederation of European Forest Owners (CEPF). Member of the advisory council of the Swedish EPA (Naturvårdsverket). Vice Chairman of Sodra Cell. Forest holding: 180 hectares. Total capital contributed in Sodra: SEK 617,717. Alternate since 1991. Board member since 1992. Term of office expires in 2011.

Anders Grennborg
Born 1953. Vice Chairman. Vice Chairman of Sodra Timber. Forest holding: 450 hectares. Total capital contributed in Sodra: SEK 502,866. Board member since 2002. Term of office expires in 2011.

Leif Brodén
Born 1960. President and CEO. Vice Chairman of the Swedish Forest Industries Federation. Chairman of Sodra Cell, Sodra Timber and Sodra Interior. Board member of Korsnäs.

Gunilla Aschan
Born 1960. Manager Farm & Forest, Norcea. Board member of the Östergötland Agricultural Society and of Sodra Cell. Forest holding: 280 hectares. Total capital contributed in Sodra: SEK 576,343. Board member since 2006. Term of office expires in 2011.

Paul Christensson
Born 1959. Chairman of Western Chapter of National Board of the Federation of Swedish Farmers (LRF Väst) and Agrovast. Board member of Sodra Interior. Forest holding: approximately 220 hectares (part owner: 50 per cent). Total capital contributed in Sodra: SEK 52,112. Board member since 2010. Term of office expires in 2012.

Mats Hansson
Born 1956. Chairman of the administrative committee of the Kristianstad Agricultural Society. Board member of Sodra Interior. Forest holding: 305 hectares. Total capital contributed in Sodra: SEK 1,662,119. Alternate since 1992. Board member since 2000. Term of office expires in 2012.

Carl-Olov Holmström
Born 1974. Chairman of Ocs Socken gård Economic Association. Auditor of Adult Educational Association, Sjuhärad. Alternate of Sjuhärad Agricultural Society. Board member of Sodra Timber. Forest holding: 59 hectares. Total capital contributed in Sodra: SEK 116,635. Board member since 2008. Term of office expires in 2012.

Eva-Carin Tengberg
Born 1948. Chairman of Venture Cup Väst. Member of boards of Venture Cup Sweden, Chalmers Innovation, Layertab and the Swedish Agency for Economic and Regional Growth. Board member of Sodra Cell. Board member since 2010. Term of office expires in 2012.

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Jan-Olof Thorstensson
Born 1959. Chairman of the forest owner delegation of the Federation of Swedish Farmers (LRF). Member of the national board of the Federation of Swedish Farmers (LRF). Chairman of Kalmar Kronoberg-Blekinge Agricultural Society. Board member of Sodra Timber. Forest holding: 372 hectares. Total capital contributed in Sodra: SEK 936,248. Alternate 1993. Board member since 1998. Term of office expires in 2011.

Kent Almqvist
Born 1959. Employee representative of the Swedish Trade Union Confederation (LO). Chairman of the GS union at Sodra Timber Traryd. Board member since 2007.

Nils-Erik Andersson
Born 1955. Employee representative of the Swedish Trade Union Confederation (LO). Chairman of division 9 of the Swedish Pulp and Paper Workers' Union at Sodra Cell Väro. Alternate since 2007. Board member since 2008.

Hans-Olof Mattsson
Born 1953. Employee representative of the Negotiation cartel for salaried employees in the private business sector (PTK). Chairman of the local union of forest rangers. Member of the Sodra Group Council. Alternate since 2003. Board member since 2009.

Alternates

Jostein Sjaavaag
Born 1968. Employee representative of the Norwegian Trade Union Confederation. Chairman of the local union at Sodra Cell Tofte. Member of the Sodra Group Council. Alternate since 2008.

Olle Svensson
Born 1952. Employee representative of the Swedish Trade Union Confederation (LO). Head workplace safety officer at Sodra Cell Mörrum. Member of division 34 of the Swedish Pulp and Paper Workers' Union at Södra Cell Mörrum. Member of the Södra Group Council. Alternate since 2008.

Elisabeth Carlsson
Born 1968. Employee representative of the Negotiation cartel for salaried employees in the private business sector (PTK). Member of local chapter of the Unionen trade union at the Södra head office. Member of the Sodra Group Council. Alternate since 2009.

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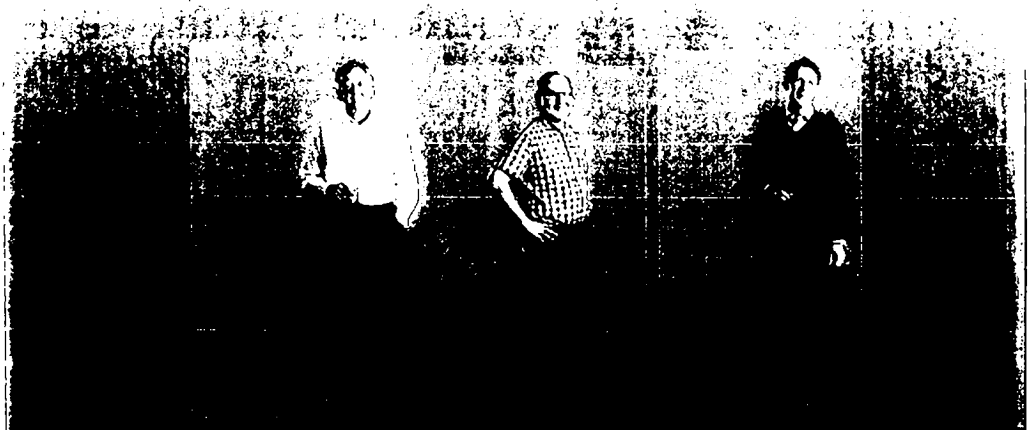
Group senior management



Leif Brodén
President and CEO
Born 1960. Employed 1999
Group management since 1999

Urban Eriksson
President, Södra Skog
Born 1959. Employed 2008.
Group management since 2008

Peter Nilsson
President, Södra Timber
Born 1963. Employed 2002
Group management since 2005

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Mattias Johansson
Director of Administration and Chief Legal Officer
Born 1972. Employed 2007
Group management since 2007

Carina Olson
Director of Human Resources
Born 1965. Employed 2001
Group management since 2009

Beatrice Kämpe-Nikolausson
Director of Procurement
Born 1972. Employed 1996
Group management since 2006

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Addresses

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Södra Skog
Skogsudden
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Southern Region
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+46 454 550 00

Forestry operations areas

Hoor	+46 10 471 6000
Broby	+46 10 471 6030
Ronneby	+46 10 471 6090
Långasjö	+46 10 471 6120
Ljungby	+46 10 471 6060
Växjö	+46 10 471 6150

Eastern Region
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SE-383 25 Mönsterås
+46 499 159 80

Forestry operations areas

Mönsterås	+46 10 471 6180
Vetlanda	+46 10 471 6210
Vimmerby	+46 10 471 6240
Tranås	+46 10 471 6277
Åtvidaberg	+46 10 471 6300
Linköping	+46 10 471 6330

Western Region
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Forestry operations areas

Oskarsström	+46 10 471 6360
Gislaved	+46 10 471 6390
Kinna	+46 10 471 6420
Jönköping	+46 10 471 6450
Sollebrunn	+46 10 471 6480
Skövde	+46 10 471 6510
Billingsfors	+46 10 471 6540

Other companies

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Södra Odlarna	+46 346 71 4330
Mönsterås harbour	+46 499 151 78
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Södra Mezs, Latvia	+371 293 614 55
Södra Skog, Norway	+47 327 990 90

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Södra Cell Mönsterås	+46 499 150 00
Södra Cell Mörrum	+46 454 550 00
Södra Cell Varö	+46 340 62 8000
Södra Cell Tofte	+47 327 990 00
Södra Cell Folla	+47 741 236 00
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Södra Cell, Switzerland	+41 612 711 220
Södra Cell, Italy	+39 027 209 3832
Södra Cell, Germany	+49 403 068 3000
Södra Cell, Norway	+47 220 918 70

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Södra Timber Långasjö	+46 471 509 00
Södra Timber Mönsterås	+46 499 159 00
Södra Timber Orrefors	+46 481 309 20
Södra Timber Ramkvilla	+46 474 606 00
Södra Timber Torsås	+46 486 442 00
Södra Timber Traryd	+46 433 726 80
Södra Timber Unnefors	+46 36 232 00
Södra Timber Varö	+46 340 62 8000
Södra Timber Åtvidaberg	+46 120 292 00
Södra Timber Billingsfors	+46 531 401 70
Södra Timber Åsturp	+46 42 567 30
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Södra Interiör Grimslov	+46 470 74 16 00
Södra Interiör Mälardalen	+46 224 373 30
Södra Interiör Umeå	+46 90 253 50
Södra Interiör Jokkmokk	+46 971 559 00
Södra Interiör Växtorp	+46 430 323 80
Södra Interiör Djursdala	+46 492 232 00
Södra Interiör Rottne	+46 470 699 80
Nordingrå Trä	+46 613 230 47
Södra Interiör AS, Norge	+47 639 435 50
Södra Interiör, Brumunddal	+47 639 435 50
Södra Interiör, Skodje	+47 639 435 50
Södra Interiör, Arendal	+47 370 364 31
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Södra Interiör A/S, Danmark	+45 874 643 00

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Solberg
Photo: Ola Kjelbye, Anna Hult and others
Printing: Falk Graphic Media.

Cover photo: Jan-Eric Hedberg and Erica Johansson from Södra Innovation in Växjö participated in the development of the w101 lamp made of the material DuraPulp. The lamp, which is stamped in Nybro, is a result of the cooperation with the lamp company Wästberg and the design company Claesson Koivisto Rune.

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