

1998 annual report

1998

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1998 highlights

Consolidated result after financial income and expenses fell to SEK -34M (592).

Return on capital employed was 1 per cent (12).

Membership increased by 260 to 31,638. The affiliated area of forest land amounts to more than 1.7 million hectares.

Södra Skog's timber trading amounted to 10.0 million m³fub (10.5).

Production of pulp reached 1,194,000 tonnes (1,188,000) and of sawn timber 611,000 m³ (614,000). Deliveries of biofuels amounted to 1.8 million m³s (2.0).

Investments were SEK 1,250M, of which the majority referred to the ongoing extension in Mönsterås.

The average number of employees was 2,620 (2,597).

A dividend is proposed, via interest on capital contributed, of SEK 19M and post payments of SEK 101M.

A bonus on capital contributed of SEK 38M is proposed.

Financial information

SÖDRA publishes quarterly reports on 3 February, 27 April, 16 August and 27 October 1999. The Annual Report and quarterly reports are also published on www.sodra.se

Forestry measurement

Special abbreviations used in the Annual Report:

m³sk forest cubic metre, the volume of the growing forest.

m³fub cubic metre solid volume under bark, the volume excluding bark, used for measurement of pulpwood.

m³to cubic metre top dimension, the logs's cylinder volume calculated from the log's top diameter, used for measurement of saw logs.

m³s cubic metre tipped measurement, used for wood chips, pellets, etc.

President's Report



The past financial year was characterised by decisions and measures which are of significant importance for SÖDRA's future development.

These include the implementation of a completely new marketing organisation which will bring us closer to our pulp customers, the start of yet another expansion of Mönsterås pulp mill to a total 750,000 tonnes, the construction of a large sized sawmill as well as strategic decisions to grow still further in our two main areas, paper pulp and sawn timber.

The negative result of SEK 34M (USD 4,2M) that we had to record was mainly the consequence of the continued depressed price situation for both paper pulp and sawn timber, which in turn was due to weak demand in Asia, combined with over-supply in both product areas. Attempts to raise pulp prices failed during the autumn but now look more likely to be accepted. I am of the opinion that there is now good reason to view the pulp market much more positively than only a few months ago. Reduced supply and increased demand are now rapidly leading to improved balance on the market and thus also to higher prices. In the longer term, we view the development with clear optimism. For sawn timber, we expect prices to improve as a result of increased demand. Low interest rates have a positive effect on housing starts and will eventually lead to a better balance between supply and demand.

SÖDRA's role has primarily been that of a prominent and reliable supplier of high quality pulp to the world market. In order to protect and master the strategic resource that the long fibre has increasingly come to represent in a global perspective, SÖDRA now has the clearly expressed objective to continue to grow with the market and its customers. A key issue in that connection is the current structure of the pulp market with many producers but none which is particularly predominant. Today, it is difficult to separate out any supplier in a clearly defined market-leading position. For SÖDRA to become a clear market leader, we must substantially increase our production and control larger shares of the market pulp business. This market position can be attained in several ways – through expansion of our existing mills in Sweden, through new greenfield mills or via acquisition. We are keeping all three lines of action open.

One project in that direction which has already been started is the expansion of the pulp mill at Mönsterås, from currently 550,000 tonnes per annum to 750,000 tonnes per annum.

Work started last spring and the new capacity will be ready for use as early as this autumn after an unprecedentedly short planning and construction period. All the additional 200,000 tonnes will consist of softwood pulp. On the drawing-board we also have a planned expansion of Mörrums pulp mill by an additional nearly 100,000 tonnes. We hope to be able to realise these plans within the next few years. A doubling of capacity in Värö pulp mill through a completely new line will then be a possibility in a longer perspective and in step with the growth of the raw material in Southern Sweden which forms the base of our pulp industry.

Of the other projects that were announced in last year's Annual Report, none has as yet been realised. Negotiations with the Latvian Government regarding a possible greenfield project in Latvia are underway but the timetable has been significantly extended. A decision to start construction during the current year seems unlikely.

SÖDRA also has the ambition to be a leading player on the market for sawn timber. During the year, we began construction of a completely new sawmill adjacent to the pulp mill at Mönsterås. With its initial 300,000 cubic metres of sawn timber, this mill will at a stroke increase SÖDRA's sawing capacity by nearly 50 per cent, to more than 1 million cubic metres per annum. According to plan, the sawmill will be ready to begin production in the autumn. The strategy for the existing sawmills within the SÖDRA Group includes volume expansion and increased production of value added products. To get closer to our customers and adapt the products to different



customer demands, we have decided to invest substantially in marketing as well as in R&D. SÖDRA intends to play an important role in a faster consolidation process in order to help creating a more market-adapted industry which will have the ability to compete in a highly competitive market.

In spite of a less successful result, SÖDRA remains financially strong with a very sound balance sheet. That provides us with good opportunities for the investments which we consider must be carried out to enable SÖDRA to maintain and develop its position as one of the best and most enduring and reliable suppliers to the paper industry as well as the building, construction and furniture sectors.

Helge Eklund
President and CEO

Group Review



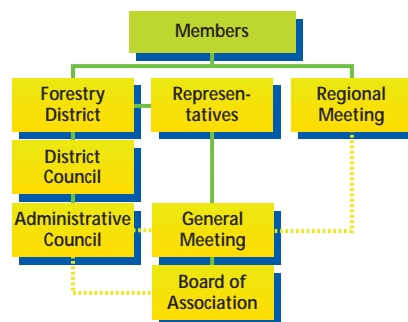
SÖDRA is an economic association which is owned by nearly 32,000 forest owners in Southern Sweden. Together, they own more than 1.7 million hectares of productive forest land which is equivalent to more than half of the total private forest area in the Association's area of operation. SÖDRA is the largest forest owner association in Sweden.

SÖDRA's task is to promote profitable forest farming by devoting itself to high and valuable timber production, to carry out timber trading and industrially process logs. The task also includes looking after its members' economic policy interests.

By co-operating in SÖDRA, the private forest owner is able to take advantage of the combined strength of a large organisation. SÖDRA's own process industry creates criteria for long-term marketing of logs at satisfactory prices.

The co-operative ownership form also means that every member has one vote regardless of the size of his forest holding. Every member belongs to a forestry district which elects its representatives to the General Meeting of the Association. The Chairmen of the forestry districts are members of the Administrative Council which is an

advisory body. The General Meeting of the Association, which is held annually, is the highest decision-making body and appoints the Board of Directors of the Association.

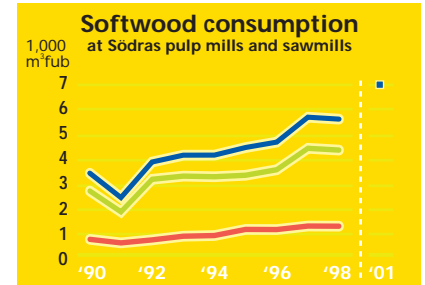


Expansive orientation

SÖDRA's long-term strategy is based on two principles: first, SÖDRA will monitor the raw material situation in Southern Sweden and provide its members with an opportunity to market an increasing forest production at satisfactory prices. Second, SÖDRA will manufacture products which can be sold with high profitability on an international market.

SÖDRA's industrial investments are primarily made within wood-consuming operations, i.e. pulp, sawn timber and bioenergy. During the 1990s, SÖDRA's industries have been expanded so that the combined consumption of softwood fibre at pulp

mills and sawmills has doubled from approximately 3.5 million m³fub to around 7 million m³fub after the ongoing extensions in Mönsterås.



— Total
— Pulp mills
— Sawmills
■ Total at full capacity utilisation

The strategy for the next five years is concentrated on continued expansion, raised productivity and increased focusing on customers. At the same time, R&D investments and environmental ambitions will be maintained at a high level.

Södra Timber's strategy includes an increase of capacity, start-up of the new sawmill in Mönsterås and increased further processing. The Mönsterås mill will get a capacity of 300,000 m³. In a second stage, there will be an opportunity to reach 400,000 m³ with additional investments. Further processing will be increased to 55-60 per cent from currently 40-45 per cent.

Södra Cell's strategy is based on increasing the market shares and strengthening the market position through continued growth while, at the same time, customer co-operation with regard to quality and product matters will be intensified. Reduced manufacturing costs and improved productivity is a prerequisite for sustained market leadership.

After the ongoing expansion of the Mönsterås pulp mill to 750,000 tonnes, the total capacity of the three mills will be 1.5 million tonnes. The Mörrum mill is next in turn for an upgrading to approximately 500,000 tonnes. Such a step may be appropriate during the latter part of the five-year period. The strategy also includes a more open attitude to investments outside the Association's borders, in the Baltic States, in Germany or outside Europe.

Södra Skogsenergi's orientation includes continued growth of its operations, to prioritise handling of the increased volumes of by-products from SÖDRA's pulp mills and sawmills and to expand the product range still further.

For Södra Skog, the strategy means that timber trading will be increased by approximately 1.7 million m³fub. An increase is planned through growing membership areas and increased felling per hectare of forest. A prioritised task will be to control wood deliveries to achieve more even flows over the year. The forestry services are focused on, among other things, forest conservation, green forest-management plans and forest certification.

Financial targets

The Board of the Association has adopted fixed targets for profitability, equity ratio and dividend to the owners. The targets apply over one business cycle, a view which is necessary taking into account the very considerable fluctuations in earnings which characterise SÖDRA.

Profitability is measured as return on both total capital employed and equity capital. The Group targets are 12 and 11 per cent, respectively.

SÖDRA's operations are capital-intensive and strongly dependent on the economy. The high operating risk must therefore be balanced by low financial risks. The target for its financial strength – measured as traditional equity/assets ratio – has therefore been set at 55 per cent.

The annual dividend to the owners is paid in two forms: interest on capital contributed and post payment. Post payment, which is calculated on the value of the members' deliveries to the Association, can be seen as a dividend on the collective equity capital, i.e. the profits which have been built up over the years.

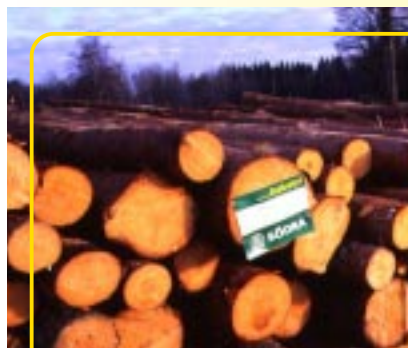
The target for the combined dividend is 3 per cent per annum after tax, calculated on equity capital.

Financial targets	Outcome		
	Target	1998	94-98
Return on capital employed, %	12	1	14
Return on equity, %	11	-1	11
Dividend on equity, %	3	1.8	2.7
Equity/assets ratio, %	55	54	55

Definitions, page 32

Operations

SÖDRA's operations are organised in five subsidiaries/divisions as well as service units and Group Staff functions. The operating units act under their own profitability-responsibility within defined business areas. Industrial operations are carried out through the wholly-owned subsidiaries: Södra Timber, Södra Cell and Södra Skogsenergi.



Södra Skog

Södra Skog is responsible for trading with wood, primarily from the Association's members. Members are also offered forestry services. The operations are carried out in 51 forestry districts which together form five regions. The traded volume of logs is equivalent to approximately 10 per cent of total felling in Sweden.

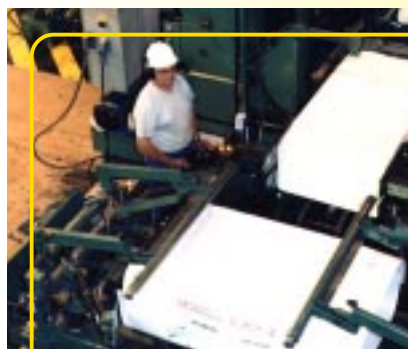
Share of Group sales 25 per cent.



Södra Timber

In 1998, Södra Timber's six sawmills produced more than 600,000 m³ of sawn timber which was equivalent to 11 per cent of total production in Southern Sweden and 4 per cent of total production in Sweden.

Share of Group sales 13 per cent.



Södra Cell

Södra Cell is one of the world's leading manufacturers of market pulp with production in Mönsterås, Mörrum and Värö. In 1998, approximately 1.2 million tonnes were produced which was equivalent to 45 per cent of the total production in Sweden of bleached kraft market pulp.

Share of Group sales 58 per cent.



Södra Skogsenergi

Södra Skogsenergi is one of Sweden's biggest bioenergy companies and offers the largest product range in the sector. 1998 deliveries, 1.8 million m³s, is equivalent to 1.7 TWh in energy.

Share of Group sales 3 per cent.

Sales decreased to SEK 4,145M (4,246). Operating income fell to SEK 32M (75) mainly due to reduced margins in timber trading and increased R&D and environmental costs.

Wood market

During the first part of the year, demand for all wood ranges was satisfactory. In the second half, demand for saw logs remained at a high level, whereas the raw material requirement of the pulp industry fell as a result of production limitations in the sector.

In Southern Sweden, as in the country as a whole, there is imbalance between consumption of saw logs and consumption of fibre raw materials (pulpwood and chips). On the wood market, a shortage of saw logs has arisen and some surplus of softwood fibre.

The sawmills compensate the limited domestic supply of saw logs with imports. In 1998, imports into Sweden are estimated to have grown to approximately 0.8 million m³fub (0.3). At the same time, exports of saw logs are increasing to, among others, Germany.

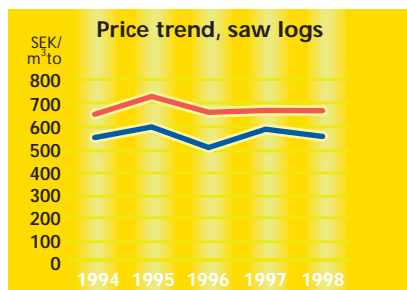
Towards the end of 1997, the sawn timber trend deteriorated which led to a cut in prices for saw logs. Following a slow-down in the supply of saw logs during spring, the market was activated through a special premium and price increase. During the autumn, fellings and deliveries of saw logs were restricted by long periods of rain. In order to stimulate the supply still further, a premium was introduced from the turn of the year.

Prices for pulpwood remained unchanged during the year but were reduced at the beginning of 1999.



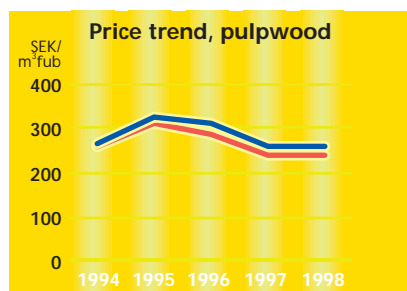
Timber trading and deliveries

Södra Skog's timber trading amounted to 10.0 million m³fub (10.5). Members delivered 5.7 million m³fub. Acquisition from other suppliers in Sweden amounted to 3.1 million m³fub.



— Pine
— Spruce

Wood imports consisted exclusively of pulpwood, 1.1 million m³fub in total, which was distributed on 0.9 million m³fub hardwood and 0.2 million m³fub softwood. Of imports, 0.2 million m³fub was delivered via Södra Eesti AS.



— Birch pulpwood
— Pine pulpwood

Of Södra Skog's wood deliveries of 10.0 million m³fub (10.5), 5.3 million m³fub was delivered to Södra Cell, 1.2 million m³fub to Södra Timber and 0.5 million m³fub to Södra Skogsenergi. External deliveries amounted to 3.0 million m³fub.

Forestry services

Södra Skog offers forestry services as a complement to the members' own work in the forest. Services offered include felling, forest conservation, forest planning, seedlings and advice.

The volume of felling assignments, which dominate the operations, was the same as in 1997, i.e. 4.1 million m³fub. Sales of seedlings increased to 25.9 million (23.6).

The area of established "green" forest-management plans increased to 120,700 hectares (85,100). The green plan provides the forest owner with advice on nature conservation and forestry matters on his own estate. At the 1998/99 turn of year, nearly 2,200 estates with a total of approximately 230,000 hectares had such plans.

The targets for the forestry services include increasing the thinning component of the felling assignments, increasing the intensity in forest conservation and reducing felling costs.

Transports

Through Södra Transport, 8.4 million m³fub of forest raw materials were transported as well as 106,000 tonnes pulp, 103,000 m³ sawn timber and 228,000 tonnes bark and peat. Independent haulage companies carry out the majority of the transports. SÖDRA's own haulage company has about ten vehicles.

Environment

Södra Skog's environmental work is based on, among other things, the fact that the regions will work in accordance with EMAS's environment management scheme, the green forest-management plans and the eco-audits.

Region Nord was the first area in Swedish and international forestry to become EMAS registered. Work aimed at introducing the same scheme is underway in the other regions.

SÖDRA's standard for certification of family forest farming was established during the year. The certification means that the forest owner signs an agreement with SÖDRA regarding nature conservation on his estate. At the turn of year, agreements had been signed for 110,000 hectares of productive forest land. The target is that half of the membership area will be certified by 2003.

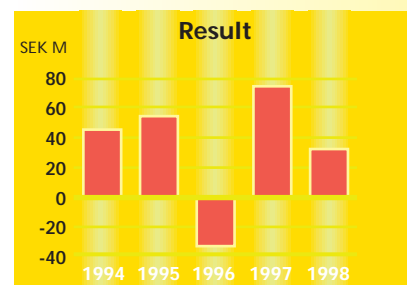
SÖDRA's eco-audits report the nature consideration which has been taken on final fellings which have been carried out on behalf of members. In 1998, about 200 such audits were carried out. More than 90 per cent of the investigated areas were approved.

Operations

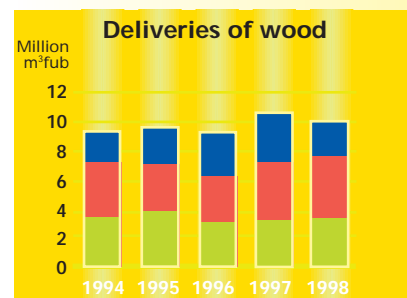
Södra Skog is SÖDRA's operating organisation for its members' forestry. Södra Skog is responsible for the supply of wood to SÖDRA's pulp mills, sawmills and energy companies as well as for sales to external company. The operations are carried out in 51 forestry districts which together form five regions.

Share of Group sales 25 per cent

Share of Group capital employed 3 per cent



Result after depreciation



— Saw logs
— Pulpwood
— Other

Facts	1998	1997
Sales, SEK M	4,145	4,246
of which, to own industries	2,266	2,278
Operating result, SEK M	32	75
Investments, SEK M	22	9
Employees	446	426
Deliveries of wood, million m³fub	10.0	10.5

Project fibre flow

Project fibre flow is a co-operation between Södra Skog and Södra Cell. Work on the project took place during 1998 and will continue during 1999. The overall target is to improve the quality of the raw material and the end-product and to achieve improved flow of products in the entire chain from the forest to the customer.

The starting point is the customers' demand on the pulp. Demands are placed on efficient production and handling of the raw material, not least the time it takes from felling to production in the pulp mill. The duration is of importance both to storage costs and freshness of the raw material. Fresh raw materials provide a greater opportunity for producing high-quality pulps with a high production rate. The flow of raw materials is traditionally very uneven over the year with a peak in spring and a trough in summer. The time from felling until the raw material reaches the digester at the pulp mill averaged 81 days in 1997. Of this, the wood was stored in the forest, along roads, in terminals and industries for 69 days.

As one activity, project fibre flow is involved with shortening the times and making the flow of logs and pulp more efficient. The project also includes investigating a number of other opportunities for improvements.

The proposed measures indicate that it is possible to achieve a result improvement in the range of SEK 50-100M per annum.

R&D

R&D operations are extensively carried out in co-operation with the Agricultural University of Sweden and the industry research institute, SkogForsk. Södra Skog contributes to the financing of SkogForsk in which research is concentrated on four central issues for the future: product values and production efficiency, environmentally-adapted forestry, new organisation structures and forest cultivation materials.

SÖDRA's own projects include a deciduous forest project, the objective of which is to increase the profitability for deciduous forestry, partly by increased fellings of hardwood saw logs.

During the year, Södra Skog took an active part in the build-up and management of the new forestry and timber research programme at Växjö University.

Personnel and organisation

The average number of employees was 446 (426). All field staff and all felling contractors took part in a thinning training programme which comprised biology, forest production and felling methods.

Prospects for 1999

For 1999, continued increased demand is anticipated for saw logs and periodically a surplus of pulpwood. During the second half, the new sawmill and the increased pulp capacity in Mönsterås will come into operation. One of the year's major challenges will be to acquire the larger volume of wood which is required.

In the environmental area, EMAS will be introduced as the environment management scheme throughout the organisation. Work continues with the green forest-management plans and with increasing forest certification.

Plans and assumptions point to a result which is approximately on a par with 1998.

Sales amounted to SEK 4,243M (4,456). Operating income fell to SEK 159M (689). The fall was mainly due to the weak prices during the second half of the year and that a recent leasing influenced the 1997 result by SEK +216M.

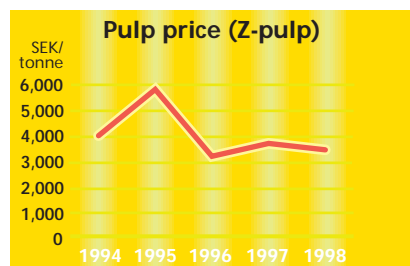
Market

The record production in 1997 of paper and board in Western Europe generated a build-up of inventories at the wholesale stage. During 1998, production increase of paper was only 2 per cent due to stock reductions, reduced export opportunities and increased paper import to Europe.

The Asian crisis had a significant negative effect on the European pulp market. Supply increased because North American pulp producers redirected volumes from Asia to Europe. At the same time the weakening on the paper market in Europe contributed to the stagnation of demand for market pulp. Global demand for bleached market pulp was largely the same as in 1997.

Södra Cell went against the trend and increased its delivery volume to 1,189,000 tonnes (1,165,000). SÖDRA's pulp is sold almost exclusively in Western Europe. The largest markets are Germany, Sweden, Italy, Austria and France.

The price of bleached softwood pulp was initially under pressure at the level of USD 500 per tonne but turned up to USD 575 during spring. In late summer, the price fell to USD 460, a level which then applied until the end of the year and which involved losses for most of the world's producers. The average price received by Södra Cell (in SEK) was 7 per cent below the previous year's level.



— Price obtained for softwood Z-pulp



Operations

Södra Cell is one of the world's leading manufacturers of market pulp with a capacity of 1.3 million tonnes per annum. An expansion to 1.5 million tonnes is underway. Production takes place in Mörrum, Mönsterås and Värö. The pulp is mainly sold to paper mills in Western Europe. More than two-thirds of production is used for manufacturing writing and printing paper, the remainder for newsprint, board, tissue-paper and various special papers.

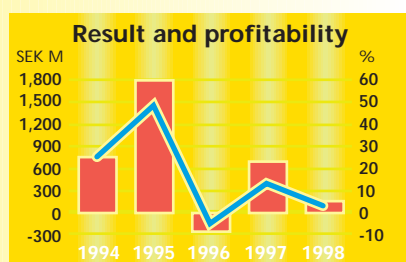
Board of Directors

Helge Eklund (Chairman), Leif Brodén (President), Carl von Friesendorff, Stig Höckerfelt, Bengt Rogerstam, Stig-Gunnar Rönnlund, Göran Sundström, Magnus Vrethammar, Lars-Eric Åström (Deputy Chairman), Jan-Åke Thomasson (Deputy Member), Arne Karlsson (Deputy Member).



Share of Group sales, 58 per cent

Share of Group capital employed, 76 per cent



Result after depreciation
Return on capital employed

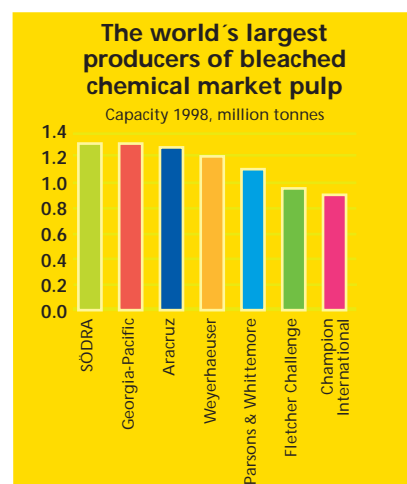
Facts	1998	1997
Sales, SEK M	4,243	4,456
of which, exports	3,288	3,428
Operating result, SEK M	159	689
Return on capital employed, %	3	14
Investments, SEK M	969	250
Employees	1,479	1,482
Production, 1,000 tonnes	1,194	1,188
of which, hardwood pulp	328	329
Deliveries, 1,000 tonnes	1,189	1,165
Fibre consumption, 1,000 m ³ fub	5,534	5,590
of which, soft-wood fibre	4,255	4,326

For the average producer in the Nor-scan region, production costs translated into USD/tonne fell for the third year in succession. This was mainly due to falling wood and energy costs and for Scandinavian producers the strengthened USD.

The Swedish pulp industry competed well on the international market, partly due to the weakening of the SEK. The currency ratio also developed favourably vis-à-vis the Finnish competitors. However, Finnish pulp producers have advanced further than those in Sweden and many other manufacturers in their rationalisation work and as a result have lower costs and higher productivity.

Production and investments

The Swedish production of bleached kraft market pulp amounted to 2.8 million tonnes (2.8). At SÖDRA's pulp mills, 1,194,000 tonnes (1,188,000) was produced. The chlorine-free Z-pulp accounted for 78 per cent. Värö and Mörrum set production records. Mönsterås produced less than in 1997 due to a market stoppage and installation of new equipment.



Exclusive of special pulps and intra-Group deliveries

Investments amounted to SEK 969M (250).

At the Mönsterås mill, 489,000 tonnes (507,000) of Z-pulp was produced. Activity was high in the quality- and environmental work. Previously-installed equipment for the expansion to 550,000 tonnes was finely tuned. At the same time, preparations were made for the expansion to 750,000 tonnes.

Capital expenditure amounted to SEK 701M, of which SEK 230M for environmental measures, including rebuilding of the waste water treatment

plant, a new system for malodorous gases and measures on the recovery boiler aimed at reducing nitrogen oxide discharges into air.

Following the expansion in 1995-96, problems arose in meeting the target values for discharges because new technology did not come up to expectations. The refurbishment of the external treatment plant and other measures enabled the company to meet the target values during the second half of the year. In December, the COD discharge was the lowest so far in Sweden for bleached kraft pulp production.

At the Mörrum mill, 393,000 tonnes (376,000) was produced, of which 66 per cent was Z-pulp. Capital expenditure amounted to SEK 83M.

The emphasis was on further steps towards chlorine-free pulp production. The investment in an external treatment plant was postponed while waiting for additional know-how about the effects of the wastewater on fry. The problem that the mill experienced with sulphur and malodorous discharges in 1997 was eliminated, thanks to the system for burning gases in the recovery boiler which became operational at the end of 1997.

The Värö mill produced 312,000 tonnes (305,000) of Z-pulp. Capital expenditure amounted to SEK 180M.

The investment work in the new wood-handling department was completed during the autumn stoppage. In the TCF90 project, double oxygen gas stages became operational together with a pressurised peroxide stage and a new washing filter which involved a significant development in the production of the chlorine-free pulp. As in Mörrum, the investment in a biological treatment plant for waste water was postponed. Värö's recovery boiler will require refurbishing during 1999-2000. The methods for implementation are being investigated.

Mörrum had its environment management scheme EMAS-registered during the year. Värö has been registered since 1997. At Mönsterås, work has started aimed at having the scheme completed during 1999. All three mills are certified in accordance with ISO 9001.

Raw material

Consumption of wood was 5,534,000 m³fub, which was slightly lower than in 1997 which is explained by lower consumption per tonne of produced pulp. Wood inventories were the lowest so far on average, measured as number of production days in stock.

The cost of wood as well as the total production cost was largely at the same level as in the previous year.

Project Fibre Flow was carried out in co-operation with Södra Skog. The target is to reduce lead times and capital tied-up and to improve still further the quality of ingoing raw materials and end-products (see page 8).

R&D

Södra Cell's R&D costs amounted to SEK 17M, of which SEK 6M referred to support for external projects.

The R&D department in Mörrum works for all three mills. Work is concentrated on developing pulp qualities, reducing manufacturing costs and minimising discharges. 1998 projects included a review of the fibre variations of the sawmill chips. An optimal mixture of the chips brings about more even pulp quality. Another project was directed at improved oxygen bleaching to achieve higher utilisation. Through development of the oxygen bleaching process, lignin can be dissolved from the wood in a way which reduces pulp and wood losses. The required supplementary bleaching equipment was installed in Värö and is under installation in Mönsterås.

Externally, SÖDRA is taking part in several major research projects which are mainly concentrated on cooking and bleaching.

Transport and stevedoring

The subsidiary, Södra Shipping AB, is responsible for procuring freight and outward transport on behalf of Södra Cell and Södra Timber. Loading of pulp amounted to 1,194,000 tonnes (1,161,000). With the time-chartered vessels, Timbus, Cellus and Forester, 534,000 tonnes were shipped.

Cellus was replaced by a new vessel with the same name. With the new Cellus, a further step has been taken in environmental investment as it has been equipped with a catalyser to reduce nitrogen oxide discharges.

Operations in Mönsterås Stuveri consist mainly of unloading and loading vessels at Stora Jättersön at the Mönsterås mill. In total, 723,000 m³ of pulpwood was unloaded and 257,000 tonnes of pulp and 21,000 tonnes of pellets loaded. In order to cope with increased volumes, an extension of the harbour is planned.

Personnel and organisation

The average number of employees was 1,479 (1,482).

A new marketing organisation was established, organised in three product areas: wood-free paper, wood-containing paper, and tissue-paper and special qualities. The change is a big step towards increased customer orientation.

The management organisations of the mills, which were changed in 1997, established new work routines during 1998. The development towards target control and skill development continues. The skill requirements are reviewed mainly through the annual planning discussions which include all staff.

Leif Brodén became President at the 1998-99 turn of year.

Prospects

The price level at the beginning of 1999, USD 460 per tonne of bleached kraft softwood pulp involves losses for most manufacturers. Many signs are that prices may recover later during the year. Positive signs are that additional capacity in the industry will be small, that the USA economy continues to show strength and that an increasing number of analysts are of the opinion that the decline in Asia is now reaching bottom. However, imbalance still reigns on the market and in the current situation most signs are that 1999 will also be a year with unsatisfactory results.

Södra Cell's strategy is based on strengthening the market position through growth while at the same time, customer co-operation regarding quality and product matters will intensify.

MSB 750

The first stage of the project was carried out during 1998 when the emphasis was on environment and quality-related measures in, among other, the bleach plant and the recovery boiler. During the autumn stoppage when the work was at its most intensive, around 1,000 contractors worked on the factory estate.

The second stage during 1999 will focus on capacity increasing measures. Construction of a pin chips digester, pulp and sawn timber storage and refurbishment of wood handling department and dryers are vital parts. The total investment cost for the project is estimated at SEK 1.4 billion. Start-up is planned for October 1999.

Pulp qualities

SÖDRA's pulp mills produce some 15 qualities	Mönsterås	Mörrum	Värö
Softwood pulp			
Skogcell 70 Z			
Skogcell 70 TZ			
Skogcell 80 Z			
Skogcell 80 TZ			
Skogcell 80 FTZ			
Skogcell 85 Z			
Skogcell 85 TZ			
Skogcell 90 D			
Skogcell 90 TD			
Skogcell 90 RD			
Skogcell 90 Z			
Hardwood pulp			
Skogcell Birch Z			
Skogcell Aspen Z			

Skogcell is the "family name" for all Södra Cell's pulps.

The figures 90, 70 etc denote brightness; 90 is the brightest fully-bleached pulp. *T* denotes softwood pulp with high tear strength. *R* is a softwood pulp with high tensile strength. *D* denotes that the pulp is bleached with chlorine dioxide. *Z* denotes that the pulp is bleached totally without chlorine chemicals. *F* is flash-dried pulp.

TCF means Totally Chlorine-Free, i.e. pulp which has been bleached totally without chlorine chemicals.

ECF stands for Elemental Chlorine Free and means that pulp is bleached with chlorine dioxide.



Sales fell to SEK 1,040M (1,129). Operating income fell significantly to SEK -59M (30), mainly because of lower sales prices.

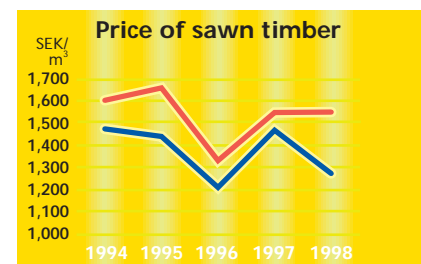
Market

In Western Europe, consumption of sawn timber was good and imports into major buyer countries at a record-level. Demand from Japan and other Asian countries was lower than in the previous year because of the decline in the general economy of the region. Following several weak years, a small increase was registered in Sweden in housing construction and demand for timber products.

Södra Timber delivered 609,000 m³ (604,000), of which 120,000 m³ to the Swedish market.

The largest export markets were Great Britain, the Netherlands, Germany, Denmark and Japan.

Timber prices fell significantly during the second half of 1997, mainly for whitewood products. During 1998, whitewood prices recovered slightly, whereas redwood prices remained unchanged until the last quarter when a weakening took place. The price difference between the species was unusually large, especially at the beginning of the year. The low whitewood prices hit the Southern Sweden sawmills with their high whitewood proportion particularly hard. The average price received by Södra Timber was 10 per cent below 1997 levels.



— Redwood
— Whitewood

Unit	Brand-name	Production m ³	Spruce/pine %	Employees
Kisa	SIAB	152,000	65/35	125
Västervik	SIAB	53,000	15/85	42
Lenhovda	Alex	112,000	70/30	69
Unnefors	SIAB	40,000	5/95	39
Värö	Varo	165,000	85/15	127
Traryd	AP	89,000	95/5	82
Total		611,000	75/25	484

Production

Production of sawn timber in Sweden fell to 14.9 million m³ from the record high of 15.4 million m³ in the previous year.

At Södra Timber's sawmills, the year began with production limitations. Thereafter the sawmills operated according to plan and the annual production was 611,000 m³ (614,000).

Approximately 45 per cent of production was processed further through, for example, planing, special drying, stress-grading and finger-jointing.

Södra Timber has approximately 2,000 customers in some 25 countries. The product range includes a large number of qualities and products. A development towards increased specialisation at the sawmills and further processing is underway.

Raw materials

The sawmills consumed 1,013,000 m³ of saw logs which was the same amount as in the previous year. The sawmill industry's demand for saw logs was high and prices were maintained despite squeezed prices for finished products. Södra Timber's net cost for the raw material was virtually the same as in the previous year. The share of the raw material cost of the timber price has risen gradually during 1994-98, from an unusually low level at the start, to a high level in 1998.



The cost for saw logs accounts for 75 per cent of production costs, whereas income from by-products accounts for 10 per cent of Södra Timber's total income.

Investments

Södra Timber's strategy includes an expansion in order to raise productivity, start-up of the new sawmill in Mönsterås, increased further processing and continued investment in R&D.

Various forms of co-operation with other companies may also become topical, for example with regard to marketing. In February 1999, an agreement was reached with Mellanskog Industri AB about R&D and marketing co-operation.

Construction of the new sawmill in Mönsterås began. Production-start is planned for August 1999 and the sawmill is expected to be in full operation two years later.

The year's capital expenditure amounted to SEK 242M (80), of which SEK 181M referred to the Mönsterås sawmill.

R&D and environment

At the beginning of the 1990s, SÖDRA initiated a timber research project aimed at promoting the use of Southern Sweden's timber products. In 1997, a decision was made to expand the programme and from 1998 the Group is investing SEK 9M per annum.

The majority of the resources are used to support research at universities and sector research institutes. SÖDRA supports the build-up of R&D into forest, timber and bioenergy at Växjö University. Södra Timber is responsible for the timber side.

Södra Timber's major projects in 1998 concentrated on continued research into construction of timber-framed multi-storey buildings, development of various construction systems and development of noise barriers, timber bridges and other timber constructions.

The introduction of EMAS as the environmental management scheme continued. So far, the sawmills in Lenhovda, Unnefors, Värö and Västervik have been EMAS-registered. The remaining mills are expected to be registered during 1999.

Operations

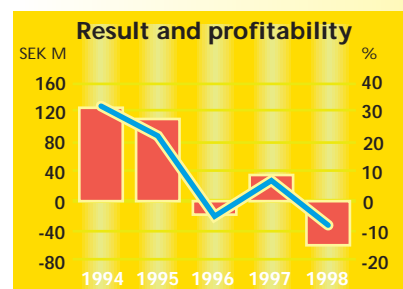
Södra Timber produces more than 600,000 m³ per annum of sawn and processed timber products in Kisa, Värö, Västervik, Lenhovda, Unnefors and Traryd. An expansion to approximately 1 million m³ is underway. Approximately three-quarters of production is whitewood and the remaining portion redwood. The majority is used for building purposes, the remainder for joineries, furniture production, etc. 80 per cent is exported.

Board of Directors

Helge Eklund (Chairman), Håkan Björklund (President), Patrik Fredell, Mats Hansson, Leif Häggsgård, Roland Johansson, Arne Karlsson, Göran Sturedahl, Christer Segerstéen (Deputy Chairman), Jan-Olof Thorstensson, Sven-Olov Isaxson (Deputy Member), Kent Almqvist (Deputy Member).

Share of Group sales 13 per cent

Share of Group capital employed 11 per cent



Result after depreciation
Return on capital employed

Facts	1998	1997
Sales, SEK M	1,040	1,129
of which, exports	766	846
Operating result, SEK M	- 59	30
Return on capital employed, %	neg	5
Investments, SEK M	242	80
Employees	518	505
Production, 1,000 m ³	611	614
Deliveries, 1,000 m ³	609	604
of which, exports	489	487
Raw materials consumption, 1,000 m ³ to	1,013	1,013

The effect on the environment of the sawmills refers mainly to noise, timber-watering and electricity consumption. Noise-control measures were implemented at all mills. A prioritised area is to reduce discharges and water consumption in the timber-watering operation. All mills installed equipment which reduces electricity consumption.

Personnel and organisation

The average number of employees amounted to 518 (505).

The sawmill in Örkellunga, which had 15 employees, was closed. In connection with the closure of whitewood production in Västervik, 10 employees were made redundant. In March 1999, a decision was made to close the Västervik sawmill.

Management personnel were employed at the Mönsterås sawmill. Recruitment of approximately 70 other staff will be carried out during the first half of 1999.

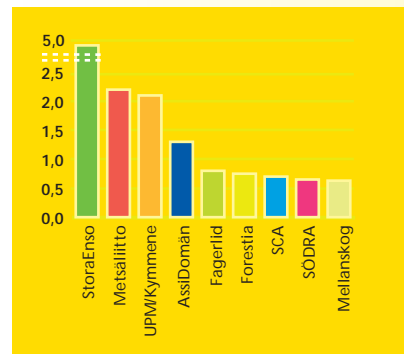
Prospects for 1999

At the beginning of 1999, the economic situation for the sawmills continued to give cause for concern. Anticipation focuses on satisfactory demand and slightly higher whitewood prices than in 1998.

However, the start-up costs for the Mönsterås sawmill and an unfavourable ratio between the price of finished products and raw material costs mean that 1999 is also expected to be a year with an unsatisfactory result.

The Nordic countries' largest producers of sawn timber 1998

Capacity, million m³



The poor profitability of the sawmill industry in 1998 brought about financial problems for many companies with several bankruptcies as a consequence but also continued structural changes. Among other things, the largest sawmill company in Europe was formed through a merger of the sawmill operations of Enso, Stora and Schweighofer with total capacity of more than 4.7 million m³. On the Baltic coast of Germany, a new sawmill is being constructed with a capacity of 700,000-800,000 m³ which includes Sweden in its normal catchment area for saw logs.

Mönsterås sawmill

The Mönsterås sawmill will be a so-called profiling sawmill with a capacity of 300,000 m³. On full production, 480,000 m³ of timber is consumed annually, 70 per cent whitewood and 30 per cent redwood.

Half the production will be processed further through, among other things, planing, splitting and stress-grading. Large flexibility with regard to length and dimension will be a characteristic for the sawmill.

Production costs are expected to be on par with the most efficient sawmills in the world. The location at SÖDRA's Mönsterås pulp mill brings about co-ordination benefits with regard to, for example, timber, chips, energy, environment and transports.

The sawmill will have 80 employees and is planned to reach full capacity in 2001. With further investments, especially in dryers, production of 400,000 m³ will be possible.



Sales decreased to SEK 214M (221).
Operating income fell to SEK -1M (1).

Market

Södra Skogsenergi delivered 1,831,000 m³s (1,962,000), equivalent to 1.7 TWh (1.9). Of the deliveries, 49 per cent referred to wood chips, 35 per cent by-products from the timber industry, 6 per cent peat and 10 per cent pellets and wood powder.

There was an abundant supply of biofuels. High production rate in saw-mills and other timber industries resulted in a surplus of by-products. The mild winter brought about low consumption and well-stocked inventories at many fuel suppliers. The prices, which moved slightly upward during 1997, were squeezed back during 1998.

The opportunity for achieving profitable sales for wood chips were limited, partly due to increased competition from other wood fuels with lower prices.

The world market price for oil fell strongly. Towards the end of the year the quotation was approximately USD 10 per barrel, the lowest level for 20 years. The low oil price and abundant supply of cheap electricity meant that the competitiveness of the chips weakened in the industrial sector.

The market for processed biofuels was also characterised by surplus and squeezed prices. This particularly applied to the pellets market. The domestic capacity has been expanded significantly in recent years whereas at the same time imports have increased. Capacity utilisation in the sector was limited to 60 per cent.

Despite the surplus, it was possible to sell Södra Skogsenergi's entire volume of pellets and wood powder from the plants in Ulricehamn and Mönsäterås. Sales to the small-scale market (private houses, etc) rose by 20 per cent.



Operations

Södra Skogsenergi, one of Sweden's largest bioenergy companies, produces and sells biofuels in the form of wood chips, peat, by-products from the forest industry, pellets, briquettes, wood powder and recycled chips. The company produces wood powder and pellets in Ulricehamn and markets pellets produced at the Mönsterås pulp mill. The largest customer groups are municipal thermal power stations as well as industries, hospitals and schools. The head office is located in Ronneby.

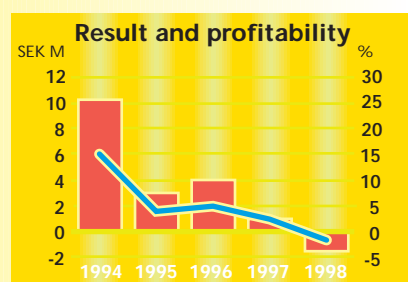
Board of Directors

Helge Eklund (Chairman), Jonas Brandström, Ivar Franzén, Börje Jansson, Carl-Gustaf Liderfelt (Deputy Chairman), Sören Romberg (President), Kathleen Vogelius.



Share of Group sales 3 per cent

Share of Group capital employed 1 per cent



Result after depreciation
Return on capital employed

Facts	1998	1997
Sales, SEK M	214	221
Operating result, SEK M	- 1	1
Return on capital employed, %	neg	2
Investments, SEK M	2	3
Employees	33	35
Deliveries, 1,000 m ³ s	1,831	1,962
forest chips	890	973
by-products	636	702
peat	118	111
wood powder	104	82
pellets	83	94
Total deliveries, TWh	1.7	1.9

Production

Södra Skogsenergi's production is concentrated on wood chips, peat, pellets and wood powder. The raw materials mainly originate from the members' land or consist of by-products from the timber industries.

The year's wood chips production was hampered by unfavourable weather. During the autumn, it was difficult to get into the forest with machines due to the risk of causing damage to the land. Much rain and very little sunshine also resulted in lower quality and energy content in the chips. Production of wood chips fell to 745,000 m³s (797,000).

Södra Träpulver in Ulricehamn manufactured 28,000 tonnes of wood powder (25,000) and 25,000 tonnes of wood pellets (38,000). Södra Cell's pellet plant at Mönsterås is now running smoothly following earlier running-in problems. The bark pellets from Mönsterås have an energy content which is 7 per cent higher than ordinary wood pellets.

The wet summer also hampered production of peat which fell to the equivalent of 32 GWh (140).

R&D and environment

The R&D work is carried out via SkogForsk and TorvForsk and through ownership in the development companies, Bioenergigruppen i Väckjö AB and Termiska Processer AB, as well as through co-operation projects with universities.

Bioenergigruppen i Väckjö AB consists of a number of companies in and around Väckjö with a link to the university. During autumn, the first Chair in Bioenergy Technology was established at Väckjö University.

Restoration of ash to the forest is an important development area. A company-wide group is involved in carrying out an inventory and analysis of the Group's ash volumes. The target is to start organised spreading on forest land during 1999.

Prospects

Despite the underlying growth for bioenergy, 1998 was a financially difficult year. 1999 will also be characterised by overcapacity in the sector. Efforts will concentrate on restoring profitability, partly through continued rationalisation.

The company's orientation includes continued expansion of the operations, prioritising the handling of the increased volumes of by-products from SÖDRA's pulp mills and sawmills and expanding the product range still further with, among other things, briquettes and recycled chips. On the pellet side, focusing is increasing on the small-scale market.

Income after interest fell to SEK -43M (23). The weakening of the SEK during the second half of the year meant that Södra Finans' currency positions generated a substantial loss.

Södra Finans' result

Södra Finans' operations consist mainly of three areas: currencies, interest and reinsurance activities. The result is particularly influenced by the exposure that Södra Finans has chosen and by fluctuations in foreign exchange rates and interest rates.

Södra Finans is able to make its own hedgings to reduce the Group's combined currency dependence. A strengthening of the SEK has a positive effect on Södra Finans' result, whereas a weakening gives the opposite effect. During the second half of the year, the SEK weakened. At the same time, Södra Finans increased its currency positions which had the effect that the result of foreign exchange trading fell to SEK -67M (-4). The result-sensitivity is illustrated by the fact that the significant strengthening of the SEK during January 1999 brought about a positive effect on the result which was larger than the loss during 1998.

The Group's investment policy gives Södra Finans an opportunity to choose the fixed interest term for the external investments. At the beginning of the year, Södra Finans elected to extend the fixed interest term which was thereafter maintained throughout the year. The result of the interest business unit was SEK 34M (34).

The Group's foreign exchange policy and hedging

All foreign exchange handling within the Group is carried out through Södra Finans which is also responsible for ensuring that the Group's total foreign exchange exposure is in line with the Board of Directors' guidelines.

Foreign exchange fluctuations between 1997 and 1998 affected the Group's result before hedging activities positively by approximately SEK 170M (340). This was a result of the weakening of the SEK to 7.93 against the USD (7.62) and 8.91 against the ECU (8.61) on average.

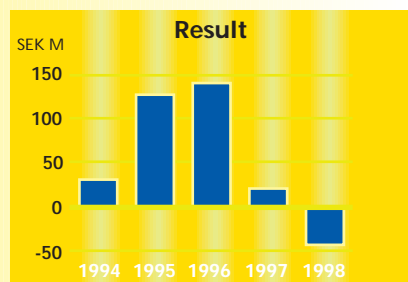
The Group's currency inflow

	1998	1997
SEK	50 %	52 %
USD	33 %	32 %
EUR*	13 %	14 %
GBP	4 %	2 %
Other	<1 %	<1 %

* Refers to ECU and other EMU currencies

Operations

The operations of Södra Finans are mainly carried out in three areas: interest, currencies and reinsurance. Södra Banken is the Group's internal bank, Södra Reinsurance S.A. and Ltd are reinsurance companies, Södra Treasury Co is an international finance company and Södra Skogsägarna Leasing AB concentrates on financing on behalf of operations. Södra Finans is also the Group's Finance Staff function and sells financial services to subsidiaries and divisions. The average number of employees was 13 (13).

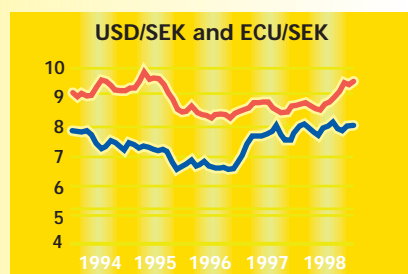


■ Result after financial net

Currency and interest trend

The year was characterised by a weak SEK and falling interest rates. The SEK strengthened slightly against the USD in spring but weakened during summer to end the year at approximately 8.05. USD/SEK fluctuated between 7.67 and 8.33. Following a strengthening against the ECU during the first few months of the year to a peak of 8.05 in May, the SEK weakened to approximately 9.45 at year-end.

Both short-term and long-term interest rates fell during the year. The ten-year Government bond interest rate fell from 6.0 per cent to 4.2 per cent. The repo rate of the Swedish Central Bank, which began the year at 4.35 per cent, was lowered on several occasions and ended the year at 3.4 per cent.



— Average monthly rate ECU/SEK
— Average monthly rate USD/SEK

In order to reduce the effect on results of currency fluctuations, part of the future currency inflow is hedged. The industrial companies in consultation with Södra Finans make decisions regarding hedging. The result of these measures is included in the operating results of the companies.

Hedging in the form of forward contracts had a negative effect on the consolidated operating result of SEK -236M (-231).

Consolidated financial income and expenses were negatively affected by SEK 12M because the USD loans were written-up as a result of the stronger USD.

The net effect on consolidated result after financial income and expenses of the foreign exchange development and hedging was therefore SEK -74M (38).

Södra Cell, which has a large USD inflow, carries out long-term forward cover in order to reduce the operating risks. Södra Timber's hedging is as a rule limited to already-effected business deals. During 1998, Södra Cell increased its hedging through forward sales of USD from USD 600M to USD 1,180M.

Group borrowing and investments

Group borrowing amounted to SEK 2,076M (2,024) at year-end and consisted mainly of loans from members, the pension liability and the loan in Nordiska Investeringssbanken.

Loans from members amounted to SEK 936M at year-end. The interest rate shadows the changes in market interest rates and is adjusted every third month.

The Group's forward contracts relating to sold currency at 31 December 1998

	USD			EURO		
	USD M	Price	SEK M	EUR M	Price	SEK M
Maturity 1999	610	7.80	4,755	148	9.27	1,372
Maturity 2000	570	7.81	4,453	—	—	—
Total	1 180	7.80	9,208	148	9.27	1,372
Translated to SEK, rate on 31 Dec 1998		8.07	9,517		9.47	1,402
Difference			- 309			- 30
of which, taken to income 1998			- 61*			- 30

*) Of the SEK -61M, SEK -38M constitutes the 1998 portion of accrued forward deductions relating to forward contracts with maturity in 1999-2000.

The pension liability was SEK 571M. The interest rate is set for each year. The loan in Nordiska Investeringssbanken for USD 60M runs at fixed interest until 2001.

In addition, the Group has an agreed credit of USD 160M on which the interest rate is determined according to the interest situation when the loan is utilised. This loan facility was not utilised during the year.

The Group's liquid assets fell from SEK 1,703M to SEK 1,060M. The liquidity is invested exclusively in interest-bearing assets in accordance with the Board of Directors' policy.

EMU

EMU, the Economic and Monetary Union, started on 1 January 1999. Approximately 40 per cent of SÖDRA's sales are made to the eleven countries which are included in the union. The share of European currencies of the Group's total currency inflow is limited to 10-15 per cent as pricing is extensively made in USD.

During the year, a working party carried out a review of how SÖDRA will be affected by EMU and the Euro. The assessment is that this will not involve any major upheaval. Softwood pulp will continue to be priced in USD whereas hardwood pulp, which was previously quoted in ECU, will be priced in Euro. Sales of sawn timber to Europe are for the time being made in SEK or local currencies. However, most signs are that there will be a changeover to the Euro in the long term. Sales outside Europe will continue to be made in USD.

SÖDRA's environmental work is governed by an environment policy and a nature conservation policy. These are reproduced in the separate publication "Environmental Report 1998".

Eco-management schemes

In accordance with the environment policy, every company/division is to introduce eco-management schemes. Work on this has been in progress for a couple of years, first within the industrial operations and now also on the forestry side. All pulp mills, sawmills and regions have introduced, or are in the process of introducing EMAS – the Eco Management and Audit Scheme of the EU. The same applies to units within Södra Skogsindustri, to Södra Skogsplantor, Södra Esti and on the transport side.

From an operations viewpoint, the responsibility for the environmental work lies on the respective company/division. During 1998, a number of environment-improving measures were implemented. These are reported in the separate Environmental Report.

Costs for the environmental work

Environmental costs reported here are to some extent estimated. Some costs are relatively easy to define: for example training, supervision, environmental charges and taxes as well as costs for specific environmental projects. Other costs are significantly more difficult to separate as the environmental portion is often included as part of a larger entity, for example operating and maintenance costs. In total, the year's environmental costs are estimated at SEK 56M.

Environmental costs, SEK M

	1998	1997
Licensing matters, supervision, etc	12	9
Personnel and training	10	9
Environmental charges and taxes	16	12
Running/maintenance, testing	18	15
Total	56	45



There has been no reason to make provisions for so-called environmental liabilities in the 1998 Annual Accounts. In some closed operations, which had been under the ownership of, among others, SÖDRA, existence of pollution in the ground has been established. It has not yet been objectively explained if the land areas are so polluted that it could cause harm or inconvenience and any decontamination needs have therefore not been evaluated.

No estimate has been made of the environmental revenues. Such additional income exists as a consequence of previous environmental investments but to measure them is complicated and highly unreliable. When calculating environmental investments, there are also problems from a definition viewpoint. It is often difficult to separate what constitutes the environmental portion of an investment, for example in the process of a pulp mill. Subject to this, the Group's investments in environment conservation in 1998 are estimated at SEK 295M (73), of which SEK 230M at the Mönsterås pulp mill. Over the past 15 years, SÖDRA's investments in environment conservation have amounted to approximately SEK 2.2 billion. In 1998, depreciation and interest on these investments amounted to more than SEK 220M.

Environmental inventories

As support for its environmental work, SÖDRA carries out annual inventories of all units' use of resources and discharges. The report shows the total

Environmental threats

The illustration shows where in the operations discharges arise which are prioritised in SÖDRA's environmental work. Nitrogen oxides (NO_x) causes acidification, overfertilisation and gives rise to tropospheric ozone. Sulphur oxide (SO₂) contributes to acidification and fossil carbon dioxide (CO₂-fossil) to the greenhouse effect. AOX and SOD are collective names for organic compounds which can include so-called organic environmental toxins. Discharges of nutritive salts (N and P) into water contribute to overfertilisation of lakes and oceans.

discharges which SÖDRA's operations give rise to. The seven most important discharge parameters (see table) are prioritised in the environmental work.

During 1998, discharge of sulphur dioxide fell by 30 per cent compared with 1997. The reason was mainly the reconstruction of the strong gas system in the Mörrum mill and the change-over to low-sulphur oil in SÖDRA's chartered cargo vessels.

The increase in fossil carbon dioxide was due to increased oil consumption in Mörrum and Värö.

Discharge into water of organochlorine compounds (AOX) increased in spite of the lower production of chlorine dioxide-bleached softwood pulp (ECF) in Mörrum, due to a change in bleaching technique. Discharges of phosphorus decreased as soon as Mörrum came to terms with the process disturbances in the external treatment plant.

Burden on the environment

tonnes	1998	1997
Into air		
NO _x	4,800	5,200
SO ₂	2,000	2,900
CO ₂ -fossil	390,000	336,000
Into water		
AOX	85	69
COD	35,400	38,800
Nitrogen (N)	410	410
Phosphorus (P)	43	55

Directors' Report

Södra Skogsägarna Economic Association with subsidiaries (corporate identity number 729500-3789)

Market and production

Several factors contributed to the slow-down in the world economy during 1998: the crisis in Asia, the international stockmarket turbulence, the weak development in Japan and the political and financial turbulence in Russia and Latin America. Despite the positive trend in the USA and Western Europe, global economic growth fell to 1.5-2 per cent.

Particularly the downward spiral in Asia, with significantly falling GDP in several countries, had a negative effect on the marketing opportunities, prices and profitability of the pulp industry.

In Sweden, the consumer price index fell for the first time since 1945. The price of oil and many other raw materials fell substantially as did producer prices in several countries. Manufacturing costs were squeezed in many industries. The production cost in USD/tonne for the average pulp producer within the Norscan region was reduced for the third year in succession.

Global demand for market pulp was largely the same as in 1997. The price for bleached softwood pulp fluctuated from USD 500 per tonne at the beginning of the year to USD 575 in June and then down to USD 460 during the latter part of the year. Average price obtained by Södra Cell (in SEK) was 7 per cent below the level for the previous year.

Production at the three pulp mills increased to 1,194,000 tonnes (1,188,000). A weak SEK and a strong USD – USD/SEK = 7.93 (7.62) – contributed to the fact that international competitiveness was satisfactory. Demand for SÖDRA's pulp was maintained at a high level despite the generally difficult market situation.

Demand for sawn timber was good for much of the year but a large supply squeezed prices. Södra Timber's six sawmills produced a total of 611,000 m³ (614,000).

Prices for sawn timber fell strongly during the second half of 1997, mainly for whitewood products. During 1998, prices for whitewood recovered slightly, whereas redwood prices remained relatively unchanged. The average price obtained by Södra Timber was 10 per cent below the 1997 level.

On the wood market, the first half of the year was characterised by positive demand for all wood ranges. During the second half of the year, demand for saw logs remained at a high level, whereas the raw material requirement of the pulp industry fell as a result of production limitations in the sector.

Södra Skog's timber trading reached 10.0 million m³fub. Acceptance of wood from the members amounted to 5.7 million m³fub. Of the outward deliveries, 5.3 million m³fub were made to Södra Cell, 1.2 million m³fub to Södra Timber, 0.5 million m³ fub to Södra Skogsenergi and 3.0 million m³fub to external parties.

Pulpwood prices remained fixed throughout the year at the level SEK 240/m³fub for soft pulpwood. At the beginning of the year, prices for saw logs were reduced by approximately SEK 50/m³to for spruce and approximately SEK 25/m³to for pine. The premium and price increases during summer and autumn meant a total increase of almost SEK 50/m³to, for spruce to approximately SEK 565/m³to and for pine to approximately SEK 575/m³to.

Results and financial position

The consolidated result after financial income and expenses fell to SEK -34M (592). The previous year's result included a profit of SEK 216M from a lease-in/lease-out transaction relating to equipment at the Mörrum pulp mill.

Return on capital employed was 1 per cent (12). During the five-year period, 1994-98, return reached 14 per cent on average.

Liquid assets, i.e. short-term investments and cash, fell to SEK 1,060M (1,703). In addition, the Group had an agreed credit of USD 160M which was not utilised during the year.

At year-end, the equity/assets ratio amounted to 54 per cent (55) and the share of risk-bearing equity was 63 per cent (65).

Investments and R&D

Group investments in fixed assets amounted to SEK 1,250M (356), of which SEK 969M within Södra Cell. Depreciation was SEK 533M (479).

The expansion of the Mönsterås pulp mill and the construction of the saw-mill in Mönsterås are in progress

during 1998-1999. The total capital expenditure is approximately SEK 1.4 billion and more than SEK 0.5 billion, respectively.

Group costs for R&D refer to SÖDRA's own research and to the support given to external research projects. These costs totalled approximately SEK 25M.

SÖDRA's own research is most developed on the pulp side with special emphasis on the areas: log properties, cooking, bleaching and fibre/paper knowledge. On the forestry side and on the timber side, research is mainly carried out through collaboration with external research institutes and universities. Investments in R&D have increased in recent years, partly on the timber side where a number of projects are currently underway aimed at increasing the use of timber as a construction material.

During the year SÖDRA, together with some 20 companies in the sector, formed the Foundation for Forest and Timber Research in Southern Sweden. Thereafter, negotiations took place with the Government regarding financing of a forest and timber programme at Växjö University. SÖDRA is taking an active part in the build-up and management of the programme. In total, approximately SEK 100M has been budgeted for the period until 2004 of which SÖDRA is contributing approximately SEK 20M.

SÖDRA also promotes research and development through the independent research foundation, Södra Skogsägarna's Foundation for Research, Development and Training. The Foundation was formed in 1995 when SÖDRA allocated SEK 100M to the operation.

Other information

In January 1999, the Market Court announced its verdict in the so-called competition matter. The position of the Market Court means that SÖDRA will continue to have the right to conduct price negotiations and sale of timber on behalf of its members. The background was the Competition Authority's decision in 1996 to ban SÖDRA from fixing prices for saw logs and pulpwood on sales outside the Group. Stockholm City Court acquitted

SÖDRA in 1997 but the Competition Authority appealed against the verdict to the Market Court.

The 1998 Annual General Meeting of the Association passed a resolution to change the statutes which, among other things, meant that an opportunity was created to carry out bonus issues. A bonus issue may be decided by the General Meeting of the Association following a proposal by the Board of Directors.

At the end of the year, negotiations started between LRF, SÖDRA and the other forest owner associations about various possibilities for rationalisation and co-operation. In February 1999, an agreement was made which on SÖDRA's part involves increased co-operation on the sawmill side with Mellanskog Industri AB (Mindab) regarding R&D and on the marketing side as well as the acquisition of a minority holding in Mindab. As a result of Skaraborgs Skogsägare getting into financial difficulties, a decision was made that SÖDRA will contribute an amount, preliminary estimated at SEK 17M, with the aim of participating in guaranteeing the wood suppliers' wood claims on Skaraborgs Skogsägare and as a marketing investment bearing in mind a possible expansion of SÖDRA's area of supply. The agreement also included LRF taking part in subscription of subordinated debentures in SÖDRA equivalent to SEK 350M.

In March 1999, after Skaraborgs Skogsägare had ceased operations, a decision was made to increase SÖDRA's area of supply to include Skaraborgs Skogsägare's former area of operation.

In December 1997, SÖDRA submitted an application to the National Franchise Board for Environment Protection to expand the Mönsterås pulp mill to 750,000 tonnes per annum. In August 1998, the National Franchise Board gave the go-ahead for the construction and at the same time announced environmental conditions, etc. In September, interested parties representing local fisherman launched an appeal to the Government against the decision. The appeal referred to two parts: that the Government would rescind its decision that construction would be allowed to start, and some terms relating mainly to environmental issues. In December, the Government rejected the first part of the ap-

peal whereas a decision on the latter part is expected during 1999.

SÖDRA's standard for forest certification came into force during the year. The certification means that the forest owners sign an agreement with SÖDRA regarding nature conservation on their estates. The target is that half the membership area will be certified by 2003.

Operations at the sawmill in Örkelljunga ceased during spring.

In March 1999, a decision was made to start negotiations in accordance with co-determination legislation regarding closure of the sawmill in Västervik.

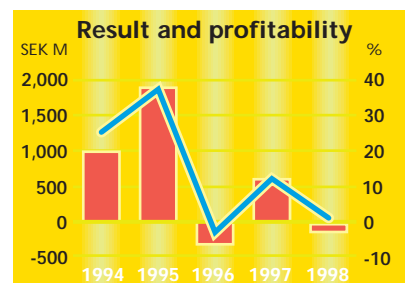
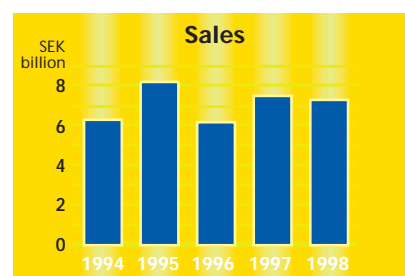
SÖDRA's industrial strategy includes increasing pulp capacity. This can be achieved through expansion of existing mills, through acquisition or through collaboration with other manufacturers. During the year, SÖDRA together with the Finnish company, Metsäliitto, played an active part in investigations and negotiations with regard to construction of a pulp mill in Latvia. SÖDRA also participated in preliminary studies regarding an expansion project in Germany. No decisions were made regarding SÖDRA's possible participation. The preliminary studies will continue during 1999.

A review of problems linked to the changeover to the year 2000 was in progress during the year and will continue during 1999. The necessary adaptations of systems and various components are expected to be implemented by autumn 1999.

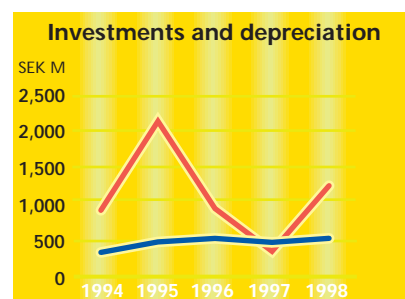
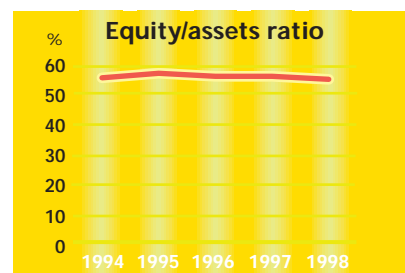
Prospects for 1999

Initially, 1999 looks like being a year with continued imbalance on the wood market and a supply surplus on the pulp and timber markets.

At the beginning of the year, operating income remains at an unsatisfactory level. For the second half of the year, there are hopes that it will be possible to raise prices and income again. Positive signs are that the US economy continues to display strength, that an increasing number of analysts are of the opinion that the decline in Asia is now approaching bottom and that additions in capacity in the pulp sector will be small. However, the prevailing imbalance on the market means that most signs are that 1999 will be another year with unsatisfactory profitability.



Result after financial net
Return on capital employed



Investments
Depreciation according to plan

Profit and Loss Account

SEK M		Group		Parent Company	
		1998	1997	1998	1997
Net sales	Note 1	7,352.1	7,751.8	4,141.1	4,242.8
Other operating income	Note 2	98.1	359.6	44.1	90.1
Operating expenses					
Raw materials and supplies	Note 3	- 3,921.0	- 3,899.0	- 3,359.0	- 3,469.6
Change in stocks		42.6	98.8	-	-
Personnel costs	Note 23	- 992.1	- 999.3	- 217.6	- 211.0
Other external costs	Note 4	- 2,059.2	- 2,113.5	- 720.7	- 606.8
Depreciation according to plan	Note 5	- 533.4	- 478.5	- 12.1	- 9.7
Operating result		- 12.9	719.9	- 124.2	35.8
Financial income and expenses	Note 6	- 21.2	- 128.1	265.8	218.1
Result after financial income and expenses	Note 7	- 34.1	591.8	141.6	253.9
Group contributions	Note 8	-	-	13.0	10.9
Result before taxes		- 34.1	591.8	154.6	264.8
Taxes	Note 9	63.5	- 115.7	-	-
Result for the year		29.4	476.1	154.6	264.8

Net sales and operating result by Business Area

SEK M	Net sales		Operating result	
	1998	1997	1998	1997
Södra Skog	4,145	4,246	32	75
Södra Skogsenergi	214	221	- 1	1
Södra Timber	1,040	1,129	- 59	30
Södra Cell	4,243	4,456	159	689
Södra Finans	-	-	- 74	2
Other	483	603	- 70	- 77
Intra-Group deliveries	- 2,773	- 2,903	-	-
Total	7,352	7,752	- 13	720
Financial income and expenses			- 21	- 128
Consolidated result after financial income and expenses			- 34	592

Consolidated net sales by market

SEK M	1998	Share of total, %		
			1997	Share of total, %
Sweden	3,263	45	3,448	45
Germany	1,351	18	1,411	18
The Netherlands	288	4	426	5
Italy	447	6	418	5
France	296	4	404	5
Great Britain	432	6	365	5
Austria	391	5	343	4
Norway	132	2	138	2
Switzerland	98	1	130	2
Denmark	102	1	97	1
Eire	46	1	57	1
Asia	195	3	251	3
Africa	71	1	86	1
Other	240	3	178	3
Total	7,352	100	7,752	100

Comments on the Profit and Loss Account

Net Group sales fell to SEK 7,352M (7,752), mainly due to lower pulp and timber prices. Exports accounted for SEK 4,089M (4,304). Other operating income amounted to SEK 98M (last year's figure, 360, included SEK 216M from a lease-in/lease-out transaction relating to equipment at the Mörrum pulp mill).

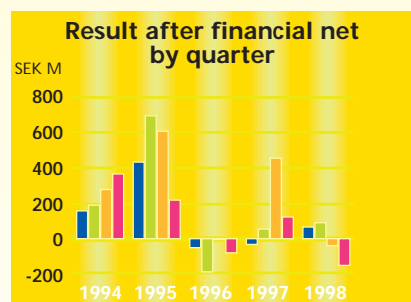
Operating expenses increased to SEK 6,930M (6,913), mainly due to increased pulp production. The production cost per manufactured tonne of pulp and cubic metre of sawn timber was largely the same as in the previous year.

Depreciation increased to SEK 533M (479) as a result of the year's investments.

Operating income fell to SEK -13M (720). The results of the major companies/divisions were clearly below the previous year's level. The main reasons for Södra Skog were lower margins in timber trading, for Södra Timber lower prices, for Södra Cell lower prices and the previous year's income from the lease-in/lease-out transaction, and for Södra Finans exchange rate losses due to the weakening of the SEK. Hedging in the form of forward contracts affected the Group's operating result by SEK -236M (-231).

Financial income and expenses improved to SEK -21M (-128). This included exchange rate losses on loans in foreign currency of SEK -12M (-71).

Result after financial income and expenses fell to SEK -34M (592). During the first half of the year, a positive result was registered and the profit rate was above the previous year's level. From the second half of the year, the result curve was below zero, mainly due to falling pulp prices.

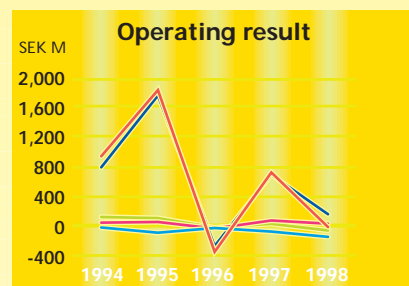


1st quarter 3rd quarter
2nd quarter 4th quarter

Sensitivity analysis

SÖDRA is subject to significant result fluctuations. The peaks are higher and the troughs are deeper than in most other companies.

Several of the Group's operations are strongly dependent on the economy. However, it is mainly the upturns and downturns in the pulp industry which give rise to result fluctuations at Group level.



Group Södra Skog
Södra Cell Other operations
Södra Timber

Södra Skog's result is particularly sensitive to changes in the price margin in wood trading and the acquired volumes. In occasional years, storm fellings may hit the result: the last time it happened extensively was in 1996. Södra Timber's result is mainly influenced by changes in sawn timber prices, costs of saw logs and price of chips. For Södra Cell, changes in pulp prices, the currencies and costs of wood have the largest impact.

Variable	Change	Effect on profit
Pulp price	+/- SEK 500/tonne	+/- SEK 600M
USD/SEK (without hedging)	+/- SEK 0.5	+/- SEK 220M
USD/SEK (with hedging)	+/- SEK 0.5	+/- SEK 50M
Fibre costs for the pulp mills	+/- SEK 25/m ³ fub	-/+ SEK 135M
Production of pulp	+/- SEK 50,000 tonnes	+/- SEK 75M
Sawn timber price	+/- SEK 150/m ³	+/- SEK 90M
Saw log costs for the sawmills	+/- SEK 50/m ³ to	-/+ SEK 50M
Production of sawn timber	+/- 25 000 m ³	+/- SEK 5M
Total payroll expense	+/- 3 %	-/+ SEK 30M

The imagined "figures of change" which have been entered in the table are representative seen against the background of the trend in the last few years. That the pulp and sawn timber prices would have been significantly lower in 1998 is less probable due to the already squeezed prices. The USD/SEK ratio was favourable in 1998 due to the weakness of the SEK and the strength of the USD. The effect on the result of the changed volume is unusually small in 1998 due to the year's low margins per tonne and m³, respectively.

The table below shows how the 1998 consolidated result would have changed had the values of some of the variables with the greatest impact on the result been larger or smaller than the actual outcome.

The table shows the sensitivity to each variable individually, based on conditions in 1998. In reality, a change of a variable frequently also affects other variables but with some delay. For example, a changed price of finished products could have an impact on the price of wood. A strong USD fluctuation could affect the pulp price in USD, etc. Some simple rules of thumb for calculating an "effect on the net result" do not exist as the connections are complicated and vary from one time to another depending of market situation, etc.

Over the past five-year period, the pulp price has been the variable which has fluctuated most between the years, followed by the sawn timber price. However, fluctuations of the SEK against the USD have been relatively modest seen on an annual basis. Costs of wood fluctuate more than other costs but less than prices for finished products. Capacity utilisation at SÖDRA's sawmills and pulp mills has been at a fairly high and even level throughout the five-year period.

Balance Sheet

SEK M		Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Assets					
Fixed assets					
Tangible fixed assets	Note 10	5,850.7	5,147.2	176.5	158.9
Financial fixed assets	Note 11	9.2	8.2	1,323.7	1,332.8
Total fixed assets		5,859.9	5,155.4	1,500.2	1,491.7
Current assets					
Stocks	Note 12	770.1	761.8	43.6	39.6
Receivables	Note 13	925.6	1,069.1	640.2	723.8
Short-term investments	Note 14	856.4	1,520.1	1,673.2	1,733.4
Cash and bank		203.1	183.3	85.6	153.5
Total current assets		2,755.2	3,534.3	2,442.6	2,650.3
Total assets		8,615.1	8,689.7	3,942.8	4,142.0
Equity capital and liabilities					
Equity capital	Note 15				
Restricted equity					
Capital contributed		377.6	352.4	377.6	352.4
Restricted reserves		2,353.8	2,453.6	898.6	885.3
		2,731.4	2,806.0	1,276.2	1,237.7
Non-restricted equity					
Retained profits		1,910.0	1,526.0	466.4	406.9
Result for the year		29.4	476.1	154.6	264.8
		1,939.4	2,002.1	621.0	671.7
Total equity capital		4,670.8	4,808.1	1,897.2	1,909.4
Untaxed reserves	Note 16	–	–	67.0	67.0
Provisions					
Provisions for pensions	Note 17	571.1	554.0	300.6	291.7
Other interest-bearing provisions		7.3	6.7	–	–
Provisions for taxes	Note 18	764.0	830.8	–	–
Total provisions		1,342.4	1,391.5	300.6	291.7
Liabilities					
Interest-bearing liabilities	Note 19	1,497.6	1,463.7	1,077.8	1,324.6
Operating liabilities	Note 20	1,104.3	1,026.4	600.2	549.3
Total liabilities		2,601.9	2,490.1	1,678.0	1,873.9
Total equity capital and liabilities		8,615.1	8,689.7	3,942.8	4,142.0
Pledged assets	Note 21	823.8	824.1	200.8	200.7
Contingent liabilities	Note 22	38.6	78.7	250.1	249.5

Comments on the Balance Sheet

Total assets carried forward amounted to SEK 8,615M (8,690). The biggest changes in the Balance Sheet during the year were an increase in fixed assets and a decrease in liquid assets. Otherwise, the changes were of limited size.

The value of fixed assets increased to SEK 5,860M (5,155), mainly due to the ongoing investments in Mönsterås.

Liquid assets, i.e. cash and short-term investments, fell to SEK 1,060M (1,703).

Total equity capital fell to SEK 4,671M (4,808). At year-end, capital contributed represented 8 per cent and other equity capital 92 per cent of total equity capital.

Financial liabilities increased to SEK 2,076M (2,024). At year-end, the loans were distributed on SEK 936M from members, SEK 561M from credit institutions and SEK 579M in the form of pension liability, etc.

Net financial liabilities, i.e. the difference between financial liabilities and liquid assets, increased during the year from SEK -321M to SEK -1,016M.

At year-end, the equity/asset ratio amounted to 54 per cent (55) and the share of risk-bearing equity to 63 per cent (65).

Capital employed and its financing 1998



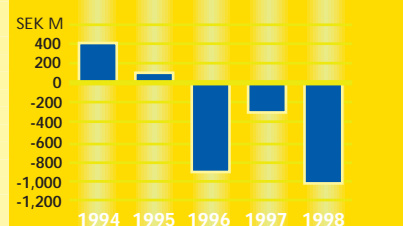
Capital employed

- Fixed assets SEK 5,860M
- Liquid funds SEK 1,060M
- Working capital SEK 591M

Financing

- Equity capital SEK 4,671M
- Deferred tax liability SEK 764M
- Interest-bearing loans SEK 2,076M

Net financial assets/liabilities



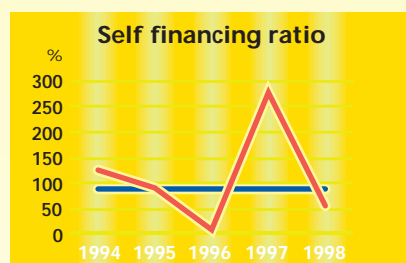
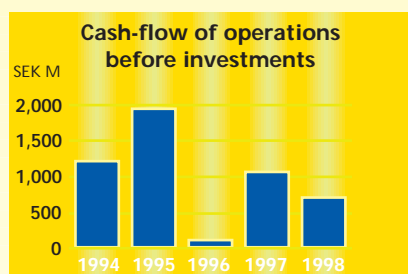
■ Difference between liquid funds and financial liabilities at year-end

Average capital employed, SEK M	1998	1997
Södra Skog	203	261
Södra Skogsenergi	80	83
Södra Timber	734	599
Södra Cell	5,162	5,050
Groupwide	27	25
Total	6,206	6,018
Deferred tax liability	- 797	- 776
Liquid assets	1,381	1,334
Total	6,790	6,576

Equity capital, SEK M	1998	1997	1996	1995	1994
Capital contributed	378	352	325	299	268
Other equity capital	4,293	4,456	4,107	4,512	3,276
Total equity capital	4,671	4,808	4,432	4,811	3,544
Capital contributed per member (SEK)	11,900	11,200	10,500	9,600	8,800
Total equity capital per member (SEK)	147,600	153,200	142,800	154,200	116,300

Source and Application of Funds Statement

SEK M	Group		Parent Company	
	1998	1997	1998	1997
Result after financial income and expenses	- 34.1	591.8	141.6	253.9
Depreciation according to plan	533.4	478.5	12.1	9.7
Result from sale of fixed assets, write-downs, etc.	- 17.0	26.3	-	-
Group contributions	-	-	13.0	10.9
Taxes	- 3.3	- 5.5	-	-
Funds generated from the year's operations	479.0	1 091.1	166.7	274.5
Change in				
Operating receivables (increase -)	143.5	33.2	83.6	- 181.6
Stocks (increase -)	- 8.3	- 128.4	- 4.0	- 0.8
Operating liabilities (increase +)	77.9	54.8	50.9	175.6
Net financing from the year's operations	692.1	1,050.7	297.2	267.7
Change in financial receivables (increase -)	- 0.6	- 0.5	9.1	- 0.9
Investments in shares and participations	- 0.4	-	-	-
Investments in other fixed assets	- 1,249.8	- 355.8	- 36.5	- 11.4
Sale of fixed assets	30.0	9.1	6.8	33.8
Financial surplus (+)/deficit(-) after investments	- 528.7	703.5	276.6	289.2
Dividend/post payment to members	- 192.0	- 126.8	- 192.0	- 126.8
Change in capital contributed (increase +)	25.2	27.1	25.2	27.1
Change in net loan liability (increase -)	- 695.5	603.8	109.8	189.5
Change in liquid assets (increase +)	- 643.9	739.7	- 128.1	504.7
Change in financial liabilities (increase -)	- 51.6	- 135.9	237.9	- 315.2
Change in net loan liability (increase -)	- 695.5	603.8	109.8	189.5



— Average, 88 %
 — Self financing ratio
 (see Definitions)

Source and Application of Funds Statement for 1994-1998

SEK M	
Funds generated from the operations	5,073
Increase in working capital	- 67
Net financing from the operations	5,006
Investments in fixed assets	- 5,700
Sale of fixed assets	144
Financial deficit after investments	- 550
Dividend and post payment to members	- 691
Increase in capital contributed	135
Increase in net loan liability	- 1,106

Notes to the Financial Statements

Notes to the Parent Company and Consolidated Profit and Loss Accounts and Balance Sheets (all amounts shown in the tables in SEK M unless otherwise stated).

ACCOUNTING PRINCIPLES

Consolidated Accounts

The Consolidated Accounts comprise the Parent Company, Södra Skogsägarna Economic Association, and all subsidiaries in which the Parent Company held more than 50 per cent of the number of votes.

The Consolidated Accounts have been prepared in accordance with the Swedish Financial Accounting Standard Council's recommendation number 1.

Associated companies

Shares in external companies with a proportion of equity of more than 20 per cent have not been reported as associated companies where the holding is of immaterial importance or does not refer to a long-term holding.

Foreign subsidiaries

On translation of the profit and loss accounts as well as assets and liabilities of the foreign subsidiaries into SEK, the balance sheet date rate is applied. The translation difference is included in the year's result.

Receivables

Receivables are entered at the amounts by which they are expected to be realised.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the balance sheet date rate.

Forward contracts relating to hedging of future currency flows are reported as result in the same period as underlying flows. The forward contract premium/deduction is accrued over the tenor of the forward contract.

Other forward contracts are translated at the year-end at the balance sheet date rate taking into account the forward contract premium/deduction.

Exchange rate differences on long-term loans in foreign currency are reported under financial income and expenses in the Profit and Loss Account. Other exchange rate differences are reported as Other operating income and Other external costs, respectively.

Stocks

Finished goods are valued at the lower of acquisition value and actual value. Raw materials, semi-manufactured goods and other stock products are valued at the lower of acquisition and replacement value. Required deduction is made for obsolescence.

Depreciation according to plan

Depreciation according to plan is calculated on the acquisition value of the fixed assets. Depreciation rates for machinery and equipment are:

6 per cent	Plup mills and sawmills
8–12 per cent	Workshop machinery and equipment
20 per cent	Mobile transport equipment, computers

Leasing assets are depreciated with attention being paid to term and residual value in accordance with the respective lease contract. Buildings and land improvements are depreciated by 1.75–5 per cent which conforms to permissible tax depreciation. The basis for depreciation of buildings also includes revaluations.

The surplus value of fixed assets which arises on application of acquisition accounting in the Consolidated Accounts, is included in the basis for depreciation.

PROFIT AND LOSS ACCOUNT

Note 1. Net sales

As net sales are reported invoiced sales including reimbursement for delivery costs and sales commission. Of the Parent Company's sales, SEK 2,273.1M (2,285.2) consisted of deliveries to subsidiaries. Purchases from subsidiaries amounted to SEK 218.3M (217.4).

Note 2. Other operating income

The Group's Other operating income in 1998 includes profit on a lease-in/lease-out transaction of SEK 216.2M. Capitalised work on SÖDRA's own account is reported as Other operating income in the Group of SEK 4.6M (3.5).

Note 3. Raw materials and supplies

As raw materials and supplies are also reported goods for resale. These amount to SEK 1,217.9M (1,228.0) in the Group and to SEK 3,357.1M (3,467.1) in the Parent Company.

Note 4. Other external costs

The Group's other external costs include exchange losses on forward contracts of SEK 236.0M (231.0) and leasing charges in operations referring to time-chartered vessels of SEK 45.6M. Future leasing charges amount to DEM 10.8M for 1999 and to DEM 11.7M for 2000 and 2001. For the previous year, a redistribution has been made between personnel costs (decrease) and other external costs (increase) of SEK 30.9M.

Note 5. Depreciation according to plan

	Group		Parent Company	
	1998	1997	1998	1997
Buildings	36.1	41.6	0.5	0.4
Land improvements	8.0	8.4	–	–
Machinery	419.5	370.5	–	–
Equipment	69.8	58.0	11.6	9.3
	533.4	478.5	12.1	9.7

Note 6. Financial income and expenses

	Group		Parent Company	
	1998	1997	1998	1997
Group contributions	–	–	205.4	142.5
Dividend on shares in subsidiaries	–	–	40.0	72.0
Dividend on shares in non-Group companies	0.8	0.1	–	–
Interest income from Group companies	–	–	24.0	26.8
Interest income from others	90.0	82.1	77.4	62.4
Interest expenses to Group companies	–	–	– 11.5	– 7.6
Interest expenses to others	– 113.8	– 110.4	– 66.1	– 65.8
Exchange rate differences on loans	– 11.9	– 71.3	– 0.2	– 10.0
Capital gain on sale of shares	17.2	–	–	–
Write-down of shares	–	– 26.3	–	–
Other	– 3.5	– 2.3	– 3.2	– 2.3
	– 21.2	– 128.1	265.8	218.0

Interest expenses include interest on pension provisions for the Group of SEK 25.9M (18.9) and of SEK 14.3M (10.7) for the Parent Company. Received Group contributions equivalent to normal dividend from subsidiaries are reported as financial income in the Parent Company's Profit and Loss Account. Other Group contributions are reported as appropriations (Note 8)

The Company received the following Group contributions:

	1998	1997
Södra Cell AB	204.5	142.5
Södra Transport AB	0.9	–
	205.4	142.5

Note 7. Result after financial income and expenses

The following items of a one-off nature are included in result after financial income and expenses:

Group	Other operating income		Financial income and expenses		Total	
	1998	1997	1998	1997	1998	1997
Result on lease-in/lease-out transaction	-	216.2	-	-	-	216.2
Capital gain on sale of shares	-	-	17.2	-	17.2	-
Write-down of shares	-	-	-	- 26.3	-	- 26.3
	-	216.2	17.2	- 26.3	17.2	189.9

Note 8. Group contributions

In addition to financial Group contributions as per Note 6, the Parent Company received the following Group contributions:

	1998	1997
Södra Skogsägarna Leasing AB	2.1	2.1
Entreprenadservice i Vaxjö AB	0.2	0.3
Södra Transport AB	10.7	8.5
	13.0	10.9

Note 9. Taxes

	Group	
	1998	1997
Income tax	- 3.3	- 5.5
Deferred tax relating to appropriations	66.8	- 110.2
	63.5	- 115.7

BALANCE SHEET

Note 10. Tangible fixed assets

Group	New construction in progress	Buildings, land and land improvements	Machinery	Equipment	Forest land	Total
Opening acquisition value	81.1	1,288.4	7,871.4	605.6	123.9	9,970.4
Investments	363.4	53.1	730.9	102.4	0.0	1,249.8
Sales/scrappings	-	- 12.5	- 39.3	- 30.8	- 0.5	- 83.1
Closing acquisition value	444.5	1,329.0	8,563.0	677.2	123.4	11,137.1
Opening depreciation	-	- 608.7	- 3,805.8	- 415.3	- 0.3	- 4,830.1
Sales/scrappings	-	10.7	38.1	21.9	-	70.7
The year's depreciation according to plan	-	- 44.1	- 419.5	- 69.8	-	- 533.4
Closing accumulated depreciation according to plan	-	- 642.1	- 4,187.2	- 463.2	- 0.3	- 5,292.8
Opening appreciation	-	2.9	-	-	4.0	6.9
Sales/scrappings	-	-	-	-	- 0.2	- 0.2
Net depreciation of written-up amount	-	- 0.3	-	-	-	- 0.3
Closing appreciation	-	2.6	-	-	3.8	6.4
Closing residual value according to plan	444.5*	689.5	4,375.8	214.0	126.9	5,850.7
Tax assessment value	-	2,746.1	-	-	105.1	2,851.2

*) of which, advances to suppliers SEK 153,2M (-).

Parent Company	New construction in progress	Buildings, land and land improvements	Machinery	Equipment	Forest land	Total
Opening acquisition value	-	16.8	-	90.6	119.0	226.4
Investments	0.2	2.0	-	34.3	-	36.5
Sales/scrappings	-	-	-	- 19.1	- 0.4	- 19.5
Closing acquisition value	0.2	18.8	-	105.8	118.6	243.4
Opening depreciation	-	- 2.8	-	- 64.7	-	- 67.5
Sales/scrappings	-	-	-	12.7	-	12.7
The year's depreciation according to plan	-	- 0.5	-	- 11.6	-	- 12.1
Closing accumulated depreciation according to plan	-	- 3.3	-	- 63.6	-	- 66.9
Closing residual value according to plan	0.2	15.5	-	42.2	118.6	176.5
Tax assessment value	-	28.0	-	-	91.4	119.4

Note 11. Financial fixed assets

Group	Shares and participations	Long-term receivables	Total
Opening acquisition value	77.2	6.0	83.2
Additional assets	0.4	0.6	1.0
Deductible assets	- 75.0	-	- 75.0
Closing acquisition value	2.6	6.6	9.2
Opening write-downs	- 75.0	-	- 75.0
Deductible assets	75.0	-	75.0
The year's write-downs	-	-	-
Closing write-downs	0.0	-	0.0
Closing residual value	2.6	6.6	9.2

	Shares and participations in Group companies	Long-term receivables from external companies	Total
<i>Parent Company</i>			
Opening acquisition value	1,317.6	10.2	1,332.8
Additional assets	-	0.6	0.6
Deductible assets	-	- 9.7	- 9.7
Closing acquisition value/book value	1,317.6	0.5	1,323.7

Specification of shares in subsidiaries	Org no.	Reg. office	Number	Holding, %	Nominal value	Book value
<i>Operating</i>						
Södra Cell AB	556072-7348	Växjö	50,000	100	500.0	1,051.8
Södra Timber AB	556004-5998	Växjö	1,000	100	10.0	150.0
Södra Skogsenergi AB	556091-8764	Växjö	20,000	100	2.0	15.3
Södra Treasury Co		Eire	1,000,000	50	10.4	10.4
Södra Skogsägarna Leasing AB	556280-1943	Växjö	5,000	100	50.0	61.1
Södra Reinsurance SA		Luxembourg	4,999	100	12.0	11.1
Södra Reinsurance Co Ltd		Eire	3,999,999	100	4.0	4.0
Södra Transport AB	556242-4654	Växjö	10,000	100	1.0	2.1
Södra Skogsplanter AB	556217-0588	Växjö	1,000	100	0.1	0.1
Entreprenadservice i Växjö AB	556255-3106	Växjö	2,500	100	0.25	0.3
Södra Eesti AS		Estonia	400	100	0.2	0.2
<i>Non-operating</i>						11.2

Total shares in subsidiaries 1,317.6

The Parent Company's ownership in Södra Treasury Co is 50 per cent. The remaining 50 per cent is held by the subsidiary, Södra Reinsurance SA.

Note 12. Stocks

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Raw materials and supplies	313.7	361.9	32.8	33.6
Products under production	34.6	38.2	-	-
Finished products and goods for resale	411.4	356.1	0.4	0.4
Work in progress on behalf of another party	10.4	5.6	10.4	5.6
	770.1	761.8	43.6	39.6

Note 13. Receivables

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Trade debtors	651.9	773.4	141.1	165.4
Receivables from Group companies	-	-	293.8	281.6
Other receivables	189.1	175.8	107.7	125.8
Prepaid expenses and accrued income	84.6	119.9	97.6	151.0
	925.6	1,069.1	640.2	723.8

Prepaid expenses and accrued income in 1998 refer to:

	Group	Parent Company
Interest income	19.7	19.7
Insurance premium and insurance compensation	38.8	32.0
Anticipated dividend from Södra Cell AB	-	40.0
Other	26.1	5.9
	84.6	97.6

Note 14. Short-term investments

	Parent Company 1998	Parent Company 1997
Financial receivables from subsidiaries	868.3	352.6
External investments	804.9	1,380.8
	1,673.2	1,733.4

Short-term investments have been valued at the lower of acquisition value and actual value.

Note 15. Equity capital

Capital contributed (Group and Parent Company)	
Opening balance on 1 January 1998	352.4
Capital contributed, paid up by members	32.3
Capital contributed, paid out to resigned members and excess capital contributed, paid out	- 7.1
Closing balance on 31 December 1998	377.6

Repayments in 1999 of capital contributed to members who resigned at 31 December 1998 amounts to SEK 6.3M.

Restricted reserves	Group	Parent Company
Opening balance on 1 January 1998	2,453.6	885.3
Allocation of 1997 earnings	13.3	13.3
Transfer between restricted and non-restricted equity	- 113.1	-
Closing balance on 31 December 1998	2,353.8	898.6

Non-restricted reserves	Group	Parent Company
Opening balance on 1 January 1998	2,002.2	671.7
Transferred to restricted reserves	- 13.3	- 13.3
Dividend to members	- 192.0	- 192.0
Transfer between restricted reserves and non-restricted reserves	113.1	-
Result for 1998	29.4	154.6
Closing balance on 31 December 1998	1,939.4	621.0

Note 16. Untaxed reserves

	Parent Company	
	1998	1997
Accumulated depreciation in excess of plan – buildings	1.5	1.5
Accrual accounting reserve 1994	25.5	25.5
Accrual accounting reserve 1995	40.0	40.0
	67.0	67.0

In untaxed reserves above, deferred tax amounts to SEK 18.8M.

Note 17. Provisions for pensions

FPG/PRI pensions are included at SEK 494.0M (479.9) for the Group and at SEK 280.4M (273.5) for the Parent Company.

Note 18. Provisions for taxes

	Group	
	1998	1997
Deferred tax liability on 1 January	830.8	720.5
Deferred tax liability in result for the year	– 66.8	110.3
Deferred tax liability on 31 December 1998	764.0	830.8

Note 19. Interest-bearing liabilities

The interest-bearing liabilities fall due for payment as follows.

Group	Within 1 year	1-5 years	More than 5 years	Total
Liabilities to credit institutions	1.7	559.0	–	560.7
Loans from members	722.2	126.2	87.6	936.0
Other liabilities	–	0.3	0.6	0.9
	723.9	685.5	88.2	1,497.6
Parent Company	Within 1 year	1-5 years	More than 5 years	Total
Liabilities to credit institutions	–	21.2	–	21.2
Loans from members	722.2	126.2	87.6	936.0
Liabilities to Group companies	–	120.0	–	120.0
Other liabilities	–	–	0.6	0.6
	722.2	267.4	88.2	1,077.8

Note 20. Current liabilities

	Group		Parent Company	
	1998	1997	1998	1997
Advances from customers	1.4	1.4	0.6	0.6
Liabilities to suppliers	752.1	655.5	422.2	398.5
Tax liability	2.6	5.6	–	–
Liabilities to Group companies	–	–	2.9	8.5
Other liabilities	49.3	49.3	38.7	43.1
Accrued expenses and prepaid income	298.9	314.6	135.8	98.6
	1,104.3	1,026.4	600.2	549.3

Note 21. Provided guarantees

	Group		Parent Company	
	1998	1997	1998	1997
Guarantees have been provided for:				
<i>Pension obligations</i>				
Real estate mortgages	130.0	155.0	–	–
Floating charges	175.0	150.0	150.0	150.0
<i>Liabilities to credit institutions</i>				
Real estate mortgages	460.0	460.5	–	0.1
Floating charges	58.0	58.0	50.0	50.0
<i>Other liabilities</i>				
Bank deposits	0.8	0.6	0.8	0.6
	823.8	824.1	200.8	200.7

Note 22. Contingent liabilities

	Group		Parent Company	
	1998	1997	1998	1997
Pension obligations	–	–	14.2	16.0
Other contingent liabilities	38.6	78.7	235.9	233.5
	38.6	78.7	250.1	249.5

In 1997, Södra Cell AB carried out a leasing transaction with two American banks as counterparty. Supporting document for the transaction is a usufruct to the equipment at Mörrums Bruk. The usufruct has been leased-out in two so-called principal leases with a tenor of 36 years. Part of the rental has been received in advance. On its part and at the same time, Södra Cell AB has leased-back the usufruct via two so-called underleases with a tenor of just over 28.5 years. A bank has taken-over the payment responsibility for the rental payments after Södra Cell AB made a payment in advance. After approximately 15.5 years, Södra Cell AB has an option either to buy or hand back the usufruct. For Södra Cell AB's contractual discharge of the payment commitments which may arise, the Parent Company has signed a guarantee as for an own liability.

Note 23. Average number of employees and wage/salary costs

Average number of employees	of whom		of whom	
	1998	men	1997	men
<i>Parent Company</i>				
Sweden	534	84 %	510	85 %
<i>Subsidiaries</i>				
Sweden	2,058	86 %	2,062	87 %
Great Britain	3	66 %	3	66 %
Estonia	12	83 %	10	80 %
France	4	50 %	3	33 %
The Netherlands	3	0 %	3	0 %
Switzerland	3	33 %	3	33 %
Germany	3	33 %	3	33 %
Total	2,620	86 %	2,597	87 %
	1998		1997	
	Board of Directors & President	Other employees	Board of Directors & President	Other employees
<i>Wages, salaries and remunerations</i>				
Parent Company	5.8	131.8	5.4	125.7
Subsidiaries in Sweden	5.6	521.0	6.2	517.8
Subsidiaries outside Sweden	0.4	12.7	0.5	12.7
Total subsidiaries	6.0	533.7	6.7	530.5
Total Group	11.8	665.5	12.1	656.2
	1998		1997	
	Wages, salaries and remunerations	Payroll over- heads	Wages, salaries and remunerations	Payroll over- heads
Parent Company	137.6	67.2	131.1	65.8
(of which, pension costs)	(15.5)		(16.6)	
Subsidiaries	539.7	225.7	537.2	236.0
(of which, pension costs)	(33.1)		(53.5)	
Total Group	677.3	292.9	668.3	301.8
(of which, pension costs)	(48.6)		(70.1)	

Of the Parent Company's pension costs, SEK 4.3M (4.6) refers to the current and previous Boards of Directors and Presidents. Outstanding pension obligations to these amount to SEK 20.0M (22.6).

Of the Group's pension costs, SEK 5.3M (5.8) refers to the current and previous Boards of Directors and Presidents. Outstanding pension obligations to these amount to SEK 26.3M (30.1).

In accordance with the decision of the AGM of the Association – in addition to daily allowances and subsistence allowances – a total remuneration of SEK 1,105,024 was paid to the Board of Directors in 1998. Of this, the Chairman's remuneration amounted to SEK 400,000 to which is added car benefit. The President, Helge Eklund, was paid a salary of SEK 3,652,000. His employment agreement runs until further notice with a mutual term of notice of 12 months. On notice of termination by the Company before Mr Eklund has reached the age of 60, severance pay equivalent to one annual salary will be paid in addition to salary during the term of notice. If Mr Eklund remains in office after reaching 60, there is an opportunity for a negotiated pension equivalent to 75 per cent of his final salary for the period until general retirement age, currently 65.

For other executives in the Group management, individual agreements exist with notice of termination varying between 3 and 12 months and with severance pay equivalent to one year's salary. In some individual instances, agreements exist in addition to that, regarding special compensation on termination by the Company before the age of 60 as well as commitments regarding an opportunity for a negotiated pension from the age of 60.

Proposed distribution of profit

The Group's non-restricted equity amounted to SEK 1,939.4M. Proposed appropriations to restricted equity were SEK 7.8M. The Board of Directors proposes that the profits at the disposal of the AGM of the Association, SEK 620,980K (of which 1998 profit: SEK 154,615K) be distributed as follows:

A dividend to members of 5.0 per cent on the capital contributed, i.e.	SEK	18,879K
Post payment to members,	SEK	100,603K

The post payment is calculated on the members' wood deliveries in 1998 excluding sold standing forest, and amounts to 5 per cent on all product ranges.

Transfer to the members' deposit account through bonus issue	SEK	37,735K
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Bonus on capital contributed amounts to 10 per cent of capital contributed at 31 December 1998.

An appropriation to the statutory reserve,	SEK	7,750K
Carried forward	SEK	456,013K
	SEK	620,980K

Växjö, 4 March 1999

Lars-Eric Åström, *Chairman*
Christer Segerstéen, *Vice Chairman*
Jonas Brandström
Carl von Friesendorff
Evert Håkansson
Stig Höckerfelt
Börje Jansson
Jan Johansson
Roland Johansson
Birgitta Johansson-Hedberg
Carl-Gustaf Liderfelt
Kent Lindster
Jan-Olof Thorstensson
Ola Wilhelmsson
Helge Eklund, *President*

Audit Report

TO THE ANNUAL GENERAL MEETING OF SÖDRA SKOGSÄGARNA ECONOMIC ASSOCIATION,
CORPORATE IDENTITY NUMBER 729500-3789

We have examined the Annual Report, the Consolidated Accounts and the financial records as well as the administration of the Board of Directors and the President of Södra Skogsägarna Economic Association for 1998. It is the Board of Directors and the President who are responsible for the accounting records and the administration. Our responsibility is to express an opinion on the Annual Accounts, the Consolidated Accounts and the administration on the basis of our audit.

The audit has been carried out in accordance with generally-accepted auditing standards. This means that we have planned and carried out the audit to assure us to a reasonable extent that the Annual Accounts and the Consolidated Accounts do not contain any significant errors. An audit includes examining a selection of the supporting documents for amounts and other information in the accounting records. An audit also includes examining the accounting principles and the Board of Directors' and the President's application of them and to assess the collective information in the Annual Accounts and the Consolidated Accounts. We have examined significant decisions, measures and conditions in the Association to be able to assess if any

Board member or the President is liable for any damage to the Company or in any other way has acted contrary to the Association Act, the Annual Accounts Act or the Statutes of the Association. We consider that our audit gives us reasonable ground for our statements below.

The Annual Accounts and the Consolidated Accounts have been prepared in accordance with the Annual Accounts Act and we therefore recommend

that the Profit and Loss Account and the Balance Sheet for the Parent Company and the Group be adopted and

that the profit in the Parent Company be distributed in accordance with the proposal in the Directors' Report.

The Members of the Board of Directors and the President have not taken any measures or made themselves liable to any negligence which in our opinion may give rise to liability for damage to the Company and we therefore recommend

that the Members of the Board of Directors and the President be discharged from liability for the financial year.

Växjö, 5 March 1999

Hans Karlsson Håkan Lindström
Authorised Public Accountants

Anders Grennborg Gunnar Melin
Member Representative Auditors

Five-year summary

SEK M	1998	1997	1996	1995	1994
Sales					
Net sales	7,352	7,752	6,085	8,008	6,314
– exports	4,089	4,304	3,224	4,388	3,298
Result					
Operating result before depreciation	520	1,198	218	2,311	1,279
Depreciation according to plan	– 533	– 479	– 532	– 484	– 341
Operating result after depreciation	– 13	720	– 314	1,827	938
– surplus ratio, %	1	10	– 3	25	17
Financial income and expenses	– 21	– 128	– 4	45	39
– interest coverage ratio, times	0.8	7.3	neg	13.9	11.3
Result after financial income and expenses	– 34	592	– 318	1,872	977
Capital					
Total assets	8,615	8,690	8,012	8,432	6,407
Capital employed	6,747	6,833	6,320	6,082	4,659
Equity capital	4,671	4,808	4,432	4,814	3,544
Investments (excl shares and participations)	1,250	356	939	2,128	915
Internal financing ratio, %	55	295	9	93	127
Return on capital					
Return on capital employed, %	1	12	– 3	37	25
Return on equity, %	– 1	9	– 5	32	22
Financing					
Share of risk-bearing equity, %	63	65	64	67	65
Equity/assets ratio, %	54	55	55	57	55
Personnel					
Average number of employees	2,620	2,597	2,604	2,635	2,518
Members					
Number of members	31,638	31,378	31,039	31,198	30,477
Affiliated forest area, 1,000 hectares	1,746	1,715	1,684	1,662	1,604
Production etc.					
Sawn timber, 1,000 m ³	611	614	539	548	431
Softwood pulp, 1,000 tonnes	866	859	685	647	654
Hardwood pulp, 1,000 tonnes	328	329	310	264	311
Biofuel deliveries, 1,000 m ³ s	1,831	1,962	1,714	1,705	1,570
Wood deliveries, million m ³ fub	10.0	10.5	8.6	9.2	8.9

Definitions

Surplus ratio

Operating result after depreciation according to plan plus financial income (excluding exchange gains on loans in foreign currency) as a percentage of net sales.

Interest coverage ratio

Operating result after depreciation according to plan plus financial income (excluding exchange gains on loans in foreign currency) in relation to interest expenses.

Capital employed

Total assets less non-interest-bearing liabilities and deferred tax liability. Average capital employed is calculated as balance brought forward plus balance carried forward divided by two. For operating units, capital employed is calculated as balance sheet total excluding liquid funds less operating liabilities.

Return on capital employed

Operating result after depreciation according to plan plus financial income (excluding exchange gains on foreign currency) as a percentage of average capital employed.

Equity

Net equity, which includes the equity portion of untaxed reserves. Average equity is calculated as balance brought forward plus balance carried forward divided by two.

Return on equity

Operating result after financial income and expenses less 28 per cent calculated tax as a percentage of average equity.

Internal financing ratio

Net financing from the year's operations in accordance with the Source and Application of Funds Statement as a percentage of the year's investments.

Share of risk-bearing equity

Account equity, minority interest and deferred tax liability as a percentage of total assets.

Equity/assets ratio

Equity as a percentage of total assets.

Average number of employees

Total time worked divided by normal annual working hours (1998: 1,619 hours).

Board of Directors



Ordinary members

Lars-Eric Åström, Rejmyre (Chairman)
Christer Segerstéen, Rimforsa
(Vice-Chairman)
Helge Eklund, Växjö (President)
Jonas Brandström, Floda
Carl von Friesendorff, Veberöd
Evert Håkansson, Karlshamn
Stig Höckerfelt, Gunnebo
Börje Jansson, Traryd
Jan Johansson, Moheda
Roland Johansson, Kungsbacka
Birgitta Johansson-Hedberg, Lidingö
Carl-Gustaf Liderfelt, Eksjö
Kent Lindster, Kalmar
Jan-Olof Thorstensson, Påryd
Ola Wilhelmsson, Nybro

Deputy members

Mats Hansson, Villands Vånga
Lars Johansson, Veddige
Claes-Göran Karlsson, Varberg
Lars Mattsson, Lyckeby

Lars-Eric Åström

Born 1946. Deputy Chairman of the Association of Swedish Forest Owners. Deputy Chairman of Lantbrukskredit AB, Stockholm. Deputy Chairman of Södra Cell. Board member of Ägarfrämjandet and the Forest Conservation Federation of Sweden. Forest holding: 98 hectares. Deputy member of the Board of Directors 1979, ordinary member 1983.

Christer Segerstéen

Born 1950. Board Member of the Association of Swedish Forest Owners. Deputy Chairman of Södra Timber. Forest holding: 180 hectares. Deputy member of the Board of Directors 1991, ordinary member 1992.

Helge Eklund

Born 1944. President and CEO of Södra Skogsägarna Economic Association. Chairman of Södra Cell, Södra Timber and Södra Skogsenergi. Board Member of Sveriges Skogsindustrieförbund, Arbö, Skogsindustrierna, Vattenfall AB, Industrieförbundet and Sydsvenska Handelskammaren.

Jonas Brandström

Born 1947. Doctor of Medicine. Medical consultant at Göteborgshälsan. President of Öljareds Konferens och Rekreatiönsanläggning. Chairman of the Forest Conservation Federation of Western Sweden. Board Member of Södra Skogsenergi. Forest holding: 1,350 hectares. Deputy member of the Board of Directors 1993, ordinary member 1998.

Carl von Friesendorff

Born 1939. Board Member of Södra Cell. Auditor of the Association of Swedish Forest Owners. Member of the Technical Committee in Lund. Deputy Board Member of AF Bostäder. Board Member of Markentreprenad i Lund. Forest holding: 163 hectares. Ordinary member of the Board of Directors 1992.

Evert Håkansson

Born 1958. Employee Representative, the Swedish Trade Union Confederation, LO. Secretary of the Swedish Pulp and Paper Workers' Union, SPIAF, at the Mörrum pulp mill.

Stig Höckerfelt

Born 1938. Board Member of the Forest Conservation Federation of Eastern Götaland, Östgöta Hypoteksförening and Södra Cell. Forest holding: 267 hectares. Deputy member of the Board of Directors 1988, ordinary member 1993.

Börje Jansson

Born 1953. Board member of Södra Skogsenergi and Södra Skogsplantor. Forest holding: 435 hectares (part ownership). Deputy member of the Board of Directors 1983, ordinary member 1988.

Jan Johansson

Born 1946. Employee Representative, the Negotiation Cartel for Salaried Employees in the Private Business Sector, PTK. Chairman of the Swedish Industrial Salaried Employees Association, SIF, at SÖDRA's head office. Deputy Chairman of the SÖDRA Group Council.

Roland Johansson

Born 1940. Member of the Halland County Board of the Federation of Swedish Farmers, LRF. Deputy Chairman of the Forest Conservation Federation of Southern Götaland. Board member of Södra Timber. Forest holding: 60 hectares. Ordinary member of the Board of Directors 1993.

Birgitta Johansson-Hedberg

Born 1947. Resident Director of Wolters Kluwer Scandinavia. Chairman of AB Lindex and Autobytel AB. Deputy Chairman of the Fourth National Swedish Pension Insurance Fund. Board Member of Telia AB, FöreningsSparbanken, Profilgruppen and Spira Intressenter AB. Forest holding: 342 hectares. Ordinary member of the Board of Directors 1995.

Carl-Gustaf Liderfelt

Born 1949. Member of the County Board of the Federation of Swedish Farmers, LRF. Deputy Chairman of Södra Skogsenergi. Board Member of Skogsvårdssällskapet Jönköping-Kronoberg. Forest holding: 159 hectares. Deputy member of the Board of Directors 1990, ordinary member 1991.

Kent Lindster

Born 1949. Employee Representative, the Swedish Trade Union Confederation, LO. Chairman of the Swedish Pulp and Paper Workers' Union, SPIAF, at the Mönsterås pulp mill. Board Member of Häradsparbanken.

Jan-Olof Thorstensson

Born 1959. Deputy Board Member of Södra Skogsenergi. Member of the County Board of the Federation of Swedish Farmers, LRF, in Southern Kalmar. Forest holding: 372 hectares. Deputy member of the Board of Directors 1993, ordinary member 1998.

Ola Wilhelmsson

Born 1941. President and CEO, and Board Member of Nybron AB, Chairman of AB Gustaf Kähr, Parquet Marty, France, Board Member of Bruynzeel Vloeren, Holland (all within Skanska AB). Board member of AB Gemax Glas, S-E-Banken's local board of directors and Sydsvenska Handelskammaren. Ordinary member of the Board of Directors 1994.

Mats Hansson

Born 1956. Board Member of Södra Timber. Deputy Member of the Skåne County Board of the Federation of Swedish Farmers, LRF. Member of the Forest Conservation Board in Southern Götaland. Board Member of Södra Timber. Forest holding: 250 hectares. Deputy member of the Board of Directors 1992.

Lars Johansson

Born 1941. Employee Representative, the Swedish Trade Union Confederation, LO. Chairman of the Swedish Forest and Wood Industry Workers' Union at the Värö sawmill. Member of the local Union Board and its working committee. Member of the SÖDRA Group Council.

Claes-Göran Karlsson

Born 1951. Employee Representative, the Swedish Trade Union Confederation, LO. Deputy Chairman of the Swedish Pulp and Paper Workers' Union, SPIAF, at the Värö pulp mill. Chief Safety Representative at Värö.

Lars Mattsson

Born 1949. Employee Representative, the Negotiation Cartel for Salaried Employees in the Private Business Sector, PTK. Chairman of the local Union Branch.



Group Management

Group Management

Helge Eklund, President and CEO
Kenthl Ohlsson, Södra Skog
Håkan Björklund, Södra Timber
Leif Brodén, Södra Cell
Sören Romberg, Södra Skogsenergi
Lars Becher, Södra Finans
Jan Carlsson, Control
Fredrik Daveby, Membership
Magnus Fagerlind, Administration
Nils-Erik Fransson, Personnel
Ulf Gunnarsson, Information
Roland Lövblad, Environment
Gustav Tibblin, IT
Eva Spjuth, Secretariat



Front row: Sören Romberg, Helge Eklund, Leif Brodén and Håkan Björklund.
Second row: Lars Becher, Gustav Tibblin, Fredrik Daveby, Eva Spjuth, Ulf Gunnarsson, Magnus Fagerlind, Jan Carlsson, Kenthl Ohlsson, Nils-Erik Fransson, Roland Lövblad

Auditors

Hans Karlsson
Authorised Public Accountant
Håkan Lindström
Authorised Public Accountant
Anders Grennborg
Gunnar Melin

Deputy Auditors

Nils J Gunnarsson
Authorised Public Accountant
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