

HOLMEN

2019

Annual Report

The Board of Directors and the CEO of Holmen Aktiebolag (publ.), corporate identity number 556001-3301, submit their annual report for the parent company and the Group for the 2019 financial year. The annual report comprises the administration report (pages 2, 4–5, 10–11, 30–31, 33, 34–45, 77, 82–83) and the financial statements, together with the notes and supplementary information (pages 46–76). The statutory sustainability report in accordance with the Annual Accounts Act is included in the annual report (pages 10–11, 30–31, 33, 36–38, 41). The Group's consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be adopted at the Annual General Meeting.

The basis for the sustainability information presented is the sustainability issues identified as key in view of the materiality analysis conducted in 2018. The sustainability work is reported in accordance with the Global Reporting Initiative's GRI guidelines at Core level. The Sustainability Report comprises pages 2, 5–9, 12–13, 16–38, 40–41, 44–45, 47, 57, 60–62, 72, 75, 81–84, 88–89 and the GRI index on the website holmen.com. The information is audited by a third party, see separate assurance report at holmen.com.

This is a translation of the Swedish annual report of Holmen Aktiebolag (publ.). In the event of inconsistency between the English and the Swedish versions, the Swedish version shall prevail.

Holmen in brief

The trees that grow, the water that rushes down the mighty rivers and the wind that blows through the treetops. This is the heart of Holmen, a business that is all about owning and refining our forests.

We make optimum use of the raw material from the forest. In fact we do such a good job that nothing goes to waste. The most valuable parts of the log go towards making wood products. The smaller parts of the tree, wood from thinning work and chips from the sawmills are turned into paperboard

and paper at our mills. And even the bark and sawdust is put to use, as bioenergy. But what about the water and the wind? That becomes renewable energy. The fact is that our production of hydro and wind power is set to increase, furthering the transition to a fossil-free society.

And so it continues. We plant new seedlings and manage the growing forest to create ever-better forests with more raw material to refine.

Lasting value

Holmen creates long-term value and has fantastic potential for the future. Alongside the economic value that we create,

our way of managing the forest brings significant climate benefits, along with preserving biodiversity, jobs, thriving rural communities and recreation in Sweden's natural heritage.

Our customers are able to embrace climate-smart building in wood, replace less environmentally friendly packaging with the world's best paperboard, and print on paper with the unique properties of fresh fibre.

We are proud that Holmen delivers concrete solutions to some of society's major challenges and that our business has a positive impact on the climate.

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A focus on the forest

The interest in forest investment has been confirmed by a series of major deals involving forest properties in recent years. At year-end Holmen switched to recognising our forests based on transaction prices for comparable areas of land, which more than doubled the book value of our forest holdings to SEK 41 billion. The Group's operating profit excluding items affecting comparability amounted to SEK 2 345 million, which is good in historical terms but down slightly on the previous year, due to lower profits in paperboard and wood products.

The supply of forest raw material was higher than usual due to the summer's European spruce bark beetle outbreak in southern Sweden. Demand from both the pulp industry and sawmills has, however, been good, enabling Forest to post profits of SEK 1 172 million, more or less matching the previous year. For Paperboard, profits were down on the previous year at SEK 435 million. Two major maintenance shutdowns impacted on profits, along with the challenge of finding a good balance between production and sales, a factor that improved towards the end of the year. Profits at Paper rose to SEK 509 million as a result of price rises implemented at the end of 2018. In 2019, price stability and running down stocks were prioritised over production volumes. Wood Products experienced a weak market balance, with excess supply driven by a

glut of raw materials in Central Europe, due to the widespread European spruce bark beetle outbreak. This spike in supply led to significant price drops and profits fell to SEK 62 million. The sale of permits to erect wind turbines on our land, and higher electricity prices caused a rise in revenue from Renewable Energy of over SEK 150 million to SEK 336 million.

Thanks to a strong balance sheet, the decision was taken during the year to buy back a total of 6.2 million shares for SEK 1.4 billion. Cash flow from the business was good and, despite the share repurchase and dividend appropriation totalling SEK 2.6 billion, net debt rose by only SEK 1.0 billion.

Outlook. There is currently an abundant supply of wood, but over time demand for forest raw material in Sweden is expected

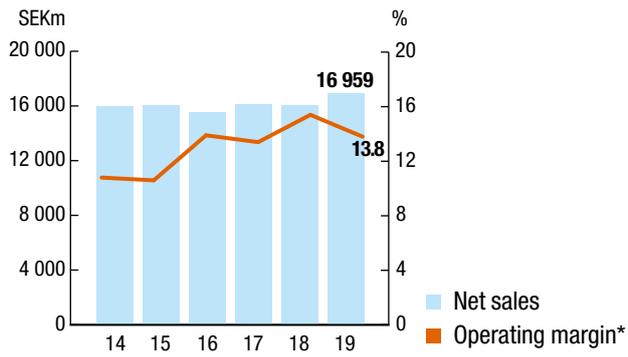
to outstrip supply, leading to higher prices. The bark beetle outbreak in southern Sweden has temporarily disrupted the market balance in the region. Although Holmen's forest has only been mildly affected, there will be an emphasis on dealing with the affected areas as quickly and efficiently as possible in order to limit the negative impacts. Competition has hardened in the paperboard market, but Holmen's products have a strong position and the ambition is to gradually increase paperboard production as sales rise in the premium segment. The paper market is challenging, and prices began to fall in the second half of the year. The focus on developing fresh fibre-based products that allow customers to save on materials and costs remains in place. The considerable supply of logs in Europe is expected to continue to upset the market balance for wood products into 2020, although some indicators are pointing in the right direction. Market conditions permitting, the investment in increased capacity at Braviken Sawmill will see volumes gradually rise in 2020. Work on erecting the Blåbergsliden wind farm will continue over the next couple of years. When it is operational in late 2021, the facility is expected to generate 440 GWh per year. Work is also continuing on developing more wind power on the Group's land.

In 2019 Holmen's positive climate footprint hit a net figure of 2.7 million tonnes of carbon dioxide. With increased forest growth and production of climate-smart products, the positive effects on the climate could be even greater in the future.

Key figures	2019	2018
Net sales, SEKm	16 959	16 055
Operating profit, SEKm	11 115	2 382
Operating profit excl. items affecting comparability, SEKm	2 345	2 476
Profit for the year, SEKm	8 731	2 268
Diluted earnings per share, SEK	52.6	13.5
Dividend per share, SEK	7*	6.75
Return on capital employed, %	8.9	9.7
Cash flow before investments and changes in working capital, SEKm	2 727	2 500
Cash flow from investments, SEKm**	1 050	1 005
Net financial debt, SEKm	3 784	2 807
Net debt as % of equity	9	12
Average no. of employees (FTE)	2 915	2 955

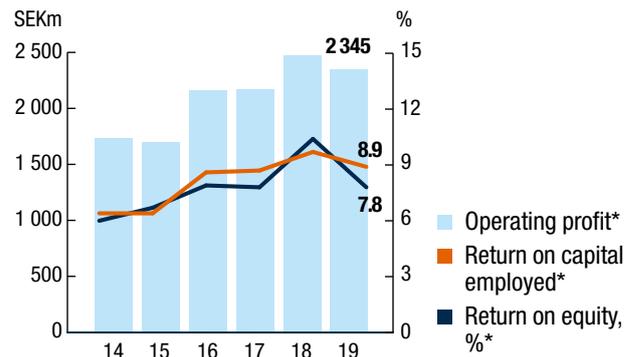
*Board proposal **Net after disposals and before changes in non-current financial receivables

Net sales and operating margin



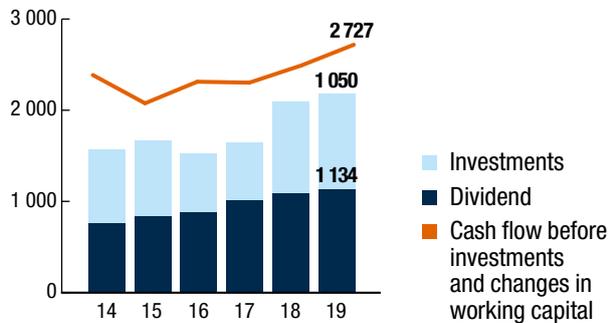
*Excl. items affecting comparability

Operating profit/loss and return

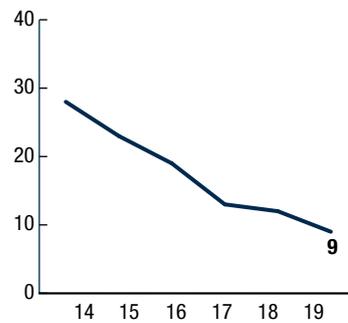


*Excl. items affecting comparability

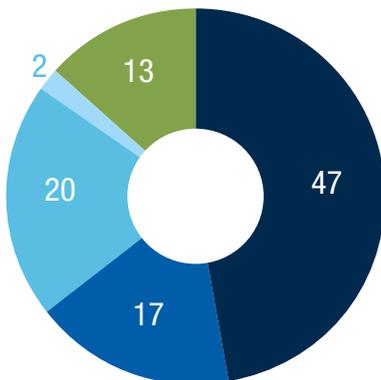
Cash flow, SEKm



Net debt as % of equity



Operating profit* Business area, %

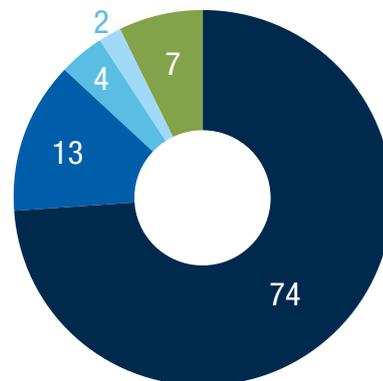


Total: 2 345 SEKm

Forest	1 172 SEKm
Paperboard	435 SEKm
Paper	509 SEKm
Wood Products	62 SEKm
Renewable Energy	336 SEKm

*Excl. items affecting comparability and Group-wide

Capital employed* Business area, %



Total: 43 895 SEKm

Forest	32 718 SEKm
Paperboard	5 589 SEKm
Paper	1 903 SEKm
Wood Products	1 000 SEKm
Renewable Energy	3 058 SEKm

*Excl. Group-wide



“It is becoming increasingly clear that the forest and its products have an essential role to play in driving the transition to a sustainable society.”

Dear shareholder

The results for 2019 were good from a historical perspective, at SEK 2 345 million, particularly considering the weaker economic situation. We are pleased to see a strong performance from Paper, but the big news of the year was the market's changing view on the value of the forest.

Forest is a unique asset. Growth is constantly improving and over time we will be able to increase harvests while still leaving more wood in the forests. It is also becoming increasingly clear that the forest and its products have an essential role to play in driving the transition to a sustainable society. In recent years, the establishment of wind power has developed into a significant source of revenue. More and more people are beginning to appreciate the value of the forest, as demonstrated by the major forest purchases of recent times. This has led us to revise the recognised value of our forest assets upwards to SEK 41 billion. Our strong financial position also allowed us to buy back shares over the year, increasing the degree of forest ownership per share.

Actively managed forest good for climate

The market for logs and pulpwood was affected in 2019 by a European spruce bark beetle outbreak in southern Sweden. To limit the spread of the insects, more wood than normal was harvested temporarily, which drove up supply and affected prices. The price drops had a limited impact on profits from Forest, which remained good at SEK 1 172 million. Looking ahead, there is no doubt that the growing forest industry is consuming significantly more than can be sustainably harvested from Swedish forests, which is likely to cause a rise in wood prices over time.

The issue of biodiversity is high on the agenda. The simplistic solution often put forward is to limit management of the forest. This clearly contradicts the ambition to stop climate change in its tracks. We are convinced that the right approach is for more forest management, not less. A regenerated forest grows better and absorbs more carbon dioxide, while at the same time the products from the forest replace plastics and other materials that are harmful to the climate. We combine increased harvests with biodiversity preservation by taking meticulous care during harvesting, and implementing active measures in areas already set aside for conservation purposes.

A profitable industry

Following a couple of years of solid growth, demand for paperboard dropped due to a weakening of the global economy. Prices remained stable despite tough competition for new business. Major planned maintenance shut-downs and certain disruptions to production cut profits from Paperboard down to SEK 435 million. The situation improved in the second half of the year and we have invested to remove bottlenecks in production, making us well placed to gradually increase sales and drive up profits.

As a consequence of earlier reductions in capacity, paper prices were raised at the beginning of the year. However, the market balance deteriorated in the second half of the year, putting downward pressure on prices. We prioritised price stability over production volume which, together

with good production efficiency, generated a strong result for Paper, SEK 509 million. The market for paper is set to remain challenging, but we believe in our fresh fibre-based concept and will continue to develop new products that help our customers to cut down on materials and costs.

The challenges of fighting back against the spruce bark beetle in Central Europe in 2019 led to a steep increase in the supply of raw materials and wood products, which prompted tumbling prices. The price drop drove the profits of Wood Products down from a high level to SEK 62 million. Although the market situation for wood products remains weak at this time, we have excellent potential for profitable growth, thanks to cost-effective sawmills and good control over the raw material. Expansion of the sawmill in Braviken will be completed in the spring, enabling production to be raised by 150 000 m³ when the market conditions are right.

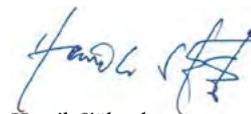
Wind power development on our own land

Renewable Energy posted profit of SEK 336 million, primarily from hydro power. As Europe progresses towards a fossil-free energy system and rapid technical advances cut the cost of wind power, we see good opportunities to develop wind power on our own land. As a first step, we are investing SEK 1.3 billion in building Blåbergsliden wind farm, which will form a valuable complement to our controllable hydro power. In parallel with this, we are also continuing our work to obtain permits for further wind farms.

Holmen brings climate benefits

In 2019, our business helped to cut the amount of carbon dioxide in the atmosphere by almost 3 million tonnes, as a result of growth in the forest and our wood products replacing fossil-based building materials. The climate benefits that we bring will play an increasingly important role in the transition to a fossil-free society, as illustrated by brand owners' growing interest in working with us to develop alternatives to plastic. Europe's transition also opens up new opportunities for us to take the renewable energy business to higher levels without affecting the forestry. As one of Sweden's largest forest owners, we have a great capacity to continue pushing forward and growing a sustainable future.

Stockholm, 19 February 2020



Henrik Sjölund
President and CEO

We grow a sustainable future

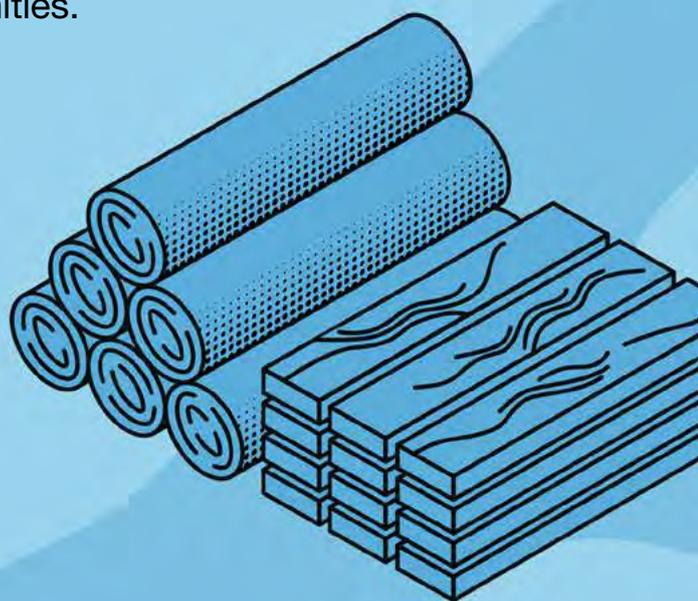
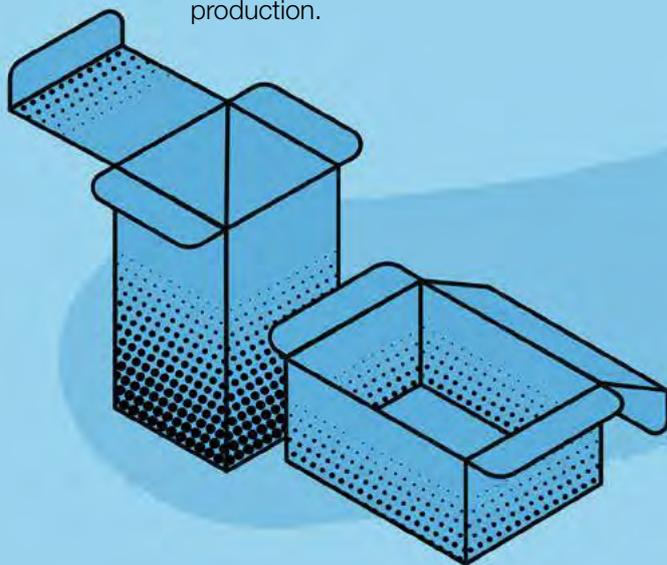
Our business concept is to own and add value to the forest. Holmen's extensive forest holdings are the foundation of our business. Using our own production facilities, the growing trees are refined into everything from wood for climate-smart building to renewable packaging, magazines and books, while at the same time we generate hydro and wind power on our own land. A business that not only creates value for shareholders and customers, but also contributes to a better climate and thriving rural communities.

Forest

Forest growth and future harvests will increase through active and sustainable forest management. A strong position in the wood market will contribute to the competitiveness of Holmen's industries.

Paperboard

The paperboard business will grow based the position as a market leader in the premium segment for consumer packaging, by combining quality, service and custom products with efficient production.



Paper

The paper business will be developed by offering cost- and resource-efficient alternatives to traditional products for books, magazines and advertising.





Wood Products

Sales of wood products for the joinery and construction industry will increase through refinement at large-scale production plants with good control over the raw material.

Renewable Energy

Production of renewable energy will increase by developing large-scale wind power on the company's own land as a complement to existing hydro power.



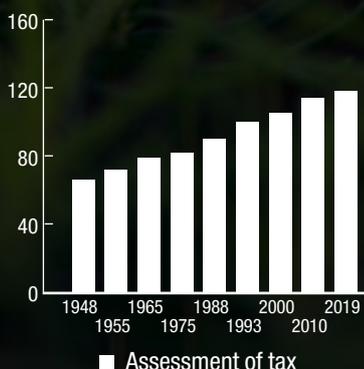
We aim to create value that stands the test of time

while contributing to a better climate

Forest

The forest is sustainably managed to provide a good annual return and stable value growth. The volume of standing timber and harvests in Holmen's forests will increase over time.

Volume of standing timber, m³ growing stock per hectare productive forest land

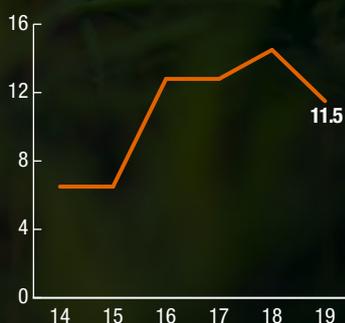


In 2019, the total volume of standing timber was measured at 123 million m³ growing stock, solid over bark, which is 5 per cent higher than in the last measurement conducted in 2010.

Industry

The industry is run with a focus on long-term profitability. The target is for a sustained return of over 10 per cent on capital employed.

Industry's return on capital employed, %

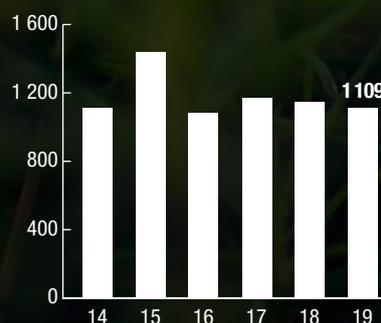


The return for industrial operations within Paperboard, Paper and Wood Products exceeded the target level, reaching 11.5 per cent in 2019.

Renewable energy

Renewable energy will grow by complementing the existing production of hydro power with large-scale wind power on our own land.

Production of hydro and wind power, GWh

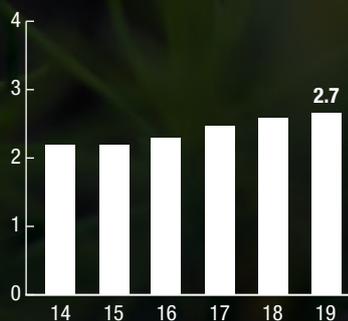


Production of renewable energy totalled a little over 1.1 TWh in 2019. Investments in wind power on our own land will drive up energy production in the future.

Climate benefit

Climate benefit will be enhanced as a growing volume of standing timber binds increasing amounts of carbon dioxide, while our products replace fossil-based alternatives and we reduce the fossil emissions in our value chain. Furthermore, expanding wind power will contribute to the transition to a fossil-free energy system in Europe.

Climate benefit, million tonnes CO₂



In 2019, Holmen's operations cut the amount of carbon dioxide in the atmosphere by 2.7 million tonnes.

Capital structure

Our financial position is to be strong in order to secure room for manoeuvre when making long-term commercial decisions. Net financial debt will not exceed 25 per cent of equity.

Net debt as % of equity

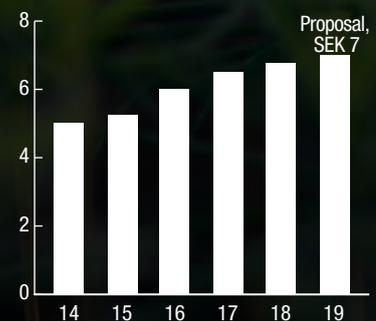


Net financial debt in relation to equity amounted to 9 per cent in 2019. Good cash flow in recent years has enabled a higher dividend and the buy-back of shares, while at the same time strengthening the financial position.

Dividend

Holmen will generate a good annual dividend for shareholders. The level is determined by the Group's profitability, investment plans and financial situation. The dividend is supplemented with share buy-backs where this is judged to create long-term value for shareholders.

Dividend per share, SEK



The historical dividends have been adjusted because of the share split (2:1) in 2018.

The Board proposes to the AGM 2020 a dividend of SEK 7 per share. Over the past five years the dividend has increased by 6 per cent annually.

Climate and environment drive the market

As one of the greatest challenges of our age, climate change is going to increasingly impact on the global economy. The planet's expanding population, urbanisation, digitalisation and a growing middle class are other factors driving economic development and affecting Holmen.

Demand for raw materials and products that are renewable, recyclable and fossil free is on the rise, accelerated by political decisions and growing awareness among consumers.

Sustainable value creation for customers and society

Holmen takes care of the assets of both the forest and the land, refining them into much sought-after products. We are a partner for sustainable business, helping our customers to switch to renewable solutions. Sweden's tough requirements concerning the environment, ethics and transparency create confidence and trust in our relationships with customers and partners. As a Swedish forest company, we have a great opportunity to influence our customers and society positively, not least from a climate perspective.

With a renewable raw material that captures carbon dioxide, we are helping to

combat global warming. Our production of wood products, paperboard and paper meets a growing demand for renewable and recyclable products, and with our generation of green electricity from water and wind, we are playing an important role in the transition to a fossil-free energy supply.

To increase the value and benefit of the forest, intensive work is under way to develop existing products while identifying future opportunities for renewable wood fibre. Holmen's work on research and development is mainly focused on three areas – increased forest growth, more efficient production and developing new and existing products based on forest raw material.

Growing demand for renewable and fossil-free products

Although active management of our forests is increasing growth, the supply of forest raw material is limited. At the same time, global demand for both logs and pulpwood is expected to rise.

Demand for paperboard and paper is being driven largely by economic and population growth, as well as behavioural changes prompted by increased digitalisation. A desire to reduce any climate impact and avoid packaging made from fossil-based plastic, which can also

contribute to ocean pollution, is a strong motivator for increased use of paperboard in the packaging market. Technical advances are leading to a drop in demand for certain grades of paper, which may end up being dropped completely in the future, while demand for others is rising. Population growth, urbanisation and requirements for sustainable building are pushing up demand for wood products, although short-term demand is strongly influenced by the general economic situation.

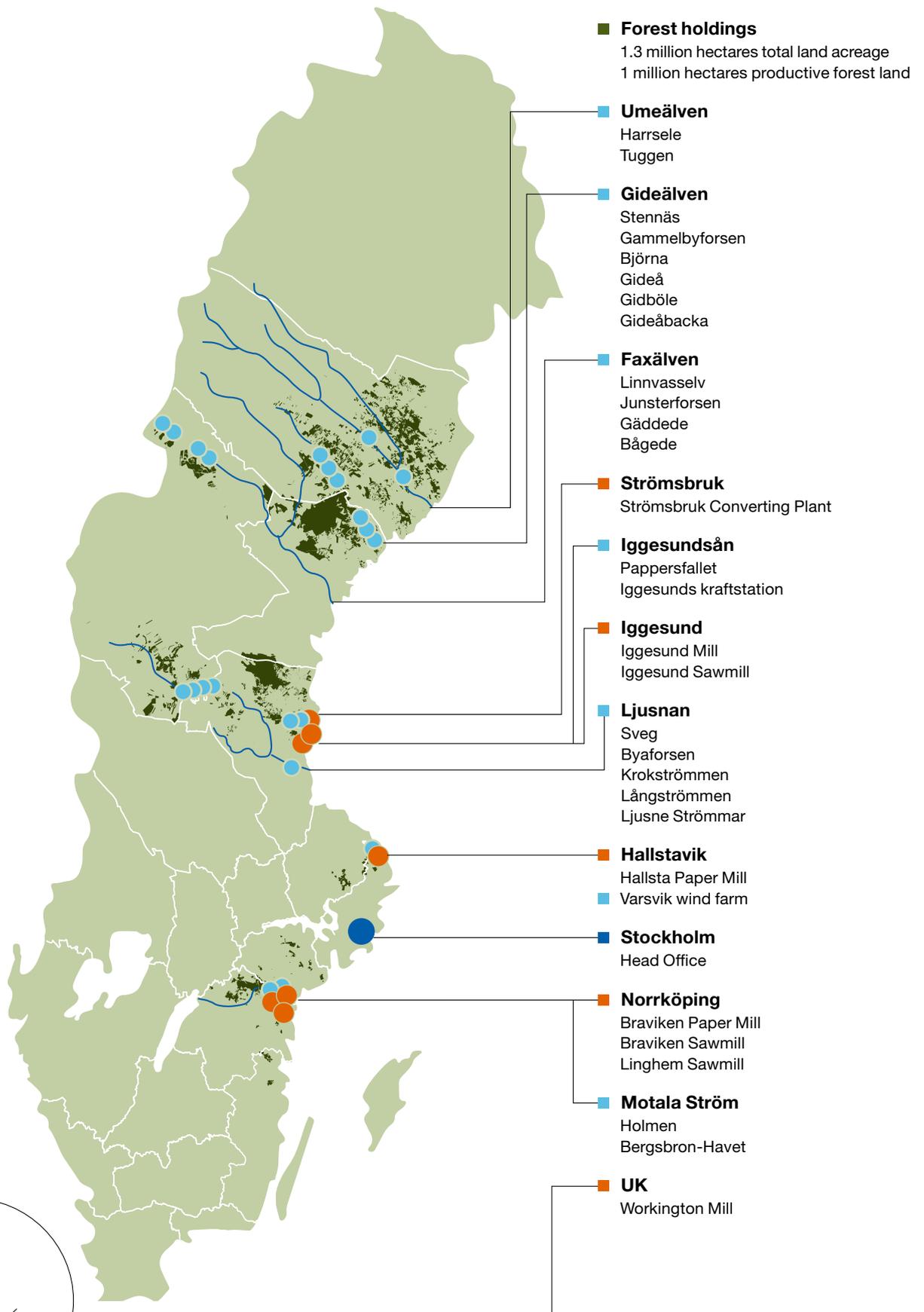
Electricity consumption is expected to climb as transport and industrial processes are electrified, while, at the same time, fossil energy is set to be phased out in favour of renewables. We therefore see an even greater role for our renewable electricity production in our future business.

Drivers that affect Holmen's business

- Climate change
- Cutting resource use and environmental impact
- Population growth
- Growing middle class
- Urbanisation
- Digitalisation

Business area	Products	Customer segment	Selected competitors	Primary markets
Forest	Logs, pulpwood and biofuel	Sawmills, pulp mills, paperboard and paper mills	SCA, Sveaskog plus a number of large forest owners' associations	Sweden
Paperboard	Premium paperboard for consumer packaging	Brand owners, converters and wholesalers	Metsä Board, Stora Enso	Europe, Asia and North America
Paper	Paper for books, magazines and printed advertising	Publishers, printing firms and retailers	SCA, Stora Enso, UPM	Europe
Wood Products	Construction timber, joinery timber, wood for pallets and packaging	Construction industry, joinery industry, builders' merchants, and packaging industry	Moelven, SCA, Setra, Södra, Vida and numerous foreign actors	Scandinavia, UK, Netherlands, Middle East and North Africa
Renewable Energy	Renewable energy from hydro and wind power	Nordic electricity market	Fortum, Statkraft, Vattenfall, Uniper	Sweden

Holmen's forests, power plants & industries



The value of owning forest

The forest is a fantastic asset. It provides the raw material to produce renewable and fossil-free products that are able to replace materials such as concrete and steel in the construction industry and plastic in a range of packaging types. In the drive towards a climate-neutral society, the forest's products have an obvious role to play, which will only increase demand for such assets in the future.

As forestry expertise develops, the amount of forest in Sweden is constantly increasing, but the potential is limited to the areas that are accessible for forestry. The fact that Holmen owns 1.3 million hectares of land provides fantastic opportunities to create value over time.

Revenue from the forest

Owning forest naturally provides a chance to earn revenue when the forest is harvested. The best prices are achieved for the large logs that are turned into timber for buildings and furniture, for example. However, not all the forest can be used for timber. Smaller trees, which are mainly removed from the forest during thinning, and the narrower parts of bigger trees are instead sold as pulpwood. The pulp is used to produce paperboard and paper for packaging, books and graphical printing. Pulpwood is not quite as good a revenue source as logs, but the recent expansion in pulp capacity in Sweden has driven up the price of pulpwood in recent years, closing the price gap. In addition to logs and pulpwood, treetops and branches also have their uses and are sold as biofuel for the production of district heating and so on.

Forest raw material. The growth in the forest is the result of our active and sustainable forest management. The work begins with the seed – we raise our own seedlings and for every tree we harvest, we plant at least two new ones. Optimum management of the forest enables us to encourage even more growth. Because the annual growth is greater than the harvest, the amount of wood in our forests is also increasing year on year, which means that

we will gradually be able to harvest more in the future. In 2019, Holmen's total volume of standing timber was measured at 123 million m³ growing stock, solid over bark, which is 5 per cent higher than in the last measurement conducted in 2010.

Wind power. Owning forest land also provides opportunities for other revenue streams, not least by developing wind power. With our extensive forest holdings, we have a unique opportunity to identify and develop areas that are favourable for wind power, without having a negative impact on our forestry activities.

At the end of 2019, Holmen decided to erect a wind farm of its own, Blåbergsliden, outside Skellefteå. Representing an investment of SEK 1.3 billion, the site will have 26 wind turbines. During the year, we also sold a wind power project with an approved permit, which gave us a non-recurring income of SEK 80 million and will bring in annual revenue from the land lease. There are currently 152 wind turbines in use or under construction on our land. With several wind projects in various stages of development, we have an opportunity to continue expanding wind power within Holmen.

Housing and quarrying. Where parts of our land holdings are located near centres of population, particularly in southern and central Sweden, and in tourist areas close to the mountains, the potential exists to develop the land for housing and holiday accommodation. Our first such site is under development outside Uppsala.

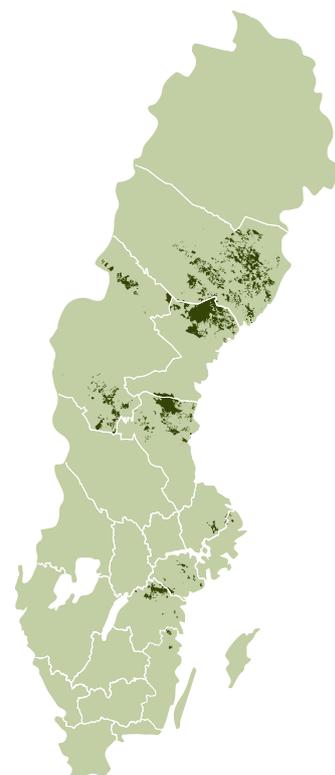
Quarrying stone and gravel is another option for a landowner such as Holmen. This is of particular interest in the vicinity of major infrastructure projects such as road and rail expansion or wind farms.

Major forest deals confirm the value of the forest

Every year there are a large number of forest property transactions in areas where Holmen owns forest land. Most of the transactions relate to relatively small properties, and large transactions have been rare. Recently, however, several sizeable forest property transactions have taken place in both Sweden and the Baltic states, including pension fund AMF acquiring

295 000 hectares of productive forest land from BillerudKorsnäs. The prices paid in these transactions have been on a par with the prices for smaller forest properties.

Holmen decided, as of 31 December 2019, to change the method of reporting forest assets, so that they are recognised at fair value, based on the prices paid for forest properties in the areas where we have our forest. As of 31 December 2019, the book value stands at SEK 41 345 million, which averages out at SEK 39 640 per hectare of productive forest land. The value varies between different parts of the country, with forest properties in southern Sweden being valued much higher per hectare as a result of a greater volume of standing timber, higher wood producing capacity, a shorter harvesting cycle and greater demand for forest land.

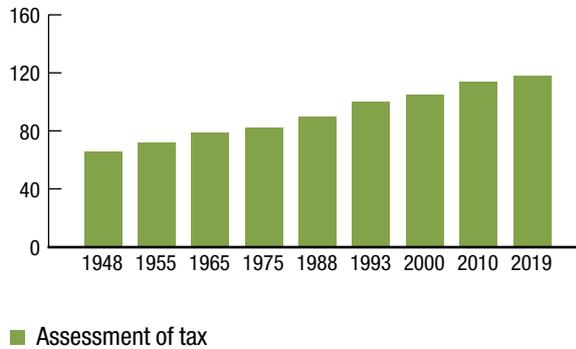


Holmen's forest holdings are spread across large parts of the country. The total value of our forest amounts to just over SEK 41 billion.

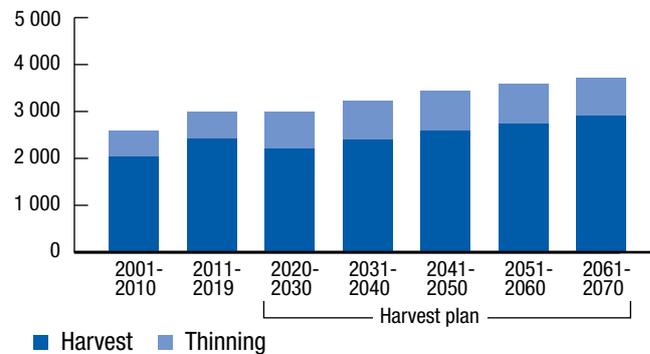
Larger volume of standing timber and harvests

The amount of wood in our forests is growing every year. Over time, this paves the way for bigger harvests.

Volume of standing timber
m³ growing stock per hectare productive forest land



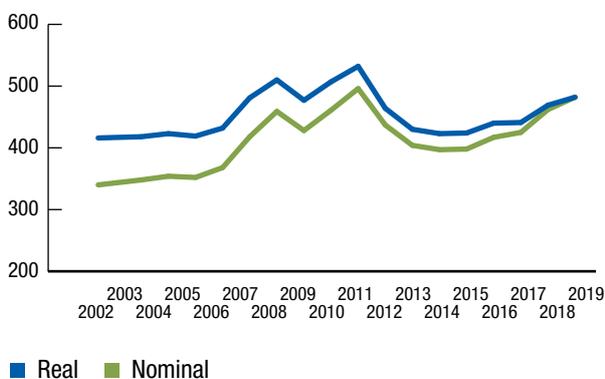
Annual harvest
'000 m³sub/year



Rising wood prices

Wood prices have historically risen in line with inflation, which has steadily increased the cash flow from the forest.

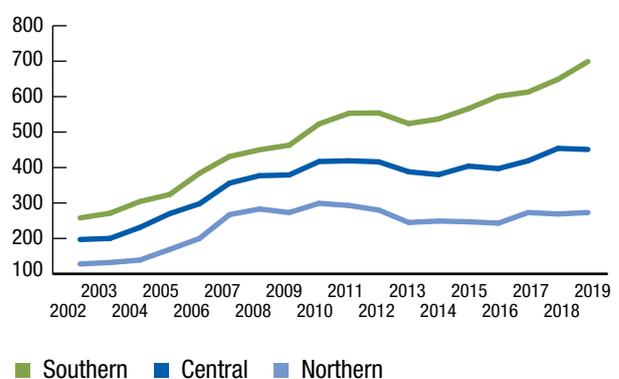
Prices
SEK/m³sub



Forest property prices climbing

The price of forest properties has gradually risen as a result of higher selling prices for wood and increased interest in investing in forest, particularly in southern and central Sweden.

Price of forest properties
SEK/m³



Source: LRF Konsult's price statistics for different regions of Sweden. Allocation per region does not fully correspond to Holmen's own allocation.

New revenue opportunities

Options for revenue streams other than wood harvesting have been developed. Selling permits and leasing land for wind farms generates income that was not previously available. Quarrying stone and gravel for infrastructure projects and so on is also becoming increasingly interesting, as is the development of land for housing.



Active and sustainable forestry

We take a long-term view in developing our forest, making sure that it produces optimum growth and provides the best possible raw material. As well as being a stable source of revenue for Holmen, the forest brings major climate benefits by capturing and storing carbon dioxide and providing us with renewable and fossil-free raw material.

Strength in our own forest

Holmen's forests cover 1.3 million hectares, of which a little over a million hectares comprise productive forest land. The strategy is to increase the revenue from and future value of the forest holdings through active and sustainable forestry with a clear focus on costs. As one of Sweden's biggest landowners, we are largely able to supply Holmen's Swedish production units with renewable raw material from our own sources. Economies of scale and efficient logistics give us a strong position in the wood market, which contributes to the Group's competitiveness.

Climate benefit on numerous fronts

Active forestry enables us to create climate benefits on numerous fronts. A managed forest combats the greenhouse effect, since younger trees absorb significantly more carbon dioxide than older forest, where growth has tailed off. In addition, the larger the area managed, the more carbon dioxide is captured. Furthermore, the benefit to the climate becomes many times greater when the forest's renewable products replace fossil materials. Forest that is not managed does not deliver anywhere near the same long-term benefits for the climate, not least because there is no substitution of products that are harmful for the climate.

Raising awareness of the Swedish forest

Forestry is of significant regional importance. It creates employment in rural areas and enables many people to live and work

outside the major urban regions. The significance of forestry for both the climate and the Swedish economy makes it an issue that matters to many people. Holmen and other industry players have joined forces to make politicians, authorities and the general public aware of how vital the forest is for the climate and the importance of forestry for an emerging bioeconomy.

Holmen's knowledge forests. In a drive to strengthen links with all the forest stakeholders, during the year we launched our first knowledge forest in Kunnådalen, outside Örnsköldsvik. Kunnådalen is one of several areas of forest that we have selected to gather and spread knowledge. The purpose of the knowledge forests is to bring together politicians, researchers, environmental organisations, Sami, private individuals, journalists and industry colleagues in order to broaden people's understanding of sustainable forestry.

The knowledge forest in Kunnådalen is an excellent example of how we combine productive forest management with biodiversity. As evidence of this, we have four of Sweden's big five predators in the area: wolverine, lynx, bear and golden eagle. Read more about biodiversity on page 32.

Forestry constantly developing

Our sustainable forest management techniques mean that our forests contain more wood each year, providing scope to increase the harvests over the long term. Under Holmen's active forest management, the volume of standing timber is built up over a period of 70–90 years, with a new growth cycle beginning after harvest. The most important silviculture measures come in the years immediately after harvest, when the soil is prepared and the land is reforested through planting or sowing with fortified material. The forest is cleaned and thinned in order to select trees with the best potential for continuing their growth. Around 10–30 years before the forest is harvested, it can be fertilised to further boost growth. At least two new trees are planted for every tree harvested. Holmen's

forestry is certified according to PEFC™ and FSC® and all the wood is traceable.

Holmen invests around SEK 150 million a year in future growth through silviculture and fertilisation. Together, our two nurseries produce 40 million seedlings each year, with the majority planted on the Group's land. With active improvement measures, the new trees also grow better than the old ones. During the year, Holmen invested in a bio-based heating system at Gideå nursery and replaced the oil-fired boilers with district heating to heat the greenhouses at the nursery in Friggessund. These investments are an important element of our drive to make the production at our nurseries fossil free.

Seedlings of the future. Together with innovation and technology development company SweTree Technologies, Holmen is taking part in an initiative to automate the production of improved seedlings, based on the method of somatic embryogenesis. This revolutionary technology makes it possible to quickly and efficiently produce seedlings with significantly higher growth, better wood quality and greater disease resistance.

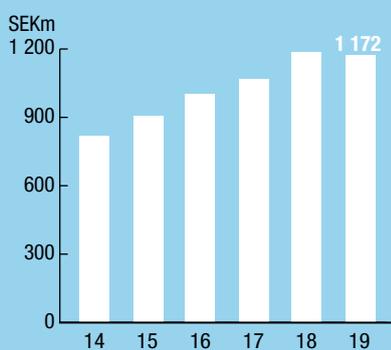
Control over the raw material. In 2019, we established a climate-smart and cost-effective transport solution that uses rail to carry logs from our own forests in northern Sweden to our manufacturing sites. With this level of control over the raw material, the strength of being a forest-owning manufacturing company becomes increasingly clear.

European spruce bark beetle affecting the market

An active construction industry and a growing interest in building in wood have driven up demand for logs in recent years. Calls for different types of renewable packaging material and large-scale investments in pulp mills have also increased the competition for pulpwood, causing rising prices over several years. A spruce bark beetle outbreak in southern Sweden has, however, flooded the market with wood, which lowered the prices of logs in particular during the second half of 2019.



Operating profit/loss



■ Operating profit/loss excl. items affecting comparability

Key figures

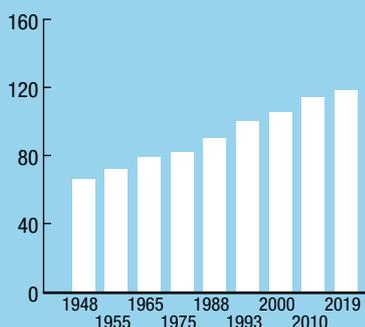
	2019	2018
Net sales, SEKm	6 286	5 944
Operating profit/loss excl. items affecting comparability, SEKm	1 172	1 185
Investments, SEKm*	77	357
Book value, forest assets, SEKm	41 345	18 701
Average no. of employees (FTE)	376	365
Volume from own forest, '000 m ³ sub	2 714	2 831

*In 2018, acquisitions of forest properties amounted to SEK 317 million.

Comment on results

Demand for pulpwood and logs remained good in 2019 and the profit from Forest was largely on a par with last year, amounting to SEK 1 172 million. The volume harvested from Holmen's own forest was at a normal level, while the volume from thinning was lower than normal. At year-end Holmen switched to recognising our forests based on transaction prices for comparable areas of land, which more than doubled the book value of our forest holdings to SEK 41 billion.

Volume of standing timber, m³ growing stock per hectare productive forest land



■ Assessment of tax

Holmen's forests

Total land acreage	1 302 000 ha
Total forest land acreage*	1 153 000 ha
– of which nature conservation areas	193 000 ha
Productive forest land**	1 043 000 ha

Total volume of standing timber

on productive forest land 123 million m³ growing stock, solid over bark

*Analysis performed by the Swedish National Forest Inventory, according to the international definition of forest land: Land area > 0.5 hectares with a tree canopy cover of more than 10 per cent for trees capable of reaching a height of at least 5 metres at maturity.

**Forest land that can produce 1 m³ growing stock, solid over bark per hectare and year (on average during the growth period of the forest stand).

Leading position in the premium segment

Holmen is a market leader in the manufacture of paperboard for consumer packaging in the premium segment. The strategy is to grow globally with two of the market's strongest brands through high quality, service and custom products.

World-class paperboard for next generation packaging

Holmen makes paperboard of the very highest quality for consumer packaging that requires high standards of durability and advanced design. The paperboard is marketed under two brands – Invercote and Incada – which are produced at our paperboard mills in Iggesund, Sweden and Workington, UK respectively. Invercote and Incada are leading global brands and we have customers in areas including cosmetics, confectionery, electronics, tobacco, pharmaceuticals and food.

Customer-centric collaboration.

With its high and consistent quality, the paperboard ensures stable results in the customer's production process. Products are constantly being developed to meet the ever-growing demand for innovative packaging solutions.

The customers' need for support and fast deliveries is a priority area that covers everything from advice and product samples to service centres with local sheeting units and warehousing. Via support teams that maintain close contact with the market and have a deep understanding of the customer's needs and wishes, we offer expert advice before, during and after the customer's production process.

The service offering includes environmental documentation plus access to analysis facilities at the company's own accredited laboratory for sensory and chemical analysis, known as the taint and odour lab, at Iggesund Mill. Coupled with the finishing options at the lamination unit in Strömsbruk, this means that Holmen can offer custom solutions that meet the toughest requirements.

Fresh fibre delivers unique properties

Both Invercote and Incada are manufactured using fresh fibre, which brings multiple product benefits. Higher strength, better brightness and a neutral effect on smell and taste in contact with food are just a few of the properties that add clear value to the end product. The addition of fresh fibre is necessary to keep the recovered fibre ecocycle going, since wood fibre can only be recycled a limited number of times before it wears out and ends up as biofuel.

Sustainable production. Both of Holmen's paperboard mills hold chain-of-custody certification and all the wood raw material comes from sustainably managed forests. The plants are largely self-sufficient in renewable thermal energy.

Iggesund Mill forms a bio co-location with Iggesund Sawmill, ensuring that every part of the tree is put to use on site. Wood chips from the sawmill are used as raw material for the paperboard production, while bark and wood shavings are used as biofuel to produce energy and district heating. The circle is closed when the surplus heat from the mill is used for drying processes at the sawmill.

Paperboard products replacing plastic

Two strong trends in the packaging market are the drive to reduce impacts on the climate and the drive to avoid plastic packaging that contributes to pollution of the oceans. Replacing fossil plastic materials with paperboard cuts our customers' carbon footprint while also reducing the amount of plastic that can end up polluting the natural environment.

One company that has replaced its plastic packaging with paperboard from Holmen is Hugo Boss. In a move to emphasise its commitment to sustainability issues while at the same time giving its products a more luxurious feel that better reflects the company's brand, Hugo Boss has chosen to replace plastic packaging with Invercote paperboard in certain product segments.

New product for food packaging.

2019 has seen the launch of Inverform, a new paperboard product specifically developed to replace plastic food packaging. Inverform has high stiffness, which allows it to be a light yet stable product. A barrier ensures that the paperboard is resistant to both liquid and fat, which is a challenge when it comes to packaging for foodstuffs.

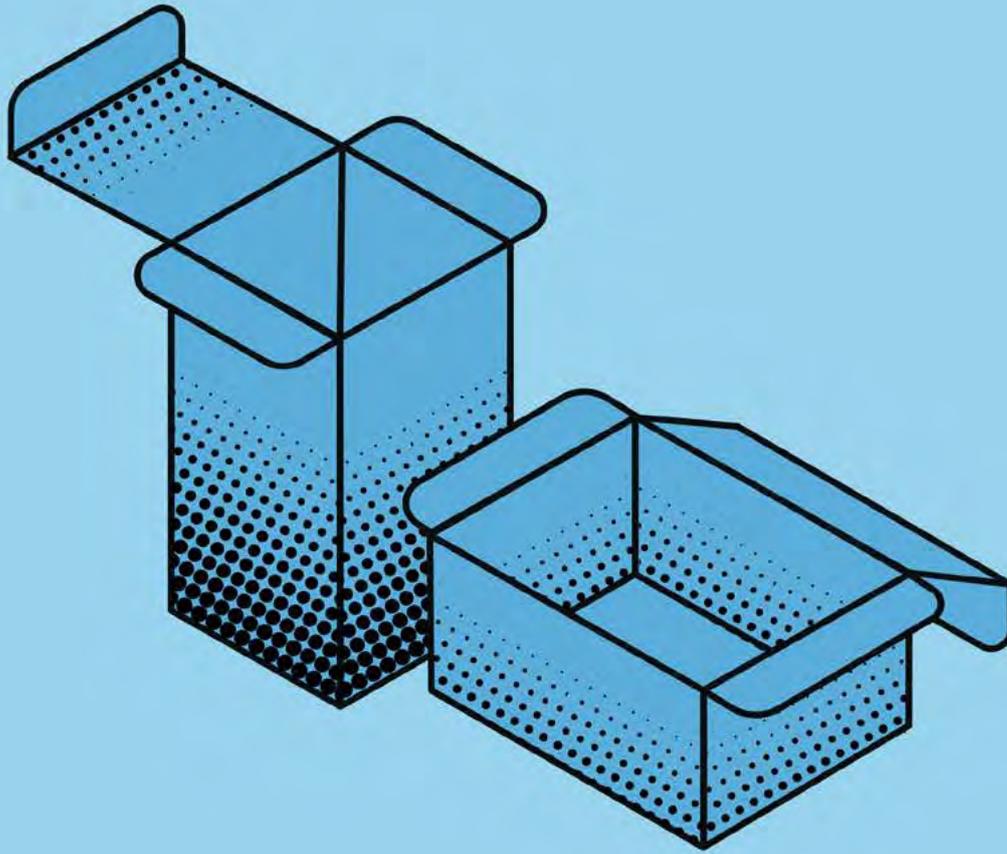
Global growth in the packaging market

Demand for packaging is rising in line with factors such as population growth, urbanisation and an expanding middle class with more single-person households. Demand in the various product segments varies depending on the market, but there is a general increase in demand for renewable packaging materials, particularly in the area of food and drink. Growth in food packaging can be seen primarily in Asia, the Middle East and Africa, while demand for pharmaceutical packaging is rising in all markets. Packaging for cosmetics is seeing particular growth in markets with an emerging middle class and rising living standards, such as Asia, Eastern Europe and South and Central America.

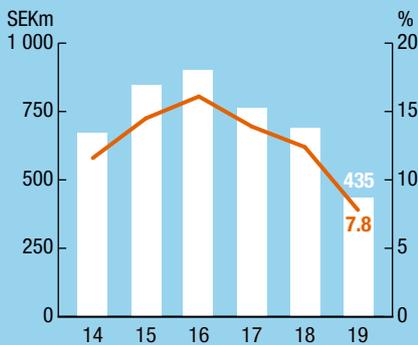
Europe. We are boosting the focus on customer work and niche segments, as well as working proactively to continue growing over the long term, together with our customers.

Asia. Demand for status goods is rising, with the emergence of local brands for which Holmen's high-quality paperboard is the perfect fit. Holmen's presence in the Asian market has grown in recent years, with service levels boosted not least by the establishment of a service centre with warehousing and sheeting in Taiwan.

North America. Holmen is growing in the premium segment, with a greater presence and a better service level. Thanks to warehousing and sheeting in three strategic locations, local distribution and short delivery times are now offered from coast to coast.



Operating profit/loss and return



- Operating profit/loss excl. items affecting comparability
- Return on capital employed, excl. items affecting comparability

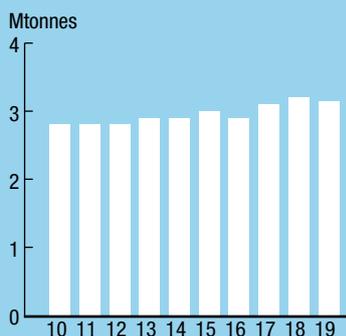
Key figures

	2019	2018
Net sales, SEKm	6 229	5 785
Operating profit/loss excl. items affecting comparability, SEKm	435	689
Investments, SEKm	421	471
Capital employed, SEKm	5 589	5 316
Average no. of employees (FTE)	1 286	1 346
Deliveries, '000 tonnes	538	525

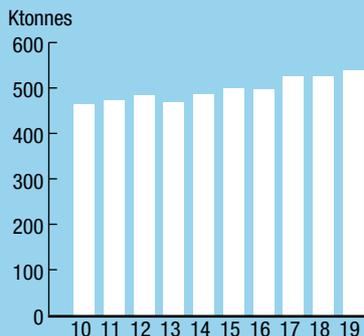
Comment on results

Demand for paperboard remained at largely the same level as in 2018, but additional volumes in the market have increased competition in certain segments. Profits from Paperboard fell a little over SEK 250 million to SEK 435 million as a consequence of two major maintenance shutdowns, certain disruptions to production and higher wood costs.

European demand for SBB & FBB



Holmen's deliveries of paperboard



Iggesund Mill

Products: Multi-layered paperboard made from bleached chemical pulp (SBB).

Brand: Invercote.

Raw material: Softwood and hardwood pulpwood.

Workington Mill

Products: Multi-layered paperboard, surface layer of chemical pulp, core of mechanical pulp (FBB).

Brand: Incada.

Raw material: Spruce pulpwood and purchased sulphate pulp.

Innovative paper products using fresh fibre

Holmen develops innovative and sustainable paper products using fresh fibre. Our papers are lightweight and resource-efficient compared with traditional alternatives for books, magazines and advertising. The focus lies on securing and constantly developing paper products that can be sustained over time.

Fresh fibre creates sought-after products

Holmen is an industry leader in the development of new products based entirely on fresh fibre, using its unique properties to challenge more traditional paper products. In contrast to recycled fibre products, fresh fibre produces paper with a naturally high brightness that delivers an improved experience of text and images. Our products have high bulk, making them thick yet light, which means that the customer gets more paper with the same feel at no extra cost. A lighter paper also leads to lower distribution costs.

The customers around the world are largely publishers, printing firms and retailers looking for resource- and cost-efficient paper solutions with a focus on bulk, brightness and overall feel. Wood-containing paper has a much better cost profile than the woodfree alternatives right from the start, and Holmen's lightweight papers make it possible to reduce the grammage without losing that all-important feeling that the paper conveys. We take a long-term approach in working to meet customer demand and create profitable segments for our product brands in three product areas: books, magazines and advertising.

Book paper. Holmen's carbon-neutral book paper with high bulk helps customers to achieve cost-efficiencies in both production and distribution. Publishers appreciate Holmen's wood-containing paper because it maintains the highest quality and offers product properties – in the form of a bright, smooth surface – that enhance the reading experience.

Magazine paper. Holmen has a wide range of magazine papers that challenge both

wood-containing and woodfree grades. The combination of high bulk and a whiteness and brightness that are unique for wood-containing paper make these products cost-effective choices with unparalleled image reproduction.

Printed advertising. Holmen's bright and bulky paper creates opportunities for retailers seeking an attractive overall cost concept – in the form of pure cost savings on both paper and distribution, or in the potential to increase the format or the number of pages or copies, without adding to the cost.

Recycled paper grows in the forest

Our paper is essential to the European paper recycling system, which is dependent on new fresh fibre in order to continue functioning. Pulp, paper and paperboard made from fresh fibre from Nordic forests play an important role in the European recycled fibre ecocycle. Forest resources are limited in the rest of Europe and paper manufacture is based on recycled paper to a considerably higher extent. However, paper cannot be recycled again and again forever. After a limited number of times, the fibres are exhausted. The ecocycle therefore needs a constant injection of fresh fibre from the forest. Environmental and chain-of-custody certification enables Holmen to ensure that our products always come from sustainably managed forests.

Sustainability at every stage

Our paper is produced at two Swedish mills, Braviken and Hallsta. Favourable locations in terms of logistics mean short distances for wood transport, and the mills are close to ports with good capacity and efficient handling.

Uniquely, Hallsta Paper Mill has practically zero emissions of fossil carbon dioxide. The mill's energy solutions include recovering heat from the wastewater and the paper machines, selling the bark to heating plants and composting residual products to create topsoil.

Braviken Paper Mill and Braviken Sawmill make an energy-efficient bio co-location. The paper mill receives raw

material in the form of wood chips from the sawmill, which in turn is supplied with energy and heat from the paper mill. Surplus bark and wood shavings are sold for the production of renewable energy.

High utilisation of capacity allows us to keep production efficient and flexible in order to meet varying demands. Efficient production units, continued specialisation and a strong marketing organisation make Holmen well placed to strengthen its position and offering.

Successful switch to selected segments

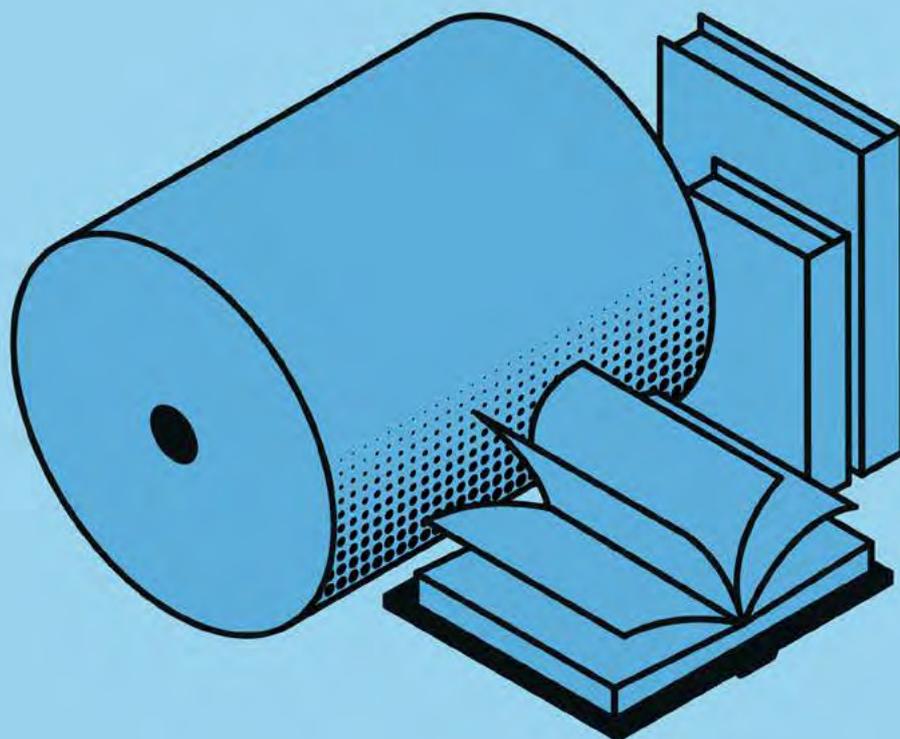
Our successful transition from newsprint to paper for books, magazines and printed advertising has reinforced Holmen's competitiveness and generated high demand for our products. Targeted investments have generated higher capacity in selected product areas. With a focus on employees, processes and unique product properties, we are advancing our position in a challenging market.

Stable book paper market. The market for book paper has remained on a positive trajectory in Europe and Holmen's book paper is the leading wood-containing product for paperbacks and hardback books. Our sales continue to grow globally, with the products now established in both Asia and Latin America.

A changing magazine market. Holmen is continuing to grow in a magazine market that is undergoing major change. With publishers reviewing their costs as circulations and advertising revenues shrink, our resource-efficient alternatives have proven a great success.

Printed advertising for retailers.

Direct mail is still considered an important communications channel for driving customers into physical stores. Since the business model for retailers is based on broad and high-frequency exposure to the end user, their needs have primarily been based on low overall cost. We have continuously developed products that meet these requirements.



Operating profit/loss and return



- Operating profit/loss excl. items affecting comparability
- Return on capital employed, excl. items affecting comparability

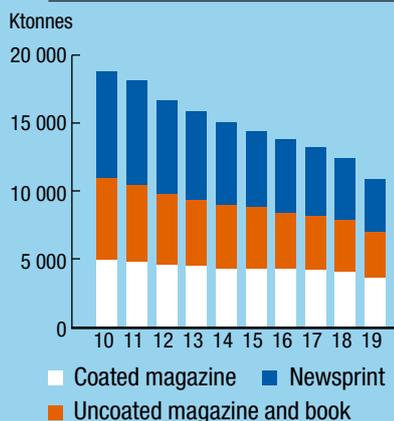
Key figures

	2019	2018
Net sales, SEKm	5 757	5 571
Operating profit/loss, SEKm	509	329
Investments, SEKm	187	173
Capital employed, SEKm	1 903	2 072
Average no. of employees (FTE)	855	860
Deliveries, '000 tonnes	996	1 036

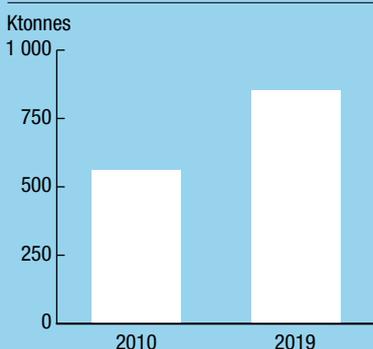
Comment on results

Rising prices at the end of 2018 led to good prices for printing paper in 2019, which helped Paper's profits climb SEK 180 million to SEK 509 million. Production was lower, since priority was given to price stability and running down stocks. Prices began to drop at the end of the year due to a deteriorating market balance.

European demand for paper



Holmen's production of magazine and book paper



Braviken Paper Mill

Products: Paper for books, magazines, advertising and newspapers.

Raw material: Spruce pulpwood.

Hallsta Paper Mill

Products: Paper for books, magazines and advertising.

Raw material: Spruce pulpwood.

Wood products for climate-smart building

Holmen supplies wood products to the joinery and construction industry and to builders' merchants and wood product importers. The business is being developed by increasing the value added and making better use of the wood raw material in combination with large-scale production.

Building the future in wood

Wood is a strong and versatile material and the only construction material that is renewable. Over the lifetime of the trees, they capture carbon dioxide, which then remains stored in the wood products that we manufacture. Building in wood is therefore significantly better for the climate than building in concrete and steel. Manufacturing concrete and steel requires substantial amounts of energy and generates sizeable emissions of fossil carbon dioxide, in contrast to products from the forest. In addition, the whole chain from manufacture to transport is much more energy-efficient and cost-effective, since wood weighs less than steel and concrete. We thus create benefit for the climate on multiple fronts.

Wood offers major advantages. Several independent studies (references page 90) have shown that the use of wood in the structure of buildings has major climate benefits compared with other construction materials. A study by Linköping University presented calculations showing that an apartment building in wood has 40 per cent lower carbon emissions than a concrete building. The study took into account raw material extraction, transport and production of construction materials. The researchers also state that if the effect of the carbon that is stored in wooden buildings is included in the calculation, the climate benefit of building in wood doubles.

Efficient, large-scale production

Holmen's modern sawmills with their advanced technologies are delivering a stronger product range. Applying customer-centric working methods, Holmen is building a platform for long-term and profitable

customer relations with the capacity to meet demand in different wood product markets. Proximity to the raw material combined with efficient wood purchasing is a key factor for profitability, while competitiveness is underpinned by the fact that production is co-located with the Group's paperboard and paper mills. Holmen's sawmills are strategically located to benefit from a transport network that reaches around the globe by rail, road and, not least, sea. A large proportion of the products are transported by ship.

The highly advanced technology, which includes one of the world's most efficient planing lines at Braviken Sawmill, paves the way for a gradual increase in value-added products and product development, with a strong focus on optimising the properties of the wood in the log to meet the customer's requirements. We develop sawing and drying in cooperation with our customers to minimise wastage and maximise customer benefit.

Sustainable raw material supply.

Holmen's sawmills have chain-of-custody certification, which means that all the wood can be traced back to its origin in sustainably managed forests. The wood raw material is sourced from Holmen's own forest holdings and from other forest owners, ensuring an efficient logistics chain from forest to sawmill. A rail-based transport solution that carries logs from Holmen's forest holdings in northern Sweden down to Braviken Sawmill strengthens our control over the raw material supply.

Complete bio co-locations. The Group's larger sawmills, Iggesund and Braviken, form co-locations with their neighbouring paperboard and paper mills. This means that every aspect of the wood raw material is made use of in a cycle in which chips from the sawmills act as raw material in pulp production and the final residual products are used as biofuel to produce energy and district heating. Steam from the mills is also used in the drying processes at the sawmills.

Increased capacity at Braviken.

Braviken Sawmill began operating in 2011 and has since undergone several stages of further development, including the addition

of a wood treatment plant that now delivers pressure-treated wood directly to builders' merchants. Ongoing investment in dryers and a new trimming saw for the sorting line will increase production capacity by 150 000 m³ to 600 000 m³ per year.

Following Iggesund Sawmill's upgrade of its optical wood sorting system, the old equipment was moved to Lingham Sawmill, where it has increased precision and efficiency.

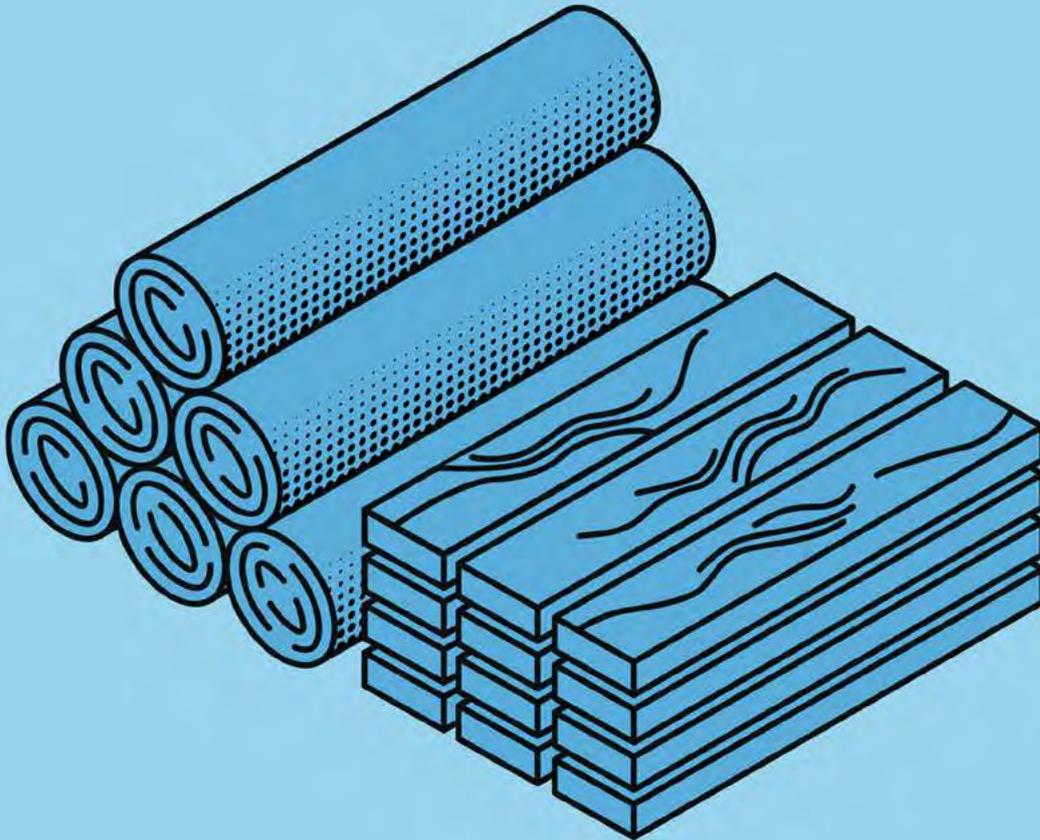
Spruce supply up due to spruce bark beetle outbreak

Holmen manufactures and supplies high-quality wood products to joinery and construction industry customers, mainly in Scandinavia, the UK, the Netherlands and the Middle East and North Africa (MENA). The market for wood products is global and huge streams of goods are shipped between continents. Demand largely follows the general economic cycle and has been developing well for several years. By the end of 2019, however, consumption had fallen back from its historic highs.

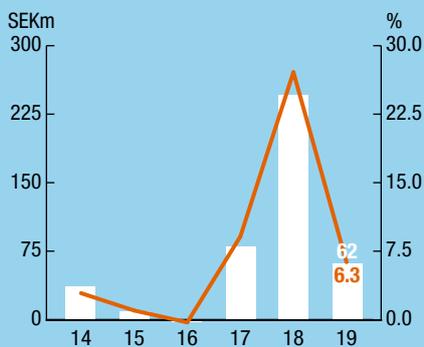
The major European spruce bark beetle outbreak has flooded the market with spruce saw logs from Central Europe in particular. This surplus of spruce has led to a steep rise in production volumes, putting pressure on prices. A spike in supply in the European market also affects the global market balance for wood products, as suppliers redirect production and deliveries.

Construction market driving development.

For a long time, the rise in the use of wood has largely been attributable to renovation work and extensions. Now demand is increasingly being driven by the construction of new homes, which in turn is affected by population growth, urbanisation and the aim to build sustainable cities. There is great potential for growth, mainly in high-rise buildings, and the proportion of housing built in wood is expected to rise as the capacity for industrial building in wood is expanded. New wood building techniques are also under development, which could lead to a further increase in demand.



Operating profit/loss and return



- Operating profit/loss excl. items affecting comparability
- Return on capital employed, excl. items affecting comparability

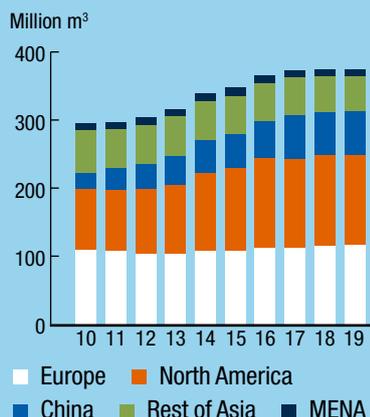
Key figures

	2019	2018
Net sales, SEKm	1 695	1 747
Operating profit/loss, SEKm	62	246
Investments, SEKm	162	76
Capital employed, SEKm	1 000	927
Average no. of employees (FTE)	266	261
Deliveries, '000 m ³	879	828

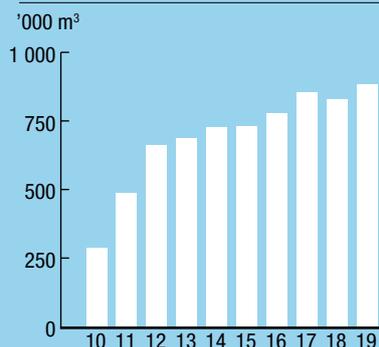
Comment on results

The market balance for wood products was weak during the year due to the high supply of raw material in Central Europe. Profit from Wood Products fell to SEK 62 million as a result of lower selling prices. The investment in additional capacity at Braviken Sawmill will be completed in 2020 and production will gradually be stepped up as market conditions allow.

Consumption of wood products



Holmen's deliveries of wood products



Braviken Sawmill

Products: Spruce and pine wood products for joinery and construction.

Raw material: Spruce and pine saw logs.

Iggesund Sawmill

Products: Pine joinery products.

Raw material: Pine saw logs.

Linghem Sawmill

Products: Spruce and pine wood products for joinery and construction.

Raw material: Spruce and pine saw logs.

Green energy from water and wind

Holmen's production of renewable hydro and wind power contributes to a sustainable energy supply and provides a good revenue stream over time. Building large-scale wind farms on our own land will generate good cash flow, while also helping with the transition to a fossil-free society.

Europe switching to renewables

The European energy market is undergoing a major transition due to the issue of climate change. Politicians have agreed that fossil energy will be phased out in the EU and replaced with renewable energy, with a milestone target that by 2030, 32 per cent of energy in Europe will come from renewable sources, compared with a figure of around 20 per cent today. In order to drive the transition and keep up the cost of fossil-based power, the allocation of emission allowances is expected to gradually be streamlined over the coming trading period of 2021–2030. Several countries have also legislated to phase out coal-fired power stations, including Italy, the Netherlands and Germany, while at the same time nuclear power is being reduced in many places. Combined with a growing population and the electrification of transport and industry, it is clear that demand for renewable energy is going to increase.

Transitioning the energy system to more weather-dependent energy sources such as solar and wind power will bring major challenges, since the power supply has to be maintained every minute of every day, all year round. To avoid European industry losing its competitive edge, the transmission capacity needs to be improved both between and within countries.

The Nordic electricity market

The market for electricity in the Nordic region works well, with harmonised pricing that usually follows the marginal cost of coal-based power, since the market is tied in with the rest of Europe.

Despite greater electricity use, the Nordic region is forecast to build up a surplus due to the expansion of wind power. The expectation is that it will be possible to export the surplus electricity to the rest of Europe via transmission capacity that is currently being expanded, which means that the price of electricity in the Nordics should continue to correlate well with prices on the continent.

Holmen investing in wind power on a large scale

At the end of 2019, Holmen decided to build the second of its own wind farms, Blåbergsliden, outside Skellefteå. The investment is worth SEK 1.3 billion and in a normal year the site is expected to produce 440 GWh. The authorities are currently reviewing an application for an additional wind farm in Västerbotten and permit applications for further wind power on Holmen's land in southern and central Sweden are being prepared. During the year, we also sold a wind power project with an approved permit.

Wind power growing rapidly. Wind power is the fastest growing energy type in the EU and the third largest source of electricity in Sweden. Land-based wind power is now a mature technology and electricity generation costs are among the lowest of all the options, including generation using fossil fuels. Expansion is being driven by rapid developments in the wind power industry and a new generation of more efficient wind turbines.

As a major landowner, Holmen has great potential to play its part in the expansion of wind power. In 2018, we conducted a survey and wind analysis of the Group's land holdings to identify favourable areas for future wind power installations. The analysis showed that about twenty sites are judged suitable for wind power. The development of large-scale wind power on our own land is judged to have good potential and provide a good complement to our controllable hydro power.

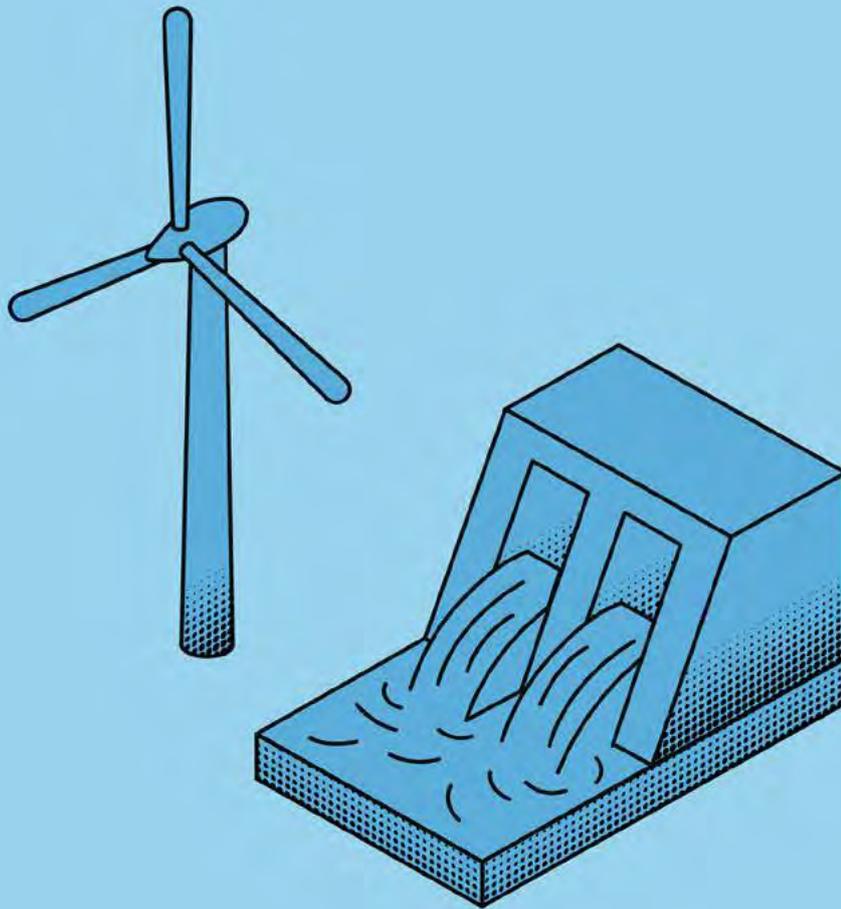
Hydro power provides a reliable electricity supply

Holmen's energy production is dominated by hydro power from our 21 wholly or partly owned power stations located on the Umeälven, Faxälven, Gideälven, Iggesundsån, Ljusnan and Motala Ström rivers. In contrast to other renewable energy sources, hydro power is uniquely controllable. Energy is difficult to store on any great scale, but the water that is used to generate electricity can be stored in reservoirs, lakes and rivers. Hydro power stations can therefore generate both baseload power and regulating power, which is the energy needed to meet fluctuations in demand. Production is tailored to demand or changes in other electricity production by reducing or increasing the flow of water through the turbines. The climate impact of the operation is also marginal, with minimal emissions.

Another benefit of hydro power is service life. A hydro power station can deliver energy for a very long time. The investment required is relatively small compared with other types of power, and the operating and maintenance costs are low since the plants are almost entirely automated. Overall, hydro power brings major benefits to society as part of the move towards a fossil-free electricity system.

Strength in own energy assets

In a normal year Holmen produces 1.2 TWh of renewable hydro and wind power. Holmen is a major electricity consumer and the wind power expansion will help to reduce our exposure to energy supply risks and electricity prices. Together with the renewable electrical energy that is produced at the Group's mills, our production of hydro and wind power equates to nearly 50 per cent of Holmen's overall energy consumption.



Operating profit/loss and return



- Operating profit/loss excl. items affecting comparability
- Return on capital employed, excl. items affecting comparability

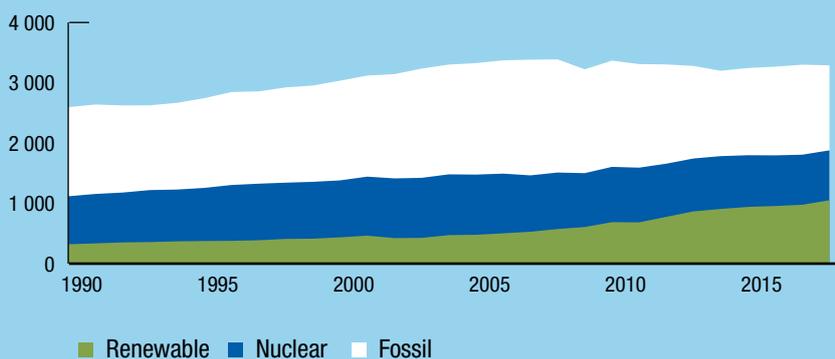
Key figures

	2019	2018
Net sales, SEKm	378	319
Operating profit/loss excl. items affecting comparability, SEKm	336	181
Investments, SEKm	203	22
Capital employed, SEKm	3 058	3 052
Average no. of employees (FTE)	13	12
Own production of hydro and wind power, GWh	1 109	1 145

Comment on results

Profits from Renewable Energy rose by SEK 155 million to SEK 336 million. The figure was affected by higher electricity prices for our hydro power, plus the results included SEK 80 million from the sale of a permit to build a wind farm on Holmen's land. Production of our own hydro and wind power amounted to 1.1 TWh, which is slightly lower than normal. The decision to build Blåbergsliden wind farm will lead to increased production of renewable electricity.

European electricity production, GWh



Electricity prices, EUR/MWh



- Nordics
- Germany
- Marginal cost of coal-based power

Cones are the seed capsules of coniferous trees. Spruce cones are mature in the autumn and the seeds are released in early spring.

How we are growing a sustainable future

Holmen has a genuinely sustainable business. With growing, healthy forests, renewable energy production, resource and energy-efficient production of climate-smart products and a value-driven company culture, we have major opportunities to do our part in creating a sustainable future in line with the UN's Sustainable Development Goals.

A holistic approach to sustainability

"We have a holistic approach to responsible business and our work draws on the UN Global Compact. We see it as natural to support its ten principles on human rights, social and environmental responsibility, and anti-corruption."

Henrik Sjölund
President and CEO of Holmen

Holmen has been part of the UN Global Compact and its corresponding Nordic network since 2007. We report to the organisation each year on our work in line with the ten principles and set out the progress made.

Information on how Holmen complies with and works in line with the principles of the Global Compact is available at holmen.com.



How our work is governed

"Holmen is a forest-owning company whose business is to create lasting value over time, mitigating global warming by capture and storage of carbon dioxide and the production of climate-smart products and renewable energy."

Louise Lindh
Holmen Board member

The Board of Directors sets out the strategy and targets for the Group. The business strategy is drawn up by Group management, which includes the heads of the business areas. The CEO is responsible for implementation and the heads of the respective business areas are responsible for implementation within their business area. Progress is constantly monitored via reporting on operational KPIs, backed up by qualitative analyses, as well as in quarterly meetings between Group management and the management teams of the business areas.

The Holmen Sustainability Management Group, which includes members of Group management, meets quarterly and is charged with validating and quality assuring work on sustainability with the support of sustainability experts from all the business areas.

How our business creates value

"One success factor for stable and long-term returns for our shareholders is showing our stakeholders how we as a company contribute towards a sustainable future."

Stina Sandell
Senior Vice President Sustainability and Communications, Holmen

As part of the materiality analysis conducted in 2018, we have identified the key issues where we consider that Holmen has the greatest opportunity to contribute to a sustainable future. The analysis included interviews and workshops with about 50 stakeholders, such as employees, customers, investors, authorities, politicians, universities and voluntary organisations.

The materiality analysis is partly based on the ten principles of the UN Global Compact, the UN's Sustainable Development Goals and the mega-trends and factors in the wider world that are affecting our customers and our industry. The result of the analysis forms the basis for our three focus areas:

- We contribute to a better climate.
- We help our customers in their sustainable business.
- We are committed in our employees and our local communities.

Focus areas

Our three focus areas sum up how our business creates value for the climate, customers and employees. Together they create value for our shareholders and for society as a whole.

1. We contribute to a better climate

Our growing forests capture and store increasing amounts of carbon dioxide, while also providing us with renewable alternatives to fossil materials. The growth in the forest is the result of our active and sustainable forestry, which creates healthy forests, rich in plant and animal species. Younger trees grow more quickly and absorb much more carbon than older forest whose growth has slowed. And because we harvest less than the annual growth, the amount of wood in our forests is increasing year on year. Alongside the phasing out of fossil fuels and increased production of our own renewable energy, the positive climate effects are set to further improve in the future.

The contribution made by our production to the UN's Sustainable Development Goals:



2. We help our customers in their sustainable business

As demand for renewable and fossil-free products grows, we offer our customers sustainable alternatives to fossil-based materials. The products can also be reused and recycled, increasing their benefit and reducing the burden on the environment. Good profitability and a stable capital structure mean we have the opportunity to be a reliable, long-term business partner for our customers. Those who do business with us can rest assured that our production methods are sustainable and that we are transparent about the way we work. With our long-term focus, we know that the future demands innovative thinking today. Therefore, we invest in product development and smart solutions, in close collaboration with customers and suppliers.

The contribution made by our business to the UN's Sustainable Development Goals:



3. We are committed in our employees and our local communities

At Holmen, the focus is very much on innovation and development, and we want our employees to develop and grow with us. In our work towards a sustainable future, this means investing in employees' skills, a sound corporate culture and a healthy workplace. Naturally, we therefore work actively to encourage health and prevent injury, promote diversity and combat discrimination. Holmen plays a significant role as an employer in several locations and the business has considerable regional significance. It creates employment in rural areas and helps enable people to live and work outside the big cities. We can achieve so much more with employees and local communities that are flourishing.

The contribution made by our organisation to the UN's Sustainable Development Goals:



Targets

Targets in focus areas 2 and 3 are set by the respective business areas. The targets are followed up by Group management on a quarterly basis. For key figures, see pages 88–89.

- **Climate benefit**

Climate benefit is to increase as a growing volume of standing timber binds increasing amounts of carbon dioxide, while our products replace fossil-based alternatives and we reduce the fossil emissions in our value chain. Furthermore, expanding wind power will play its part in the transition to a fossil-free energy system in Europe.

Holmen's climate target from 2005 expired in 2020 and we are proud to have cut the use of fossil fuels at our mills by 87 per cent. Holmen's ambition is for future targets to be in line with the Paris Agreement and follow the Science Based Targets (SBT) model.

- **Climate-smart products**

Offer and develop renewable alternatives to fossil raw materials and products.

- **Sustainable value chain**

Our business areas contribute to the target as relevant to their business, and as a whole they are to work towards:

- Higher production of certified forest raw material and greater biodiversity to ensure that all species that live in the forest are able to thrive.
- Lower fossil emissions from our mills and transport, less energy consumption per unit produced and lower water consumption, as well as ensuring a continued low impact on the aquatic environments surrounding our production plants.
- A sustainable supply chain.

- **A safe working climate**

A friendly working climate where no-one experiences bullying or harassment.

- **A healthy working environment**

Low levels of sickness absence and a zero vision for workplace accidents.

- **Attractive employer**

Inclusive workplace where everyone is given the same opportunities to develop.

- **Skilled employees**

Develop our employees and work to improve talent management in our industry.

- **Dynamic organisation**

Encourage diversity.

A climate-positive business

Holmen's operations contribute major climate benefit and reduce the amount of carbon dioxide in the atmosphere. For 2019, Holmen's positive climate footprint amounted to 2.7 million tonnes.

Our growing forests capture CO₂

Holmen's forests grow more than the amount we harvest each year. This means that the amount of wood in our forests is increasing and that every year more than 1 million tonnes of carbon dioxide is captured in that net growth.

Growing trees absorb carbon dioxide and store it in their trunks and branches. Spruce and pine grow the most in their first 100 years. As growth tails off, so does the amount of carbon they capture. When the trees become old and die, they rot and the stored carbon dioxide is released back into the atmosphere. This is part of the earth's natural ecocycle. The regular inventories of our forests show that Holmen's forest holdings are mainly made up of trees that are 0–80 years old, in other words, the age range in which growth is greatest.

Wood replaces concrete and steel

725 000 tonnes of carbon dioxide is bound in the wood products that Holmen produced in 2019. The wood products bind carbon dioxide throughout their lifetime and also contribute a substitution effect by replacing construction materials with a greater climate impact, such as concrete and steel. The wood products that Holmen manufactured in 2019 helped to replace climate-negative materials that would have had emissions equating to 1 060 000 tonnes of fossil carbon dioxide.

End-of-life wood products and paper-board and paper products also make excellent biofuels. Where fossil fuels are replaced with end-of-life products, biofuels or by-products from production, emissions of fossil carbon dioxide are avoided. However, because such a substitution is outside Holmen's operations, it has not been included in this calculation.

Reduced fossil emissions from our industries

Back in the 1980s, we started planning for a transition from using fossil energy in our industries and today we have switched to mainly using fossil-free electricity and renewable energy from biofuel. Emissions of fossil carbon dioxide from the production have thus also fallen considerably, and amounted to 70 000 tonnes in 2019, a reduction of just over 85 per cent since 2005.

Annual emissions of fossil carbon dioxide from forest machinery, manufacture of input goods and transport to and from our units are estimated at 325 000 tonnes. Together with emissions from production facilities, this represents the negative climate impact of Holmen's operations.

1.3 + 1.8 - 0.4 =

Million tonnes CO₂

Million tonnes CO₂

Million tonnes CO₂

2.7

Million tonnes CO₂
total 2019

The forest

The annual increase in volume of standing timber in Holmen's forests is estimated to absorb 1 270 000 tonnes of CO₂.

The wood

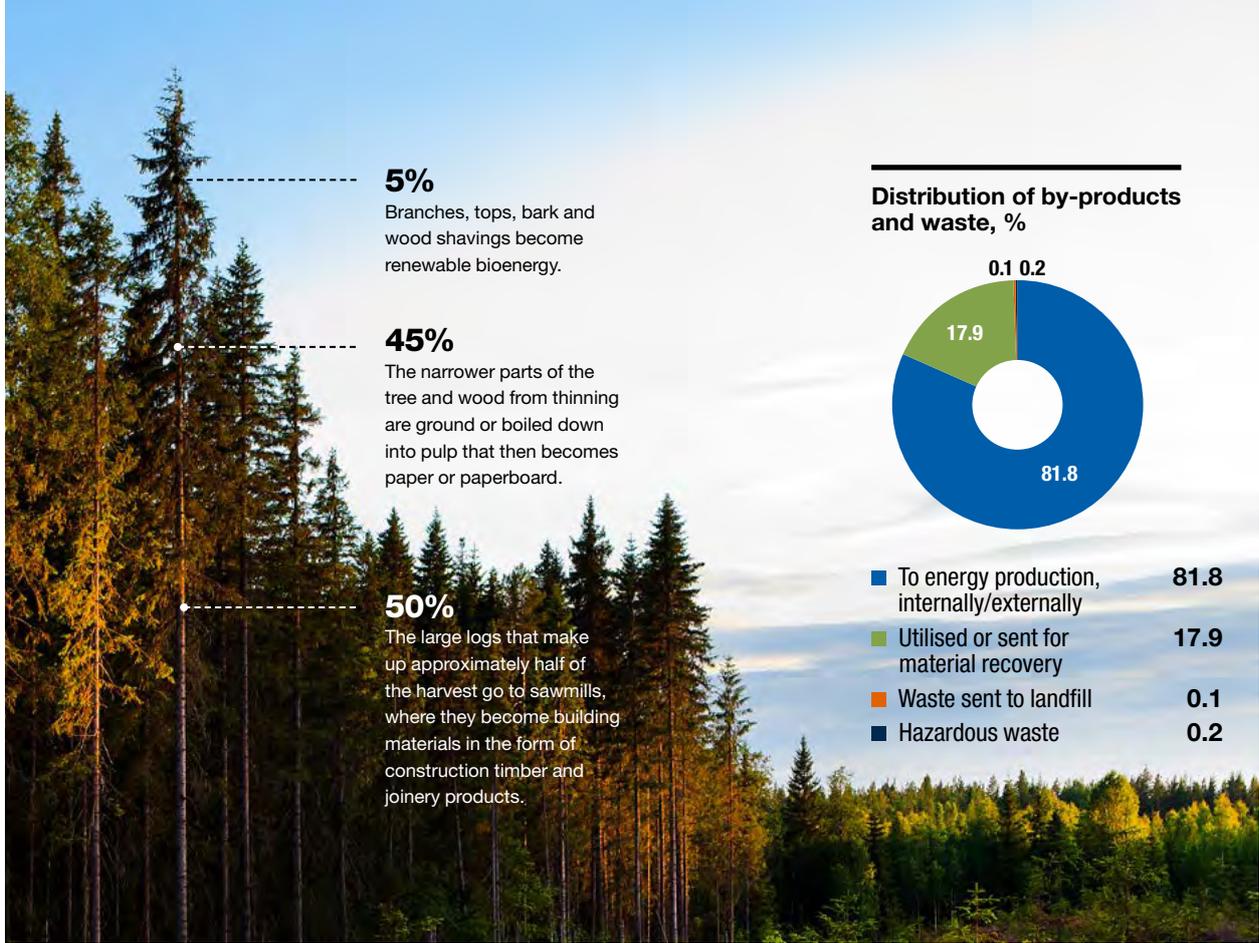
Our wood products stored 725 000 tonnes of CO₂ in 2019 and replace climate-negative construction materials equivalent to 1 060 000 tonnes of CO₂.

Production & transport

Emissions of fossil CO₂ from our production amounted to 70 000 tonnes in 2019. Other emissions, including from transport, amounted to an equivalent 325 000 tonnes of CO₂.

Climate benefit

For detailed reporting of Holmen's climate impact in 2019 for Scope 1, 2, and 3, plus references, see pages 88–89.

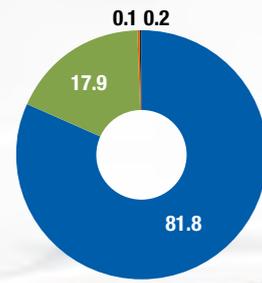


5%
Branches, tops, bark and wood shavings become renewable bioenergy.

45%
The narrower parts of the tree and wood from thinning are ground or boiled down into pulp that then becomes paper or paperboard.

50%
The large logs that make up approximately half of the harvest go to sawmills, where they become building materials in the form of construction timber and joinery products.

Distribution of by-products and waste, %



- To energy production, internally/externally **81.8**
- Utilised or sent for material recovery **17.9**
- Waste sent to landfill **0.1**
- Hazardous waste **0.2**

We use the whole harvest

Holmen owns and adds value to the forest in a business model that is almost entirely circular. With climate-smart products made from renewable and fossil-free raw materials, we create value in a sustainable cycle.

A circular bioeconomy

A bioeconomy combined with circular ecocycles is the cornerstone of Holmen's sustainable business. It is also key to attaining sustainable development. In a bioeconomy, we produce and consume products from renewable materials, in other words materials that grow on the surface of the planet. By replacing finite raw materials with biological alternatives, we are fostering sustainable production and consumption.

Because the biological raw material can also be used in circular ecocycles, where the products are reused and recovered, the

benefit is maximised and the environmental burden minimised.

Constantly growing raw material

Holmen's two nurseries produce more than 40 million seedlings each year, with the majority planted on the Group's own land. After 70–90 years, as the tree's growth slows and its capacity to absorb and store carbon falls, the forest is mature enough to be harvested.

We saw as many planks and boards as technically possible from the trees we harvest. About half of the harvest consists of large logs that are used to produce construction material used for houses and furniture, for example. The narrower part of the tree and wood from thinning represents about 45 per cent of the harvest and is used with sawmill waste products in the form of wood chips, to manufacture paperboard and paper. The remainder comprises branches,

tops, bark and wood shavings, which are used to produce bioenergy. Nothing goes to waste. Everything is used.

Reusing water

Holmen's industries use surface water from lakes and watercourses, partly to transport and wash fibres in the mills. The same water is used many times before it is cleaned in several steps in different combinations of mechanical, biological and chemical treatment. This sees us working to ensure that the ecosystems in the aquatic environments surrounding our mills are healthy and thriving.

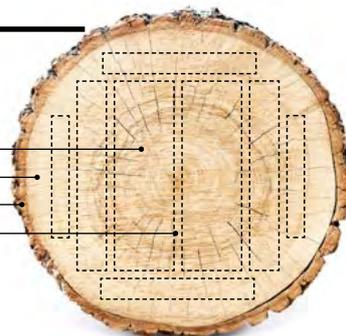
By-products become new resources

Holmen's production plants are among the most resource-efficient in the world. Over the years, we have effectively reduced our use of energy, water and chemicals, and we recover and reuse the waste that arises. For example, wood waste products from the sawmill are used to generate electrical and thermal energy in the mills, organic material from the water treatment process is sold on as natural fertiliser, and steam from the mills is used in the drying processes at the integrated sawmills.

As a joint owner of the collection and recovery companies that operate recovery of paper and paperboard in Sweden, we take responsibility for the final phase of our value chain.

Using the whole tree

- Wood – Planks and boards
- Chips – Pulp
- Bark – Bioenergy
- Wood shavings – Bioenergy





Active environmental activities

Modern wind turbines have a total height of 200–250 metres, measured from the ground to the top of the blade.

Holmen's environmental activities involve constantly reducing environmental and climate impact, and ensuring that the Group complies with the environmental rules and conditions set.

Environmental responsibility

For Holmen, environmental and energy concerns play a natural role in planning production and investments. Operations are characterised by resource-efficient use of renewable raw material and energy, and by protecting the environment, applying the precautionary principle.

Energy, chemicals and fibre are recovered as far as possible, in order to minimise the environmental impact of production. The section on Risk management on page 41 outlines Holmen's preventive work on eco-related risks and how they are managed.

The main environmental impact from the industrial sites takes the form of emissions to air and water. Information on production and priority environmental parameters is presented on pages 88–89.

Holmen's environmental work is characterised by constant improvement measures within the framework of certified environmental and energy management systems (see page 31), which ensure compliance with legislation and requirements set by authorities. Responsibility for the management systems rests with the respective business area, as does environmental responsibility.

Permits

At the end of 2019 Holmen was running production operations that require environmental permits at seven facilities. The permits specify conditions regarding permitted production volumes and permitted emissions to air and water. Six of the facilities are located in Sweden and one is in Workington in the UK. The facilities' turnover amounted to 80 per cent of the Group's net sales in 2019.

The EU's Industrial Emissions Directive (IED) from 2013 required that pulp, paper and paperboard mills comply with tougher emissions requirements by October 2018. The environmental status of Holmen's Swedish mills is good and the mills meet the new criteria. The mill in Workington has been granted a derogation whereby the mill is to have invested in measures to ensure that the emission requirements for water are met by 2021. Iggesund Mill gained a new environmental permit in October 2018 with associated conditions regarding increased production of pulp and paperboard. The permit was utilised on 1 January 2019. At Braviken Paper Mill the production of bright products will gradually be stepped up. This is an important reason behind the decision to apply for a new environmental permit for operations in early 2020.

In 2018 Holmen gained an environmental permit to build over 400 GWh of wind power production on Holmen land in Västerbotten. An application for a permit to build additional wind power operations in Västerbotten on the same scale is under examination.

New environmental legislation, primarily for hydro power, entered into force on 1 January 2019. The legislation means that hydro power operators who do not comply with modern environmental criteria will need to apply for a review under the Swedish Environmental Code before the end of 2039. In 2019, Holmen Energi registered Holmen's facilities with the national plan for the revision of the hydro power plant licences. Jointly owned facilities have been registered by the respective main owner.

Environmental permits for the Group's production facilities

Iggesund Mill, Environmental Code ¹⁾	2018
Workington Mill, IED	2017
Hallsta Paper Mill, Environmental Protection Act 2000	
Braviken Paper Mill, Environmental Code ²⁾	2002
Iggesund Sawmill, Environmental Code	2014
Braviken Sawmill, Environmental Code	2010
Linghem Sawmill, Environmental Code	2003

1) Port activity at Skärnäs Terminal, alongside Iggesund Mill, is included in the environmental permit. In addition, operations subject to notification requirements take place at the production unit in Strömsbruk.

2) An application for a new environmental permit will be submitted to the Land and Environmental Court in early 2020.

Discontinued operations

In consultation with the environmental authorities, studies are being conducted at contaminated discontinued industrial sites where Holmen has operated in the past. In 2019, studies were in progress at different stages regarding the former sawmills Håstaholmen, Stocka and Lännaholm, the sulphite mills at Strömsbruk, Domsjö and Loddby, the former groundwood mill in Bureå and two landfill sites, one in Kvillefors and one at Hults Bruk. The land and the buildings at the former

Håstaholmen Sawmill in Hudiksvall have been remediated and in 2019 remediation began of polluted sediment in the aquatic area outside the industrial site.

The land and the buildings at the former surface treatment plant at Iggesund have been remediated. In 2019 the concluding phase of remediation work took place on the site, in which polluted groundwater is undergoing a treatment process. The work is expected to be complete in early 2020.

Exceedances and complaints

The environmental manager within each operation handles any incidents that occur. Close dialogue with the mills' local residents is important in order to identify and address any views on operations at an early stage. 35 (32) environment-related incidents were reported to the supervisory authorities during the year. The nonconformities were not of a significant nature in terms of environmental impact or impact on profits. Corrective measures were taken to deal with these cases, in line with the environmental management system of the operations concerned.

Emission allowances and electricity certificates

Within the EU Emissions Trading Scheme, Holmen has been awarded emission allowances up to 2020. As a result of investment in bio-based energy production and energy savings at the facilities, the use of fossil fuels has fallen considerably in recent years. Surplus allocated emission allowances have been able to be sold. In 2019, Holmen applied for allocation of emission allowances for the period 2021–2030.

The Group has produced renewable electricity for many years. This has brought in income as we obtained electricity

certificates for our production, which have been sold to electricity distributors, who have used them in turn because a proportion of their customers' electricity needs to come from renewable origins. In the UK, electricity distributors have to meet a certain quota for renewable electricity, and producers of renewable electrical energy receive green Renewables Obligation Certificates in proportion to the amount of electricity generated. The mill in Workington obtained such green certificates in 2019.

Management system certifications

Production facilities ¹⁾	Environment	Energy	Quality	Health and safety
	ISO 14001	ISO 50001	ISO 9001	OHSAS 18001
Iggesund Mill ²⁾	2001	2005	1990	2016
Workington Mill ³⁾	2003	2015	1990	2005
Hallsta Paper Mill	2001	2005	1993	2012
Braviken Paper Mill	1999	2006	1996	2015
Iggesund Sawmill ⁴⁾	1999	2006	1997	2017
Braviken Sawmill ⁴⁾	2011	2011	2011	2017

The years given in the table are the years when the certification was first issued. The certifications mean that procedures are in place for planning, implementation and follow-up, as well as measures to enable continuous improvement in the work on the various management systems. Certifications can be viewed at holmen.com/certificates.

1) Holmen's forest operations are certified in accordance with environmental management system ISO 14001. Forest operations are also certified under criteria issued by PEFCTM and FSC[®] respectively and have chain-of-custody certification (Controlled Wood), which means an assurance that non-certified wood also comes from controlled sources. All the facilities at which wood raw material is used have chain-of-custody certification.

2) The certifications include the production unit in Strömsbruk and operations at Skärnäs Terminal.

3) Workington Mill has been certified under the food safety management system ISO 22000 since 2019.

4) From 2011 the certification is a joint certification for the two sawmills. For Linghem Sawmill, which was acquired in 2017, work is in progress to incorporate its operations under the certification of the other sawmills.

The crab spider *Misumena vatia* exists throughout Sweden but can be hard to spot, as it changes colour depending on its surroundings.



Preserving biodiversity

The Swedish forest is an important resource that binds carbon dioxide and provides renewable alternatives to fossil material. It is also home to numerous plants and animals. To keep managing the forest over the long term, we need the natural environment to be healthy and thriving.

Forest management for a sustainable society

To successfully make the transition to a fossil-free society, we depend on more renewable material from nature. And to do so while retaining thriving ecosystems, the surface of the planet needs to be managed more widely and sustainably. We think it makes sense and is fully possible to manage the forest so that it provides more raw material while preserving its ecosystems.

More knowledge means better forests

Holmen has been managing forests since the seventeenth century. Biodiversity has not historically been a priority issue in the forest industry, but huge changes have taken place in the last thirty years. Since the early 1990s, when the spotlight was shone on the question of nature conservation, we have learned a great deal about how we can improve biodiversity while simultaneously increasing forest growth. We are constantly working to be even better and recognise that biodiversity is mainly benefitted by

the way we manage our forests, not by the amount of forest we refrain from managing. The aim is to ensure that all naturally occurring species are able to thrive in Sweden's forest landscape and that important natural assets are encouraged and preserved. We are convinced that it is through research and collaboration that we can continue to find new ways to encourage both growth and biodiversity in our forests. This is why we are conducting more than 300 research projects on our land, both ourselves and in partnership with research organisations, universities and other interested parties.

Active measures in our forests

In our active forest management, we pay a great deal of attention to natural and cultural assets. As forest species depend on different environments for their survival, we save wide-girth broadleaves, buffer zones and dead trees. Some areas are also completely exempt from forest management. They are chosen for their nature conservation potential and often have high conservation value. Some of these areas are left to develop totally freely, while in others we carry out nature conservation measures such as clearing brushwood or controlled burning to benefit many rare plants and animals.

Important aquatic environments

Holmen's forests contain lakes, streams and other water-rich environments, with sensitive ecosystems and a wealth of fauna. Water in the forest is a priority area for us and we

take active measures in our practical work, including avoiding land damage from forest machinery. Ongoing training initiatives are being conducted for field personnel and contractors as an important aspect of this work, focusing on water issues in practice.

Climate and biodiversity hand in hand

Biodiversity is essential for creating healthy and resilient forests capable of coping with climate change and more extreme weather. However, biodiversity is affected by climate change, which is why sustainable forest management that captures carbon dioxide and creates raw material that replaces fossil material is also an important component in mitigating climate change and so encouraging biodiversity.

Ecosystem services

The benefit created for humans from forests and nature is termed ecosystem services. The forest has the capacity to contribute many ecosystem services at the same time, which is valuable for Holmen and for society in general. Examples of ecosystem services from the forest:

- storing carbon dioxide in land and trees,
- renewable and fossil-free forest raw material,
- firm and stable soil that is able to cope with heavy rain and flooding,
- food such as meat, fish, mushrooms and berries,
- opportunities for recreation and tourism,
- clean air and water.

Courage, commitment and responsibility

Competent employees and a value-driven company culture are important to attaining our business objectives.

Today's Holmen is the result of countless decisions large and small, made in line with our values of courage, commitment and responsibility. A team effort where we have put long-term values ahead of short-term profit and dared to swim against the tide when it made sense to do so. This sees us continuing to fine-tune our products and services.

Management by objectives

Holmen is a learning workplace where everyone has the opportunity to feel a sense of commitment and responsibility for the areas in which they work and the objectives set. Holmen's individual management by objectives model, in which the manager expresses expectations and the employees themselves suggest objectives that steer work to meet them, helps us to make the most of the competence, potential and personal drive that every employee possesses.

The management by objectives model is our way of making sure that all of us working at Holmen feel that we are focusing on the right things and helping to implement our strategy.

Core values

Our core values of *courage*, *commitment* and *responsibility* are the route to a strong culture and the answer to how we make each other and Holmen better. The core values guide us in our approach to each other, in relations with customers and in our work. They are integrated in our processes and tools, including in the recruitment process, appraisal talks, as a complement to the management by objectives model, and as a basis for our internal leadership and management programme.

Health and safety

We work to achieve a healthy culture and an accident-free workplace for our employees and the contractors who work with us.

Holmen carries out systematic Group-wide health and safety work in line with OSHAS 18000 (see page 31) and all our production units are certified, apart from Lingham Sawmill, which was acquired in 2017. Certification work began the same year and entered its final phase in 2019.

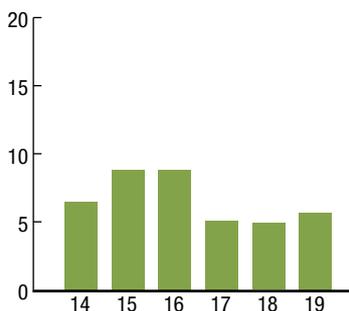


A zero vision for accidents

The number of accidents per million hours worked increased to 5.7 in 2019 from 4.9 in 2018. The dominant causes of accidents are slipping, tripping and pinching. Cuts and lacerations have fallen during the year thanks to measures put in place, but slips, trips and pinch accidents have increased. In recent years, we have successfully managed to reduce the number of accidents and despite this year's rise to 27 (24) incidents, efforts are moving in the right direction. This year's rise shows how important it is for us to continue to take a farsighted approach, focused on our vision of zero accidents. It is worthy of note that our paperboard mill in Workington in the UK had no accidents resulting in sickness absence in 2019.

Industrial accidents

with more than 8 hours of absence (LTI) per million hours worked.



Human rights and equality

Holmen safeguards human rights and the equal value of all people. All employees must have the same rights, obligations and opportunities irrespective of their sex, transgender identity or expression, ethnicity, political opinion, union membership, religion or other belief, disability, sexual orientation, health status, age or family responsibilities. This is set out in Holmen's Code of Conduct and applies to employees, contractors and suppliers.

During the year we have updated our supplier follow-up process to identify which suppliers pose risks linked to the environment, labour law, human rights, business ethics and sustainable purchasing. We have also drawn up an action plan for those suppliers identified as having a high risk in these respects.

Our industry is currently predominantly male, but we are working to create a modern and inclusive industry where we can benefit from a diversity of backgrounds and experiences and where everyone feels welcome. Greater diversity and a more even gender distribution in managers and leaders will see us becoming a more dynamic organisation.

As part of our work to be an inclusive workplace in which everyone is given the same development opportunities, we draw up action plans and annual pay surveys in line with the Swedish Equality Act. We also use appraisal talks and employee surveys as tools to improve our work on equality and actively combat discrimination. At Holmen, everyone must experience a safe and friendly working climate without bullying or harassment.

Recruitment and development

To maintain competitiveness over time, attracting and retaining the right employees is of the utmost importance. This way we ensure that Holmen continues to be a business with a focus on innovation and development. Based on our current and future skills needs, we are working on employee development at all levels. We also provide development programmes for new and more experienced managers and for specialists driving work on change.

Corporate governance report

Holmen AB is a Swedish public limited company, listed on the Stockholm Stock Exchange (Nasdaq Stockholm) since 1936. The preparation of a corporate governance report is a requirement under the Swedish Annual Accounts Act. The corporate governance report complies with the rules and instructions stipulated in the Swedish Code of Corporate Governance.

Shareholders

Holmen had 38 904 shareholders at year-end 2019. Private individuals with Swedish citizenship accounted for the largest category of owners with 36 792 owners.

The largest owner at year-end, with 62.3 per cent of votes and 34.1 per cent of capital, was L E Lundbergföretagen, which means that a Group relationship exists between L E Lundbergföretagen AB (corporate ID number 556056-8817), whose registered office is in Stockholm, and Holmen. The Kempe Foundations constituted the second-largest owner and their holdings of Holmen shares amounted to 17.5 per cent of votes and 7.4 per cent of

capital at the same date. No other individual shareholder controlled as much as 10 per cent of the votes. Employees have no holdings of Holmen shares via a pension fund or similar system.

There is no restriction on how many votes each shareholder may cast at the Annual General Meeting (AGM).

At the 2019 AGM, the Board's authorisation to purchase up to 10 per cent of the company's shares was renewed. The Board took the decision in August 2019 to use the share repurchase mandate in order to make the Group's capital structure more efficient. 6 235 436 class B shares were repurchased for SEK 1 430 million, corresponding to an average price of SEK 229/share. The buy-backs correspond to 3.7 per cent of the total number of shares. During the year 168 797 shares were allocated to participants of the share savings programme. Together with shares already owned, this means that Holmen held 4.5 per cent of the total number of shares at 31 December 2019.

See pages 44–45 for further information on the shares and ownership structure.

General meeting of shareholders

The notice convening the AGM is sent no earlier than six and no later than four weeks

before the meeting. The notice contains: a) information about registering intention to attend and entitlement to participate in and vote at the meeting; b) a numbered agenda of the items to be addressed; c) information on the proposed dividend and the main content of other proposals. Shareholders or proxies are entitled to vote in respect of the full number of shares owned or represented. Registration for the meeting is made by letter, telephone or at holmen.com. Notices convening an Extraordinary General Meeting (EGM) called to deal with changes to the company's articles of association shall be sent no earlier than six and no later than four weeks before the meeting.

Proposals for submission to the AGM should be addressed to the Board and submitted in good time before the notice is distributed. Information about the rights of shareholders to have matters discussed at the meeting is provided at holmen.com.

It was announced on 18 September 2019 that the 2020 AGM would take place in Stockholm on 30 March 2020.

Nomination committee

The AGM resolved that the nomination committee shall consist of the chairman of

AGM 2019

The 2019 AGM and the material presented was in Swedish. The notice convening the meeting, the agenda, the CEO's speech and the minutes are available at holmen.com. The meeting was attended by all AGM-elected Board members, Group management and the company's auditors. During the AGM, the shareholders had the opportunity to ask and obtain answers to questions. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. Anne-Charlotte Hormgard of the Third Swedish National Pension Fund and Carl-Fredrik Lorenius of Swedbank Robur Funds checked and approved the minutes of the meeting. It was not possible to follow or participate in the meeting from other locations using communication technology. No changes in this regard are planned for the 2020 AGM.

Board meetings

The Board held eight meetings in 2019, four of which were in connection with the company's publication of its quarterly reports. One meeting was dedicated to reviews of strategic issues and the Group budget for 2020. One meeting was held in connection with the Board's visit to paperboard customers and consumer product brand owners, and discussed the development of future packaging. Two meetings were held in connection with the company's AGM. In addition, the Board paid particular attention to strategic, financial and accounting issues, the monitoring of business operations, the valuation of the company's forests and matters regarding the repurchase of company shares, as well as the decision about investing in Blåbergsliden Wind Farm and other significant investment matters. On two occasions the company's auditors reported directly to the Board, providing a presentation about their audit of the accounts and internal control.



the Board and one representative from each of the three shareholders in the company that control the most votes at 31 August each year. The composition of the nomination committee for the 2019 and 2020 AGMs is shown in the table on page 37.

The nomination committee's mandate is to submit proposals for the election of Board members and the Board chairman, for the Board fee and auditing fees and, where applicable, for the election of auditors. The committee's proposals are presented in the notice convening the AGM.

The nomination committee applies rule 4.1 of the Swedish Corporate Governance Code (the Code) as a diversity policy in putting forward proposed Board members, which means the composition of the Board should reflect the company's business operations, phase of development and other circumstances, and should be diverse and wide-ranging in terms of the expertise, experience and background of the members elected by general meetings. An even gender distribution is sought. The nomination committee has observed this policy in its proposals to the Board. Further information about the work of the nomination committee will be provided at the 2020 AGM.

For the 2020 AGM, the nomination

committee proposes that the Board consist of nine members elected by the AGM. The nomination committee proposes the re-election of the current Board members: Fredrik Lundberg (who is also proposed for re-election as Chairman of the Board), Carl Bennet, Lars G Josefsson, Lars Josefsson, Louise Lindh, Ulf Lundahl, Henriette Zeuchner, Alice Kempe and Henrik Sjölund.

Composition of the Board

The members of the Board are elected each year by the AGM for the period until the end of the next AGM. According to the articles of association, the Board should consist of seven to eleven members. The company's articles of association contain no other rules regarding the appointment or dismissal of Board members, or regarding amendments to the articles, or restrictions on how long members can serve on the Board.

The 2019 AGM re-elected Fredrik Lundberg, Carl Bennet, Lars G Josefsson, Lars Josefsson, Louise Lindh, Ulf Lundahl, Henriette Zeuchner and Henrik Sjölund to the Board. Alice Kempe was elected as a new member of the Board after Carl Kempe declined to stand for re-election. Fredrik Lundberg was re-elected Chairman. At the statutory first meeting of the new Board

in 2019, Henrik Andersson, Senior Vice President Legal Affairs, was appointed company secretary.

Over and above the nine members elected by the AGM, the local labour organisations have a statutory right to appoint three members and three deputy members.

Of the nine Board members elected by the AGM, eight are deemed independent of the company as defined by the Code. The CEO is the only Board member with an operational position in the company. Further information about the members of the Board is provided on pages 82–83.

The Board's activities

The activities of the Board follow a plan, one of whose aims is to ensure that the Board obtains all requisite information. Each year the Board decides on written working procedures and issues written instructions relating to the division of responsibilities between the Board and the CEO and the information that the Board is to receive continually on financial developments and other key events. Employees of the company participate in Board meetings to submit reports.

In order to develop the work of the Board, an annual evaluation is undertaken involv-

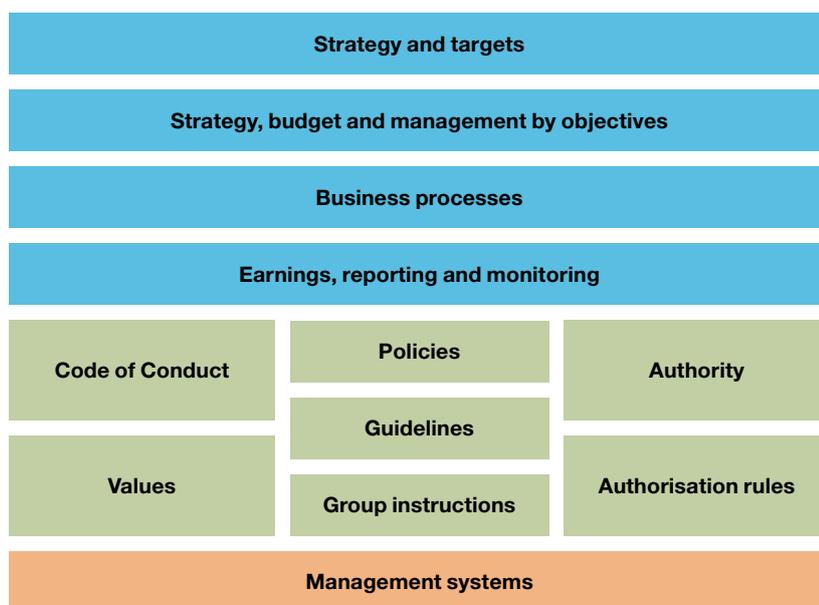
Board members as of the 2019 AGM

Board members	Elected	Role on the Board	Audit committee	Remuneration committee	Attendance at meetings:			Fee (SEK '000)
					Board of Directors	Audit committee	Remuneration committee	
Fredrik Lundberg	1988	Chairman	Member	Chairman	7/8	5/5	5/5	710
Carl Bennet	2009	Member	Member	Member	7/8	4/5	5/5	355
Lars Josefsson	2016	Member	Member	–	8/8	5/5	–	355
Lars G Josefsson	2011	Member	Member	–	8/8	5/5	–	355
Alice Kempe	2019	Member	Member	–	6/8	4/5	–	355
Louise Lindh	2010	Member	Member	–	8/8	5/5	–	355
Ulf Lundahl	2004	Member	Chairman	–	8/8	5/5	–	355
Henriette Zeuchner	2015	Member	Member	–	8/8	5/5	–	355
Henrik Sjölund	2014	Member, President & CEO	–	–	8/8	–	–	–

According to the nomination committee, Fredrik Lundberg, Carl Bennet, Lars G Josefsson, Lars Josefsson, Alice Kempe, Louise Lindh, Ulf Lundahl and Henriette Zeuchner are independent of the company and its senior management, and Lars G Josefsson, Lars Josefsson, Ulf Lundahl, Henriette Zeuchner and Henrik Sjölund are independent of the company's major shareholders.

Employee representatives

Stewe Björklundh, member, elected 1998/Kenneth Johansson, member, elected 2004/Tommy Åsenbrygg, member, elected 2009/Per-Arne Berg, deputy member, elected 2015/Daniel Hägglund, deputy member, elected 2014/Christer Johansson, deputy member, elected 2017



Internal management processes and guideline documents

ing each member answering a questionnaire containing relevant questions concerning the Board's work and having the opportunity to make suggestions on how to enhance the Board's work. Their responses were presented and discussed at a Board meeting. The results of the 2019 evaluation will form the basis for planning the Board's work for the coming year. The chairman of the Board has reported the results of the evaluation to the nomination committee.

Remuneration

The Board has appointed a remuneration committee consisting of Fredrik Lundberg and Carl Bennet. During the year, the committee prepared matters pertaining to the remuneration and other employment conditions of the CEO.

Remuneration and other employment conditions for senior management who report directly to the CEO are decided by the latter in accordance with the pay policy established by the remuneration committee. The remuneration committee has evaluated the application of both this policy and the guidelines on the remuneration of senior management adopted by the AGM.

The Group applies the principle that each manager's manager must approve decisions on remuneration in consultation with the relevant personnel manager.

At the 2019 AGM the Board set out its proposals regarding guidelines for remuneration of the CEO and other senior management, i.e. heads of business areas and heads of Group staffs who report directly to the CEO. The AGM adopted the guidelines in the proposal. The Board proposes new guidelines to the 2020 AGM. The Board's proposed guidelines on remuneration for senior management are set out on page 39. Current guidelines and information about remuneration are presented in Note 4 on page 60.

The 2019 AGM approved the Board fee and payment of the auditors' fee as invoiced.

The share savings programme that was introduced following a resolution by the 2016 AGM expired in May 2019. Entitlement to performance shares is linked to the Group's average return on capital employed for 2016–2018, which was 9.0 per cent. This means that there was full allocation of performance shares. A total of 168 797 matching and performance shares were allocated to participants in May 2019. Allocation has taken place by means of free transfers of class B treasury shares. The 2019 AGM approved a similar new share savings programme that encompasses up to 60 members of the company's senior management. The programme will expire upon publication of the interim report for January–March 2022. The company's commitment to provide shares under the programme will also be met by means of free transfers of treasury shares. The effects on key ratios and profit per share are marginal. See Note 4 on page 60 for further information about the share savings programme.

Group management

The Board has delegated operational responsibility for management of the company and the Group to the CEO. The Board annually decides on instructions covering the distribution of tasks between the Board and the CEO.

Holmen's Group management comprises the company's CEO, the heads of the five business areas, the heads of the five Group staffs and the head of international affairs. Information about the CEO and other members of Group management is provided on page 84.

Group management met on eight occasions in 2019. The meetings dealt with matters such as earnings performance and reports before and after Board meetings, strategic issues, budgets, investments, internal control, work environment, forest valuation matters, sustainability issues,

environmental issues and silviculture matters. Meetings were also dedicated to reviews of market conditions, economic developments, possible consequences of Brexit and other external factors affecting the business, as well as discussion about governance of the Group and the tools, such as the management-by-objectives model and Group-wide policies, used in such governance.

Audit

KPMG, which has been Holmen's auditor since 1995, was re-elected by the 2019 AGM as auditor for a period of one year. Authorised Public Accountant Joakim Thilstedt was appointed as the principal auditor. Under applicable regulations KPMG can be re-elected as auditor up until 2023. KPMG audits Holmen AB and almost all of its subsidiaries.

The examination of internal procedures and control systems begins in the second quarter and continues thereafter until year-end. The interim report for January–September is subject to review by the auditors. The examination and audit of the final annual accounts and the annual report, including the sustainability report, take place in January–February.

Holmen's audit committee consists of external Board members and is chaired by Ulf Lundahl. The audit committee met five times in 2019. The Board's reporting instructions include requirements that the members of the Board shall receive a report each year from the auditors confirming that the company's organisation is structured to enable satisfactory supervision of accounting, management of funds and other aspects of the company's financial circumstances. The auditors reported to the audit committee at three meetings in 2019. In addition to the audit assignment, Holmen has consulted KPMG on matters pertaining to taxation, accounting and for various investigations. The remuneration paid to KPMG for 2019 is stated in Note 5 on page 61. KPMG is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

Internal management processes

A review is conducted annually of each business area's strategy, including the business' goals. The strategy is presented to the Board and forms the basis of the expectations applied to the units in each respective business area. On the basis of the expectations, each unit sets objectives and identifies success factors for achieving them. Key performance indicators (KPIs) are linked to the success factors in order to measure and demonstrate changes in performance. The strategy review also provides the basis for the budget, in which decisions are taken on the distribution of resources and targets for the coming year are set. Use of a simple and well-implemented management-by-objectives tool for continuous follow-up ensures

that the entire organisation is applying appropriate priorities to attain the objectives established.

The business areas guide the operating businesses towards these targets using processes for purchasing, production and sales, and supported by HR, financial management, research and development, IT, environment and communication processes.

Operations are followed up through regular reporting of performance and KPIs that reflect business activity, along with additional qualitative analysis. Reporting of sustainability data is integrated with financial reporting.

Code of Conduct. Holmen’s Code of Conduct is in line with the UN Global Compact and provides guidance on day-to-day operations and clarifies what expectations are made of employees. Holmen’s operations should be characterised by responsible behaviour towards both internal and external stakeholders. The Supplier Code of Conduct complies with the UN Global Compact and covers the areas of anti-corruption, human rights, health and safety and the environment.

With respect for human rights, Holmen endeavours to ensure a workplace climate that is founded on the equal value of all people. All Holmen’s employees must have the same rights, obligations and opportunities irrespective of their sex, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation and age. Holmen is subject to the UK Modern Slavery Act and a report relating to this is available at holmen.com.

Policies. Holmen uses policies, guidelines and Group instructions to clarify how employees should act within key and critical areas. The Group’s 11 policies cover matters such as expectations of employee participation and leadership, specify the scope of management by objectives, talent

management, interaction with trade union organisations, equality and employment terms and conditions. In addition to this, a good work environment is covered in terms of health and safety, anti-corruption and competition issues, and how good business practice is maintained in relation to external contacts on different markets. Employees in departments at risk of encountering unauthorised behaviour receive special training on business ethics. The policies specify that raw materials should be used efficiently, pollution should be prevented and that we should aspire to make continuous improvements. Financial risk is managed centrally and should be characterised by a low level of risk. The policies should also ensure

Compliance. Holmen’s Code of Conduct, policies and values are part of every employee’s induction programme, and are reiterated by managers at employee meetings. Compliance is monitored partly through employee surveys and appraisal talks, pay surveys, safety statistics and audits of the organisational and social work environment. Where non-compliance or failings are found in terms of the corporate culture, the issue is addressed on a case-by-case basis.

Whistleblower function. A whistleblower function is available so that employees and other stakeholders can highlight any deficiencies in Holmen’s financial reporting or other possible areas of concern at the company.

“Holmen’s Code of Conduct is in line with the UN Global Compact and provides guidance on day-to-day operations.”

that the company’s assets are managed in accordance with Group rules, risks of errors in financial reporting are minimised and irregularities are prevented. The Group’s purchasing should contribute to long-term profitability. The sustainable sale of raw materials, products and services should be ensured in both the short and long term. Communication must be accurate, transparent and easily accessible and comply with legal requirements and commercial confidentiality.

Internal control of financial reporting

The Board’s responsibility for internal control and financial reporting is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. Under this code, the Board is also responsible for ensuring that the company is managed in a sustainable and responsible manner. Day-to-day responsibility for all these matters is delegated to the CEO.

Composition of the nomination committee

Name	Representing	Before AGM:		Independent of the:	
		2020	2019	Company	Largest shareholder (in terms of votes)
Mats Guldbrand	L E Lundbergföretagen*	x (chairman)	x (chairman)	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Carl Kempe	Kempe Foundations*	x	-	Yes	Yes
Torbjörn Widmark	Kempe Foundations*	-	x	Yes	Yes
Hans Hedström	Carnegie funds*	x	x	Yes	Yes

*At 31 August 2019, L E Lundbergföretagen controlled 61.5 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Carnegie funds (Sweden) controlled 1.5 per cent.

Purpose and structure. The purpose of internal control is to ensure that Holmen achieves its financial reporting objectives (see below), ensure the company's assets are managed according to Group rules and to prevent irregularities. Group Finance coordinates and monitors the internal control process concerning financial reporting.

This work adheres to guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in respect of internal control over financial reporting. The framework comprises five basic elements: control environment, risk assessment, control activities, information and communication, as well as monitoring activities and evaluations. The framework has been modified to suit the estimated needs of Holmen's various operations.

Control environment. The control environment provides the basis for internal control of financial reporting and is based in part on the company's internal management processes. The Board of Directors' procedural rules and the instruction for the CEO establish the distribution of roles and responsibilities to ensure effective control and management of the business' risks.

Policies, guidelines and instructions contribute to making individuals aware of their role in establishing good internal control. These documents also ensure that financial reporting complies with the laws and rules that apply to companies listed on Nasdaq Stockholm and the local rules in each country where the company operates.

Risk assessment. Risk assessment activities aim to identify and evaluate the risks that can result in the Group's financial reporting objectives not being met. The

results of these risk-related activities are compiled and assessed under the guidance of Group Finance.

Holmen's greatest risks regarding financial reporting are linked to the valuation of forest assets, property, plant and equipment, pension provisions, other provisions and to financial transactions. The risk assessment also involves identifying and assessing operational risks. For further information, see the Risk Management section on pages 40–43.

Control activities. To ensure that Holmen's financial reporting objectives are met, control requirements are incorporated into the processes that are deemed relevant: sales, purchasing, investments, personnel, financial statements, payments and IT. Control activities aim to prevent, identify and rectify errors and discrepancies. Business-specific self-assessments that are completed by all Group units set out what control requirements apply for each respective process and whether or not they are met.

Information and communication.

Holmen's financial information provision, both external and internal, adheres to a communication policy established by the CEO. The provision of financial information for Holmen's shareholders and other stakeholders must be accurate, comprehensive, transparent and consistent, and must take place on equal terms and at the right time.

Follow-up and evaluation. Control activities are assessed regularly to ensure that they are effective and appropriate. The results of self-assessments are followed up on a continual basis and discrepancies are

reported to the Executive Vice President. The accuracy of self-assessments is subject to testing.

The reporting of internal control to Group management takes place once a year. The company's auditors report their observations from the review of internal control to the audit committee and Board during the year.

Follow-up is an important tool to identify possible deficiencies within the Group and to address these through the development of new control requirements.

Statement on internal audit. The Board of Directors does not believe that particular circumstances in the business or other conditions exist to justify an internal audit function. The internal control managed by the Group, together with the activities carried out by the external auditors, is deemed to be sufficient.

Holmen's financial reporting

External financial reporting must:

- be accurate and complete, and comply with applicable laws, regulations and recommendations
- provide a true and fair description of the company's business
- support a reasoned and informed valuation of the business.

Internal financial reporting must also support correct business decisions at all levels in the Group.

The Board's proposed guidelines on remuneration for senior management (Chapt. 8, §§ 51–53 Swedish Companies Act)

The guidelines relate to the terms of employment for the CEO, executive vice president and other senior executives, i.e. the business area managers and heads of Group staffs reporting directly to the CEO. The guidelines shall apply to remuneration agreed after the guidelines have been adopted by the 2020 AGM. The guidelines do not cover remuneration determined by the AGM.

Guidelines' promotion of the company's business strategy, long-term interests and sustainability

Holmen's strategy is to own and add value to the forest. Holmen's forest holdings form the basis of the business in which the raw material grows and is refined into everything from wood products for climate-smart building to renewable packaging, magazines and books, using energy that largely comes from its own hydro and wind power.

Successful implementation of the company's business strategy, long-term interests and sustainability requires the company to be able to attract the right employees. This guideline is intended to provide Holmen with the conditions to recruit and retain skilled employees.

Forms of remuneration

A long-term share-based incentive programme has been established within the company. It was approved by the 2019 AGM and is therefore not covered by these guidelines. The overall purpose of the Programme is to retain close alignment of the interests of senior management and shareholders and to encourage long-term commitment to Holmen. The Programme is intended to attract and retain employees who are

critical to Holmen's ongoing success. The performance requirements used to assess the outcome of the programme are clearly linked to the business strategy and, thereby, to the company's long-term value creation, including its sustainability. The programme also includes requirements on own investment, remaining employment and multi-year retention. Over and above share-based incentive programmes approved by the AGM, no variable remuneration shall be paid.

The remuneration of the CEO and the senior management shall consist of a fixed market-based salary. Other benefits may include such items as health insurance, accommodation and car allowance. Where such benefits are provided, they should constitute no more than 10 per cent of the fixed salary.

The retirement age is normally 65 years. The pension benefit shall be based on contributions and the contributions shall correspond to what is stipulated in the ITP occupational pension plan, currently 30 per cent of fixed cash salary.

Notice and severance pay

The period of notice is six months, regardless of whether notice is given by the company or the member of senior management. In the event of notice being given by the company, severance pay may be paid corresponding to no more than 18 months' salary.

Consideration of salary and employment terms for other employees

In formulating its proposals for these remuneration guidelines, the Board has taken into account salaries and employment

terms of the company's other employees, by including information about employees' total remuneration, the components of such remuneration and the increase in remuneration and the rate of increase over time, which have constituted part of the basis for decisions in evaluating the reasonableness of these guidelines.

Decision-making process for establishing, reviewing and implementing the guidelines

The Board has established a remuneration committee. The committee's duties include preparing the Board's decision on proposed remuneration guidelines for senior management. Under Chapter 8, § 51 of the Swedish Companies Act, the Board must draft proposed new guidelines at least every four years and put such proposal to the AGM. The remuneration committee must also monitor and evaluate the application of the guideline and applicable remuneration structures and levels in the company. Members of the remuneration committee must be independent in relation to the company and its senior management. The CEO and other members of senior management do not attend the Board's discussion of and decisions on remuneration-related matters if such matters relate to them.

Deviation from the guidelines

The Board may decide to temporarily deviate from the guidelines in full or in part if, in an individual case, there are particular reasons for so doing and deviation is necessary in the long-term interests of the company, including its sustainability, or to ensure the company's financial viability.

Risk management

The Group's business and operational risks are managed by the relevant business areas, which also take decisions regarding production, sales and employees with the aim of generating a lasting good return on invested capital. Risks are addressed using the business areas' management systems.

Purchasing and IT are managed by group-wide functions in order to leverage economies of scale and risks are handled in line with the Group's policies. The Group's financing and financial risks are managed by Group Finance based on a financial policy that was established by the Board

and that is characterised by a low level of risk and aims to minimise the Group's cost of capital and provide effective control of the Group's financial risks.

Operational risks

Risk	Risk management	Comment
Production and deliveries Changes in demand for paperboard, paper and wood products affect the ability to achieve full production at the Group's facilities and can lead to lower income. Income may also be impacted if harvesting from our own forests needs to be limited as a result of lower demand and variations in precipitation and wind, which govern generation from hydro and wind power.	Holmen endeavours to maintain a good cost position through large-scale production at well-invested production facilities, efficient logistics solutions and good control over the supply of wood. Together with longstanding customer relationships and strong product brands, this also increases the ability to maintain a high level of production amid more difficult market conditions. Changes in demand for wood may be met by shifting harvesting from our own forests from year to year, while production of hydro power during the year can be regulated by controlling water reservoir levels.	The cost position is continually strengthened by targeted investments. In 2019 investments were made to eliminate bottlenecks at Iggesund Mill, enabling increased pulp production. Work on expanding production capacity by 150 000 cubic metres at Braviken Sawmill is proceeding according to plan and this is expected to enter service in 2020. During the year the decision was taken to invest in Braviken Paper Mill to continue the transition towards bright, light products based on fresh fibre. In December the decision was taken to construct Blåbergsliden Wind Farm with a 143 MW capacity, which is expected to increase Holmen's electricity generation from hydro and wind power by 35 per cent.
Selling prices The market balance in each product segment governs the selling price and affects income.	Holmen has limited possibilities to make rapid changes to its product range in the event of changes in price, but it adjusts its product focus towards those products and markets deemed to have the best long-term conditions, and by having a broad customer base and offering across a number of product areas. Changes in the price of wood and electricity can to some extent be managed by shifting harvesting from year to year and regulating reservoir water levels in order to shift electricity generation over the year.	In 2019 paper and wood product prices decreased from a high level as a result of a worsened market balance, while paperboard prices were stable. Log prices decreased slightly in southern Sweden as a result of temporarily high supply. Electricity prices generally remained at the same level as in 2018.
Commodity prices Wood, electricity and chemicals are the most significant inputs and price changes affect profitability.	The harvesting of logs from our own forests essentially corresponds to consumption at our own sawmills. Pulpwood from our own forests and wood chips from our own sawmills supply just under 50 per cent of consumption at our paperboard and paper mills. The Group is largely in balance in terms of pulp as a result of the integrated production process. The paperboard business generates almost all the electricity required at its own mills, while electricity for paper manufacturing is supplied from external purchases. The Group also sells electricity from its hydro power and wind power assets to the electricity grid. In net terms, the Group's own electricity generation corresponds to just under 50 per cent of its total electricity consumption. The price risk in this consumption is managed through physical fixed price contracts and financial hedging. There is a significant need for thermal energy, but this is produced locally at each mill from residual products. Chemicals are a significant input, particularly in paperboard production, but the need is being reduced and used chemicals are recycled at the mills.	The cost of input goods levelled out 2019 following sharp increases in the previous year. The price of net electricity consumption is 80 per cent hedged for 2020 and 65 per cent hedged for 2021. The nominal amount for financial hedging is SEK 326 million. The Group's net exposure to the price of electricity will decrease once Blåbergsliden Wind Farm is operational at the end of 2021.
Facilities Production equipment can be seriously damaged, for example, in the event of a fire, machine breakdown or power outage. This can lead to supply problems, unexpected costs and reduced customer confidence.	Damage prevention measures, regular maintenance and continual upgrades can minimise the risk of damage to facilities. Training of employees promotes participation, knowledge and awareness about these risks and how they can be countered. Holmen insures its facilities at replacement value against damage to property and interruption of business. The insurance premium varies from one facility to another but the maximum is SEK 30 million for a single claim. The Group has liability insurance that also covers sudden and unforeseen environmental damage affecting third parties.	No event causing significant damage occurred in 2019.
Forest Forest fires, grazing by wild animals and insect pests are risks in growing forests.	The Group's forest holdings are not insured. They are widely dispersed over large parts of Sweden and the risk of extensive damage being incurred simultaneously is deemed to be low. To reduce the extent of grazing by wild animals, active efforts are undertaken on Holmen's land to maintain game at the correct population level. Insect pests such as pine weevils are combatted by waxing seedlings and infested forest is harvested as soon as possible to prevent spread.	Central Europe has been severely affected by spruce bark beetle infestations in recent years, resulting in a high supply of spruce saw logs at lower prices. Southern Sweden was also affected by spruce bark beetle infestations in 2019. Holmen temporarily switched production at Braviken Sawmill in the autumn to only sawing spruce in order to handle damaged logs.
Customer credits The risk of the Group's customers being unable to fulfil their payment obligations constitutes a credit risk.	The risk that the Group's customers will not fulfil their payment obligations is limited by means of creditworthiness checks, internal credit limits per customer and, in some cases, by insuring trade receivables against credit losses. Credit limits are continually monitored. Exposure to individual customers is limited.	At 31 December 2019 the Group's trade receivables totalled SEK 2 005 million, of which 35 per cent (43) were insured against credit losses. During the year, credit losses on trade receivables had a SEK -7 million (-1) impact on earnings. Sales to the five largest customers accounted for 15 per cent of the Group's total sales in 2019.

Risk	Risk management	Comment
<p>Suppliers Deficiencies in the supply chain for inputs in terms of security of supply and quality can lead to production disruptions. Suppliers that do not meet Holmen's requirements can also have a negative effect on operations.</p>	<p>Holmen endeavours to have at least two approved suppliers per area of use. In addition, Holmen's Supplier Code of Conduct is included in all new contracts. It contains requirements on sustainable development, including by respecting internationally recognised principles on anti-corruption measures, human rights, health and safety and the environment. Since 2017, Holmen has hired an external partner, EcoVadis, to follow up supplier compliance with the Code in the areas of human rights, health and safety, the environment, business ethics and sustainable purchasing.</p>	<p>No cases regarding breaches of the Supplier Code of Conduct were reported in 2019 (none in 2018). By the end of 2019, suppliers accounting for just under 90 per cent (85) of the Group's purchasing volumes had signed up to the Supplier Code of Conduct. Supply chain risks relating to the environment, labour legislation, human rights, business ethics and sustainable purchasing have been mapped and an action plan established. Holmen is subject to the UK Modern Slavery Act and a report on this is available at holmen.com.</p>
<p>IT systems Efficient IT support is required to be able to plan and manage the production and when handling sales and purchasing. Disruptions in IT support and unauthorised access to information can have significant negative effects on the business.</p>	<p>Operating disruptions and unauthorised access are prevented by security measures and preventive measures in the form of appropriate physical protection, reliable server operation and secure networks. Measures and procedures are in place to minimise the risk of interruption and to manage situations if interruptions occur. Holmen is continually developing these protective measures to address changes in the risk profile.</p>	<p>Business operations were not affected by IT incidents in 2019.</p>
<p>Climate change The Swedish Meteorological and Hydrological Institute's forecasts show that average temperature, precipitation and soil moisture will increase in Sweden. A warmer climate could increase the growth of our northerly growing forests with a longer growth period, more precipitation and higher levels of carbon dioxide in the air, aiding photosynthesis. It could also affect biological diversity and raise the risk of wind and snow damage, fungal attack, insect damage and forest fires. Climate change could also impact our ability to carry out harvesting.</p>	<p>Holmen is developing seedlings and processes for planting, cleaning and thinning to adapt our forests to a changing climate. Seeds from Holmen's cultivation of seedlings are selected to grow and flourish in a changeable climate and when planting we choose tree species based on the specific conditions of the soil to ensure the trees can better withstand extreme weather such as storms, rain and drought. Since shorter periods of frozen ground can make harvesting more difficult in the winter, this work is being adjusted through planning and by relocating machines to areas with better conditions. The risk of impact on Holmen's operations from climate change is being managed through Holmen's operational continuity plans. Risks concerning energy consumption and greenhouse gas emissions are managed through our ISO-certified environmental and energy management systems.</p>	<p>The Forest business area conducts ongoing climate risk analyses to create healthy, resilient forests suited to a changing climate. Climate change is leading to greater demand for Holmen's products as our customers want renewable alternatives to fossil-based products.</p>
<p>Environment Production disruptions can cause breaches of emissions conditions set for the business by environmental authorities, which could impact the environment.</p>	<p>Environmental measures are organised and conducted in accordance with Holmen's environmental and energy policy. In the event of process disruptions, the environment takes precedence over production. Risks are prevented and managed through regular own checks, checks by authorities and environmental risk analyses, as well as through the use of certified environmental and energy management systems and chain-of-custody certification.</p>	<p>In 2019, 35 (32) environmentally related incidents were reported to the supervisory authorities. The nonconformities were not of a significant nature in terms of environmental impact or impact on profits.</p>
<p>Health and safety Incidents and accidents at the workplace have an effect on human life and health. This could also lead to production disruptions and increased costs.</p>	<p>Good health and safety is a priority at all levels of management in the Group. Certified management systems, Group-wide targets relating to work accidents, continual training of personnel to increase risk awareness, procedures for risk observation and incident and accident reporting, and risk assessment of tasks and work by contractors are examples of activities to achieve a high level of safety in the workplace. Work involving overhead cranes and vehicles constitutes the most significant areas of risk.</p>	<p>The figure in 2019 was 5.7 (4.9) industrial accidents per 1 million hours worked. See also page 33. The most common accidents were slips, trips and pinch point accidents. Accidents resulting in cuts and lacerations decreased during the year following the implementation of measures.</p>
<p>Talent management Skilled and motivated employees are key to being able to conduct long-term business operations with good profitability. Retirements increase the need to attract new personnel, which can be challenging.</p>	<p>Based on Group-wide employer branding efforts, we market Holmen as an employer using digital channels and by meeting people in person. Communication is applied both generally and directly at the primary target groups.</p>	<p>Our efforts have resulted in many more applicants for those positions that we are looking to fill. Voluntary employee turnover is stable and surveys of new employees show that new employees have job satisfaction and that young people joining from university remain with the company, which is a plus.</p>
<p>Business ethics Nationally and internationally, customers and partners place requirements on Holmen as a stable and reliable supplier that has good business ethics and clear sustainability principles. Deviations from principles and policies could have a negative impact on reputation and business relationships.</p>	<p>Holmen's Code of Conduct, business ethics policy and associated guidelines provide clear guidance on how to maintain good business ethics when dealing with external contacts in various markets. Training on business ethics is provided for management groups and for employees deemed to encounter issues covered by the business ethics policy, such as marketing and sales departments and purchasers. Holmen's Code of Conduct also provides guidance on human rights, workers' rights and the environment. These areas are clarified in Holmen's policies and related guidelines.</p>	<p>No cases concerning deviations from either the business ethics policy or the parts of the Code of Conduct regarding business ethics issues were reported in 2019. A few other events linked to the Code of Conduct were reported during the year. All have been addressed in line with Holmen's internal processes. Steps have been taken and no further action is required.</p>
<p>Regulatory risks Laws and rules in countries in which the Group operates affect how business activities can be conducted. Rules on how forests may be managed could affect future growth and harvests. Rules on the use of fresh fibre rather than recycled fibre, as well as legislation regarding water-based operations, could have an impact on the Group's competitiveness.</p>	<p>Holmen participates in national and international industry organisations whose purpose is to handle the monitoring of social trends, advocacy and put forward Holmen's position and view on certain political issues. Contact is established with local representatives and the general public in areas where the Group has operations. This takes place, for example, through consultation and information meetings and through meetings with decision-makers. On issues regarding the right to manage the forest and water-based operations, Holmen has participated actively in work with business organisations and in responses to consultation on relevant subjects.</p>	<p>The UK's exit from the EU could affect the markets on which Holmen sells its products. Holmen also has production in the UK that could be affected. We are following developments closely, but the outcome and consequences are hard to predict. In 2019 the EU introduced a new directive regulating the use of certain disposable plastic items. Holmen takes a positive view of the directive as it could mean opportunities for the forest industry's renewable products.</p>

Financial risks

Risk	Risk management	Comment																																																
<p>Currency The Group's earnings are affected by fluctuations in exchange rates. Transaction exposure risk arises due to a significant portion of the Group's sales income being in different currencies from costs. The translation exposure risk arises from the translation of foreign subsidiaries' assets, liabilities and earnings into Swedish kronor.</p>	<p>Transaction exposure. In order to reduce the impact on profit from changes in exchange rates, net flows are hedged using forward foreign exchange contracts. Net flows in euros, US dollars and sterling for the coming four months are always hedged. These normally correspond to trade receivables and outstanding orders. The Board can decide to hedge flows for a longer period if this is deemed suitable in light of the products' profitability, competitiveness and the currency situation. Currency exposure arising when investments are paid for in foreign currency is distinguished from other transaction exposure. Normally, 90–100 per cent of the currency exposure associated with major investments is hedged.</p> <p>Translation exposure. Hedging exposure that arises when subsidiaries' assets and liabilities are translated into Swedish kronor (known as equity hedging) is assessed on a case-by-case basis and is arranged based on the value of net assets upon consolidation. The Group's non-current assets are mainly Swedish, with the exception of the paperboard mill in the UK, which accounts for 3 per cent of the assets. The hedges take the form of foreign currency loans or forward foreign exchange contracts. Exposure that arises when the earnings of foreign subsidiaries are translated into Swedish kronor is not normally hedged.</p>	<p>For just over the next two years expected flows in EUR/SEK are hedged at an average of 10.43. For other currencies, approximately 4 months of flows are hedged.</p> <p>Hedging in pounds sterling amounted to GBP 14 million at year-end. Net assets in other currencies are limited and are not usually hedged.</p>																																																
<p>Interest rates Risks that arise when changes in the market interest rate affect the Group's interest income and cost.</p>	<p>The fixed interest periods for the Group's financial assets and liabilities are normally short. The Board can decide to lengthen these periods in order to limit the effect of a rise in interest rates. Derivatives in the form of interest rate swaps may be used to manage fixed interest periods without altering underlying loans.</p>	<p>The Group's average borrowing rate in 2019 was 1.2 per cent. The table below shows the Group's fixed interest period by currency. In 2019 the long-term fixed interest increased by SEK 1 000 million, with SEK 500 million for four years and SEK 500 million for five years.</p>																																																
	<table border="1"> <thead> <tr> <th>SEKm</th> <th><1 year</th> <th>1–3 years</th> <th>3–5 years</th> <th>>5 years</th> <th>Pension provisions</th> <th>Right-of-use agreements</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>SEK</td> <td>-2 744</td> <td>-</td> <td>-1 000</td> <td>-</td> <td>-21</td> <td>-136</td> <td>-3 900</td> </tr> <tr> <td>EUR</td> <td>68</td> <td>-</td> <td>-</td> <td>-</td> <td>-6</td> <td>-35</td> <td>27</td> </tr> <tr> <td>GBP</td> <td>56</td> <td>-</td> <td>-</td> <td>-</td> <td>-19</td> <td>-5</td> <td>33</td> </tr> <tr> <td>Other items</td> <td>66</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-9</td> <td>57</td> </tr> <tr> <td></td> <td>-2 544</td> <td>-</td> <td>-1 000</td> <td>-</td> <td>-46</td> <td>-184</td> <td>-3 784</td> </tr> </tbody> </table>	SEKm	<1 year	1–3 years	3–5 years	>5 years	Pension provisions	Right-of-use agreements	Total	SEK	-2 744	-	-1 000	-	-21	-136	-3 900	EUR	68	-	-	-	-6	-35	27	GBP	56	-	-	-	-19	-5	33	Other items	66	-	-	-	-	-9	57		-2 544	-	-1 000	-	-46	-184	-3 784	
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<p>Credit risk from financial counterparties The risk of financial transactions giving rise to credit risks in relation to financial counterparties.</p>	<p>A maximum credit risk and settlement risk are established for each financial counterparty and are monitored continually. Holmen's financial counterparties are assessed using reputable credit rating agencies or, where a counterparty has no credit rating, the company's own analyses. This calculation is based on the maturity and historical volatility of different types of derivative. The maximum credit risk for other financial assets is estimated to correspond to their nominal amount.</p>	<p>At 31 December 2019, the Group had outstanding derivative contracts with a nominal amount of SEK 16 billion and a net fair value of SEK +123 million.</p>																																																
<p>Liquidity and refinancing The risk of the need for future funding and refinancing of maturing loans being required at a high cost.</p>	<p>Holmen's strategy is to have a strong financial position in order to secure room for manoeuvre when making long-term commercial decisions. The target is for net financial debt not to exceed 25 per cent of equity. Holmen's financing mainly comprises bond loans and the issue of commercial paper. Holmen reduces the risk of future funding becoming difficult or expensive by using long-term contractually agreed credit facilities. The Group plans its financing by forecasting financing needs over the coming years based on the Group's budget and profit forecasts that are regularly updated.</p>	<p>The financial position is strong, with net financial debt at 31 December 2019 amounting to SEK 3 784 million, which corresponds to 9 per cent of equity. Of these financial liabilities, SEK 2 498 million falls due in 2020.</p> <p>At year-end the Group had an unused committed credit facility of EUR 400 million (SEK 4 172 million) with a syndicate of eight banks, of which SEK 296 million was available for use up until June 2020 and the remainder until June 2021. In February 2020 this was replaced by a new committed credit facility of SEK 4 000 million from a syndicate of seven banks, which is available to use until February 2025. The credit facility may be used provided that the Group's net debt does not exceed 125 per cent of equity.</p>																																																

Sensitivity analysis

Operational risks

A 1 per cent change in deliveries and price of the Group's products or significant inputs is deemed to affect Group operating profit as per the table to the right.

Earnings are relatively evenly spread over the year. The clearest seasonal effects are lower personnel costs in the third quarter and the fact that electricity production at the hydro power plants is normally higher in the first and fourth quarters.

Impact on operating profit, SEKm	Change	Price	Deliveries
Paperboard	+/-1%	60	29
Paper	+/-1%	58	20
Wood products	+/-1%	17	5
Wood from company forests	+/-1%	13	9
Hydro and wind power	+/-1%	4	3
Input goods			
Wood*	+/-1%	31	
Electricity*	+/-1%	11	
Chemicals	+/-1%	15	
Other variable costs	+/-1%	7	
Delivery costs	+/-1%	15	
Employees	+/-1%	23	
Other fixed costs	+/-1%	17	

*Taking account of harvesting of company forests and generation of own electricity, net earnings sensitivity for the Group was SEK 18 million for wood and SEK 8 million for electricity.

Financial risks

The table to the right shows the extent of the impact from a change in the Swedish krona, the price of electricity and the market interest rate on Group profit before tax and equity next year, taking account of hedging. The adopted change is calculated based on five years' average historical volatility for each instrument, which is deemed a reasonable change going forward. Historical volatility on exchange rates is calculated based on average annual volatility on the KIX, the Riksbank's exchange rate index. Excluding hedging, a 5 per cent change in the krona would affect earnings before tax by SEK 420 million a year. In addition, a 30 per cent change in the price of electricity would affect earnings before tax by SEK 235 million a year, excluding hedging.

Earnings before tax*	Change	SEKm
Exchange rates	+/-5%	162
EUR/SEK	+/-5%	8
USD/SEK	+/-5%	65
GBP/SEK	+/-5%	44
Other currencies/SEK	+/-5%	46
Electricity price	+/-30%	23
Borrowing rate	+/- 0.5% unit	13
Equity		
Transaction hedging	+/-5%	511
Investment hedging	+/-5%	42
Equity hedging	+/-5%	9
Electricity price hedging	+/-30%	159
Interest rate changes	+/- 0.5% unit	19

*Estimated effect for 2020 including hedging.

Shareholder information

Holmen's two series of shares are listed on Nasdaq Stockholm, Large Cap. Over the past five years, Holmen's total shareholder return (dividend paid and share price performance) has been 154 per cent, compared with 46 per cent for OMX Stockholm 30. For Holmen, this corresponds to an annual return of 20 per cent.

Stock exchange trading

Holmen was listed on the Stockholm Stock Exchange in 1936, but was called Mo och Domsjö AB at that time. Holmen's two classes of share are listed on Nasdaq Stockholm, Large Cap. At the end of 2019 Holmen A was trading at SEK 295 (178) and Holmen B at SEK 285 (175), corresponding to a market capitalisation of SEK 46.6 billion (29.5). The highest closing price for Holmen's class B shares was SEK 297, on 19 November. The lowest closing price was SEK 172, on 3 January. The daily average number of class B shares traded was 516 000, which corresponds to a value of SEK 124 million. The daily average number of class A shares traded was 1 200. Just over 50 per cent of trading took place on Nasdaq Stockholm. Holmen shares have also been traded on other trading platforms, such as Cboe BXE, Aquis and Turquoise.

Dividend

Decisions on dividends are based on an appraisal of the Group's profitability, future investment plans and financial position. The Board proposes that the AGM to be held on 30 March 2020 resolve in favour of paying a dividend of SEK 7 (6.75) per share, corresponding to 2.8 per cent of shareholders' equity.

Share structure

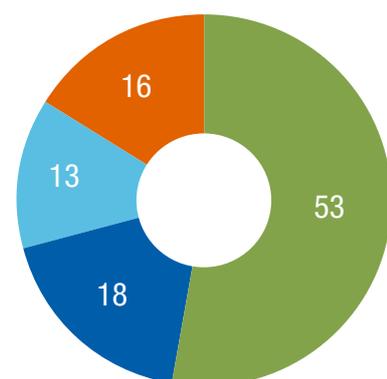
Holmen has 161 925 685 shares outstanding, of which 45 246 468 are class A shares and 116 679 217 are class B shares. The company also has 7 586 639 repurchased class B shares held in treasury. Each class A share carries 10 votes, and each class B share one vote. In other respects, the shares carry the same rights. Neither laws nor the company's articles of association place any restrictions on the transferability of the shares.

Share savings programme

The share savings programme that was introduced following the decision of the 2016 AGM expired in May 2019, which meant that participants were allocated 168 797 matching and performance shares. The 2019 AGM approved a similar new share savings programme. See Note 4 for further information on the share savings programmes.

Shareholder categories

Share of capital, %



■ Swedish institutions	53%
■ Swedish equity funds	18%
■ Swedish private individuals	13%
■ Foreign shareholders	16%

Share buy-backs

On 15 August the Board took the decision to use the mandate from the 2019 AGM to acquire company shares. A total of 6 235 436 class B shares were repurchased for SEK 1 430 million, corresponding to an average price of SEK 229/share. The buy-backs correspond to 3.7 per cent of the total number of shares. The company already owned 0.8 per cent of its own shares, meaning that at 31 December 2019 Holmen held 4.5 per cent of the total number of shares.

The Board proposes that the AGM approve the cancellation of 7 000 000 class B shares and renew the mandate to repurchase 10 per cent of the company's shares.

Ownership structure

Holmen had a total of 38 904 shareholders at year-end 2019. In terms of numbers, Swedish private individuals account for the largest owner category with 36 792 shareholders. Shareholders registered in Sweden own 84 per cent (81) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the US and Norway, accounting for 6 per cent and 2 per cent of capital, respectively. The largest owner at the turn of 2019/2020, with 62.3 per cent of votes and 34.1 per cent of capital, was L E Lundbergföretagen AB.

Shareholder communication

The website holmen.com contains information about the company and financial information in the form of reports, presentations and financial data, performance of Holmen shares and contact information.

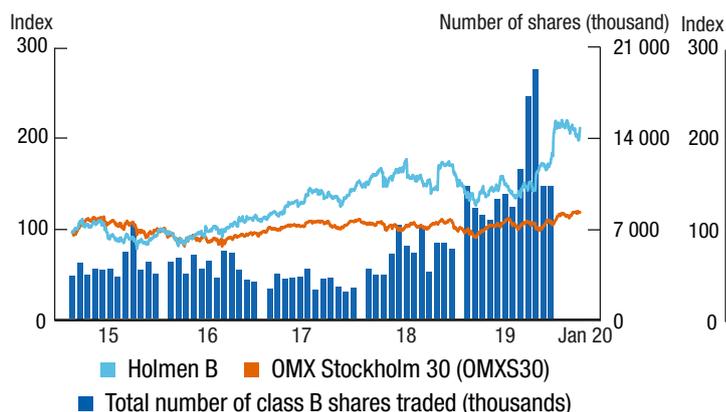
Earnings per share, 2019

SEK 52.6

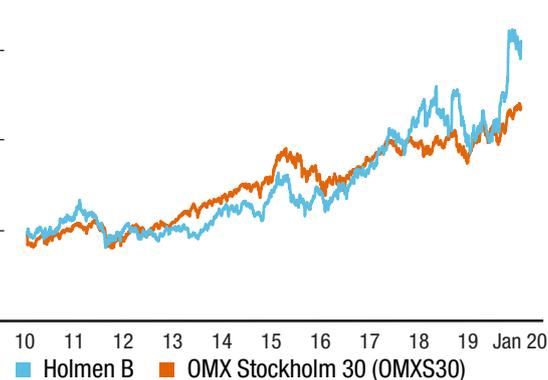
Proposed dividend per share, 2019

SEK 7

Share price performance, Holmen class B and OMX Stockholm



Total shareholder return for Holmen B and OMX Stockholm Incl. reinvested dividend but excl. tax



Source: Macrobond

Annual return at 31 Dec 2019, %	1 year	3 years	5 years	10 years
Holmen B	68	24	20	16
OMX Stockholm 30	31	9	8	10

Holmen's total shareholder return has averaged 16 per cent a year over the past 10 years, which is 6 percentage points better than the OMX Stockholm 30.

Share capital structure

Shares	Votes	No. of shares	No. of votes	Quotient value	SEKm
A	10	45 246 468	452 464 680	25	1 131
B	1	124 265 856	124 265 856	25	3 107
Total no. of shares		169 512 324	576 730 536		4 238
Holding of own class B shares repurchased		-7 586 639	-7 586 639		
Total number of shares outstanding		161 925 685	569 143 897		

Ownership structure* 31 Dec 2019	% of capital	% of votes
L E Lundbergföretagen	34.1	62.3
Kempe Foundations	7.4	17.5
Carnegie funds (Sweden)	5.3	1.5
SEB funds	4.2	1.2
Alecta	3.5	1.0
Lannebo funds	2.3	0.6
Nordea funds	1.8	0.5
Vanguard (US)	1.8	0.5
Swedbank Robur funds	1.7	0.5
BlackRock	1.3	0.4
Total	63.4	86.0
Other	36.6	14.0
Total	100.0	100.0
Of which non-Swedish shareholders	15.9	4.9

*Calculated based on the total number of shares outstanding. The 10 identified shareholders with the largest holdings in terms of capital. Some large shareholders may have their holdings registered under nominee names, in which case they are included among 'Other'.

Changes in share capital 2000–2019	Change in no. of shares	Total no. of shares	Change in share capital	Total share capital
2001 Cancellation of shares repurchased	-8 885 827	79 972 451	-444	3 999
2004 Conversion and subscription	4 783 711	84 756 162	239	4 238
2018 Share split	84 756 162	169 512 324	-	4 238

Ownership structure at 31 Dec 2019		
No. of shares	No. of shareholders	Share of capital, %
1–1 000	34 859	4
1 001–100 000	3 969	11
100 001–	76	85
Total	38 904	100

Data per share (adjusted for the 2:1 share split in 2018)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Diluted earnings per share, SEK ¹⁾	52.6	13.5	9.9	8.5	3.3	5.4	4.3	11.1	23.6	4.2
Dividend, SEK	7⁵⁾	6.75	6.5	6	5.5	5	4.5	4.5	4	3.5
Dividend as % of:										
Equity	3	5	5	5	4	4	4	4	3	3
Closing listed price	2	4	3	4	4	4	4	5	4	3
Profit/loss for the year	13	50	65	71	158	93	106	41	17	83
Return, equity, % ^{1) 6)}	8	10	8	8	7	6	4	6	8	4
Return, capital employed, % ^{1) 6)}	9	10	9	9	6	6	5	7	9	6
Equity per share, SEK	238	140	131	127	124	125	124	124	118	101
Closing listed price, B, SEK	285	175	218	164	131	133	117	96	99	111
Average listed price for year, B, SEK	220	213	186	141	132	118	99	93	101	98
Highest listed price for year, B, SEK	297	240	218	163	153	136	118	102	126	113
Lowest listed price for year, B, SEK	172	175	157	114	110	105	87	85	78	87
Total closing market capitalisation, SEK 1 000 m	46.6	29.5	36.6	27.4	22.3	22.3	19.7	16.2	16.6	18.5
P/E ratio ²⁾	5	13	22	19	39	25	28	9	4	26
EV/EBITDA ³⁾	14	9	13	10	11	9	10	8	7	7
Closing beta value (48 months), B, at year-end ⁴⁾	0.77	0.74	0.74	0.72	0.68	0.71	0.67	0.67	0.67	0.67
Number of shareholders at year-end	38 904	33 573	30 903	28 159	28 176	27 788	27 692	28 440	28 899	28 339

1) See page 78: Definitions and glossary. 2) Closing listed price divided by diluted earnings per share. 3) Market capitalisation plus net financial debt at year-end (EV) divided by EBITDA. 4) Measures the sensitivity of the yield on class B shares in relation to the yield on the OMX 30 Stockholm over a period of 48 months. 5) Board proposal. 6) Excl. items affecting comparability.

Financial statements

Income statement, SEKm	Note	2019	2018
Net sales	2	16 959	16 055
Other operating income	3	1 370	1 284
Change in inventories		-220	439
Raw materials and consumables		-9 398	-9 027
Personnel costs	4	-2 316	-2 306
Other operating costs	5	-3 597	-3 443
Depreciation and amortisation according to plan	10, 11, 12	-1 141	-1 012
Impairment losses	10, 13	-109	-25
Change in value of biological assets	9	9 566	425
Profit/loss from investments in associates and joint ventures	13	0	-9
Operating profit/loss		11 115	2 382
Finance income	6	13	13
Finance costs	6	-47	-38
Earnings before tax		11 081	2 356
Tax	7	-2 351	-89
Profit/loss for the year		8 731	2 268
Attributable to:			
Owners of the parent company		8 731	2 268
Earnings per share (SEK)	8		
basic		52.6	13.5
diluted		52.6	13.5
Average number of shares (million)	8		
basic		166.1	168.0
diluted		166.1	168.0

Operating profit was SEK 11 115 million (2 382) including items affecting comparability of SEK 8 770 million, which mainly relate to a change in the accounting of forest assets. Operating profit excluding items affecting comparability totalled SEK 2 345 million. Earnings were positively affected by higher selling prices, but were negatively impacted by increased wood costs and more

extensive maintenance shutdowns. Net financial items for 2019 totalled SEK -34 million (-25). Average net debt was higher than in the previous year.

Tax recognised in 2019 was SEK -2 351 million (-89) and includes SEK -1 870 million from the change to the accounting of forest assets.

Statement of comprehensive income, SEKm	Note	2019	2018
Profit/loss for the year		8 731	2 268
Other comprehensive income			
Revaluation of forest land	9	13 055	-
Revaluations of defined benefit pension plans	18	14	-52
Tax attributable to items that will not be reclassified to profit/loss for the year	7	-2 687	10
Total items that will not be reclassified to profit/loss for the year		10 382	-42
Cash flow hedging			
Revaluation		-277	115
Transferred from equity to the income statement		247	222
Transferred from equity to non-current assets		-7	-8
Translation difference on foreign operations		141	55
Hedging of currency risk in foreign operations		-2	-8
Share in joint ventures' other comprehensive income	13	-6	-23
Tax attributable to items that will be reclassified to profit/loss for the year	7	8	-69
Total items that will be reclassified to profit/loss for the year		105	284
Total other comprehensive income after tax		10 487	242
Total comprehensive income		19 218	2 510
Attributable to:			
Owners of the parent company		19 218	2 510

SEK 13 055 million from the revaluation of forest land under the amended accounting of forest land is included in other comprehensive income. Tax attributable to this revaluation amounts to SEK -2 689 million.

Balance sheet at 31 December, SEKm	Note	2019	2018
Non-current assets			
Forest assets			
Biological assets	9	27 979	18 400
Forest land	9	13 366	301
Non-current intangible assets	10	70	68
Property, plant and equipment	11	8 906	8 776
Right-of-use assets	12	183	-
Investments in associates and joint ventures	13	1 620	1 740
Other shares and participating interests	13	1	1
Non-current financial receivables	14	452	468
Deferred tax assets	7	1	1
Total non-current assets		52 579	29 755
Current assets			
Inventories	15	3 460	3 628
Trade receivables	16	2 005	1 929
Current tax receivable	7	0	328
Other operating receivables	16	799	959
Current financial receivables	14	14	35
Cash and cash equivalents	14	483	278
Total current assets		6 761	7 157
Total assets		59 340	36 912
Equity			
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		10 540	70
Retained earnings incl. profit/loss for the year		25 052	18 865
Total equity attributable to the owners of the parent company		40 111	23 453
Non-current liabilities			
Non-current financial liabilities	14	2 018	1 033
Non-current liabilities relating to right-of-use assets		171	-
Pension provisions	18	46	61
Other provisions	19	637	483
Deferred tax liabilities	7	10 299	5 839
Total non-current liabilities		13 171	7 416
Current liabilities			
Current financial liabilities	14	2 485	2 494
Current liabilities relating to right-of-use assets		13	-
Trade payables	20	2 259	2 232
Current tax liability	7	112	13
Provisions	19	158	197
Other operating liabilities	20	1 030	1 108
Total current liabilities		6 058	6 044
Total liabilities		19 229	13 459
Total equity and liabilities		59 340	36 912

At year-end, the book value of forest assets rose by SEK 22 134 million to SEK 41 345 million as a result of the assets being recognised based on transactions in those areas where Holmen owns land. Of this increase, SEK 9 079 million is recognised in operating profit and SEK 13 055 million in other comprehensive income. The change has increased the recognised

deferred tax liability by SEK 4 560 million and equity by SEK 17 574 million. During the year shares were repurchased for a value of SEK 1 430 million, which reduces equity. The new IFRS 16 Leases standard increases assets by SEK 183 million, while non-current liabilities rise by SEK 171 million and current liabilities increase by SEK 13 million.

Changes in equity, SEKm

	Reserves					Retained earnings incl. profit/loss for the year	Total equity
	Share capital	Other contributed capital	Translation reserve	Hedge reserve	Revaluation surplus		
Opening equity balance 1 Jan 2018	4 238	281	-97	-117	-	17 731	22 035
Profit/loss for the year	-	-	-	-	-	2 268	2 268
Other comprehensive income							
Revaluation of defined benefit pension plans	-	-	-	-	-	-52	-52
Cash flow hedging	-	-	-	329	-	-	329
Translation difference on foreign operations	-	-	55	-	-	-	55
Hedging of currency risk in foreign operations	-	-	-8	-	-	-	-8
Share in joint ventures' other comprehensive income	-	-	-	-23	-	-	-23
Tax attributable to other comprehensive income	-	-	2	-71	-	10	-60
Total other comprehensive income	-	-	49	235	-	-42	242
Total comprehensive income	-	-	49	235	-	2 226	2 510
Dividend paid	-	-	-	-	-	-1 092	-1 092
Share savings programme	-	-	-	-	-	0	0
Closing equity balance 31 Dec 2018	4 238	281	-48	118	-	18 865	23 453
Profit/loss for the year						8 731	8 731
Other comprehensive income							
Revaluation of forest land	-	-	-	-	13 055	-	13 055
Revaluation of defined benefit pension plans	-	-	-	-	-	14	14
Cash flow hedging	-	-	-	-37	-	-	-37
Translation difference on foreign operations	-	-	141	-	-	-	141
Hedging of currency risk in foreign operations	-	-	-2	-	-	-	-2
Share in joint ventures' other comprehensive income	-	-	-	-6	-	-	-6
Tax attributable to other comprehensive income	-	-	0	8	-2 689	2	-2 679
Total other comprehensive income	-	-	140	-35	10 366	17	10 487
Total comprehensive income	-	-	140	-35	10 366	8 747	19 218
Dividend paid	-	-	-	-	-	-1 134	-1 134
Buy-backs of company's own shares	-	-	-	-	-	-1 430	-1 430
Share savings programme	-	-	-	-	-	4	4
Closing equity balance 31 Dec 2019	4 238	281	92	83	10 366	25 052	40 111

Cash flow statement, SEKm	Note	2019	2018
Operating activities			
Earnings before tax	25	11 081	2 356
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 141	1 012
Impairment losses		109	25
Change in value of biological assets		-9 566	-425
Change in provisions		86	-39
Other*		22	-33
Income tax paid		-147	-396
Cash flow from operating activities before changes in working capital		2 727	2 500
Cash flow from changes in working capital			
Change in inventories		210	-705
Change in trade receivables and other operating receivables		-135	230
Change in trade payables and other operating liabilities		83	262
Cash flow from operating activities		2 884	2 286
Investing activities			
Acquisition of property, plant and equipment		-1 024	-972
Disposal of property, plant and equipment		21	98
Acquisition of non-current intangible assets		-14	-15
Acquisition of biological assets		-9	-150
Disposal of biological assets		0	38
Increase in non-current financial receivables		0	-456
Repayment of non-current financial receivables		36	24
Acquisition of shares and participating interests		-25	-3
Cash flow from investing activities		-1 015	-1 436
Financing activities			
Raised long-term borrowings		1 000	1 000
Repayments of long-term borrowings**		-500	-300
Change in current financial liabilities	25	385	-539
Change in current financial receivables		13	0
Buy-backs of company's own shares		-1 430	-
Dividend paid to owners of the parent company		-1 134	-1 092
Cash flow from financing activities		-1 665	-930
Cash flow for the year		204	-81
Cash and cash equivalents at beginning of year		278	356
Exchange gains/losses on cash and cash equivalents		1	3
Cash and cash equivalents at end of year		483	278

*Other adjustments primarily consist of currency effects and the marking to market of financial instruments, profit from associates, as well as gains on the sale of non-current assets.

**Refers to repayments of loans that were long-term loans when raised.

Change in net financial debt	2019	2018
Opening net financial debt	-2 807	-2 936
New IFRS 16 Leases accounting policy	-205	-
Cash flow		
Operating activities	2 884	2 286
Investing activities (excl. non-current financial receivables)	-1 050	-1 005
Share buy-backs	-1 430	-
Dividend paid	-1 134	-1 092
Liabilities arising from new right-of-use agreements	-76	-
Revaluations of defined benefit pension plans	12	-47
Foreign exchange effects and changes in fair value	21	-13
Closing net financial debt	-3 784	-2 807

Parent company

Income statement, SEKm	Note	2019	2018
Net sales	2	15 004	14 384
Other operating income	3	706	628
Change in inventories		-114	391
Raw materials and consumables		-7 834	-7 636
Personnel costs	4	-1 887	-1 921
Other external costs	5	-5 449	-4 367
Depreciation and amortisation according to plan	10, 11	-44	-47
Impairment losses	10	-	-25
Operating profit/loss		382	1 407
Profit/loss from investments in Group companies	6, 23	231	467
Profit/loss from investments in associates	6, 13	-185	-20
Interest income and similar income	6	30	32
Interest expense and similar costs	6	-53	-45
Profit/loss after financial items		404	1 841
Appropriations	24	1 936	-1 373
Earnings before tax		2 340	467
Tax	7	-493	47
Profit/loss for the year		1 847	514

Statement of comprehensive income, SEKm	Note	2019	2018
Profit/loss for the year		1 847	514
Other comprehensive income			
Cash flow hedging			
Revaluation		-291	95
Transferred from equity to the income statement		264	230
Transferred from equity to non-current assets		-7	0
Tax attributable to other comprehensive income	7	7	-70
Total items that will be reclassified to profit/loss for the year		-27	255
Total comprehensive income		1 820	769

The parent company includes Holmen's Swedish operations with the exception of the majority of the non-current assets, which are recognised in other companies in the Group.

The item 'Interest expense and similar costs' in the income statement includes the result of SEK -2 million (-8) from hedging equity in foreign subsidiaries.

Cash flow statement, SEKm	Note	2019	2018
Operating activities			
Profit/loss after financial items		404	1 841
Adjustments for non-cash items			
Depreciation and amortisation according to plan		44	47
Impairment losses		-	25
Change in provisions		87	-17
Other*		-6	-113
Income tax paid		-74	-297
Cash flow from operating activities before changes in working capital		455	1 485
Cash flow from changes in working capital			
Change in inventories		56	-597
Change in operating receivables		-129	140
Change in operating liabilities		134	207
Cash flow from operating activities		516	1 235
Investing activities			
Shareholders' contribution paid		-210	-3
Acquisition of property, plant and equipment		-73	-67
Disposal of property, plant and equipment		8	9
Increase in non-current financial receivables		0	-456
Repayment of non-current financial receivables		36	24
Disposal of shares and participating interests		109	100
Cash flow from investing activities		-135	-395
Financing activities			
Raised long-term borrowings		1 000	1 000
Repayments of external long-term borrowings**		-500	-300
Change in other financial liabilities	25	475	-502
Change in other financial receivables		-1 190	2 384
Dividend paid to owners of the parent company		-1 134	-1 092
Buy-backs of company's own shares		-1 430	-
Group contributions received		2 572	191
Group contributions paid		-2	-2 584
Cash flow from financing activities		-208	-904
Cash flow for the year		173	-64
Cash and cash equivalents at beginning of year		230	294
Cash and cash equivalents at end of year		403	230

*Other adjustments primarily consist of currency effects and the marking to market of financial instruments and gains on the sale of non-current assets.

**Refers to repayments of loans that were long-term loans when raised.

Balance sheet at 31 December, SEKm	Note	2019	2018
Non-current assets			
Non-current intangible assets	10	24	25
Property, plant and equipment	11	3 008	2 974
Non-current financial assets			
Shares and participations	13, 23	10 774	10 787
Non-current financial receivables	14	2 397	7 419
Total non-current assets		16 203	21 205
Current assets			
Inventories	15	2 867	2 926
Operating receivables	16	2 364	2 424
Current tax receivable	7	-	327
Current investments	14	14	35
Cash and cash equivalents	14	403	230
Total current assets		5 648	5 942
Total assets		21 852	27 147

Balance sheet at 31 December, SEKm	Note	2019	2018
Equity			
Restricted equity	17		
Share capital		4 238	4 238
Statutory reserve		1 577	1 577
Revaluation reserve		100	100
Non-restricted equity			
Retained earnings incl. hedge reserve		2 894	4 966
Profit/loss for the year		1 847	514
Total equity		10 656	11 395
Untaxed reserves	24	1 646	1 012
Provisions			
Pension provisions	18	0	20
Tax provisions	19	45	45
Other provisions	19	794	708
Deferred tax liability	7	614	635
Total provisions		1 454	1 407
Liabilities			
Non-current financial liabilities	14	2 480	7 817
Current financial liabilities	14	2 493	2 494
Current tax liabilities	7	105	-
Operating liabilities	20	3 018	3 022
Total liabilities		8 096	13 333
Total equity and liabilities		21 852	27 147

Changes in equity, SEKm

	Restricted equity			Non-restricted equity			Total equity
	Share capital	Statutory reserve	Revaluation reserve	Hedge reserve	Retained earnings	Profit/loss for the year	
Opening equity balance 1 Jan 2018	4 238	1 577	100	-93	4 049	1 847	11 718
Appropriation of profits	-	-	-	-	1 847	-1 847	-
Profit/loss for the year	-	-	-	-	-	514	514
Other comprehensive income							
Cash flow hedging	-	-	-	326	-	-	326
Tax on other comprehensive income	-	-	-	-70	-	-	-70
Total other comprehensive income	-	-	-	255	-	-	255
Total comprehensive income	-	-	-	255	1 847	-1 333	769
Dividend paid	-	-	-	-	-1 092	-	-1 092
Share savings programme	-	-	-	-	0	-	0
Closing equity balance 31 Dec 2018	4 238	1 577	100	162	4 805	514	11 395
Appropriation of profits	-	-	-	-	514	-514	-
Profit/loss for the year	-	-	-	-	-	1 847	1 847
Other comprehensive income							
Cash flow hedging	-	-	-	-34	-	-	-34
Tax on other comprehensive income	-	-	-	7	-	-	7
Total other comprehensive income	-	-	-	-27	-	-	-27
Total comprehensive income	-	-	-	-27	514	1 333	1 820
Dividend paid	-	-	-	-	-1 134	-	-1 134
Buy-backs of company's own shares	-	-	-	-	-1 430	-	-1 430
Share savings programme	-	-	-	-	4	-	4
Closing equity balance 31 Dec 2019	4 238	1 577	100	135	2 759	1 847	10 656

Notes to the financial statements

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Note 1. Accounting policies

The accounting policies for the Group presented below have been applied consistently to all periods included in the Group's financial statements except where otherwise stated below. The Group's accounting policies have been applied consistently to the reporting and the consolidation of the parent company, subsidiaries, associates and joint ventures.

Compliance with standards and statutory requirements

The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The Swedish Financial Reporting Board's recommendation (RFR 1 Supplementary Accounting Rules for Groups) has also been applied.

The parent company applies the same accounting policies as the Group except in the cases that are commented on separately under each section. The parent company's accounts are prepared in accordance with RFR 2 Accounting for Legal Entities. The differences between the policies applied by the parent company and those applied by the Group are due to restrictions in the parent company's ability to apply IFRS as a consequence of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act, and in some cases for tax reasons.

Valuation principles applied in preparing the financial statements of the parent company and the Group

Assets and liabilities are stated at cost, except for biological assets and forest land, as well as certain financial assets and liabilities, which are valued at fair value. In the parent company, biological assets and forest land are not valued at fair value. Investments in Group companies and associates are recognised in the parent company at the lower of cost and fair value.

Functional currency and reporting currency

The functional currency is the currency used in the primary financial environments in which the companies conduct their business. The parent company's functional currency is the Swedish krona (SEK), which is also the reporting currency of the parent company and the Group. This means that the financial statements are presented in Swedish kronor.

Estimates and judgements in the financial statements

Preparing the financial statements in accordance with IFRSs requires the company's management to make estimates and judgements, as well as to make

assumptions that affect the application of the accounting policies and the recognised amounts for assets, liabilities, income and costs. The actual outcome may deviate from these assessments and estimates.

These estimates and judgements are reviewed regularly. Changes in estimates are recognised in the accounts for the period in which the change is made if the change only affects that period, or in the period the change is made and in later periods if the change affects current and future periods. See also Note 26 'Critical accounting estimates and judgements'.

Changes in accounting policies

Voluntary change of accounting policy

Because of a number of recent transactions involving large forest holdings, Holmen has revised the method and assumptions used for valuing forest assets on the Group's balance sheet. There are a large number of transactions involving forest properties in those areas where Holmen owns land and the prices paid for small and medium-sized forest properties are in line with the prices of larger forest assets. In order to reflect the fair value of the Group's forest assets, from 31 December 2019 Holmen has chosen to switch to recognising the Group's forest assets at fair value calculated based on transactions in those areas where Holmen owns forest land. To enable this, the accounting policy for forest land in the Group has been changed to fair value based on the 'revaluation model' in IAS 16. Until 31 December 2019 forest land was recognised at cost. As previously, the trees growing on the forest land are recognised at fair value as per IAS 41. In the parent company, forest land continues to be recognised at cost. This change has led to the book value of forest land in the Group increasing from SEK 311 million to SEK 13 366 million, resulting in a SEK 2 689 million increase in the deferred tax liability. As per IAS 16, the increase is recognised as a revaluation in other comprehensive income. See also pages 54-55, Note 7 and Note 9.

New and amended accounting policies applicable as of 2019

From 1 January the Group is applying IFRS 16 Leases, which replaces IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC-27. This standard requires assets and liabilities attributable to leases, with some exceptions, to be recognised in the balance sheet. The leasing cost allocated by depreciation, amortisation and interest expense is recognised in the income statement. Agreements that are affected by the new regulations for the Group mainly relate to office rent, leased vehicles and vessels. The Group has used the simplified forward-looking method, which has involved an asset and liability being set at the same value in connection with the transition. Consequently, no effects on equity

have been recognised as a result of this standard's introduction. Relaxation rules have been applied to the transition to IFRS 16, resulting in a single discount rate being applied to a portfolio of similar leases.

Assets and liabilities were recognised at SEK 205 million at 1 January 2019. Commitments for operating leases amounted to SEK 202 million in the 2018 annual accounts. The difference between commitments for future lease payments and the opening lease liability at 1 January 2019 mainly consists of a discount effect. At 31 December 2019, assets amounted to SEK 183 million and liabilities to SEK 184 million, SEK 13 million of which were recognised as current. Depreciation/amortisation of assets in 2019 totalled SEK 98 million and other external costs decreased to a corresponding degree. The interest expense on debt was SEK 4 million based on an interest rate of approximately 1 per cent. In the cash flow statement, leases were previously included in the item 'Profit/loss before tax' but from 2019 they are being shown as a change in current financial liabilities. Total cash outflow for leases was SEK 104 million in 2019. See also page 55 and Note 12.

New and amended accounting policies not yet applied

New and amended IFRSs to be applied in the future are not expected to have any material impact on the company's financial statements.

Segment reporting

The Group's operations are divided into operating segments, based on which parts of the operations are monitored by the company's highest executive decision-maker, known as the management approach. The segmentation criterion is based on the Group's business areas. This corresponds to the Group's operating structure and the internal reporting to the CEO and the Board. The items in the profit, assets and liabilities of the operating segment are recognised in accordance with the profit (operating profit), assets and liabilities that are monitored by the company's highest executive decision-maker. See Note 2 for more details of the classification and presentation of operating segments.

Classification

Essentially, non-current assets, non-current liabilities and provisions consist solely of amounts that are expected to be recovered or paid more than 12 months after the balance sheet date. Current assets, current liabilities and provisions essentially consist of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

Consolidation principles

Subsidiaries

A subsidiary is a company over which the parent company, Holmen AB, exercises a controlling influence. Controlling influence exists if Holmen AB has control over an investment object, is exposed or entitled to variable returns on its involvement and can exercise its control of the investment to influence the size of return. In determining whether one company has control over another, potential shares with an entitlement to vote and whether de facto control exists are taken into account.

The consolidated accounts are prepared using the acquisition method. The acquisition method entails the parent company indirectly acquiring the subsidiary's assets and assuming the liabilities of the subsidiary, valued at fair value. The difference between the cost of the shares and the fair value of the acquired identifiable net assets is treated as goodwill. The subsidiary companies' income and expenses, and their assets and liabilities, are stated in the consolidated accounts as of the date when the Group gains control (acquisition date) until such time as the Group no longer has control. Intra-Group receivables and liabilities, transactions between companies in the Group and related unrealised gains are eliminated in their entirety.

Holdings recognised in accordance with the equity method

Associates. Shareholdings in associates, in which the Group controls a minimum of 20 per cent and a maximum of 50 per cent of the votes, or otherwise exercises a significant influence, are stated in the consolidated accounts in accordance with the equity method.

Jointly owned companies/joint ventures. In accounting, joint ventures are those companies for which the Group, through cooperation agreements with one or more parties, has joint control whereby the Group has rights to the net assets instead of direct rights to assets and commitments in liabilities. Holdings in joint ventures are consolidated in the consolidated accounts using the equity method.

The equity method. The equity method means that the book value of the shares in the associates and joint ventures stated in the consolidated accounts corresponds to the Group's interest in the associates and joint ventures' equity and any consolidated surplus and deficit values. The Group's share of the net earnings of associates and joint ventures after tax attributable to parent company owners adjusted for any amortisation or reversal of acquired surplus and deficit values, respectively, is stated in the consolidated income statement as 'Share of profits of associates and joint ventures'. Dividends received from an associate or

joint venture reduce the book value of the investment. Unrealised gains arising as a consequence of transactions with associates and joint ventures are eliminated in relation to the owned proportion of equity.

When the Group's share of the recognised losses of an associate and joint venture exceeds the book value of the investments stated in the consolidated accounts, the value of the investments is written down to zero. Losses are also offset against unsecured long-term financial balances that, in financial terms, comprise part of the owning company's net investment in the associate and joint venture. Any further losses are not recognised unless the Group has provided guarantees to cover losses incurred by the associate or joint venture. The equity method is applied until such time as the significant influence no longer exists or the jointly owned company ceases to be jointly owned.

Foreign currency

Transactions denominated in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange differences arising on such translations are stated in the income statement. Non-monetary assets and liabilities that are stated at historical cost are translated at the exchange rate prevailing on the transaction date.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other consolidated surplus and deficit values, are translated in the consolidated accounts, from the foreign operation's functional currency, to the Group's reporting currency (Swedish kronor) at the balance sheet date rate. The income and expenses of foreign operations are translated into Swedish kronor at an average rate that is an approximation of the exchange rates prevailing at the date of each transaction. Differences arising during the currency translation of foreign operations and the related effects of hedging net investments are recognised in other comprehensive income and are accumulated in a separate component of equity called the translation reserve. In the disposal of a foreign operation, the accumulated translation differences attributable to the business are realised, less any currency hedging, in the consolidated income statement.

Companies operating on behalf of the parent company

The parent company's business is largely conducted through companies operating on its behalf: Holmen Paper AB, Iggesund Paperboard AB, Holmen Timber AB, Holmen Skog AB and Holmen Energi AB.

The parent company is liable for all commitments entered into by these companies. All income, expenses, assets and liabilities, which arise in the operations conducted by the companies, are recognised in Holmen AB's accounts, except for the majority of investments made as well as some sales of forest assets, which are instead recognised in some of the Group's subsidiaries.

Income

The Group's sales mostly relate to goods sold to customers, which is specified in the tables in Note 2. The services provided are limited and essentially relate to silviculture services. Holmen acts almost exclusively as principal and the sales transactions are based on agreements. For Holmen, the vast majority of contracts are separate undertakings and comprise one undertaking per contract. Holmen's guarantees in connection with sales should not be regarded as separable and are therefore recognised in accordance with IAS 37.

The transaction price is the price of the goods or service. Variable consideration mainly occurs in the form of rights of return, or volume or cash discounts. All returns relating to defective goods are recognised as they arise. Volume discounts give customers a discounted price provided that a certain amount of goods are purchased over a period. A cash discount entitles customers to a lower price if payment is made by a certain date. Discounts are recognised as a reduction in net sales.

The income item is recognised when Holmen fulfils its commitment by transferring control of the pledged goods and, where applicable, services to the customer. The date of transfer of control, and the transfer of risk, is critical to when an income item is recognised. The transfer of risk differs depending on the shipping terms applied. The sale of energy differs from other sales as supply takes place in conjunction with generation, when it is also recognised as revenue.

Payment terms vary from market to market and Holmen usually follows applicable practice on the respective market. See Note 1 Accounting Policies and Note 16 Operating Receivables for management of credit losses.

Other operating income

Income from activities not forming part of the company's main business is stated as other operating income. This item mainly comprises sales of by-products,

Note 1

renewable energy certificates, rent and land lease income, emission allowances, insurance compensation and gains/losses on sales of non-current assets.

Renewable energy certificates

Certificates are issued in relation to production of renewable energy according to a quota system introduced in order to promote electricity generation using renewable sources of energy. Income from allocated certificates is recognised as other operating income in the same period in which generation occurs. Certificates sold on forward contracts are measured at their net realisable value. Unsold certificates are measured at the lower of cost and estimated fair value.

State grants

State grants are recognised in the balance sheet as accrued income when it is reasonably certain that the grant will be received and that the Group will satisfy the conditions associated with the grant. State grants linked to a non-current asset reduce the asset's recognised cost. State grants, such as road grants, intended to cover costs are recognised as other operating income. Grants are distributed systematically in the income statement in the same way and over the same periods as the costs the grants are intended to cover.

Finance income and costs

Finance income and costs consist of interest income and interest expense, dividend income and revaluations of financial instruments valued at fair value, as well as unrealised and realised currency gains and losses.

Interest income on receivables and interest expense on liabilities are calculated by using the effective interest method. Interest expense includes transaction costs for loans, which have been distributed over the duration of the loan; this also applies to any difference between the funds received and the repayment amount. Dividend income is recognised when the dividend is established and the right to receive payment is judged to be certain.

Interest expense usually impacts earnings for the period to which it is attributable. Borrowing costs attributable to the purchase, construction or production of qualifying assets are capitalised in the consolidated accounts as part of the asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and that is relevant for the Group in connection with major investment projects.

Taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when underlying transactions are recognised in other comprehensive income or directly in equity, in which case the associated tax effect is also recognised in other comprehensive income or directly in equity. Current tax is the tax to be paid or received for the year in question, using the tax rates that have been decided on, or to all intents and purposes have been decided on at the balance sheet date. This also includes any adjustment to current tax attributable to previous periods. Deferred tax is calculated using the balance sheet method on the basis of temporary differences between book values and values for tax purposes of assets and liabilities, applying the tax rates and rules that have been approved or announced at the balance sheet date. In the parent company's accounts, untaxed reserves are recognised inclusive of deferred tax liability.

Deferred tax assets in respect of tax-deductible temporary differences and loss carry-forwards are recognised only to the extent that it is likely they will be utilised and entail lower tax payments in the future. Deferred tax assets and deferred tax liabilities in the same country are recognised net to the extent that a right of set-off applies.

Earnings per share

The calculation of earnings per share (EPS) is based on the Group's profit for the year attributable to the parent company's owners and the weighted average number of shares outstanding during the year. In calculating diluted EPS, the earnings and the average number of shares are adjusted to take account of the effects of any potential ordinary shares having a diluting effect.

Financial instruments

Financial instruments are measured and recognised according to IAS 9.

Recognition in and derecognition from the balance sheet

A financial asset or liability is stated in the balance sheet when the company becomes a party in accordance with the contractual conditions of the instrument. A financial asset is removed from the balance sheet when the rights referred to in the contract have been realised or mature, or when the company no longer has control over them. A financial liability is removed from the balance sheet when the undertaking in the contract is performed or expires in some other way. Spot transactions are stated in accordance with the trade date principle. Trade receivables are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has provided a product or service

and there is a contractual obligation to pay, even if an invoice has not yet been received. A financial asset and a financial liability are only offset and recognised at a net amount where a legal right to offset the amounts exists and there is an intention to settle the items at a net amount or simultaneously realise the asset and settle the liability. Financial assets, excluding shares, and financial liabilities have been classified as current if the amounts are expected to be recovered or paid within 12 months of the balance sheet date. Shares have been classified as non-current if they are intended to be held in the operation permanently.

Classification and measurement of financial instruments

Financial instruments are classified and measured based on the company's business model and the nature of contractual cash flows. See Note 14 for the company's classifications of financial instruments.

Financial assets - are measured initially at fair value less any transaction costs. Normally, the assets are measured on a current basis at amortised cost using the effective interest method. In those cases where funds issued fall short of the repayment amount, the difference is allocated over the duration of the loan using the effective interest method. Derivatives are recognised on an ongoing basis at fair value. Changes in the value of derivatives that are not hedged are recognised in profit/loss.

Financial liabilities - are measured initially at the value of funds received after deduction of any transaction costs. Normally, the liabilities are measured on a current basis at amortised cost using the effective interest method. In those cases where funds received fall short of the repayment amount, the difference is allocated over the duration of the loan using the effective interest method. Derivatives are recognised on an ongoing basis at fair value. Changes in the value of derivatives that are not hedged are recognised in profit/loss.

Impairment of financial assets - For financial assets for which there is an indication that the entire book value cannot be recovered, an individual assessment of the respective instrument is made. Missed payments from counterparties usually constitute such an indication. Any impairment is recognised based on an individual estimate. For financial instruments for which there are no indications of low credit quality, a provision is made for credit losses based on historical outcomes.

Hedge accounting - All derivatives, such as forward foreign exchange contracts, electricity derivatives and interest rate swaps, are measured at fair value and recognised in the balance sheet. Essentially all derivatives are held for hedging purposes. The effective portion of changes in value from cash flow hedges is recognised in other comprehensive income and accumulated in equity until such time as the hedged item influences the income statement, when the accumulated changes in value are transferred from equity via other comprehensive income to the income statement to meet and match the hedged transaction. In the hedging of investments, the cost of the hedged item is instead adjusted when it occurs. The ineffective portion of hedges is recognised directly in the income statement. Interest rate swaps are used as a cash flow hedge for interest rates. Changes in the value of hedges relating to net investments in foreign businesses are recognised in other comprehensive income for the Group. Accumulated changes in value are recognised as a component in the Group's equity until the business is disposed of, at which point the accumulated changes in value are recognised in the income statement. In the parent company, changes in value are recognised in the income statement, as hedge accounting is not applied. Holmen's cash flow hedges mainly relate to the hedging of sales in foreign currency, future interest payments, the purchase of electricity and purchases in foreign currency in conjunction with investments. Hedging instruments comprise forward foreign exchange contracts, forward electricity contracts and interest rate swaps. The hedged items comprise forecasts of future sales, interest payments, electricity purchases and capital expenditures. The hedge ratio is set on an ongoing basis by comparing hedged amounts with actual forecasts. For hedging of net investments in foreign operations, the book value of the net investment is a hedged item and the hedge ratio is set by comparing the hedged amounts with the net investment. Any inefficiency is based on an estimate of the hedge ratio. The Group's risk management of financial instruments is described on pages 42–43.

Forest assets

The Group's forest assets are recognised at fair value based on the transaction prices for forest properties in those areas where the Group has forest land. Fair value measurement is based on measurement level 3. The total value of the forest assets is allocated across growing trees, which are recognised as a biological asset, and forest land. How much of the value is allocated to the biological assets is established by calculating the present value of expected cash flows, less selling costs but before tax, from harvesting those trees currently growing. Calculation of present value uses a discount rate before tax calculated on the basis of forest property transactions. The value of the forest land is calculated as the difference between the total value of the forest assets and the biological assets. Changes in the fair value of biological assets are recognised in profit/loss. Changes in the fair value of forest land are recognised in other comprehensive income and accumulated in a separate component of equity called the revaluation

surplus. If the fair value of forest land were to be less than cost, the difference would be recognised in profit/loss as an impairment loss.

Recognition in the parent company

In the parent company, forest assets are recognised in accordance with RFR 2. This means that they are classified as non-current assets and recognised at cost adjusted for revaluations taking into account the need, if any, for impairment in value.

Non-current intangible assets

Non-current intangible assets such as patents, licences and IT systems are recognised at cost after deduction of accumulated amortisation and any impairment losses. The Group's non-current intangible assets are amortised over periods of between 5 and 20 years, except for goodwill. Any goodwill is allotted to cash-generating units. Both goodwill and other non-current intangible assets are tested for impairment annually. Any impairment losses may be reversed via exceptions from goodwill. The Group does not currently recognise any goodwill. Non-current intangible assets in the parent company are amortised over five years.

Goodwill represents the difference between the cost of business combinations and the fair value of the acquired assets, assumed liabilities and contingent liabilities. Goodwill is valued at cost less any accumulated impairment losses. Goodwill arising in connection with the acquisition of associates is included in the book value of the participating interest in such companies.

Research costs are expensed when they are incurred. Development costs are only capitalised in the case of major projects to the extent that their future financial benefits can be reliably assessed. The recognised value includes all directly attributable expenses, for example in connection with materials and services, employee benefits, registration of a legal right, amortisation of patents and licences and borrowing costs in accordance with IAS 23. Other development expenditure is recognised in the income statement as costs when incurred. Development expenditures recognised in the balance sheet are stated at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Property, plant and equipment are stated at cost after deduction of accumulated depreciation and any impairment losses. Property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment. Additional expenditure is capitalised only if it is estimated to generate financial benefits for the company. The key factor determining whether or not additional expenditure is capitalised is if it relates to the replacement of identified components or parts thereof, in which case the expenditure is capitalised. The cost is also capitalised in cases where a new component is created. Any undepreciated book values for replaced components or parts of components are retired and expensed in connection with the replacement.

The book value of an item of property, plant or equipment is removed from the balance sheet in connection with retirement or disposal of the asset or when no future financial benefits can be expected from the use of the asset. The gain or loss arising on the retirement or disposal of an asset consists of the difference between any selling price and the book value of the asset, less any direct selling costs. Gains and losses are recognised in the accounts as other operating income/costs.

An asset is classified as being held for sale if it is available for immediate sale in its present condition and based on normal terms, and it is highly likely that a sale will take place. Such assets are recognised on a separate line as a current asset in the balance sheet. When an asset is classified as holdings for sale, it is recognised at the lower of book value and fair value, less selling costs.

Depreciation according to plan is based on original acquisition cost less any impairment losses. Depreciation takes place on a straight-line basis over the estimated useful life of the asset. Land is not depreciated.

The following useful lives (years) are used:

Machinery for hydro power production	10–40
Administrative and warehouse buildings, residential properties	10–33
Production buildings, land installations, and machinery for sawmills, pulp, paper and paperboard production	10–20
Other machinery	10
Forest roads	20
Equipment	4–10

If there is any indication that the book value is too high, an analysis is made in which the recoverable value of single or inherently related assets is determined at the higher of the net realisable value and the value in use. The net realisable value is the estimated selling price after deduction of the estimated cost of selling the asset. The value in use is measured as expected future discounted

cash flow. The discount rate applied takes account of the risk-free rate and the risk associated with the asset. An impairment loss consists of the amount by which the recoverable amount falls short of the book value. An impairment loss is reversed if there has been any positive change in the circumstances upon which the determination of the recoverable amount is based. A reversal may be made up to, but not exceeding, the book value that would have been recognised, less depreciation, if there had been no impairment.

Borrowing costs attributable to the purchase or construction of qualifying assets are to be capitalised in the consolidated accounts as part of the asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and that is relevant for the Group in connection with major investment projects.

Leases

Policies applied from 1 January 2019

When entering an agreement an assessment is made as to whether the agreement is, or contains, a lease. An agreement is, or contains, a lease if the agreement transfers the right for a set period to control the use of an identified asset in exchange for compensation. The Group recognises a right-of-use asset and associated liability upon entering into a lease. Such liabilities are initially valued at the present value of the remaining lease payments for the estimated lease period. Lease payments are discounted at the Group's marginal borrowing rate, which in addition to the Group's credit risk reflects the agreement's lease period and currency. Right-of-use assets are initially valued at the value of the liability plus lease payments paid upon or before the start date, plus any initial direct payments. Such right-of-use asset is depreciated/amortised on a straight-line basis over the term of the lease.

The term of the lease comprises the non-cancellable period plus additional periods in the agreement if it is deemed at the start date reasonably certain that these will be used.

No right-of-use asset or lease liability is recognised for leases with a term of 12 months or less or with underlying assets of low value. Lease payments for such leases are recognised as a cost on a straight-line basis over the term of the lease.

Policies applied up until 31 December 2018

In the consolidated accounts, leases were classified as finance leases or operating leases. The leasing of non-current assets for which the Group was substantially exposed to the same risks and benefits as if the asset were directly owned was classified as finance leases. The leasing of assets over which the lessor substantially retained ownership was classified as operating leases.

Costs relating to operating leases were recognised in profit/loss for the year on a straight-line basis spread over the term of the lease. Variable charges were expensed in the periods in which they were incurred. Within the Group, all leases were classified as operating leases.

Parent company

The new policies on leases, in accordance with IFRS 16, that have started being applied by the Group are not applied by the parent company. The parent company applies an exception option in RFR 2 with the result that the parent company recognises existing leases in the same way as in previous years.

Inventories

Inventories are valued at the lower of cost and production cost after deduction for necessary obsolescence, or net realisable value. The cost of inventories is calculated by using the first in, first out method (FIFO). The net realisable value is the estimated selling price in operating activities after deduction of the estimated costs of completion and affecting the sale. The cost of finished products manufactured by the company comprises direct production costs and a reasonable share of indirect costs.

Purchased felling rights are stated as inventories. They have been acquired with a view to securing Holmen's raw material requirements through harvesting. No measurable biological change occurs from the acquisition date.

Emission allowances received are initially recognised at market price when allotted among inventories and as deferred income. During the year the allocation is recognised as income at the same time as an interim liability, corresponding to emissions made, is expensed. Unsold rights are measured at the lower of cost and fair value. Certificates received for renewable energy are initially recognised at market price when allotted among inventories and as deferred income. Unsold certificates are measured at the lower of cost and fair value. Recognition takes place, in line with production, as inventories or accrued income.

Employee benefits

Pension costs and pension obligations

Obligations to pay premiums to defined contribution plans are recognised as a cost in the income statement as and when they are earned.

Note 1

The Group's net obligation regarding defined benefit plans is calculated separately for each plan by estimating future benefits earned by employees through their employment in both current and previous periods. This benefit is discounted to present value and unrecognised costs relating to employment in previous periods and the fair value of any plan assets are deducted. The discount rate is the interest rate at the balance sheet date for a high-quality corporate bond with a duration corresponding to the Group's pension obligations. If there is no active market for such corporate bonds, the market interest rate for government bonds with a corresponding duration is used instead. The calculation is performed by a qualified actuary using the projected unit credit method for the portion of the pension obligations that is defined benefit.

Establishment of the obligation's present value and the fair value of plan assets may give rise to actuarial gains and losses. These arise either through the actual outcome deviating from previously made assumptions or through changes in assumptions. Actuarial gains and losses are recognised in other comprehensive income.

If the benefits provided by a plan are improved, the proportion of the improvement in the benefit that is attributable to the employees' employment during earlier periods is recognised as a cost in the income statement and is distributed on a straight-line basis over the average period until the benefits have been fully earned. If the benefit has been earned in full, a cost is recognised directly in the income statement. If any changes occur to a defined benefit plan, these are recognised when the change to the plan occurs. If the change occurs in conjunction with restructuring, this is recognised when the company recognises the associated restructuring costs. The changes are recognised directly in profit/loss for the year.

When the calculation leads to an asset for the Group being limited, the book value of the asset is limited to the lower of the plan surplus and the asset limitation calculated using the discount rate. The limitation of assets consists of the present value of future economic benefits in the form of reduced future costs or cash reimbursement. Any minimum funding requirements are taken into account in calculating the present value of future reimbursements or receipts.

The interest expense on defined benefit obligations is recognised in profit/loss for the year under financial items. This is calculated as the net total of the upward adjustment of interest on the pension obligation and expected income on plan assets calculated according to the same interest factor (discount rate). Other components are recognised in operating profit/loss. The revaluation effects consist of actuarial gains and losses and the difference between the actual return on plan assets and the amount included in net interest. Revaluation effects are recognised in other comprehensive income.

Payroll tax constitutes part of the actuarial assumptions and is therefore recognised as part of net obligations. Policyholder tax is recognised as it is incurred in profit/loss for the period to which the tax relates and is consequently not included in the calculation of liabilities. In the case of funded plans, this tax is levied on the return on plan assets and is recognised in other comprehensive income. In the case of unfunded plans or partially unfunded plans, this tax is levied on profit for the year.

In the parent company's accounts, different grounds are used for computation of defined benefit pension plans from those referred to in IAS 19. The parent company complies with the provisions of the Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations, because this is a condition for the right to make deductions for tax purposes. The main differences in relation to the rules in IAS 19 relate to how the discount rate of interest is established, the calculation of the defined benefit obligation on the basis of the current pay level without any assumption regarding pay increments in the future, and the recognition of all actuarial gains and losses in the income statement when they arise.

When there is a difference between how the pension cost is arrived at in the legal entity and in the Group, a provision or a receivable is recognised in the consolidated accounts in respect of payroll tax based on this difference. The present value of the provision or receivable is not calculated.

Share-based payments

The share savings programme is recognised in accordance with IFRS 2 Share-based Payments and is paid through equity instruments. Recognition of share-based payment programmes paid through equity instruments entails the fair value of the instrument at the dividend date being recognised in the income statement as a cost over the vesting period, with a corresponding adjustment of equity. At the end of each vesting period, an estimate is made of the expected number of allocated shares and the effect of any change in previous estimates are recognised in the income statement with a corresponding adjustment of equity. In addition, a provision is made for estimated social security costs relating to the share programme.

Estimates are based on the value of the shares at the allocation date, which is defined as the period when the agreement was concluded between the parties. The average share price during this period was used as the basis for the valuation of the shares at the allocation date.

Termination benefits

Termination benefits in connection with the termination of employment contracts are recognised in the accounts if it is shown that the Group has an obligation, without any reasonable possibility of withdrawing, as a result of a formal, detailed plan to terminate an employment contract before the normal date. When benefits are paid in the form of an offer to encourage voluntary redundancy, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term benefits

Short-term benefits to employees are calculated without being discounted and are recognised as a cost when the related services are provided.

Equity

Consolidated equity comprises share capital, other contributed capital, translation, hedge and revaluation surpluses, and retained earnings, including profit/loss for the year. Other contributed capital refers to premiums paid in conjunction with share issues. The translation reserve consists of all exchange differences that arise in the translation of foreign operations' financial statements that are prepared in a currency other than Swedish kronor. It also includes exchange differences arising in connection with the revaluation of liabilities and derivatives that are classified as instruments for hedging a net investment in a foreign operation, including tax. The hedge reserve comprises the effective proportion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to underlying transactions that have not yet occurred, including tax. The revaluation surplus comprises changes in value attributable to forest land. Retained earnings comprise all other parts of equity, including profit/loss for the year.

Holdings of shares bought back are stated as a reduction in retained earnings. Acquisitions of the company's own shares are stated as a deduction, and proceeds from the disposal of the company's own shares are stated as an increase. Transaction costs are charged directly to retained earnings.

The parent company's equity comprises share capital, statutory reserves, revaluation reserves, retained earnings and profit/loss for the year. The parent company's statutory reserve consists of previous compulsory provisions to the statutory reserve plus amounts added to the share premium reserve before 1 January 2006. The parent company's revaluation reserve contains amounts set aside in connection with the revaluation of property, plant and equipment or non-current financial assets. Retained earnings comprise all other parts of equity, such as hedge reserves and transactions as a result of share buy-backs. The parent company applies the same accounting policies as the Group for these items, see above.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or informal commitment as a consequence of a past event and it is likely there will be an outflow of financial resources to settle the commitment and a reliable estimate of the amount can be made. A provision to cover restructuring is recognised once the Group has established a detailed and formal restructuring plan and the restructuring process has either begun or been publicly announced.

Provisions are made for environmental measures that relate to earlier activities when contamination arises or is discovered, it is likely that a payment obligation will arise, and the amount can be estimated reliably.

Contingent liabilities

A contingent liability is recognised when there is a potential commitment that originates from past events, the existence of which will be confirmed only by one or more uncertain future events, or when there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required.

Group contributions and shareholder contributions

Group contributions are recognised in the parent company in accordance with RFR 2's alternative rule, i.e. Group contributions paid or received are recognised as appropriations.

Shareholder contributions are recognised as an increase in the item 'Investments in Group companies'. In addition, a review is conducted as to whether an impairment loss on the value of the shares is necessary. This review complies with standard rules on the valuation of this asset item. Shareholder contributions received are recognised directly in non-restricted equity.

Other

The figures presented are rounded off to the nearest whole number or equivalent. The absence of a value is indicated by a dash (-).

Note 2. Operating segment reporting

2019	Forest	Paperboard	Paper	Wood Products	Renewable Energy	Group-wide and other	Eliminations	Total Group
Net sales								
External	2 913	6 229	5 757	1 695	367	-	-	16 959
Internal	3 372	-	-	-	11	-	-3 384	-
Other operating income	191	839	185	351	102	224	-521	1 370
Operating costs	-5 747	-6 072	-5 051	-1 887	-118	-562	3 905	-15 531
Depreciation and amortisation according to plan	-45	-562	-382	-97	-26	-29	-	-1 141
Impairment losses	-	-	-	-	-109	-	-	-109
Change in value of biological assets	9 566	-	-	-	-	-	-	9 566
Share of profits of associates	-	-	-	1	0	-	-	0
Operating profit	10 250	435	509	62	227	-368	-	11 115
Operating profit/loss excluding items affecting comparability*	1 172	435	509	62	336	-168	-	2 345
Operating margin excluding items affecting comparability, %	19	7	9	4	89	-	-	14
Return on capital employed, excluding items affecting comparability, %	8	8	24	6	11	-	-	9
Operating assets	43 127	7 403	3 007	1 232	3 521	546	-445	58 390
Operating liabilities	-1 719	-880	-741	-193	-127	-982	445	-4 196
Net deferred tax	-8 690	-935	-363	-39	-335	64	-	-10 298
Capital employed	32 718	5 589	1 903	1 000	3 058	-372	-	43 895
Acquisition of non-current assets	77	421	187	162	203	21	-	1 071
External net sales by market								
Sweden	2 909	79	280	450	367	-	-	4 084
Germany	-	1 356	883	4	-	-	-	2 244
UK	-	872	669	418	-	-	-	1 958
Italy	-	302	634	3	-	-	-	938
France	-	424	486	0	-	-	-	910
Poland	-	351	367	0	-	-	-	719
Rest of Europe	5	1 286	1 421	339	-	-	-	3 050
Asia	-	941	658	166	-	-	-	1 765
Rest of the world	-	618	359	314	-	-	-	1 291
Total	2 913	6 229	5 757	1 695	367	-	-	16 959

*Items affecting comparability refer to the revaluation of biological assets within Forest (SEK 9 079 million), an impairment loss of an associate within Renewable Energy (SEK -109 million) and increased provisions for environmental restoration (SEK -200 million), recognised centrally within the Group.

Note 2

Note 2. Operating segment reporting, cont.

2018	Forest	Paperboard	Paper	Wood Products	Renewable Energy	Group-wide and other	Eliminations	Total Group
Net sales								
External	2 633	5 785	5 571	1 747	319	-	-	16 055
Internal	3 311	-	-	-	-	-	-3 311	-
Other operating income	251	770	184	305	28	219	-473	1 284
Operating costs	-5 404	-5 430	-5 090	-1 716	-132	-350	3 784	-14 337
Depreciation and amortisation according to plan	-31	-507	-336	-92	-24	-22	-	-1 012
Impairment losses	-	-25	-	-	-	-	-	-25
Change in value of biological assets	425	-	-	-	-	-	-	425
Share of profits of associates	-	-	-	1	-10	-	-	-9
Operating profit/loss	1 185	595	329	246	181	-154	-	2 382
Operating profit/loss excluding items affecting comparability*	1 185	689	329	246	181	-154	-	2 476
Operating margin excluding items affecting comparability, %	20	12	6	14	57	-	-	15
Return on capital employed, excluding items affecting comparability, %	8	12	15	27	6	-	-	10
Operating assets	20 313	7 324	3 235	1 176	3 500	1 045	-461	36 132
Operating liabilities	-1 520	-934	-735	-197	-114	-995	461	-4 033
Net deferred tax	-3 963	-1 074	-428	-52	-334	13	-	-5 838
Capital employed	14 830	5 316	2 072	927	3 052	64	-	26 261
Acquisition of non-current assets	357	471	173	76	22	42	-	1 140
Net sales by market								
Sweden	2 598	77	304	467	319	-	-	3 764
Germany	-	1 175	813	6	-	-	-	1 994
UK	-	818	611	439	-	-	-	1 867
Italy	-	344	615	3	-	-	-	962
France	-	409	426	0	-	-	-	835
Poland	-	229	348	8	-	-	-	585
Rest of Europe	35	1 112	1 680	333	-	-	-	3 161
Asia	-	1 114	537	218	-	-	-	1 868
Rest of the world	-	509	236	273	-	-	-	1 018
Total	2 633	5 785	5 571	1 747	319	-	-	16 055

*Items affecting comparability refer to restructuring costs in the Paperboard business area (SEK -94 million).

Non-current assets per country	Group		Parent company	
	2019	2018	2019	2018
Sweden	50 532	27 674	13 806	13 786
UK	1 587	1 604	-	-
Other	5	6	-	-
Total	52 124	29 284	13 806	13 786

Net sales by market	Group		Parent company	
	2019	2018	2019	2018
Sweden	4 084	3 445	4 045	3 423
Germany	2 244	1 994	1 849	1 702
UK	1 958	1 867	1 224	1 183
Italy	938	962	854	884
France	910	835	758	673
Poland	719	585	527	474
Rest of Europe	3 050	3 161	2 184	2 745
Asia	1 765	1 868	1 714	1 713
Rest of the world	1 291	1 337	1 847	1 587
Total	16 959	16 055	15 004	14 384

Income from external customers is allocated to individual countries according to the country in which the customer is based.

Net sales by product area	Group		Parent company	
	2019	2018	2019	2018
Consumer paperboard	5 969	5 607	3 596	3 496
Pulp	260	179	369	329
Book and magazine paper	5 058	5 053	4 976	4 959
Newsprint	699	517	699	517
Wood products, pine	904	989	904	989
Wood products, spruce	789	758	789	758
Wood	2 913	2 633	2 909	2 598
Electricity	350	319	350	319
Other	17	0	411	419
Total	16 959	16 055	15 004	14 384

Sales of consumer paperboard and pulp are made within the Paperboard business area, while book and magazine paper and newsprint are attributable to the Paper business area. Spruce and pine products are sold within the Wood Products business area. Wood is sold by the Forest business area and electricity by the Renewable Energy business area.

The Forest business area manages the Group's forests, which cover just over one million hectares. Annual wood harvested in company forests is normally 3 million m³sub. The Renewable Energy business area is responsible for the Group's hydro power and wind power assets. Generation in a normal year amounts to 1.2 TWh of electricity. The business areas are also responsible for the Group's supply of wood and electricity in Sweden.

The Paperboard business area produces paperboard for consumer packaging for the premium segment at one Swedish and one UK mill. The Paper business area produces paper for books, magazines and advertising at two Swedish mills. The Wood Products business area produces wood products for use in joinery and construction at three sawmills, whose by-products are used at the Group's paper and paperboard mills. In 2019, the Group produced 0.5 million tonnes of paperboard, 1.0 million tonnes of paper and 0.9 million m³ of wood products.

These business areas are responsible for managing the operating assets and liabilities, which together with the net amount of deferred tax assets and tax liabilities constitutes their capital employed. Group management monitors the business at operating profit level, and in terms of how earnings relate to capital employed. Capital employed in each segment includes all assets and liabilities used by the business area such as non-current assets, inventories and operating receivables and operating liabilities, and the net amount of tax assets and tax liabilities. Financing and tax issues are managed at Group level. Consequently, financial assets and liabilities, including pension liabilities, and current tax assets and tax liabilities, are not allocated to the business areas.

Intra-Group sales between segments are founded on an internal market-based price. The 'Group-wide and other' segment comprises Group staffs and Group-wide functions that are not allocated to other segments.

Note 3. Other operating income

	Group		Parent company	
	2019	2018	2019	2018
Sales of by-products	371	335	272	174
Certificates, renewable energy	510	479	31	64
Emission allowances	86	41	87	40
Sales of non-current assets	15	28	7	9
Rent and land lease income	54	39	51	37
Silviculture contracts	70	63	70	63
Other	265	300	187	241
Total	1 370	1 284	706	628

Of the sales of by-products in the Group, SEK 111 million (41) relates to rejects from production, SEK 132 million (130) to sawdust, bark, chips etc., and SEK 127 million (164) to external sales of energy.

Income from renewable energy certificates received from the production of renewable energy at the Group's mills amounted to SEK 510 million (479).

The Group has been allotted emission allowances that have been used partly within its own production. The surplus resulted in a gain of SEK 86 million (41).

Note 4. Employees, personnel costs and remuneration to senior management

Wages, salaries and social security costs	Group		Parent company	
	2019	2018	2019	2018
Wages, salaries and other remuneration	1 625	1 609	1 300	1 297
Social security costs	633	638	543	584

AGM's guidelines for determining salaries and other remuneration for senior management

The 2019 AGM decided on the following guidelines for determining the salaries and other remuneration of the CEO and other senior management, namely the heads of the business areas and heads of Group staffs who report directly to the CEO. The guidelines apply to agreements entered into after the AGM's resolution.

Salary and other benefits

The remuneration of the CEO and the senior management shall consist of a fixed market-based salary. Other benefits, mainly car and accommodation, shall, insofar as they are provided, represent a limited part of the remuneration. No variable remuneration shall be paid other than possible share-related incentive programmes determined by the AGM.

Pension

The retirement age is normally 65 years. Pension benefits are based on defined contributions and comply with the ITP plan. Additional defined-contribution pension solutions may occur.

Notice and severance pay

The period of notice is six months, regardless of whether notice is given by the company or the member of senior management. In the event of notice being given by the company, severance pay may be paid corresponding to no more than 18 months' salary.

Remuneration committee

A remuneration committee appointed from among the members of the Board shall handle matters pertaining to the CEO's salary and other conditions of employment and submit proposals on such issues to the Board for decision. Detailed principles for determining the salaries, pension rights and other remuneration for senior management shall be laid down in a pay policy adopted by the remuneration committee.

Deviations in individual cases

The Board shall be entitled to depart from these guidelines in individual cases should special reasons exist. In the event of such a deviation, information thereon and the reasons therefor shall be submitted to the next AGM.

Share savings programme

The 2016 AGM decided on a targeted share savings programme for around 40 key individuals in the Group. Participation in the programme required the relevant employees to have invested in Holmen shares (known as 'savings shares'). For each savings share invested, half a matching share was assigned after the expiry of the vesting period in May 2019. Participants were also allocated performance shares. As the performance condition linked to the Group's return on capital employed was achieved in full, the maximum number of performance shares were allocated. In total, 168 797 shares were allocated free of charge. The total cost of the programme was SEK 30 million, of which SEK 3 million was recognised in 2019.

The 2019 AGM approved a new targeted share savings programme for key individuals in the Group. The purpose of the programme is to strengthen the interests between the owners and the management of the company and to create long-term commitment to Holmen.

Participation in the programme required the relevant employees to have personally invested in Holmen shares (known as 'savings shares') during the period 9 May to 31 May 2019. For each savings share invested, half a matching share will be allocated after the expiry of the vesting period provided that Holmen's total shareholder return is positive over the duration of the programme. In addition, performance shares may be allocated, depending on the level of the Group's return on capital employed. The maximum number of performance shares varies depending on the participant's position and amounts to 3–6 shares per savings share. The assignment of matching and performance shares requires participants to have been full-time employees within the Holmen Group and to have held the savings shares for the entire vesting period. The vesting period runs from 31 May 2019 up to and including the date of publication of Holmen's interim report for the first quarter of 2022. 51 people are participating in the programme and the maximum number of shares that can be allocated is calculated at 160 000. Total costs for the programme are estimated at SEK 11 million. Costs corresponding to SEK 4 million have been recognised for 2019.

Remuneration of Board and senior management

Board of Directors

A fixed Board fee shall be paid to the members of the Board elected by the AGM. The CEO, however, does not receive any Board fee. For 2019, fees to the Board amounted to SEK 3 195 000 (3 195 000). The chairman received a fee of SEK 710 000 (710 000), and each of the other seven (seven) members received SEK 355 000 (355 000).

Senior management

Salary and other benefits for the CEO in 2019 amounted to SEK 16 404 506 (9 052 744), of which SEK 7 341 506 relates to the value of shares allocated under the 2016 share savings programme. No variable remuneration was paid besides the allocation under the share savings programme. The total pension cost for the CEO, calculated in accordance with IAS 19, amounted to SEK 5 193 543 (4 992 483). Recognised wages and salaries for the share savings programmes for the CEO amounted to SEK 809 752 (1 581 019).

In 2019, the salaries and other benefits of other senior management, i.e. the heads of the five (four) business areas and the heads of the five (five) Group staffs and the head of international affairs, who report directly to the CEO, totalled SEK 37 499 766 (22 211 926) in 2019, of which SEK 10 964 132 relates to the value of shares allocated under the 2016 share savings programme. No variable remuneration was paid besides the allocation under the share savings programme. The total pension cost for this group, calculated in accordance with IAS 19, amounted to SEK 11 566 102 (10 160 508) in 2019. Recognised wages and salaries for the share savings programmes for this group amounted to SEK 1 446 961 (2 188 461).

For senior management, employed from 2011, a mutual notice period of six months applies. In the event of notice being given by the company, deductible severance pay corresponding to 18 months' salary is paid. These terms apply to nine people. For one person no severance is paid. For two senior management employment contracts, signed before 2011, the employee is required to give six months' notice and the company must give 12 months' notice. In the event of notice being given by the company for these people, severance pay corresponding to up to two years' salary is paid, depending on age.

All members of senior management are employed by the parent company.

Pension obligations in respect of senior management

Holmen's pension obligations over and above the ITP plan for the CEO amounted to SEK 23 million (19) at 31 December 2019 and for other members of senior management to SEK 26 million (35), calculated in accordance with IAS 19. The pension obligations are secured using plan assets managed by an independent pension fund.

	2019			2018		
	Average no. of employees (FTE)	Of which women	Of which men	Average no. of employees (FTE)	Of which women	Of which men
Parent company						
Sweden	2 349	445	1 904	2 379	454	1 925
Group companies						
Estonia	6	2	4	6	2	4
France	12	5	7	12	5	7
Hong Kong	4	2	2	5	1	4
Italy	7	2	5	7	2	5
Japan	1	-	1	2	-	2
Netherlands	73	39	34	74	43	31
Poland	8	4	4	8	4	4
Russia	2	2	-	2	2	-
Switzerland	2	-	2	2	-	2
Singapore	6	3	3	6	3	3
UK	409	45	363	415	49	366
Germany	23	8	15	23	9	14
US	13	5	8	14	6	8
Total Group companies	566	118	448	576	126	450
Total Group	2 915	562	2 352	2 955	580	2 374
		Group		Parent company		
Proportion of women, %	2019	2018	2019	2018		
Board (excl. deputy members)		25	17	25	17	
Senior management		17	18	17	18	
Total	21	17	21	17		

Note 5. Auditors' fee and remuneration

The audit firm KPMG was elected by the 2019 AGM as Holmen's auditors for a period of one year. KPMG audits Holmen AB and almost all of its subsidiaries.

	Group		Parent company	
	2019	2018	2019	2018
Remuneration to KPMG				
Audit assignments	7	6	5	4
Tax advice	1	1	1	1
Total	7	7	5	6
Other auditors	0	0	-	-
Total	7	8	5	6

'Audit assignments' refers to the statutory examination of the annual accounts and accounting records, the administration by the Board and the CEO, and auditing and other assessment performed as agreed or in accordance with contracts. This includes other duties that are incumbent on the company's auditors and the provision of advice or other assistance resulting from observations in connection with such assessment or the performance of such other duties. 'Tax advice' refers to all consultation in the field of taxation.

Note 6. Net financial items and income from financial instruments

	Group		Parent company	
	2019	2018	2019	2018
Financial income				
Dividend income from Group companies	-	-	148	367
Dividends from associates	0	-	-	-
Gains on sales of Group companies	0	0	82	100
Gains on sales of associates	-	-	-	8
Interest income*	13	12	30	23
Total financial income	13	13	261	499
Financial costs				
Impairment losses on value of shares in Group companies	-	-	-	-
Impairment losses on value of shares in associates	-	-	-185	-20
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss	-28	-9	-29	-12
Cash and cash equivalents	-3	1	-3	1
Assets and liabilities measured at amortised cost	29	8	29	7
Total net profit/loss	-2	0	-189	-24
Interest expense attributable to right-of-use liabilities	-4	-	-	-
Interest expense**	-41	-38	-50	-41
Financial costs	-47	-38	-238	-65
Net financial items	-34	-25	22	434

*SEK 12 million relates to interest income calculated using the effective interest rate method from financial items valued at amortised cost.

**SEK -18 million (-23) in the Group and parent company relates to interest expense for derivatives valued at fair value through other comprehensive income. SEK -4 million (-6) relates to interest expense for derivatives recognised at fair value through profit/loss for the year. Remaining interest expense is calculated using the effective interest rate method and relates to financial items valued at amortised cost.

Net gains and losses recognised in net financial items mainly relate to currency revaluations of internal lending and hedging of internal lending. The parent company's net financial items also include currency revaluation of forward contracts that hedge net investment in foreign operations, which are recognised in the Group under other comprehensive income. The fair value of the interest component in forward foreign exchange contracts as well as value changes in accrued interest and realised interest in fixed-interest-rate swaps is recognised on an ongoing basis in net interest items. Information on financial risks is provided on pages 42–43.

The income from financial instruments included in operating profit/loss is shown in the following table:

	Group		Parent company	
	2019	2018	2019	2018
Exchange gains/losses on trade receivables and trade payables	336	285	343	280
Net gain/loss on derivatives stated in working capital	-250	-222	-265	-231
Interest income on trade receivables	0	1	0	1
Interest expense on trade payables	0	0	0	0

The derivatives included in operating profit/loss relate to currency hedging of trade receivables and trade payables as well as financial electricity derivatives.

Gains and losses on currency hedging are recognised in operating profit/loss when the hedged item is recognised and in 2019 amounted to SEK -419 million (-324), with the remainder being recognised in other comprehensive income as hedge accounting is applied. The fair value of outstanding currency hedges at 31 December 2019 was SEK -27 million (-244).

Gains on financial electricity hedges are recognised in the income statement when they expire; for 2019 they totalled SEK 172 million (102). The fair value of outstanding financial electricity hedges at 31 December 2019 was SEK 206 million (473). The change in fair value is recognised in other comprehensive income as hedge accounting is applied.

The change in the fair value of hedges for investment purchases is recognised in other comprehensive income until expiry, at which point the gain/loss is added to the cost of the non-current asset that was hedged. The fair value of outstanding hedges for investment purchases amounted to SEK 4 million (5) at 31 December 2019. In 2019 there was a SEK 7 million positive effect on the cost of hedged items owing to results from hedging.

Results from hedging of foreign net assets amounted to SEK -2 million (-8) in 2019 and are recognised in other comprehensive income as hedge accounting is applied. In the parent company accounts, this gain is recognised in the income statement. The translation of net foreign assets had an impact of SEK 141 million (55) on consolidated equity. The fair value of outstanding hedges of net assets at 31 December 2019 was SEK 3 million (2) and relates to financial derivatives.

The fair value of the derivatives used to manage the fixed interest periods amounted to SEK -6 million (-26) at 31 December 2019, which was recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement in 2020 and later.

Note 7

Note 7. Tax

Taxes stated in income statement	Group		Parent company	
	2019	2018	2019	2018
Current tax	-582	36	-506	1
Deferred tax	-1 769	-125	13	46
Total	-2 351	-89	-493	47

Tax recognised totalled SEK -2 351 million, corresponding to 21 per cent of profit before tax. Tax recognised was affected by SEK -1 870 million from a change in the accounting of forest assets.

Taxes stated in income statement	Group				Parent company			
	2019	2018	2019	2018	2019	2018	2019	2018
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit/loss before tax	11 081		2 356		2 340		467	
Tax at applicable rate	-2 371	21.4	-518	22.0	-501	21.4	-103	22.0
Difference in tax rate in foreign operations	2	0.0	5	-0.2	0	0.0	0	0.0
Tax-exempt income	23	-0.2	54	-2.3	70	-3.0	107	-23.0
Non-tax-deductible costs	-29	0.3	-30	1.3	-45	1.9	-8	1.8
Standard interest on tax allocation reserve	-1	0.0	-2	0.1	-1	0.0	-2	0.3
Effect of unstated loss carry-forwards and temporary differences	0	0.0	3	-0.1	0	0.0	0	0.0
Tax attributable to previous periods	-6	0.1	87	-3.7	0	0.0	1	-0.2
Change to tax rate on deferred tax assets/liabilities	62	-0.6	315	-13.4	0	0.0	40	-8.6
Other	-30	0.3	-2	0.1	-16	0.7	11	-2.4
Effective tax	-2 351	21.2	-89	3.8	-493	21.1	47	-10.0

Tax attributable to other comprehensive income	Group						Parent company					
	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
	2019			2018			2019			2018		
Cash flow hedging	-37	8	-29	329	-71	258	-34	7	-27	326	-70	255
Share in joint ventures' other comprehensive income	-6	-	-6	-23	-	-23	-	-	-	-	-	-
Translation difference on foreign operations	141	-	141	55	-	55	-	-	-	-	-	-
Hedging of currency risk in foreign operations	-2	0	-1	-8	2	-6	-	-	-	-	-	-
Revaluations of forest land	13 055	-2 689	10 366	-	-	-	-	-	-	-	-	-
Revaluations of defined benefit pension plans	14	2	16	-52	10	-42	-	-	-	-	-	-
Other comprehensive income	13 166	-2 679	10 487	302	-60	242	-34	7	-27	326	-70	255

Taxes as stated in balance sheet	Group		Parent company	
	2019	2018	2019	2018
Tax receivables				
Deferred tax asset	1	1	-	-
Current tax receivable	0	328	-	327
Total tax receivables	2	329	-	327
Deferred tax liabilities				
Non-current assets				
Biological assets	5 746	3 773	-	-
Forest land	2 697	8	595	594
Property, plant and equipment	1 434	1 746	2	2
Tax allocation reserve	359	225	-	-
Transactions subject to hedge accounting	37	44	37	44
Other, including deferred tax assets stated net among deferred tax liabilities	27	43	-19	-6
Deferred tax liabilities	10 299	5 839	614	635
Current tax liability	112	13	105	-
Total tax liabilities	10 411	5 852	719	635

Change in the net amount of deferred tax assets and deferred tax liabilities

	Group					Parent company			
	Opening balance	Stated in the income statement	Stated in other comprehensive income	Translation differences and other	Closing balance	Opening balance	Stated in the income statement	Stated in other comprehensive income	Closing balance
2019									
Biological assets	-3 773	-1 973	-	-	-5 746	-	-	-	-
Forest land	-8	-	-2 689	-	-2 697	-594	-1	-	-595
Property, plant and equipment	-1 746	324	-	-12	-1 434	-2	-	-	-2
Tax allocation reserve	-225	-134	-	-	-359	-	-	-	-
Transactions subject to hedge accounting	-44	-	8	-	-37	-44	-	7	-37
Other	-42	13	2	1	-26	6	13	-	19
Deferred net tax liability	-5 838	-1 769	-2 679	-11	-10 298	-635	13	7	-614

	Group					Parent company			
	Opening balance	Stated in the income statement	Stated in other comprehensive income	Translation differences and other	Closing balance	Opening balance	Stated in the income statement	Stated in other comprehensive income	Closing balance
2018									
Biological assets	-3 902	129	-	-	-3 773	-	-	-	-
Forest land	-23	16	-	-	-8	-635	40	-	-594
Property, plant and equipment	-1 255	-489	-	-3	-1 746	1	-3	-	-2
Tax allocation reserve	-444	219	-	-	-225	-	-	-	-
Transactions subject to hedge accounting	27	-	-71	-	-44	26	-	-70	-44
Other	-51	-1	10	0	-42	-2	8	-	6
Deferred net tax liability	-5 648	-125	-61	-4	-5 838	-610	46	-70	-635

The Group's deferred tax liability for forest assets (biological assets and forest land) amounts to SEK 8 442 million and is calculated based on the difference between book value (SEK 41 345 million) and taxable cost (SEK 363 million). This represents the tax expense that would arise if the forest assets were sold as forest properties. No tax expense arises if the assets are retained.

Deferred tax liability in respect of property, plant and equipment is primarily attributable to depreciation in excess of plan.

For information concerning provisions for taxes see Note 19.

The deferred tax expense recognised in the 2019 consolidated income statement mainly relates to a change as a result of amended accounting of forest assets.

The amount recognised in other comprehensive income includes deferred tax related to a change in the value of forest land of SEK -2 689 million, hedging reserves of SEK 8 million (71) and an impact of SEK 2 million (10) from the revaluation of defined benefit pension plans.

Holmen has tax losses in the Group's Spanish companies, in which business operations are no longer conducted. The application for an advance ruling on the ability to apply group relief in the parent company for such tax losses has been addressed by the Supreme Administrative Court, which in December 2019 ruled that the matter cannot be determined by an advance ruling. No deferred tax asset has been recognised for these losses. There are no other loss carry-forwards of significance in the Group.

Note 8. Earnings per share

	Group	
	2019	2018
Total number of shares outstanding, 1 January	167 992 324	167 992 324
Buy-back of company's own shares during the year	- 6 235 436	-
Share savings programme allocation	168 797	-
Total number of shares outstanding, 31 December	161 925 685	167 992 324
Shareholders' share of profit for the year, SEKm	8 731	2 268
Basic average number of shares	166 097 996	167 992 324
Basic EPS for the year, SEK	52.6	13.5
Shareholders' share of profit for the year, SEKm	8 731	2 268
Diluted average number of shares	166 097 996	167 992 324
Diluted EPS for the year, SEK	52.6	13.5

On 15 August the Board took the decision to use the mandate from the 2019 AGM to acquire company shares. During the year 6 235 436 class B shares were repurchased for SEK 1 430 million, corresponding to an average price of SEK 229/share. The buy-backs correspond to 3.7 per cent of the total number of shares. Together with previously held shares, this means that at 31 December 2019 Holmen held shares corresponding to 4.5 per cent of the total number of shares outstanding and 1.3 per cent of the total number of votes.

The share savings programme that was introduced following the decision of the 2016 AGM expired in May 2019, which meant that participants were allocated 168 797 matching and performance shares. The 2019 AGM approved a similar new share savings programme. The new programme may result in up to 160 000 shares being allocated from Holmen's own holding of shares. The effects on key ratios and profit per share are marginal. See Note 4 for further information about the share savings programme.

Note 9. Forest assets

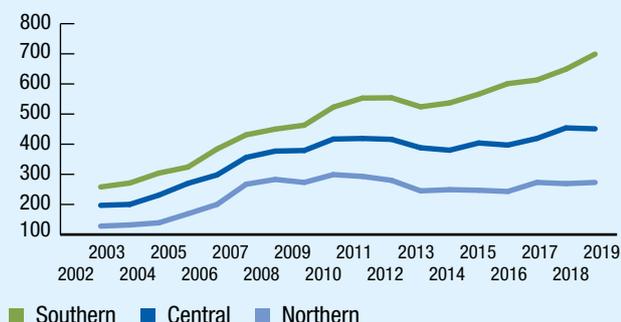
Holmen's owns land totalling 1 302 000 hectares, of which 1 043 000 hectares comprise productive forest land on which the volume of standing timber is 123 million cubic metres of growing stock, solid over bark. From 31 December 2019 Holmen recognises forest assets at fair value, calculated based on the transaction prices for forest properties in those areas where the Group owns forest land. The valuation is based on detailed data about transactions and pricing statistics published by different market operators over the past three years. Account is taken of where in the country the forest land is located and differences in the forest in terms of the volume of standing timber and site quality. No value is assigned to land that is not productive forest land.

The book value of forest assets amounted to SEK 41 345 million at 31 December 2019. The value has been affected by SEK 22 134 million from the transition to recognising forest assets at fair value based on prices of forest properties. The value corresponds to an average of SEK 39 640 per hectare of productive forest land. The value per hectare varies between different parts of the country, with forest properties in southern Sweden being valued much higher per hectare as a result of a greater volume of standing timber, higher site quality, a shorter harvesting cycle and greater demand for forest land. For forest properties in southern Sweden a reference valuation has been obtained from the company Forum Fastighetsekonomi. Their valuation is 4 per cent higher than the value calculated by Holmen.

	North	Central	South	Total
Productive forest land, '000 ha	688	264	91	1 043
Volume of standing timber, mil. m ³ solid over bark	74	35	15	123

The future value of forest assets is governed by changes in market prices for forest properties and growth in Holmen's volume of standing timber. The charts below show historical price development for forest properties, measured as SEK per m³ growing stock, solid over bark in different parts of Sweden and how

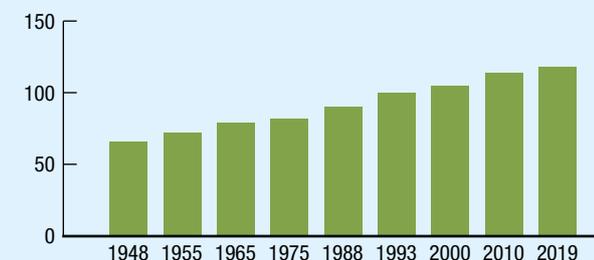
Price of forest properties, SEK/m³



■ Southern ■ Central ■ Northern

Source: LRF Konsult's price statistics for different regions of Sweden. Allocation per region does not fully correspond to Holmen's own allocation.

Volume of standing timber, m³ growing stock per hectare of productive forest land



Holmen's volume of standing timber has changed.

A change in the average market price of forest assets by SEK 5/m³ growing stock, solid over bark would affect the value of Holmen's forest assets by SEK 615 million. A change in Holmen's volume of standing timber by 1 million m³ growing stock, solid over bark would affect the value by SEK 335 million.

The value of the forest assets is allocated in the balance sheet to growing trees, which are recognised as a biological asset, and forest land. How much of the value is allocated to the biological assets is established by calculating the present value of expected future cash flows, less selling costs but before tax, from harvesting those trees currently growing. Those trees currently growing are expected to be harvested on average after 85 years, which is the harvest period used in the valuation. The volumes are based on the current harvesting plan. A new long term harvesting plan is being developed and is expected to be ready in 2020. Income is calculated based on a long-term trend price for 2020 of SEK 457 (445)/m³sub, which is in line with currently prevailing market prices. Costs are based on the current level. Prices and costs are revised up by 2 per cent each year. A discount rate before tax of 4.5 per cent (5.5) has been used. Costs for replanting after harvesting have not been taken into account. The book value of forest land is calculated as the difference between the total value of forest assets and biological assets. This value reflects future income from sources other than the harvest of currently standing trees, such as leasing of land for wind power, quarrying, hunting leases, licence income and harvesting future generations of trees.

The net effect of an unrealised change in fair value and the change as a result of harvesting of biological assets is stated in the income statement as a change in value of biological assets. For 2019 this amounted to SEK 9 566 million (425), of which SEK 9 079 million (0) is treated as an item affecting comparability as a result of amended assumptions, primarily an amended discount rate. The unrealised change in fair value of forest land is recognised in other comprehensive income and amounted to SEK 13 055 million (0) as a result of the introduction of a new accounting policy.



Group	Forest assets		Biological assets		Of which Forest land	
	2019	2018	2019	2018	2019	2018
Book value at start of year	18 701	17 971	18 400	17 831	301	140
Purchase	16	317	9	150	7	167
Sale	-3	-16	-3	-9	-	-7
Change due to harvesting	-665	-654	-665	-654	-	-
Unrealised change in fair value	23 286	1 079	10 231	1 079	13 055	-
Other changes	10	3	7	3	3	0
Book value at end of year	41 345	18 701	27 979	18 400	13 366	301

The acquisition cost of forest land amounted to SEK 311 million at 31 December 2019.

Note 10. Non-current intangible assets

	Group		Parent company	
	2019	2018	2019	2018
Accumulated acquisition costs				
Opening balance	231	212	81	26
Investments	12	18	5	55
Disposal and retirement of assets	-18	-	-18	-
Translation differences	1	0	-	-
Total	225	231	68	81
Accumulated amortisation, depreciation and impairment losses				
Opening balance	163	123	56	19
Amortisation for the year	10	16	6	12
Impairment losses for the year	-	25	-	25
Disposal and retirement of assets	-18	-	-18	-
Translation differences	1	0	-	-
Total	155	163	44	56
Residual value according to plan at end of year	70	68	24	25

Non-current intangible assets mainly comprise IT systems at SEK 16 million (13) and rights of use for certain energy assets at SEK 46 million (42). The assets are mainly externally acquired and have a definable useful life. No goodwill applies for the Group.

Note 11. Property, plant and equipment

Group	Buildings, other land* and land installations		Machinery and equipment		Work in progress and advance payments to suppliers		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated acquisition costs								
Opening balance	5 695	5 633	28 573	28 031	80	61	34 348	33 725
Investments	195	54	657	723	208	22	1 060	799
Reclassifications	10	-	36	4	-46	-4	0	-
Disposal and retirement of assets	-9	-5	-534	-280	-	-	-543	-285
Translation differences	43	13	318	95	3	1	364	109
Total	5 934	5 695	29 050	28 573	244	80	35 229	34 348
Accumulated amortisation, depreciation and impairment losses								
Opening balance	3 418	3 316	22 154	21 471	-	-	25 572	24 787
Depreciation and amortisation according to plan for the year	100	99	934	898	-	-	1 034	997
Reclassifications	13	-	-13	-	-	-	0	-
Disposal and retirement of assets	-9	-5	-528	-277	-	-	-537	-282
Translation differences	27	8	227	62	-	-	254	70
Total	3 549	3 418	22 773	22 154	-	-	26 323	25 572
Residual value according to plan at end of year	2 385	2 277	6 277	6 418	244	80	8 906	8 776

Parent company	Forest land		Buildings, other land* and land installations		Machinery and equipment		Work in progress and advance payments to suppliers		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated acquisition costs										
Opening balance	469	464	166	150	243	210	8	0	886	825
Investments	5	4	5	17	46	52	17	8	72	81
Reclassifications	-	-	6	-	1	-	-8	-	0	-
Disposal and retirement of assets	0	0	0	-1	-30	-19	-	-	-30	-20
Total	474	469	177	166	260	243	17	8	928	886
Accumulated depreciation and amortisation according to plan										
Opening balance	-	-	133	131	168	154	-	-	301	285
Depreciation and amortisation according to plan for the year	-	-	3	2	35	33	-	-	38	35
Disposal and retirement of assets	0	-	0	0	-30	-19	-	-	-30	-19
Total	0	-	136	133	173	168	-	-	309	301
Accumulated revaluations										
Opening balance	2 388	2 389	1	1	-	-	-	-	2 389	2 389
Disposal and retirement of assets	0	0	0	-	-	-	-	-	0	0
Total	2 388	2 388	1	1	-	-	-	-	2 389	2 389
Residual value according to plan at end of year	2 862	2 857	42	34	87	76	17	8	3 008	2 974

*Other land refers to land other than forest land.

See Note 9 for the Group's forest properties. The Group's investment commitments for approved and ongoing projects amounted to SEK 1 841 million (601) at 31 December 2019. The increase on the previous year is mainly due to the construction of Blåbergsliden Wind Farm. In 2019, the company's capitalised borrowing costs totalled SEK 3 million (3). An interest rate of 1.1 per cent (1.5) was used to determine the amount.

Note 12

Note 12. Leases

Group	Buildings		Machinery and equipment		Total	
	2019	2018	2019	2018	2019	2018
Accumulated acquisition costs						
Value at start of year	-	-	-	-	-	-
Amended accounting policy	143	-	62	-	205	-
Additional right-of-use agreements	24	-	51	-	75	-
Completed leases	0	-	0	-	0	-
Total	167	-	113	-	281	-
Accumulated depreciation and amortisation						
Value at start of year	-	-	-	-	-	-
Amortisation for the year	42	-	56	-	98	-
Completed leases	0	-	0	-	0	-
Total	42	-	56	-	98	-
Value at end of year	126	-	57	-	183	-

The impact of the transition to IFRS 16 on the Group's leases is described in Note 1 Accounting Policies. The method that the Group has opted to apply for the transition to IFRS 16 means that comparative figures are not restated.

Buildings

The Group leases a number of office and warehouse premises. The leases usually have a term of between 5 and 10 years.

Machinery and equipment

The Group's leasing of machinery and equipment mainly relates to cargo ships, forklifts and cars. The leasing period for these types of asset is normally 2 to 5 years.

Amounts recognised in profit/loss	2019
Amortisation amounts for rights of use	98
Interest expense for lease liabilities	4
Costs related to current lease liabilities	2
Costs related to low-value leases	0
Costs related to variable leases	2
	106

In 2019 the Group's payments attributable to leases amounted to SEK 104 million. These payments include both amounts for leases that are recognised as lease liabilities and amounts paid for variable lease payments, short-term leases and low-value leases. No right-of-use asset or lease liability is recognised for leases with a term of 12 months or less or with underlying assets of low value.

See Note 14 for a maturity analysis of liabilities regarding right-of-use assets.

Note 13. Investments in associates, joint ventures and other shares and participating interests

Profit/loss from associates and joint ventures	Group	
	2019	2018
Recognised in profit/loss for the year	0	-9
Stated in other comprehensive income	-6	-23
Total comprehensive income	-6	-32

The combined value of Holmen's share in the profits of associates amounted to SEK -4 million (5) for the Group and to SEK 2 million (11) for the parent company. The combined value of Holmen's share in the profits of joint ventures amounted to SEK 2 million (-27) for the Group and to SEK 2 million (-27) for the parent company.

Associates and joint ventures

	Associates				Joint ventures				Total			
	Group		Parent company		Group		Parent company		Group		Parent company	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Book value at start of year	1 626	1 636	114	123	113	113	185	92	1 740	1 749	299	215
Investments	25	11	-	11	-	31	-	93	25	42	-	104
Disposals	-29	-	-26	-	-	-	-	-	-29	-	-26	-
Share of earnings	-1	-11	-	-	-5	-21	-	-	-6	-32	-	-
Translation difference	-	-	-	-	0	-5	-	-	0	-5	-	-
Impairment losses	-	-	-	-20	-109	-	-185	-	-109	-	-185	-20
Other	-	-10	-	-	0	-4	-	-	0	-14	-	-
Book value at end of year	1 620	1 626	87	114	0	113	0	185	1 620	1 740	87	299

The holding in associate VindIn AB was divested in 2019.

Parent company and Group holdings of shares and investments in associates and joint ventures

	Corporate ID No.	Registered office	Number of shares	Holding %*	Value of holding in consolidated accounts	Book value in the parent company	Holding %*	Value of holding in consolidated accounts	Book value in the parent company
Associates									
Brännälvens Kraft AB	556017-6678	Arbrå	5 556	13.9	36	-	13.9	36	-
Gidekraft AB	556016-0953	Örnsköldsvik	990	9.9	0	0	9.9	0	0
Harrsele AB	556036-9398	Vännäs	9 886	49.4	1 484	-	49.4	1 461	-
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	15	2	36.0	14	2
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.8	85	85	6.8	85	85
VindIn AB	556713-5172	Stockholm	200	-	-	-	17.7	29	26
Melodea Ltd, Israel		Tel Aviv	119	27.6	0	-	46.8	0	-
Other associates					0	0		0	0
					1 620	87		1 626	114
Joint venture									
Varsvik AB	556914-9833	Stockholm	250	50.0	0	0	50.0	113	185
Total					1 620	87		1 740	299

*The percentage of ownership corresponds to the percentage of votes for the total number of shares.

The holdings in Brännälvens Kraft AB, Gidekraft AB, Harrsele AB and Vattenfall Tuggen AB refer to hydro power assets. The holdings entitle the Group to buy electricity produced at cost price, so the associate only earns a very limited profit. Purchased electricity is sold to external customers at market price, and the earnings are stated in the consolidated accounts within the Renewable Energy business area.

The holding in associate Harrsele AB is recognised in the Group at SEK 1 484 million (1 461). Holmen purchased 476 GWh (471) of electrical power from Harrsele AB in 2019, giving Holmen an operating profit of SEK 133 million (107) from market sales. Harrsele AB owns power assets that generate 950 GWh of electrical power in a normal year. These assets were originally constructed in 1957–58 and the book value of the non-current assets in Harrsele AB amounts to SEK 122 million (122). The company has non-current liabilities to its owner of SEK 0 million (25).

Ownership in remaining associates relates to activities in the areas of sales, research and development.

The interests in Brännälvens Kraft AB, Gidekraft AB and Vattenfall Tuggen AB are classified as associates even though the holdings are less than 20 per cent, since shareholder agreements provide significant influence over each company's activities. Ownership in the joint venture, Varsvik AB, relates to wind power operations.

Other shares and participating interests	Group		Parent company	
	2019	2018	2019	2018
Book value at start of year	1	2	0	0
Disposals	-	0	-	0
Translation difference	0	0	-	-
Impairment losses	-	-	-	-
Book value at end of year	1	1	0	0

Note 14. Financial instruments

Non-current financial receivables consist of interest-bearing financial receivables from other companies, prepayments for credit facilities and the fair value of non-current derivatives. The parent company's receivables from Group companies include a significant share of interest-free receivables between Swedish wholly owned Group companies.

Current financial receivables are recognised as fixed income investments and lending for durations of up to one year, accrued interest income and unrealised exchange gains and fair values of derivatives. Current financial receivables essentially have fixed interest periods of under three months, and thus involve a very limited interest rate risk.

Cash and cash equivalents refers to bank balances and investments that can be readily converted into cash for a known amount and with a duration of no more than three months from the date of acquisition, which also means that the interest rate risk is negligible. Cash and cash equivalents are placed in bank accounts or as current deposits at banks.

Financial liabilities accrued interest expense, unrealised exchange losses and fair values of derivatives are stated as financial liabilities. Financial liabilities are largely interest-bearing. The parent company's liabilities to Group companies include a significant amount of interest-free liabilities between Swedish wholly owned Group companies.

In addition to the financial assets and liabilities identified above, liabilities relating to right-of-use assets (see Note 12) and a pension liability (see Note 18) are also included in net financial debt. The maturity structure and average interest for the Group's liabilities are stated in the section on Risk on pages 42–43. SEK 2 493 million of the parent company's liabilities are due for payment within one year.

All of the Group's derivatives are covered by ISDA or FEMA agreements, which entails a right for Holmen to offset assets and liabilities in relation to the same counterparty in the case of a credit event. Taking into account the terms of the netting agreement, the net exposure is SEK 147 million. Assets and liabilities are not offset in the report. Recognised derivatives totalled SEK 326 million (557) on the asset side and SEK -179 million (-381) on the liability side.

No provision has been made for expected credit losses for the financial assets included in the net liability, based on no losses arising over the past 10 years and assets held at the balance sheet date being deemed to be of good credit quality. See Note 16 for information about impairment testing of trade receivables.

The fair value of financial instruments traded on an active market is based on listed market prices and belongs to measurement level 1 as per IFRS 13. Where there are no listed market prices, fair value has been calculated using discounted cash flows. In calculating discounted cash flows, variables used for the calculations, such as discount rates and exchange rates, are taken from market listings where possible. In calculating discounted cash flows, the mean of exchange rates and discount rates is used. These valuations belong to measurement level 2. Other valuations, for which a variable is based on own assessments, belong to measurement level 3. Currency options are valued using the Black & Scholes formula, where appropriate. Holmen uses valuation level 2 when measuring financial instruments in accordance with IFRS 13.

Fair value in the tables is calculated on the basis of discounted cash flows and all variables, such as discount rates and exchange rates, are taken from market listings for calculations. The difference between fair value and book value arises because certain liabilities are not measured at fair value in the balance sheet, and are instead stated at their amortised cost. In the case of trade receivables and trade payables, the book value is stated as the fair value, as this is judged to be a good reflection of the fair value. For further information about financing and quantitative data on Holmen's hedge accounting see the section on Risk on pages 42–43 and Note 6 on page 61.

Group					
Maturity structure, undiscounted amounts	2020	2021	2022	2023	2024–
Financial liabilities					
Derivatives	-34	-3	-2	-2	-3
Derivatives attributable to working capital	-130	-18	-	-	-
Trade payables	-2 259	-	-	-	-
Liabilities relating to right-of-use assets*	-63	-43	-22	-18	-53
Other financial liabilities	-2 483	-13	-512	-1 008	-504
Financial receivables					
Derivatives	16	2	3	3	3
Derivatives attributable to working capital	168	114	18	-	-
Trade receivables	2 005	-	-	-	-
Other financial receivables	518	42	49	51	346

*Liabilities relating to right-of-use assets are not classified as a financial instrument under IFRS 9.

Parent company					
Maturity structure, undiscounted amounts	2020	2021	2022	2023	2024–
Financial liabilities					
Derivatives	-34	-3	-2	-2	-3
Derivatives attributable to working capital	-128	-18	-	-	-
Trade payables	-2 150	-	-	-	-
Other financial liabilities	-2 476	-13	-512	-1 008	-504
Financial receivables					
Derivatives	16	2	3	3	3
Derivatives attributable to working capital	165	114	18	-	-
Trade receivables	1 749	-	-	-	-
Other financial receivables	435	42	49	51	346

Group	Recognised at fair value through profit/loss*		Hedging instruments recognised at fair value through other comprehensive income		Recognised at amortised cost		Total book value		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Financial instruments included in net financial debt										
Non-current financial receivables										
Derivatives	-	-	14	-	-	-	14	0	14	0
Other financial receivables	-	-	-	-	438	468	438	468	438	468
	-	-	14	-	438	468	452	468	452	468
Current financial receivables										
Accrued interest	-	-	-	-	0	0	0	0	0	0
Derivatives	14	17	-	-	-	-	14	17	14	17
Other financial receivables	-	-	-	-	0	18	0	18	0	18
	14	17	-	-	0	18	14	35	14	35
Cash and cash equivalents										
Current deposit of cash and cash equivalents	-	-	-	-	0	0	0	0	0	0
Bank balances	-	-	-	-	483	278	483	278	483	278
	-	-	-	-	483	278	483	278	483	278
Non-current liabilities										
Bond loans	-	-	-	-	-2 000	-1 000	-2 000	-1 000	-2 000	-1 000
Derivatives	-	-	-12	-26	-	-	-12	-26	-12	-26
Other non-current liabilities	-	-	-	-	-6	-7	-6	-7	-6	-7
	-	-	-12	-26	-2 006	-1 007	-2 018	-1 033	-2 018	-1 033
Current liabilities										
Commercial paper programme	-	-	-	-	-2 450	-1 951	-2 450	-1 951	-2 450	-1 951
Bank account liabilities	-	-	-	-	0	-24	0	-24	0	-24
Derivatives	-13	-7	-8	-	-	-	-21	-7	-21	-7
Accrued interest	-	-	-	-	-14	-12	-14	-12	-14	-12
Bond loans	-	-	-	-	-	-500	-	-500	-	-500
Other current liabilities	-	-	-	-	0	0	0	0	0	0
	-13	-7	-8	-	-2 464	-2 487	-2 485	-2 494	-2 485	-2 494
Financial instruments not included in net financial debt										
Other shares and participating interests	1	1	-	-	-	-	1	1	1	1
Trade receivables	-	-	-	-	2 005	1 929	2 005	1 929	2 005	1 929
Derivatives (recognised among operating receivables)	8	5	291	536	-	-	299	541	299	541
Trade payables	-	-	-	-	-2 259	-2 232	-2 259	-2 232	-2 259	-2 232
Derivatives (recognised among operating liabilities)	-32	-45	-115	-303	-	-	-147	-348	-147	-348
	-23	-39	176	233	-254	-303	-101	109	-101	109
Total financial instruments	-22	-29	170	207	-3 803	-3 033	-3 655	-2 855	-3 655	-2 855

*Refers to instruments compulsorily valued at fair value in accordance with IFRS 9.

Note 14

Note 14. Financial instruments, cont.

Parent company

Financial instruments included in net financial debt	Recognised at fair value through profit/loss*		Hedging instruments recognised at fair value through other comprehensive income		Recognised at amortised cost		Total book value		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non-current financial receivables										
Derivatives	-	-	14	-	-	-	14	-	14	-
Receivables from Group companies	-	-	-	-	1 948	6 954	1 948	6 954	1 948	6 954
Other financial receivables	-	-	-	-	435	465	435	465	435	465
	-	-	14	-	2 384	7 419	2 397	7 419	2 397	7 419
Current financial receivables										
Accrued interest	-	-	-	-	0	0	0	0	0	0
Derivatives	14	17	-	-	-	-	14	17	14	17
Other financial receivables	-	-	-	-	0	18	0	18	0	18
	14	17	-	-	0	18	14	35	14	35
Cash and cash equivalents										
Bank balances	-	-	-	-	403	230	403	230	403	230
	-	-	-	-	403	230	403	230	403	230
Non-current liabilities										
Bond loans	-	-	-	-	-2 000	-1 000	-2 000	-1 000	-2 000	-1 000
Liabilities to Group companies	-	-	-	-	-468	-6 791	-468	-6 791	-468	-6 791
Derivatives	-	-	-12	-26	-	-	-12	-26	-12	-26
	-	-	-12	-26	-2 468	-7 331	-2 480	-7 817	-2 480	-7 817
Current liabilities										
Commercial paper programme	-	-	-	-	-2 450	-1 951	-2 450	-1 951	-2 450	-1 951
Bank account liabilities	-	-	-	-	0	-24	0	-24	0	-24
Derivatives	-13	-7	-8	-	-	-	-21	-7	-21	-7
Accrued interest	-	-	-	-	-14	-12	-14	-12	-14	-12
Bond loans	-	-	-	-	-	-500	-	-500	-	-500
Liabilities to Group companies	-	-	-	-	-8	-	-8	-	-8	-
Other current liabilities	-	-	-	-	0	0	0	0	0	0
	-13	-7	-8	-	-2 472	-2 487	-2 493	-2 494	-2 493	-2 494
Financial instruments not included in net financial debt										
Other shares and participating interests	0	0	-	-	-	-	0	0	0	0
Trade receivables	-	-	-	-	1 749	1 594	1 749	1 594	1 749	1 594
Derivatives (recognised among operating receivables)	8	5	293	536	-	-	301	541	301	541
Trade payables	-	-	-	-	-2 150	-2 033	-2 150	-2 033	-2 150	-2 033
Derivatives (recognised among operating liabilities)	-32	-45	-118	-304	-	-	-150	-350	-150	-350
	-24	-40	175	232	-400	-439	-249	-248	-249	-248
Total financial instruments	-23	-30	169	206	-2 553	-2 590	-2 407	-2 875	-2 407	-2 875

*Refers to instruments compulsorily valued at fair value in accordance with IFRS 9.

Note 15. Inventories

	Group		Parent company	
	2019	2018	2019	2018
Raw materials and consumables	890	873	675	660
Logs and pulpwood	306	282	287	239
Finished products and work in progress	1 617	1 804	1 266	1 369
Felling rights	600	613	592	603
Electricity certificates and emission allowances	47	56	47	55
Total	3 460	3 628	2 867	2 926

During the year impairment losses on finished stock had an effect of SEK -36 (-6) million on Group profit, while impairment losses on other stock had an effect of SEK -13 million (-2). Impairment losses on inventories had an impact of SEK -35 million (-2) on the parent company.

Note 16. Operating receivables

	Group		Parent company	
	2019	2018	2019	2018
Trade receivables				
Group companies	-	-	102	37
Associates	44	61	44	61
Other	1 961	1 868	1 604	1 495
Total trade receivables	2 005	1 929	1 749	1 594
Current receivables				
Group companies	-	-	-	-
Associates	-	-	-	-
Other	267	214	221	184
Financial derivatives	299	541	301	541
Prepayments and accrued income	232	205	92	104
Total other operating receivables	799	959	614	830
Total operating receivables	2 804	2 889	2 364	2 424

Trade receivables are recognised at the amount expected to be received, based on an individual assessment of each customer. The Group's trade receivables mainly consist of receivables from European customers. Trade receivables denominated in foreign currencies were valued at the balance sheet date. Contract assets attributable to goods delivered but not yet invoiced that are not included in the item 'Trade receivables' amounted to SEK 23 million (26). The provision for expected credit losses was SEK 32 million (34) at 31 December 2019. During the year, the provision was changed by SEK -3 million (-1) as a result of actual credit losses, and by SEK 1 million (-6) as a result of changes in the provision for anticipated or expected credit losses. At 31 December 2019, SEK 13 million (27) of trade receivables were past due for more than 30 days. The credit quality of trade receivables that are neither past due nor impaired is deemed to be good and on a par with previous years.

The fair values of derivatives relate to hedges of future cash flows.

Note 17. Equity, parent company

Registered share capital	31 Dec 2019		
	Number	Quotient value	SEKm
Class A	45 246 468	25	1 131
Class B	124 265 856	25	3 107
Total no. of shares	169 512 324		4 238
Holding of own class B shares repurchased	-7 586 639		
Total number of shares outstanding	161 925 685		

Registered share capital	31 Dec 2018		
	Number	Quotient value	SEKm
Class A	45 246 468	25	1 131
Class B	124 265 856	25	3 107
Total no. of shares	169 512 324		4 238
Holding of own class B shares repurchased	-1 520 000		
Total number of shares outstanding	167 992 324		

The company's share capital consists of shares issued in two classes: class A, each of which carries 10 votes, and class B, each of which carries one vote. In other respects, there are no restrictions between classes of shares.

At 31 December 2019 the Group's own shareholding was 7 586 639 (1 520 000). During the year 168 797 shares were transferred to participants of the share savings programme. In 2019 6 235 436 class B shares were repurchased for SEK 1 430 million, corresponding to an average price of SEK 229/share. The buy-backs correspond to 3.7 per cent of the total number of shares. Together with shares already owned, this means that Holmen held 4.5 per cent of the total number of shares at 31 December 2019.

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK 146 million (176) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK 148 million (178) on equity.

Decisions on dividends are based on an appraisal of the Group's profitability, future investment plans and financial position. The objective is to maintain a strong financial position and for the Group's net financial debt as a percentage of equity not to exceed 25 per cent.

The AGM has at its disposal the company's earnings amounting to SEK 4 741 167 346. The Board proposes that the AGM on 30 March 2020 approve a dividend of SEK 7 per share. The proposed dividend totals SEK 1 133 million. The Board also proposes that the remaining amount of SEK 3 607 687 551 be carried forward.

In the preceding year, the dividend paid was SEK 6.75 per share (SEK 1 134 million).

Net financial debt as a percentage of equity was 9 per cent (12).

Neither the parent company nor any of the subsidiaries are subject to external capital requirements. For further details about the Group's capital management and risk management, see pages 40–43.

Note 18

Note 18. Pension provisions

Holmen provides defined benefit pension plans for some office-based employees in Sweden. Most of these commitments are secured by means of insurance policies with Alecta. As Alecta cannot provide sufficient information to permit the ITP plan to be stated in the accounts as a defined benefit plan, it is stated in accordance with statement UFR 10 of the Swedish Financial Reporting Board as a defined contribution plan. Some defined benefit obligations over and above the ITP plan are available for Group management and secured by means of a pension fund. Occupational pensions for other office-based employees and all collective agreement workers in Sweden are defined contribution plans. There are two defined benefit plans in the UK that have been closed to new pension accruals since 2015. These obligations are recognised in the consolidated accounts as defined benefit plans in accordance with IAS 19.

	Group		Parent company	
	2019	2018	2019	2018
Cost recognised in profit/loss for the year				
Defined benefit plans				
Personnel costs*	-7	-7	10	-18
Finance costs	0	0	0	0
Total defined benefit plans stated in profit/loss for the year	-7	-7	10	-18
Defined contribution plans				
Personnel costs	-129	-117	-101	-93
Total recognised in profit/loss for the year	-136	-123	-92	-111

*SEK 17 million (-8) is included in the parent company relating to an item that is recognised in the Group as an actuarial revaluation in other comprehensive income.

	Group	
	2019	2018
Cost recognised in other comprehensive income		
Return on plan assets excl. recognised interest income	240	-135
Actuarial gains and losses from changes in demographic assumptions	45	14
Actuarial gains and losses from changes in financial assumptions	-205	56
Actuarial gains and losses from experiential adjustments	6	53
Payroll tax	2	-5
Effect of asset ceiling	-73	-34
Total recognised in other comprehensive income	14	-52

The change in the defined benefit obligations and the change in plan assets are specified in the tables below. Some 90 per cent of the obligations relate to the pension plans in the UK. The obligations arising out of the pension schemes in the UK are placed in two trusts. These are governed by boards consisting of representatives from Holmen and the beneficiaries. Holmen's UK subsidiaries have commitments to cover any deficits that exist. This should be done over a period of time established between the respective trust and the company in consultation with its actuary. The assets in one trust exceed the commitment by SEK 130 million. This surplus has not been recognised as there are no offset rights. This adjustment is referred to as an asset ceiling in tables. The other trust has a deficit of SEK 19 million which will be covered over the next three years.

	Group		Parent company	
	2019	2018	2019	2018
Obligations				
Obligations at 1 January	-2 063	-2 198	-176	-173
Current service cost	-7	-7	10	-18
Payroll tax	-2	-2	-	-
Interest expense	-57	-55	-20	5
Actuarial gains/losses	-154	122	-	-
Benefits paid	121	127	10	11
Exchange differences	-145	-52	-	-
Obligations at 31 December	-2 305	-2 063	-176	-176

The weighted average duration is 17 years.

Of the Group's total obligations, SEK 7 million (9) refers to those that are not funded, while the rest are wholly or partially funded obligations. Of the parent company's obligations, SEK 0 million (20) are secured under the Swedish Pension Obligations Vesting Act.

	Group		Parent company	
	2019	2018	2019	2018
Plan assets				
Fair value of assets at 1 January	2 053	2 177	156	160
Interest income	57	55	-	-
Expected return excl. recognised interest income	240	-135	-	-
Real return (parent company)	-	-	20	-5
Administrative expenses	-2	-2	-	-
Contribution by employer	4	24	-	-
Benefits paid	-111	-115	-	-
Exchange differences	148	51	-	-
Fair value of assets at 31 December	2 388	2 053	176	156
Effect of asset ceiling	-130	-52	-	-
Pension provisions, net	-46	-61	0	-20

Plan assets by type are as shown below:

	Group		Parent company	
	2019	2018	2019	2018
Plan assets				
Equities	1 201	1 007	82	70
Bonds	1 160	1 040	92	83
Current fixed income investments	27	6	0	2
	2 388	2 053	174	156

The plan assets do not include any financial instruments issued by Group companies or assets used by the Group. Of equities, 41 per cent relate to the UK, 54 per cent to the rest of Europe and the US and 5 per cent to the rest of the world. Of bonds, 43 per cent relate to government bonds and 57 per cent to corporate bonds.

Key actuarial assumptions, Group (weighted average), %

	Group	
	31 Dec 2019	31 Dec 2018
Discount rate	1.9	2.7
Rate of salary increase	3.0	3.0
Rate of price inflation	3.0	3.2

The discount rate for pension obligations have been established based on high-quality corporate bonds in the relevant currency and country of the commitment, i.e. mainly the UK. A discount rate of 0.7 per cent (0.6) and salary levels at the balance sheet date were used for calculating the amount of the parent company's pension obligation.

The table below shows how the obligation would be affected in the event of a change in key actuarial assumptions (- reduces debt, + increases debt).

	Group	
	31 Dec 2019	31 Dec 2018
Sensitivity analysis		
Discount rate (+ 0.5%)	-167	-144
Rate of salary increase (+ 0.5%)	2	2
Rate of price inflation (+ 0.5%)	128	111
Mortality (+ 1 year in life expectancy)	117	92

The Group's payments into the funded defined benefit plans in 2020 are expected to amount to SEK 5 million.

Multi-employer plans

The year's premiums for pension insurance policies taken out with Alecta's ITP 2 plan amounted to SEK 30 million (31) and are included among personnel costs in the income statement. Holmen's active members in the plan amounted to 635 people, which corresponds to 0.14 per cent of the plan's active members. Premiums to Alecta are expected to amount to SEK 29 million in 2020. Alecta's surplus can be allocated to policyholders and/or the persons insured. If Alecta's collective consolidation falls below 125 per cent or exceeds 150 per cent, measures will be taken to create the conditions to ensure the level of consolidation returns to the normal range. In the event of low consolidation, one measure may be to raise the agreed price for new policy subscriptions and an increase in existing benefits. In the event of high consolidation, one measure may be to introduce reductions in premiums. At the end of 2019, Alecta's collective consolidation level was 148 per cent (142).

Note 19. Other provisions

Group	Provisions for taxes		Other provisions		Total	
	2019	2018	2019	2018	2019	2018
Book value at start of year	90	185	590	622	680	807
Provisions during the year	30	-	221	76	251	76
Utilised during the year	-	-	-124	-110	-124	-110
Unutilised amount reversed during the year	-	-95	-14	-	-14	-95
Translation differences	-	-	1	3	1	3
Book value at end of year	120	90	675	590	795	680
Of which non-current portion of the provisions	120	90	517	393	637	483
Of which current portion of the provisions	-	-	158	197	158	197
Parent company						
Book value at start of year	45	45	708	725	753	770
Provisions during the year	-	-	328	180	328	180
Utilised during the year	-	-	-230	-197	-230	-197
Unutilised amount reversed during the year	-	-	-12	-	-12	-
Book value at end of year	45	45	794	708	839	753
Of which non-current portion of the provisions	45	45	571	451	616	496
Of which current portion of the provisions	-	-	223	256	223	256

Other provisions mainly relate to uncertainties associated with obligations for environmental restoration, fixed price electricity supply contracts and restructuring costs. SEK 380 million of these provisions are expected to be settled within three years, while the remainder is expected to be settled over a longer time horizon.

Note 20. Operating liabilities

	Group		Parent company	
	2019	2018	2019	2018
Trade payables				
Group companies	-	-	34	36
Associated companies	-	-	-	-
Other	2 259	2 232	2 116	1 996
Total trade payables	2 259	2 232	2 150	2 033
Current liabilities				
Group companies	-	-	0	0
Associated companies	4	8	3	7
Other	217	171	185	159
Derivatives	147	348	150	350
Accruals and deferred income	663	581	530	472
Total other operating liabilities	1 030	1 108	868	989
Total operating liabilities	3 289	3 340	3 018	3 022

All trade payables are due for payment within one year.

Accruals and deferred income in the parent company principally consist of personnel costs of SEK 199 million (210), discounts of SEK 74 million (54) and goods and services delivered but not yet invoiced of SEK 61 million (78).

The fair values of derivatives relate to hedges of future cash flows. See Note 14.

Note 21. Collateral and contingent liabilities

Group	Property mortgages	Other collateral	Total collateral		Contingent liabilities	Group		Parent company	
			2019	2018		2019	2018	2019	2018
Financial liabilities	-	-	-	6	Surety on behalf of Group companies	-	-	60	38
Total	-	-	-	6	Other contingent liabilities	96	98	83	83
Parent company					Total	96	98	143	122
Financial liabilities	-	-	-	6	Other contingent liabilities for the Group largely comprise ongoing legal processes and guarantee undertakings for third parties. Holmen has environmentally related contingent liabilities that cannot currently be quantified but that could result in future costs.				
Total	-	-	-	6					

Note 22. Related parties

Of the parent company's net sales of SEK 15 004 million (14 384), SEK 109 million (151) relates to deliveries of goods to Group companies. The parent company's purchases of goods from Group companies amounted to SEK 145 million (242). Parent company net sales also include income from the sale of silviculture services to subsidiaries for an amount of SEK 386 million (389). SEK -2 299 million (-1 378) of expenses for leasing of non-current assets from subsidiaries are recognised in the parent company.

There are significant financial receivables and liabilities between the parent company and its Swedish subsidiaries.

The parent company has a related party relationship with its subsidiaries (see Note 23).

L E Lundbergföretagen AB is a major shareholder in Holmen (see pages 44–45). Holmen rents office premises for SEK 6 million (6) from Fastighets AB L E Lundberg,

which is a group company within L E Lundbergföretagen AB. In 2019, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 710 000 (710 000) as Board chairman of Holmen. Louise Lindh, who is the CEO of Fastighets AB L E Lundberg and who is also a party related to Fredrik Lundberg, received a Board fee of SEK 355 000 (355 000).

Transactions with related parties are priced on market terms. The equity holdings in associates that produce hydro and wind power entitle the Group to buy the electricity produced at cost price in relation to the shareholding, which means that the associate only earns a limited profit. Purchased electricity is sold to external customers at market price, and the earnings are stated in the consolidated accounts within the Renewable Energy business area.

The partly owned wind power company Varsvik AB has loans amounting to SEK 425 million (452), which Holmen acquired from creditor bank for the nominal value in 2018.

Transactions with related parties

Group	Sale of goods to related parties		Purchase of goods from related parties		Other (e.g. interest, dividend)		Liability to related parties		Receivable due from related parties	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Associates	368	395	42	71	0	0	6	37	54	85
Joint venture	3	3	-	-	13	17	-	-	425	454
Parent company										
Subsidiaries	109	151	145	242	160	374	514	6 830	2 053	6 993
Associates	368	395	42	71	0	0	3	34	54	85
Joint venture	3	3	-	-	12	16	-	-	425	454

See Note 4 for fees and remuneration paid to members of the Board.

Note 23. Investments in Group companies

	Parent company	
	2019	2018
Accumulated acquisition costs		
Value at start of year	17 142	17 142
Purchasing	-	1
Shareholder's contribution	210	-
Sales	-17	-1
Total	17 335	17 142
Accumulated impairment losses		
Value at start of year	6 655	6 655
Impairment losses for the year	-7	-
Total	6 648	6 655
Book value at end of year	10 687	10 487

The parent company's impairment losses on investments in Group companies are stated in the income statement in the line item for 'Profit/loss from investments in Group companies'. Subsidiaries Stavro Vind AB and Laforsen AB were sold during the year.

	Corporate ID No.	Registered office	Number of holdings	Holding %*	Book value in the parent company		
					Holding %*	Book value in the parent company	
				2019	2018		
Parent company's direct holdings of investments in subsidiaries							
Holmen Skog AB	556220-0658	Örnsköldsvik	1 000	100	0	100	0
Iggesund Paperboard AB	556088-5294	Hudiksvall	1 000	100	0	100	0
Holmen Paper AB	556005-6383	Norrköping	100	100	0	100	0
Holmen Timber AB	556099-0672	Hudiksvall	1 000	100	0	100	0
Holmen Energi AB	556524-8456	Örnsköldsvik	1 000	100	0	100	0
Holmens Bruk AB	559165-6615	Stockholm	1 000	100	383	100	383
Holmen Skog Mitt AB	559165-6623	Stockholm	1 000	100	2 856	100	2 856
Holmen Skog Syd AB	559165-6631	Stockholm	1 000	100	1 527	100	1 527
Holmen Sågverk AB	559165-6672	Stockholm	1 000	100	422	100	422
Holmen Vattenkraft AB	559165-6664	Stockholm	1 000	100	2 633	100	2 663
Iggesunds Bruk AB	559165-6656	Stockholm	1 000	100	740	100	740
Ljusnan Vattenkraft AB	559165-6680	Stockholm	1 000	100	276	100	276
Holmen Holding AB	516406-0062	Stockholm	10 000	100	0	100	0
MoDo Capital AB	556499-1668	Stockholm	1 000	100	72	100	72
Holmen Energi Elnät AB	556878-3905	Örnsköldsvik	500	100	0	100	0
Stavro Vind AB	556953-6153	Stockholm	500	-	-	100	0
Blåbergsliden Vind AB	559138-5181	Stockholm	500	100	200	100	0
Other Swedish Group companies					2		2
Total Swedish holdings					9 142		8 943
Holmen UK Ltd, UK		Workington	1 197 100	100	1 519	100	1 519
Holmen Paper Ltd**		London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd**		Workington	-	100	-	100	-
Holmen France S.A.S., France		Paris	10 000	100	0	100	0
Holmen GmbH, Germany		Hamburg	-	100	1	100	1
Holmen Suecia Holding S.L., Spain		Madrid	9 448 557	100	0	100	0
Holmen Paper Madrid S.L.**		Madrid	-	100	-	100	-
Iggesund Paperboard Asia Pte Ltd, Singapore		Singapore	800 000	100	4	100	4
Holmen B.V., Netherlands		Amsterdam	35	100	7	100	7
AS Holmen Mets, Estonia		Tallinn	500	100	0	100	0
Iggesund Paperboard Inc, USA		Lyndhurst	1 000	100	7	100	7
Iggesund Paperboard Asia (HK) Ltd, China		Hong Kong	4 000 000	100	5	100	5
Other non-Swedish Group companies					2		2
Total non-Swedish holdings					1 545		1 545
Total					10 687		10 487

*The percentage of ownership corresponds to the percentage of votes for the total number of shares.

**Indirect holdings.

Note 24. Untaxed reserves

Accumulated depreciation and amortisation in excess of plan	Parent company		
	31 Dec 2018	Appropriations	31 Dec 2019
Non-current intangible assets	-23	7	-16
Property, plant and equipment	11	1	11
	-12	7	-5
Tax allocation reserves			
2015 fiscal year	264	-73	191
2016 fiscal year	290	-	290
2017 fiscal year	470	-	470
2019 fiscal year	-	700	700
	1 024	627	1 651
Total	1 012	634	1 646

Group contributions received amounted to SEK 2 572 million (191) and Group contributions paid amounted to SEK -2 million (-2 584). Total appropriations of profit amounted to SEK 1 936 million.

Note 25. Cash flow statement

Interest paid and dividends received	Group		Parent company	
	2019	2018	2019	2018
Dividends received	-	-	148	367
Interest received	13	12	21	23
Interest paid	-31	-28	-31	-29
Total	-18	-16	139	362

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2019, a number of different short-term loans totalling SEK 8 250 million (6 585) were raised within the Group's commercial paper programme, and SEK 7 751 million (6 733) was repaid. See Note 14 for a breakdown of cash and cash equivalents.

	Group				
	2018	New leases	Cash flow	Currency and market revaluation	2019
Bond loans	1 500	-	500	-	2 000
Commercial paper	1 951	-	499	-	2 450
Other financial liabilities	75	-	-41	18	52
Liabilities relating to right-of-use assets	-	281*	-100	4	184
Pension liability	61	-	-27	12	46
Financial liabilities including pension liability and liabilities relating to right-of-use assets	3 587	281	831	34	4 733

*SEK 205 million is attributable to the introduction of the new IFRS 16 Leases accounting policy. The remainder relates to liabilities linked to leases entered into during the year.

	Parent company			
	2018	Cash flow	Currency and market revaluation	2019
Bond loans	1 500	500	-	2 000
Commercial paper	1 951	499	-	2 450
Liabilities to Group companies	6 791	-6 315	-	476
Other financial liabilities	68	-39	18	47
Pension liability	20	-11	-9	0
Financial liabilities including pension liability	10 330	-5 367	9	4 973

Note 26. Critical accounting estimates and judgements

When preparing financial statements the company's management is required to make estimates and judgements that have an effect on the stated amounts. The estimates and judgements that, in the view of the company's management, are of importance for the amounts stated in the annual accounts, and that are at significant risk of being altered by future events and new information, mainly include the following.

Forest assets

Because of a number of recent transactions involving large forest holdings, Holmen has revised the method and assumptions used for valuing forest assets on the Group's balance sheet. There are a large number of transactions involving forest properties in those areas where Holmen owns land and the prices paid for small and medium-sized forest properties are in line with the prices of larger forest assets. In order to reflect the fair value of the Group's forest assets, from 31 December 2019 Holmen has chosen to switch to recognising the Group's forest assets at fair value calculated based on transactions in those areas where Holmen owns forest land. To enable this, the accounting policy for forest land in the Group has been changed from cost to fair value based on the 'revaluation model' in IAS 16. The book value of the Group's forest assets at 31 Dec 2019 was SEK 41 345 million (18 701), divided between SEK 13 366 million (301) for forest land and SEK 27 979 million (18 400) for biological assets. A deferred tax liability of SEK 8 442 million (3 781) has been recognised relating to the forest assets. The valuation of the forest assets is based on detailed data about transactions and pricing statistics published by different market operators. The valuation takes account of where in the country the forest land is located and differences in the forest in terms of the volume of standing timber and site quality. The book value of the forest assets will be affected by changes in transaction prices for forest properties and by how the volume of standing timber develops. The value of the forest assets is allocated in the balance sheet to growing trees, which are recognised as a biological asset, and forest land. How much of the value is allocated to biological assets is established by calculating the present value of expected future cash flows from growing trees based on estimates of future harvest volumes, price and cost development and discount rate. See Accounting Policies, Notes 7 and 9 for further information.

Pension obligations

The Group has benefit-based pension obligations measured at SEK 2 305 million and SEK 2 388 million in plan assets set aside to cover such obligations. The value of pension obligations is estimated on the basis of assumptions regarding discount rates, inflation and demographic factors. These commitments are usually updated annually, which affects the Group's comprehensive income and the recognised pension provision. See Note 18.

Other provisions

Obligations that may result in costs for Holmen are evaluated on an ongoing basis to assess the need for a provision. Uncertainty in the assessment mainly relates to the date and size of the future cost. The Group mainly has provisions for uncertainty related to obligations for environmental restoration, fixed price electricity supply contracts and corporation tax risks. See Note 19.

Proposed appropriation of profits

	SEK
The following earnings of the parent company are at the disposal of the AGM:	
Net profit for the 2019 financial year	1 846 968 192
Retained earnings	2 894 199 154
	4 741 167 346
The Board of Directors proposes that a dividend of SEK 7 per share (161 925 685 shares) be paid to the shareholders	1 133 479 795
and that the remaining amount be carried forward	3 607 687 551

The Board of Holmen AB has proposed that the 2020 AGM resolve in favour of paying a dividend of SEK 7 per share, SEK 0.25 per share higher than the preceding year, totalling SEK 1 133 million. The proposal complies with the Board's policy, in that decisions on dividends are to be based on an appraisal of the Group's profitability, future investment plans and financial position.

The proposed dividend corresponds to 13 per cent of net profit for 2019 for the Group and means that 2.8 per cent of equity in the Group at 31 December 2019 will be paid out by way of dividend.

The Board has established that the Group should have a strong financial position, with net financial debt not exceeding 25 per cent of equity. At 31 December 2019 it amounted to 9 per cent. The proposed dividend would increase net debt to equity by 3 percentage points.

Holmen AB's equity at 31 December 2019 amounted to SEK 10 656 million, of which non-restricted equity was SEK 4 741 million. Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK 146 million on equity. The Group's equity at 31 December 2019 amounted to SEK 40 111 million. In accordance with IFRS, no distinction is made at Group level between restricted and non-restricted equity.

The Board considers that payment of a dividend of the amount proposed is justifiable in view of the demands made on the company and the Group by the nature, extent and risks associated with the business in terms of the amount

of equity required, and taking into account the need for consolidation, liquidity and financial position in other respects. The financial position will remain strong after payment of the proposed dividend and is considered to be fully adequate to enable the company to fulfil its obligations in both the short and the long term, as well as to finance such investments as may be necessary.

The Board and CEO declare that the annual accounts were prepared in accordance with generally accepted accounting principles in Sweden and the Group's consolidated accounts were prepared in accordance with the international accounting standards referred to in the European Parliament's and Council's regulation (EG) No. 1606/2002 of 19 July 2002 concerning the application of international accounting standards. The annual report and the Group's consolidated accounts provide a true and fair view of the performance and financial position of the parent company and the Group. The administration report for the parent company and the Group provides a true and fair view of the development of the operations, financial position and performance of the Group and the parent company and also describes material risks and uncertainties to which the parent company and the other companies in the Group are exposed.

The annual accounts and the consolidated accounts were approved for publication by the Board in its decision of 19 February 2020. The Group's consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the AGM to be held on 30 March 2020.

Stockholm, 19 February 2020

Fredrik Lundberg
Chairman

Lars G Josefsson
Board member

Ulf Lundahl
Board member

Carl Bennet
Board member

Lars Josefsson
Board member

Henriette Zeuchner
Board member

Steewe Björklundh
Board member

Alice Kempe
Board member

Tommy Åsenbrygg
Board member

Kenneth Johansson
Board member

Louise Lindh
Board member

Henrik Sjölund
Board member and
Chief Executive Officer

Our audit report was submitted on 21 February 2020.
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Holmen AB, corp. id 556001-3301

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Holmen AB for the year 2019, except for the pages 10-11, 31 and 33 in the sustainability report. The annual accounts and consolidated accounts of the company are included on pages 2, 4-5, 10-11, 30-31, 33, 34-77 and 82-83 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the pages 10-11, 31 and 33 in the sustainability report.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of Forest Assets

See disclosure 9 and 26 as well as the accounting principles on pages 52-56 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Forest assets comprise of forest land and biological assets and have a total carrying value on the group's balance sheet of SEK 41 345 million as of 31 December 2019. This is made up of SEK 13 366 million forest land and SEK 27 979 million biological assets.

The group has voluntarily changed the accounting principle as of 31 December 2019 for forest land to fair value based on the revaluation method instead of the previously applied acquisition value method. The reason for the change in accounting principle is to better represent the value of the group's forest assets on the balance sheet through valuation at fair value of both forest land and biological assets.

Determination of the fair value of forest assets is based on transaction prices for forest properties in those areas where the group owns forest land, considering the location of the forest land and differences in the nature of the forest in terms of the volume of standing timber and site quality.

The fair value calculation of forest assets is both complex and comprises judgements. There is a risk that the market transactions that form the basis of the valuation do not accurately mirror the value of the group's forest assets, which could significantly affect the carrying value.

The total value of forest assets is subsequently allocated between growing trees, which is recognised as a biological asset, and forest land. The value which is allocated to biological assets is determined by discounting estimating future cash flows from the growing trees to present value. The valuation is performed internally and is calculated using a combination of harvesting plans, future sales prices, cost projections, inflation and discount rates. These assumptions can change over time, which would directly affect the carrying value for the financial period.

Response in the audit

The group's decision to change accounting principle for valuation of forest land has been evaluated against both the criteria stipulated by IFRS for carrying out any voluntary change of accounting principle and to the applicable regulations regarding accounting for the effects of the change from the acquisition value method to the revaluation method.

We have obtained and assessed the group's model for determining fair value of forest assets. We have also made an independent calculation of the value of forest assets based on the same model and underlying base data. The frequency and number of transactions in the areas where the group owns forest land has been assessed. During our audit we have also performed detailed sample testing of underlying transactions which form the basis of the group's valuation, regarding price, volume of standing timber and site quality. In connection with this we have also evaluated the market operators from which the group uses data on completed transactions. We have moreover inspected the external reference valuation which was carried out on a portion of the group's forest assets.

Regarding the portion of the total fair value which is allocated to biological assets, we have examined the valuation and underlying documentation in order to assess whether the valuation is carried out in accordance with an established valuation methodology.

Furthermore, we have had discussions with group management and, through evaluation of management's written plans and documentation, we have assessed the reasonableness of assumptions regarding volumes, prices, costs and the discount rate used in the valuation model. We have also performed sensitivity analysis to assess how changes in the assumptions can affect the overall valuation.

We have also considered the completeness of the disclosures in the Annual Report and assessed whether they show a true and fair view of the new accounting principle which has been applied and are in line with the assumptions that group management have applied in their valuation.

Other provisions

See disclosure 19 and 26 as well as the accounting principles on pages 52-56 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of the other provisions as of 31 December 2019 amounts to SEK 795 million in the group and SEK 839 million in the parent company. The other provisions include among other obligations for environmental restoration, contractual commitments regarding delivery of electricity at a fixed price, restructuring costs and tax risks. In the parent company there are also provisions for replanting after harvest.

Provisions involve significant levels of judgement regarding uncertain future outcomes, in particular relating to the amount and timing of the final assessments. Changes to the underlying assumptions used to make these provisions could significantly affect the reported result.

Response in the audit

We have inspected the group's documentation of its provisions. We have assessed management's estimates and have had discussions with management regarding their assumptions in each area to ensure that the provisions are in line with the group's accounting principles and with IFRS requirements.

We have also considered the completeness of the disclosures in the Annual Report and assessed whether they are, in all material respects, in agreement with IFRS requirements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3, 6-9, 12-29, 32 and 84-91. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional

judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important

assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Holmen AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the

Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 10-11, 30-31, 33, 36-38 and 41, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Holmen AB by the general meeting of the shareholders on the 1 April 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1995.

Stockholm, 21 February 2020
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Review of Sustainability Report

Holmen's Sustainability Report, as defined on page 2 of Holmen's Annual Report 2019, has been subject to a limited review in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information.

A complete assurance report on the Sustainability Report is available at holmen.com.

The assurance report contains the following conclusion:

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by Group management.

Stockholm 21 February 2020
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Torbjörn Westman
Expert member of FAR

Board of Directors



Louise Lindh

Stockholm. Born in 1979. Member since 2010. M.Sc. in Economics. CEO of Fastighets AB L E Lundberg. **Other significant appointments:** Chairman of J2L Holding AB. Board member of Hufvudstaden AB and L E Lundbergföretagen AB. **Shareholding:** 200 000 shares.

Henrik Sjölund *President and CEO*

Norrköping. Born in 1966. Member since 2014. M.Sc. in International Economics. **Other significant appointments:** Board member of the Swedish Forest Industries Federation, the Confederation of Swedish Enterprise and the Swedish Association of Industrial Employers. **Shareholding:** 52 155 shares.

Fredrik Lundberg *Chairman*

Djursholm. Born in 1951. Member since 1988. M.Sc. in Engineering and M.Sc. in Economics. Tech. h.c. and D. Econ. h.c. President and CEO of L E Lundbergföretagen AB. **Other significant appointments:** Chairman of Hufvudstaden AB and AB Industrivärden. Deputy Chairman of Svenska Handelsbanken AB. Board member of L E Lundbergföretagen AB and Skanska AB. **Own and related parties' shareholdings:** 1 679 448 shares. Shareholding of L E Lundbergföretagen: 55 244 000 shares.

Lars G Josefsson

Stockholm. Born in 1950. Member since 2011. M.Sc. in Engineering. Former President and CEO of Vattenfall. **Other significant appointments:** Board member of Robert Bosch International Advisory Committee and Prorsum AG. Board member of Hand in Hand International and member of The Royal Swedish Academy of Engineering Sciences, IVA. **Shareholding:** 10 000 shares.

Henriette Zeuchner

Stockholm. Born in 1972. Member since 2015. M.Sc. in Economics and Bachelor of Laws. CEO of Clear Channel Scandinavia. **Other significant appointments:** Board member of the NTM Group. **Shareholding:** 1 600 shares.

Christer Johansson

Iggesund. Born in 1959. Deputy member since 2017. Employee representative, LO. Chairman of the Swedish Paper Workers Union branch 15.

Daniel Hägglund

Örnsköldsvik. Born in 1982. Deputy member since 2014. Employee representative, PTK.

Top row l-r: Louise Lindh, Henrik Sjölund, Fredrik Lundberg, Alice Kempe, Ulf Lundahl, Tommy Åsenbrygg, Per-Arne Berg

Bottom row l-r: Lars G Josefsson, Henriette Zeuchner, Christer Johansson, Daniel Hägglund, Steewe Björklundh, Carl Bennet, Lars Josefsson, Kenneth Johansson



Alice Kempe

Torshälla. Born in 1967.
Member since 2019. M.Sc. in Forestry.
Other significant appointments:
Chairwoman of the Kempe Foundations.
Board member of MoRe Research
Örnsköldsvik AB and SweTree
Technologies AB.
**Own and related parties'
shareholdings:** 216 292 shares.

Ulf Lundahl

Lidingö. Born in 1952.
Member since 2004. Bachelor of Laws
and M.Sc. in Economics.
Other significant appointments:
Chairman of Attendo AB, Fidelio Capital AB
and SHB Regionbank Stockholm. Board
member of Eltel AB, Indutrade AB and
Nordstjernen Kredit AB.
Shareholding: 8 000 shares.

Tommy Åsenbrygg

Skebobruk. Born in 1968.
Member since 2015.
Employee representative, PTK.
Shareholding: 200 shares.

Per-Arne Berg

Forså. Born in 1955.
Deputy member since 2015.
Employee representative, PTK. Chairman of
the Holmen-Iggesund Trade Union Club.

Steewe Björklundh

Hudiksvall. Born in 1958.
Member since 1998.
Employee representative, LO.

Carl Bennet

Gothenburg. Born in 1951.
Member since 2009. M.Sc. in Economics.
D. Tech. h.c. VD Carl Bennet AB.
Former President and CEO of Getinge AB.
Chairman of Elanders AB and Lifco AB.
Other significant appointments:
Deputy Chairman of Arjo AB and
Getinge AB. Board member of
L E Lundbergföretagen AB.
Shareholding: 200 000 shares.

Lars Josefsson

Norrköping. Born in 1953.
Member since 2016. M.Sc. in Engineering.
Other significant appointments:
Chairman of TimeZynk. Deputy Chairman
of Vestas. Board member of Metso and
Ouman.
Shareholding: 7 000 shares.

Kenneth Johansson

Söderköping. Born in 1958.
Member since 2004.
Employee representative, LO. Section
Chairman of the Swedish Paper Workers
Union branch 53, Holmen Paper Braviken.

Information at 31 December 2019.

Auditors: KPMG AB
Principle Auditor:
Joakim Thilstedt.
Authorised Public Accountant.

Group management



L-r: Anders Jernhall, Nils Ringborg, Stina Sandell, Henrik Andersson, Johan Padel, Gunilla Rolander, Lars Lundin, Sören Petersson, Johan Nellbeck, Henrik Sjölund, Ola Schultz-Eklund

Anders Jernhall

*Executive Vice President,
Chief Financial Officer*
Born in 1970. Joined Holmen in 1997.
Shareholding: 27 527 shares.

Nils Ringborg

Senior Vice President International Affairs
Born in 1958. Joined Holmen in 1988.
Shareholding: 11 200 shares.

Stina Sandell

*Senior Vice President Sustainability and
Communications*
Born in 1966. Joined Holmen in 2017.
Shareholding: 765 shares.

Henrik Andersson

*Senior Vice President Legal Affairs
Company Secretary.*
Born in 1971. Joined Holmen in 2008.
Shareholding: 4 282 shares.

Johan Padel

Senior Vice President Wood Products
Born in 1966. Joined Holmen in 2014.
Shareholding: 3 200 shares.

Gunilla Rolander

Senior Vice President Human Resources
Born in 1966. Joined Holmen in 2013.
Shareholding: 4 054 shares.

Lars Lundin

Senior Vice President Paper
Born in 1966. Joined Holmen in 2018.
Shareholding: 1 950 shares.

Sören Petersson

Senior Vice President Forest
Born in 1969. Joined Holmen in 1994.
Shareholding: 16 200 shares.

Johan Nellbeck

Senior Vice President Paperboard
Born in 1964. Joined Holmen in 2019.
Shareholding: 3 000 shares.

Henrik Sjölund

President and CEO
Born in 1966. Joined Holmen in 1993.
Shareholding: 52 155 shares.
Henrik Sjölund has no significant shareholdings or ownership in companies with which the Group has important business relations. Further information about the CEO is provided on page 82.

Ola Schultz-Eklund

Senior Vice President Technology
Born in 1961. Joined Holmen in 1994.
Shareholding: 2 740 shares.

Fredrik Nordqvist

*Senior Vice President
Renewable Energy*
Born in 1971.
Joined Holmen in 2011.
Shareholding: 780 shares.



Information at 31 December 2019.

Key figures

Holmen uses performance measures in its reporting in addition to the measures defined within IFRS regulations, or directly in the income statement and balance sheet, in order to illustrate the company's financial position and performance and to increase comparability between different periods and other companies. Below are calculations used to arrive at the performance measures applied within the Group. For further information, see also Definitions.

ESMA's (European Securities And Markets Authority) 'Guidelines – Alternative Performance Measures' are used. Alternative performance measures published in this report should not be regarded as replacing the financial measures defined under IFRS regulations, but rather as a complement and they do not need to be comparable in the same way with defined performance measures published by other companies.

Key figures, SEKm	2019	2018	2017	2016	2015
Operating profit, EBITDA and items affecting comparability					
EBITDA	3 486	3 488	3 157	3 179	2 940
Depreciation and amortisation according to plan	-1 141	-1 012	-991	-1 018	-1 240
Operating profit/loss excluding items affecting comparability	2 345	2 476	2 166	2 162	1 700
Items affecting comparability*	8 770	-94	-	-232	-931
Operating profit/loss	11 115	2 382	2 166	1 930	769
Profit/loss for the year and items affecting comparability					
Profit/loss for the year	8 731	2 268	1 668	1 424	559
Items affecting comparability*	-6 943	73	-	228	860
Profit/loss for the year excluding items affecting comparability	1 789	2 341	1 668	1 652	1 418
Operating margin					
Operating profit/loss excluding items affecting comparability	2 345	2 476	2 166	1 930	769
Net sales	16 959	16 055	16 133	15 513	16 014
Operating margin, %	13.8	15.4	13.4	13.9	10.6
Capital employed					
Equity	40 111	23 453	22 035	21 243	20 853
Net financial debt	3 784	2 807	2 936	3 945	4 799
Capital employed	43 895	26 261	24 972	25 190	25 653
Return on capital employed					
Operating profit/loss excluding items affecting comparability	2 345	2 476	2 166	2 162	1 700
Average capital employed	26 391	25 469	24 874	25 146	26 769
Return, %	8.9	9.7	8.7	8.6	6.4
Return on equity					
Profit/loss after tax excluding items affecting comparability	1 789	2 341	1 668	1 652	1 418
Average equity	23 035	22 546	21 297	20 890	21 108
Return, %	7.8	10.4	7.8	7.9	6.7
Net financial debt					
Non-current financial liabilities	2 018	1 033	552	882	2 295
Non-current liabilities relating to right-of-use assets	171	-	-	-	-
Current financial liabilities	2 485	2 494	2 775	3 200	2 698
Current liabilities relating to right-of-use assets	13	-	-	-	-
Pension provisions	46	61	39	201	130
Non-current financial receivables	-451	-468	-42	-39	-43
Current financial receivables	-14	-35	-32	-89	-61
Cash and cash equivalents	-483	-278	-356	-210	-221
Net financial debt	3 784	2 807	2 936	3 945	4 799
Debt/equity ratio					
Net financial debt	3 784	2 807	2 936	3 945	4 799
Equity	40 111	23 453	22 035	21 243	20 853
Net debt as % of equity	9	12	13	19	23
Equity/assets ratio					
Equity	40 111	23 453	22 035	21 243	20 853
Assets	59 340	36 912	34 891	34 891	35 456
Equity/assets ratio, %	67.6	63.5	63.2	60.9	58.8

*See page 86 for what items affecting comparability refers to.

Ten-year review, finance

SEKm	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Income statement										
Net sales	16 959	16 055	16 133	15 513	16 014	15 994	16 231	17 852	18 656	17 581
Operating costs	-13 961	-12 984	-13 379	-12 626	-13 348	-13 270	-13 919	-15 224	-15 501	-15 077
Change in value of biological assets	487	425	415	315	267	282	264	350	-	52
Profit from investments in associates and joint ventures	0	-9	-12	-22	7	-7	3	47	84	28
EBITDA	3 486	3 488	3 157	3 179	2 940	2 999	2 579	3 026	3 239	2 583
Depreciation and amortisation according to plan	-1 141	-1 012	-991	-1 018	-1 240	-1 265	-1 370	-1 313	-1 260	-1 251
Operating profit/loss excluding items affecting comparability	2 345	2 476	2 166	2 162	1 700	1 734	1 209	1 713	1 980	1 332
Items affecting comparability*	8 770	-94	-	-232	-931	-450	-140	-193	3 593	264
Operating profit/loss	11 115	2 382	2 166	1 930	769	1 284	1 069	1 520	5 573	1 596
Net financial items	-34	-25	-53	-71	-90	-147	-198	-227	-244	-208
Earnings before tax	11 081	2 356	2 113	1 859	679	1 137	871	1 294	5 328	1 388
Tax	-2 351	-89	-445	-436	-120	-230	-160	559	-1 374	-684
Profit/loss for the year	8 731	2 268	1 668	1 424	559	907	711	1 853	3 955	704
Diluted earnings per share, SEK**	52.6	13.5	9.9	8.5	3.4	5.4	4.3	11.1	23.6	4.2
Net sales										
Forest	6 286	5 944	5 535	5 302	5 481	5 641	5 694	6 061	6 348	5 585
Paperboard	6 229	5 785	5 526	5 252	5 472	5 113	4 618	4 967	5 109	4 849
Paper	5 757	5 571	5 408	5 431	6 148	6 247	7 148	8 144	8 631	8 142
Wood Products	1 695	1 747	1 562	1 342	1 314	1 352	1 175	1 129	875	586
Renewable Energy	378	319	315	314	359	389	450	522	552	626
Group-wide costs and eliminations***	-3 385	-3 311	-2 214	-2 128	-2 760	-2 748	-2 853	-2 972	-2 858	-2 207
Group	16 959	16 055	16 133	15 513	16 014	15 994	16 231	17 852	18 656	17 581
Operating profit/loss										
Forest	1 172	1 185	1 069	1 001	905	817	924	931	739	818
Paperboard	435	689	764	903	847	674	433	596	863	817
Paper	509	329	288	289	-74	141	-309	94	228	-618
Wood Products	62	246	80	-3	9	37	-75	-130	-136	20
Renewable Energy	336	181	135	120	176	212	371	355	406	495
Group-wide costs and eliminations	-168	-154	-170	-148	-163	-146	-136	-132	-120	-200
	2 345	2 476	2 166	2 162	1 700	1 734	1 209	1 713	1 980	1 332
Items affecting comparability*	8 770	-94	-	-232	-931	-450	-140	-193	3 593	264
Group	11 115	2 382	2 166	1 930	769	1 284	1 069	1 520	5 573	1 596
Cash flow										
Earnings before tax	11 081	2 356	2 113	1 859	679	1 137	871	1 294	5 328	1 388
Adjustment items	-8 208	540	418	965	1 802	1 448	1 056	1 057	-2 561	811
Income tax paid	-147	-396	-221	-504	-398	-191	210	-434	-557	-704
Changes in working capital	158	-214	199	-360	443	-217	-127	338	-109	28
Cash flow from operating activities	2 884	2 286	2 509	1 961	2 526	2 176	2 011	2 254	2 101	1 523
Cash flow from investing activities***	-1 050	-1 005	-644	-123	-824	-815	-872	-1 957	-1 791	-1 585
Cash flow after investments	1 834	1 281	1 865	1 838	1 702	1 361	1 139	297	310	-62
Dividend paid	-1 134	-1 092	-1 008	-882	-840	-756	-756	-672	-588	-588
Share buy-backs	-1 430	-	-	-	-	-	-	-	-	-

*Items affecting comparability:

2019: Revaluation of biological assets amounting to SEK 9 079 million, impairment loss by associates of SEK -109 million and provisions of SEK -200 million.

2018: Restructuring costs of SEK -94 million.

2016: Sale of the mill in Spain and insurance compensation of SEK -232 million for the reconstruction of Hallsta Paper Mill following a fire.

2015: Impairment loss on non-current assets, provision for costs and the effects of a fire totalling SEK -931 million.

2014: Impairment loss on non-current assets of SEK -450 million.

2013: Impairment loss on non-current assets and restructuring costs of SEK -140 million.

2012: Impairment loss on non-current assets and restructuring costs of SEK -193 million.

2011: Revaluation of forest amounting to SEK 3 593 million.

2010: Impairment losses on non-current assets and restructuring costs of SEK -786 million and revaluation of forest amounting to SEK 1 050 million.

**Historical figures have been adjusted because of the share split (2:1) in 2018.

***Net after disposals and before changes in non-current financial receivables.

For a ten-year review of data per share, see page 45.

SEKm	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Balance sheet										
Forest assets	41 345	18 701	17 971	17 595	17 340	17 032	16 654	16 344	15 871	12 261
Other non-current assets*	10 781	10 586	10 780	11 106	12 184	13 189	13 998	14 320	14 463	13 767
Current assets	6 264	6 845	5 710	5 852	5 607	5 964	5 774	6 005	6 642	6 950
Financial receivables	950	781	430	338	325	249	327	377	240	454
Total assets	59 340	36 912	34 891	34 891	35 456	36 434	36 753	37 046	37 217	33 432
Equity	40 111	23 453	22 035	21 243	20 853	20 969	20 854	20 813	19 773	16 913
Deferred tax liability	10 299	5 839	5 650	5 613	5 508	5 480	5 804	5 504	6 630	5 910
Financial liabilities and interest-bearing provisions	4 733	3 587	3 366	4 283	5 124	6 156	6 443	6 967	6 499	6 227
Operating liabilities	4 196	4 033	3 840	3 752	3 971	3 829	3 653	3 762	4 313	4 383
Total equity and liabilities	59 340	36 912	34 891	34 891	35 456	36 434	36 753	37 046	37 217	33 432
Capital employed										
Forest	32 718	14 830	13 824	13 536	13 401	13 212	12 688	12 657	11 599	8 822
Paperboard	5 589	5 316	5 433	5 546	5 698	5 841	5 686	5 489	4 233	3 428
Paper	1 903	2 072	2 193	2 507	3 266	4 366	4 438	4 920	5 798	6 069
Wood Products	1 000	927	862	859	897	874	1 327	1 385	1 471	1 153
Renewable Energy	3 058	3 082	3 115	3 153	3 075	3 118	3 005	2 947	2 884	2 831
Group-wide and other**	-372	34	-455	-410	-684	-535	-173	5	47	382
Capital employed	43 895	26 261	24 972	25 190	25 653	26 876	26 970	27 403	26 032	22 685
Key figures										
Operating margin, %**										
Paperboard	7	12	14	17	15	13	9	12	17	17
Paper	9	6	5	5	-1	2	-4	1	3	-8
Wood Products	4	14	5	0	1	3	-6	-12	-16	4
Group	14	15	13	14	11	11	7	10	11	8
Return, capital employed, %**										
Forest	8	8	8	7	7	6	7	8	8	10
Paperboard	8	12	14	16	15	12	8	12	23	24
Paper	24	15	12	10	neg	3	neg	2	4	neg
Wood Products	6	27	9	0	1	3	neg	neg	neg	3
Renewable Energy	11	6	4	4	6	7	13	12	14	17
Group	9	10	9	9	6	6	4	7	9	6
Return on equity, %**	8	10	8	8	7	6	4	6	8	8
Net debt as % of equity	9	12	13	19	23	28	29	32	32	34
Deliveries										
Volume from own forest, '000 m ³	2 714	2 831	2 904	2 986	3 213	3 297	3 465	3 211	2 988	2 999
Paperboard, '000 tonnes	538	525	526	497	499	493	469	485	474	464
Paper, '000 tonnes	996	1 036	1 117	1 134	1 325	1 305	1 574	1 651	1 668	1 732
Wood products, '000 m ³	879	828	852	776	730	725	686	660	487	285
Own production of hydro and wind power, GWh	1 109	1 145	1 169	1 080	1 441	1 113	1 041	1 353	1 235	1 149

*Excluding non-current financial receivables.

**Excluding items affecting comparability.

Five-year review, sustainability

The environmental and employee data provided is the most relevant information with regard to regulatory requirements and internal monitoring. The key performance indicators provided are widely used in the industry.

Data from all parts of the Group is collected, quality-assured and evaluated. No material changes have been made to the principles of reporting in comparison with 2018.

Holmen reports its environmental data to the supervisory authorities monthly and annually. Reporting to Swedish authorities is made available to the public under the principle of public access to documents. Data from all the mills is reported to the EU annually. Expenditure on environmental protection is reported in accordance with guidelines from Statistics Sweden.

As some of the details provided in this report had already been collected by the end of the year they refer to, they might differ slightly from the information finally reported to the authorities.

	2019	2018	2017	2016	2015
Production					
Paperboard, '000 tonnes	532	538	530	503	502
Market pulp, '000 tonnes	79	66	54	56	56
Paper, '000 tonnes	975	1 069	1 268	1 317	1 287
Wood products, '000 m ³	877	873	827	776	734
Own production of hydro and wind power, GWh	1 109	1 145	1 169	1 080	1 441
Electricity production at the mills, GWh	669	679	621	784	781
Raw materials					
Wood, million m ³ sub ¹⁾	5.49	5.62	5.63	5.36	5.10
Purchased pulp, '000 tonnes	78	78	79	70	79
Thermal energy, GWh	5 992 ²⁾	6 238	6 099	6 375	6 288
Electrical energy, GWh	3 720 ³⁾	3 996	3 987	3 949	3 994
Water use, million m ³ , ⁴⁾	70	73	73	70	68
Plastic granules/foiling material, '000 tonnes	3.2	2.9	2.9	2.6	2.5
Chemicals, '000 tonnes ⁵⁾	181	165	147	151	138
Filler, pigment, '000 tonnes ⁶⁾	160	164	146	148	146
Emissions to air, tonnes⁶⁾					
Sulphur dioxide (counted as sulphur, S)	59	56	48	41	52
Nitrogen oxides	888	986	907	960	891
Particulates	28	45	30	39	48
Fossil carbon dioxide, '000 tonnes	68	75	73	124	180
Biogenic carbon dioxide, '000 tonnes	1 585	1 660	1 545	1 540	1 440
Emissions to water, tonnes⁶⁾					
AOX (chlorinated organic matter)	44	48	48	52	57
Nitrogen	174	216	177	208	226
Phosphorus	14	16	14	14	19
COD (organic matter), '000 tonnes	21	22	20	20	21
Suspended solids (SS), '000 tonnes	2.9	3.5	2.8	3.2	3.3
By-products, '000 tonnes					
To energy production, internally/externally	949	977	995	872	823
Utilised or for recovery ⁷⁾	208	166	202	270	303
Tall oil ⁸⁾	10	13	14	13	12
Waste, '000 tonnes					
Hazardous ⁹⁾	2.5	1.6	1.8	2.2	1.9
Sent to landfill (wet)	0.9	7.6	1.8	16.0	13.0
Energy supplies					
Branches, treetops and peat, GWh ¹⁰⁾	101	137	116	155	230
Electrical and thermal energy, GWh ¹¹⁾	372	370	366	380	348
Environmental protection expenditure, SEKm					
Investments (remedial and preventive) ¹²⁾	310	84	44	55	12
Electricity and heat-saving investments	20	10	20	8	18
Environmental taxes and charges ¹³⁾	14	12	12	14	12
Internal and external environmental expenses ¹⁴⁾	182	165	137	182	208
Environmental cost of forestry ¹⁵⁾	65	91	62	71	101

1) At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the sawmills to the nearby mills.

2) Of which 4 646 GWh from production at mills from recovered liquors, bark and wood residues, 1 022 GWh from the TMP process at Braviken Paper Mill, Hallsta Paper Mill and the mill in Workington. The process generates thermal energy that is recovered and used in production. 324 GWh comes from natural gas, oil and purchased thermal energy.

3) Of which 1 488 GWh from renewables and 2 232 GWh from nuclear. Emissions of fossil carbon dioxide from production of purchased electricity totalled 19 tonnes.

4) Almost 100 per cent use of surface water from lakes and watercourses.

5) Stated as 100 per cent active substance. Total quantity of commodities was 251 000 tonnes for chemicals and 226 000 tonnes for filler and pigment.

6) Relates to emissions at facilities.

7) By-products used, for example, as filling material, construction material or for the production of soil products.

8) For delivery to the chemical industry.

9) Hazardous waste is dealt with by authorised collection and recovery contractors. Certain fractions of the waste are recovered. In 2019, Holmen dealt with oil-containing waste from vessels that docked at two of its own ports. Such waste is included in the figures for hazardous waste. The volume of this oil-containing waste totalled 662 tonnes in 2019.

10) Branches, treetops and peat delivered from Holmen's land to external energy producers.

11) For 2019: 117 GWh of electrical energy supplied from the mill at Workington to the local community, 244 GWh of thermal energy from Iggesund Mill and Braviken Paper Mill to Iggesund Sawmill and Braviken Sawmill. A total of 11 GWh thermal energy from Hallsta Paper Mill and Iggesund Mill was supplied to the district heating network of the local communities.

12) The stated amount includes costs for internal process measures and water treatment measures, plus the cost of erecting wind turbines.

13) The stated amount includes costs for waste management, energy tax charged in Sweden on the use of fossil fuels, nitrogen oxide tax and inspection charges.

14) Includes costs of environmental personnel, operation of treatment equipment, waste management, management systems, environmental training, applications for permits, environmental consultants and the costs of inquiries and measures in connection with discontinued operations.

15) The environmental cost of forestry is calculated as the value of the wood that is not harvested for environmental reasons. Holmen sets aside around 16 per cent of its productive forest acreage and thus refrains from harvesting around 16 per cent of the potential volume. The annual loss of income in 2019 is estimated at around SEK 65 million.

	2019	2018	2017	2016	2015
Employees					
<i>Employees</i>					
Average number	2 915	2 955	2 976	2 989	3 315
of whom women, %	20.0	20.3	19.3	19.3	19.4
of whom temporary employees, %	11.1	10.7	7.4	8.8	9.0
Average age ¹⁾	44.4	44.9	46.0	46.3	46.8
<i>Sickness absence, %²⁾</i>					
Total	3.8	4.1	4.2	4.2	4.2
of which longer than 60 days	1.6	1.6	2.0	2.0	1.8
<i>Gender equality, %¹⁾</i>					
Women managers out of total number of managers	22.9	19.8	20.7	19.0	20.5
Women joining the company out of total new employees	39.5	40.1	25.0	27.0	24.0
<i>Personnel turnover, %¹⁾</i>					
Personnel turnover	7.9	7.9	8.0	6.9	7.6
of which given notice	0.9	0.4	0.9	1.6	2.8
of which retiring	2.2	2.6	2.6	2.4	2.4
of which leaving at own request	4.4	3.9	4.4	2.9	2.5
New employees	2.5	2.7	5.9	5.4	5.3
<i>Number of industrial accidents²⁾</i>					
Industrial accidents, more than 8 hours of absence, per million hours worked	5.7	4.9	5.1	8.8	8.8
<i>Union cooperation, %³⁾</i>					
Percentage of employees that work at a unit with a collective agreement ⁴⁾	93	94	94	94	97
Income statement per stakeholder category, SEKm					
<i>Customers</i> Sales of products, wood and electricity	18 329	17 339	17 269	17 072	17 216
<i>Suppliers</i> Purchases of products, services, along with depreciation, etc.	-4 817⁵⁾	-12 539	-12 719	-12 721	-13 955
<i>Employees</i> Wages and social security costs	-1 819	-1 792	-1 767	-1 786	-1 825
<i>Lenders</i> Interest	-34	-25	-53	-71	-90
<i>Society⁶⁾</i> Property tax	-55	-82	-101	-126	-129
Excise tax	-27	-30	-31	-26	-27
Social security costs	-472	-479	-449	-448	-481
Payroll tax	-25	-35	-36	-34	-29
Corporation tax	-2 351	-89	-445	-436	-120
<i>Shareholders</i> Net profit	8 731	2 268	1 668	1 424	559
Board's dividend proposal	1 133	1 134	1 092	1 008	882

1) Relates to permanent employees.

2) No industrial accidents with a fatal outcome occurred during the year.

3) Relates to permanent and temporary employees.

4) All Swedish units have collective agreements. At foreign units, Holmen supports other forms of collective employee engagement in line with local standards.

5) Includes change in value of forests of SEK 9 566 million. Value excluding this item amounts to SEK -14 383 million.

6) Holmen accepts its responsibility to society and pays its taxes in line with the legislation and rules in force in all the countries in which we operate. Holmen's financial policy and guidelines state that Holmen must be transparent in its tax-related deliberations, with a focus on commercial considerations and no transactions whose main purpose is tax planning. Holmen must also not accept, support or facilitate any tax violations by third parties.

Climate impact 2019 in Scope 1, 2, 3 – Emissions, capture and storage plus substitution, '000 tonnes carbon dioxide

Emissions of fossil carbon dioxide	395
<i>Scope 1: From production facilities and nurseries</i>	70
<i>Scope 2: From purchased electricity</i>	0
<i>Scope 3: Emissions from our value chain</i>	325
Forestry	20
Input goods	72
Transport of raw materials and products	233
Capture and storage of carbon dioxide	1 995
Annual increase in volume of standing timber	1 270
Wood products for construction purposes	725
Substitution of fossil carbon dioxide	1 060
Effect of substituting climate-negative construction materials with wood products	1 060
Net emissions, capture of carbon dioxide and substitution effect	2 660

References:

Simplified reporting of carbon pool changes for Holmen's forest and land holdings in line with the guidelines of the Convention on Climate Change (UNFCCC), 2019. Swedish University of Agricultural Sciences.

Leskinen, P, Cardellini, G, González-García, S, Hurmekoski, E, Sathre, R, Seppälä, J, Smyth, C, Stern, T and Verkerk, P.J. Substitution effects of wood-based products in climate change mitigation. From Science to Policy 7. European Forest Institute, Nov. 2018.

Gustavsson, L. et al. Climate change effects of forestry and substitution of carbon-intensive materials and fossil fuels. Renewable and Sustainable Energy Reviews 2017, Volume 67, 612-624.

Cintas, O. et al. The potential role of forest management in Swedish scenarios towards climate neutrality by mid century. Forest Ecology and Management 2017, 383, 73-84.

Emissions from the production facilities are included in the EU's system for emissions trading. Several independent sources show the positive climate impact of forestry and forest products. The summary is based on internal data and calculations and on scientific articles published in recent years.

Definitions

Capital employed

Net financial debt plus equity, which corresponds to fixed assets (excluding non-current financial receivables) plus working capital less the net sum of deferred tax liabilities and deferred tax assets. Average values are calculated on the basis of quarterly data.

A change in the method of calculating the value of forest assets introduced on 31 December 2019 has not affected average capital employed for 2019.

Cash flow after investments

Cash flow from operating activities less cash flow from investing activities.

Debt/equity ratio

Net financial debt divided by total equity.

Earnings per share

Profit for the year divided by the weighted average number of shares outstanding, adjusted for buy-back of shares, if any, during the year. Diluted EPS means that any diluting effect from outstanding call options has been taken into account.

EBITDA

Earnings before interest, taxes, depreciation and amortisation, excl. items affecting comparability.

Equity/assets ratio

Equity expressed as a percentage of total assets.

Financial assets

Non-current and current financial receivables and cash and cash equivalents.

Items affecting comparability

Used to clarify how the earnings measures are affected by matters outside normal business operations, such as impairment, disposal, closure, major restructuring measures, fire and alterations to assumptions in the valuation of biological assets. The effects of maintenance and rebuilding shutdowns are not treated as an item affecting comparability. Page 86 states which items have been treated as items affecting comparability over the past 10 years.

Net financial debt

Non-current and current financial liabilities, non-current and current liabilities regarding right-of-use assets, and pension provisions, less financial assets.

Operating margin

Operating profit/loss (excl. items affecting comparability) expressed as a percentage of net sales.

Operating profit

Profit before net financial items and tax.

Return on capital employed

Operating profit/loss (excluding items affecting comparability) expressed as a percentage of average capital employed.

Return on equity

Profit for the year excluding items affecting comparability, expressed as a percentage of average equity, calculated on the basis of quarterly data.

A change in the method of calculating the value of forest assets introduced on 31 December 2019 has not affected average equity for 2019.

Glossary

Bio co-location

A co-location of different operations for more efficient use of raw materials and energy, amongst other benefits.

Biofuel

Renewable fuels such as wood, black liquor, bark and tall oil. Fuels that do not generate any net emission of carbon dioxide into the atmosphere, since the quantity of carbon dioxide formed during combustion is part of the carbon cycle.

Bulk

Measure of the paper's volume. Paper of the same grammage can have different thicknesses depending on the paper's bulk. High bulk means thick, but relatively light, paper.

Carbon dioxide (CO₂)

Carbon is the building block of life and is part of all living things. Biogenic carbon dioxide is released when biological material decays or wood is burned. Fossil carbon dioxide is released when coal, oil or natural gas is burned.

GOD

Chemical oxygen demanding substances. A measure of the amount of oxygen needed for the complete decomposition of organic material in water.

FBB

Folding Box Board. Multi-layered paperboard made from mechanical and chemical pulp.

Fillers

Fillers, such as ground marble and kaolin clay, are used to give the paper bulk and make it more uniform in structure and brighter.

Fossil fuels

Fuels based on carbon and hydrogen compounds from sediment or sedimentary bedrock – mainly coal, oil and natural gas.

FSC®

Forestry certification system.

GRI

Global Reporting Initiative. International cooperation body, in which many different groups of stakeholders in society have drawn up global guidelines for how companies are to report on activities encompassed by the umbrella term of sustainable development.

ISO 9001

An international standard for quality management systems. Primarily aimed at companies and organisations that wish to improve two aspects of their operations, i.e. to ensure more satisfied customers and lower costs.

ISO 14001

An international standard for environmental management. Important principles in ISO 14001 include regular environmental audits and a gradual increase in the requirements.

ISO 50001

An international energy management systems standard that provides a framework for energy efficiency measures.

m³ growing stock, solid over bark

The volume of tree stems, incl. bark, from stump to top. Generally used as a measure for growing forest.

m³sub

Cubic metre solid volume under bark. The actual volume (no gaps between the logs) of whole stems or stemwood excl. bark and treetops. Generally used as a measure for harvested wood.

Nitrogen (N)

An element contained in wood. Nitrogen emissions to water may cause eutrophication.

Nitrogen oxides (NO_x)

Gases that consist of nitrogen and oxygen that are formed in combustion. In moist air, nitrogen oxides are converted into nitric acid, which creates acid rain. Nitrogen oxides also have a fertilising effect.

OHSAS 18001

A series of international standards regarding a management system for health and safety. The management system includes monitoring, evaluating and reporting on health and safety work.

Particulates

Particles of ash formed in incineration of bark or liquor, for example.

PEFC™

Forestry certification system.

Phosphorus (P)

An element contained in wood. Excessive phosphorus in the water may cause over-fertilisation (eutrophication) and oxygen consumption.

Precautionary principle

Persons who pursue an activity or take a measure, or intend to do so, shall implement protective measures, comply with restrictions and take any other precautions that are necessary in order to prevent, hinder or combat damage or detriment to human health or the environment as a result of the activity or measure. For the same reason, the best available technology shall be used in connection with professional activities.

SBB

Solid Bleached Board. Multi-layered paperboard made from bleached chemical pulp.

Sulphate pulp

Chemical pulp that is produced by cooking wood under high pressure and at a high temperature together with white liquor (sodium hydroxide and sodium sulphide).

Sulphur dioxide (SO₂)

A gas consisting of sulphur and oxygen that is formed in combustion of sulphur-containing fuels, such as oil. In contact with moist air, sulphur dioxide is converted into sulphuric acid, which creates acid rain.

Suspended solids

Waterborne substances consisting of fibres and particles that can largely be removed using a fine mesh filter.

Tall oil

By-product of the sulphate pulp process used for making soft soap, paints, biodiesel and other products.

TMP

Thermo-mechanical pulp. Obtained by heating spruce chips and then grinding them in refiners.

Wood-containing paper

Paper that is manufactured from mechanical pulp.

Woodfree paper

Paper that is manufactured from chemical pulp.

References

References page 23

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- Hurmekoski, E. *How can wood construction reduce environmental degradation, 2017. European Forest Institute. ISBN 978-952,5980-43-9.*
- Tettey, U, Y, A; Dadoo, A. and Gustafsson, L., *Carbon balances for a low energy apartment building with different structural frame materials. Innovative Solutions for Energy Transitions: Proceedings of the 10th International Conference on Applied Energy (ICAE2018), Elsevier, 2019, Vol. 158, p. 4254-4261.*



Information

The interim and year-end reports are presented at an online conference for press and analysts. The conference is held in English and is broadcast live on holmen.com. The annual report, together with year-end and interim reports, is published in Swedish and English and the reports are sent automatically to the shareholders who have indicated their wish to receive them. They are also available at holmen.com.

How to order printed material:

- holmen.com
- Holmen AB, Group Sustainability and Communications, P.O. Box 5407, SE-114 84 Stockholm, Sweden
- e-mail: info@holmen.com
- telephone: +46 8 666 21 00

Calendar

For 2020, Holmen will publish the following financial reports:

Interim report January–March: 29 April 2020
Interim report January–June: 13 August 2020
Interim report January–September: 21 October 2020
Year-end report: 5 February 2021

AGM 2020

Holmen's AGM for 2020 will be held on Monday 30 March at 3 pm in the Winter Garden at the Grand Hôtel (Royal entrance), Stallgatan 6, Stockholm, Sweden.

Notification of attendance must be submitted by Tuesday 24 March 2020. Write to Holmen AB, Group Legal Affairs, Box 5407, 114 84 Stockholm, Sweden. Notice may also be given by telephone: +46 8 666 21 11 or via holmen.com.

Dates of trading and dividend

The final date for trading, including right to dividend:
30 March 2020
Record date for dividend: 1 April 2020
Payment date for dividend: 6 April 2020

100%

Holmen-produced

This entire annual report is made using Holmen's own products. The cover is printed on **Invercote G**, manufactured at Iggesund Mill. This is a paperboard with high whiteness and a smooth, matt surface. The paperboard is ideal for graphical products with a surface finish. The insert is printed on **Holmen TRND**, which is manufactured at Hallsta Paper Mill. This is an uncoated, matt magazine paper that offers a wide range of options in terms of bulk, grammage and shade. Both Holmen TRND and Invercote G are made from fresh fibre that can be recycled up to seven times.

The cover is printed on Invercote G 280 gsm.
The insert is printed on Holmen TRND, 2.0 – 80 gsm.
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Holmen's forest outside Norrköping,
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Annual Report

HOLMEN