

Annual Report

Forest
Paperboard
Paper
Wood Products
Renewable Energy

2018

The year in brief	3
CEO's message	4
Strategy and targets	6
Forest	10
Paperboard	12
Paper	14
Wood Products	16
Renewable Energy	18
A sustainable business	20
Environment	22
Employees	24
UN Sustainable Development Goals	26
Corporate governance report	28
Risk management	32
Shareholder information	36
Financial statements	38
Notes	44
Proposed appropriation of profits	66
Auditor's report	67
Review of Sustainability Report	69
Board of Directors	70
Group management	72
Key figures	73
Ten-year review, finance	74
Five-year review, sustainability	76
Definitions, glossary and references	78
Calendar	79

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 2018 financial year. The annual report comprises the administration report (pages 2–3, 8–9, 23–24, 28–37, 66, 70–71) and the financial statements, together with the notes and supplementary information (pages 38–65). The statutory sustainability report in accordance with the Annual Accounts Act is included in the annual report (pages 8–9, 23–24, 30, 31 and 33). The Group's 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 by Holmen during the year. The sustainability work is reported in accordance with the Global Reporting Initiative's GRI guidelines at Core level. The Sustainability Report comprises pages 8–9, 20–27, 30, 31, 33, 76–77 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

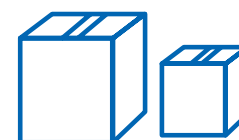
Forest

Active and sustainable forestry is conducted on over a million hectares of productive forest land owned by Holmen. The annual harvest amounts to 3 million cubic metres.



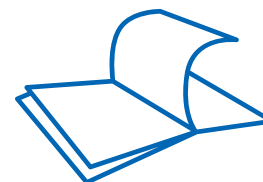
Paperboard

Paperboard in the premium consumer packaging segment. Production, which takes place at one Swedish and one UK mill, amounts to 0.5 million tonnes a year.



Paper

Paper for magazines, books and advertising. The two Swedish mills produce a combined total of 1 million tonnes per year.



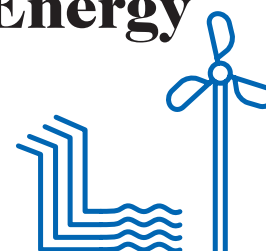
Wood Products

Wood products for the joinery and construction industries. The annual production at three sawmills amounts to just under 1 million cubic metres. The by-products are used in the Group's paperboard and paper mills.



Renewable Energy

In a normal year, the renewable energy production from hydro and wind power amounts to over 1 TWh.



A strong result

Operating profit excluding items affecting comparability increased by SEK 310 million to SEK 2 476 million as a result of higher profits from forest and wood products. Return on capital employed increased to 10 per cent. The financial position has been further strengthened, while at the same time additional forest holdings have been gained through acquisitions.

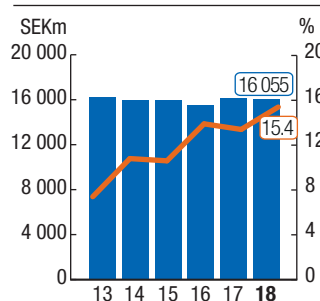
Demand for raw material from the forest was high in 2018, with prices gradually rising. Despite difficult winter weather and fires over the summer, profit from the forest increased by just over SEK 100 million. Revenue from hydro power climbed almost SEK 50 million due to rising electricity prices and a stepped reduction in property tax. Demand for paperboard grew solidly over the year, but profits dipped by SEK 75 million due to new capacity in the market increasing competition and making it difficult to pass on rising raw material costs to customers. The market situation for paper was good, with rising prices, but higher raw material costs limited growth in profits to SEK 40 million. The wood products market was strong, with significant price increases, which drove up the profit from wood products by over SEK 160 million.

Outlook. There is major competition for wood and the prices of imported wood in particular are high. Holmen is establishing new logistics solutions aimed at increasing the supply of wood from our own forests. Demand for paperboard is good, but competition has grown. Holmen intends to develop its position in the premium segment, while also gradually ramping up production through targeted investments to eliminate bottlenecks. The market balance for paper is good, but structural demand is falling. Holmen's aim is to capture market share by offering cost-effective alternatives to established products for books, magazines and advertising. Demand for wood products has seen strong growth over the past couple of years, but the market situation softened towards the end of 2018, leading to price drops in some markets. Holmen's ambition is to develop the wood products business based on a strong cost position and good control over the raw material, not least through the ongoing investment in increased production at Braviken Sawmill. The water levels in Holmen's reservoirs were slightly lower than normal by the end of 2018, which will restrict production in the first few months of 2019.

Key figures	2018	2017
Net sales, SEKm	16 055	16 133
Operating profit/loss, SEKm	2 382	2 166
Operating profit/loss excl. items affecting comparability, SEKm	2 476	2 166
Profit for the year, SEKm	2 268	1 668
Diluted earnings per share, SEK**	13.5	9.9
Dividend per share, SEK**	6.75*	6.5
Return on capital employed, %	9.7	8.7
Cash flow before investments, SEKm	2 286	2 509
Cash flow from investments, SEKm***	1 005	644
Net financial debt, SEKm	2 807	2 936
Debt/equity ratio, times	0.12	0.13
Average number of employees (FTE)	2 955	2 984

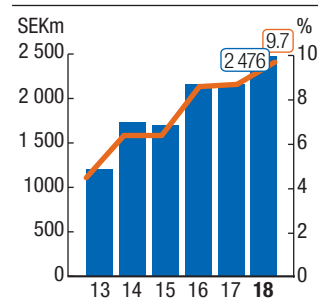
*Board proposal **2017 figures have been adjusted because of the share split (2:1) in 2018
***Net after disposals and before changes in non-current financial receivables.

Net sales and operating margin



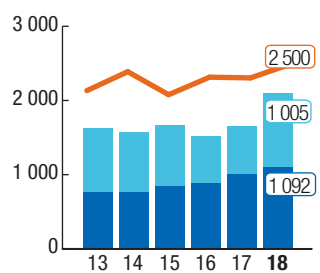
● Net sales
● Operating margin*
**Excl. items affecting comparability*

Operating profit/loss and return



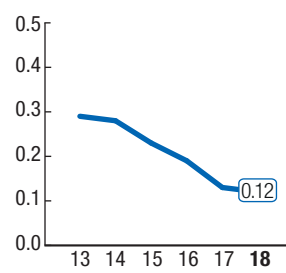
● Operating profit/loss*
● Return on capital employed*
**Excl. items affecting comparability*

Cash flow, SEKm

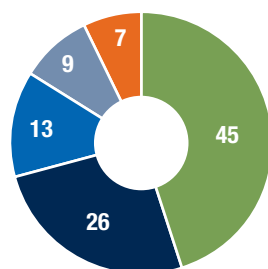


● Investments
● Dividend
● Cash flow before investments and change in working capital

Debt/equity ratio, times



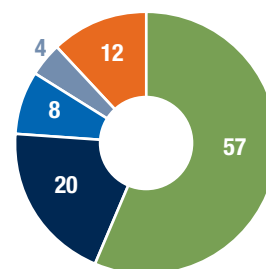
Operating profit/loss* Business area, %



Total: 2 476
 ● Forest 1 185 SEKm
 ● Paperboard 689 SEKm
 ● Paper 329 SEKm
 ● Wood Products 246 SEKm
 ● Renewable Energy 181 SEKm

**Excl. items affecting comparability and Group-wide*

Capital employed* Business area, %



Total: 26 261
 ● Forest 14 830 SEKm
 ● Paperboard 5 316 SEKm
 ● Paper 2 072 SEKm
 ● Wood Products 927 SEKm
 ● Renewable Energy 3 052 SEKm

**Excl. Group-wide*



Dear shareholder

2018 was a favourable year for us as forest owners. Demand for raw material from the forest has risen steadily, driven by major expansions in the pulp and packaging industries across the Nordic region. Competition in the wood market became considerably tougher over the year with substantial price rises, which in turn drove up costs in our industry. Thanks to price rises for our end products, we have nevertheless managed to improve the Group's profits by SEK 310 million and increase the return on capital employed to 10 per cent.

Customers and consumers are increasingly demanding sustainable products and production methods. And we have a genuinely sustainable business.



Strength in our own forest land

The weather in 2018 was challenging for Swedish forestry. The beginning of the year was cold and wet with heavy snowfall, which hampered harvesting and led to a nationwide wood shortage. Then came a historically hot and dry summer with extensive wildfires. Holmen was one of the forest owners hit, but thanks to fast and decisive damage limitation work, the fires will have no significant impact on our future harvests. The forest is extremely resilient. It can handle being managed and should be managed, not least for the sake of the climate.

We are constantly working to improve our forest holdings. A prime example is the sale of a remote area of forest near the Norwegian border, which was followed by the purchase of Långvind, a forest property located 30 km south of Holmen's sawmill and paperboard mill in Iggesund. This acquisition strengthens our control over the raw material and reduces the amount of transport required. Our ambition is to increase the forest holdings close to our plants, where opportunities for a good deal exist, but this process will take time since quality properties are hard to come by.

The large-scale investments that have been made in pulp and packaging capacity in the Nordic region have shifted the balance in the wood market. Competition for local raw material in Sweden has grown and wood imports have become an increasingly important part of the raw material supply. Here at Holmen we are currently establishing rail-based logistics solutions that will enable us to supply more of our mills with raw material from our own forests in northern Sweden. As well as cutting our dependence on expensive imported wood, having our own train is also the key to developing our manufacturing while retaining control over raw material costs. With the ongoing expansion of Braviken Sawmill, for example, we are in a position to step up production by 30 per cent without affecting the local raw material market.

Our extensive land holdings are a valuable asset, not only because of the trees on the productive forest land, but also due to the other opportunities that our land has to offer. Our hydro power delivers fossil-free energy that can be steered towards times when it can be of most use. This is an excellent asset that we have built up over a long time, making full use of our land holdings. The expansion of wind power is another opportunity that is now gathering pace in Sweden. We will be actively working to get wind turbines built on our land, as they provide a good return and help with society's transition to a renewable energy system.

Growing demand for sustainable products

The general public has quickly become aware of the enormous problems that plastics pose in our oceans and the issue has climbed high up the political agenda. Interest in reducing the plastic in consumer goods packaging has also risen dramatically, as we have noted in our dialogue with customers. Demand for paperboard is progressing well, but new capaci-

ty in the market is increasing competition and making it difficult to pass on rising raw material costs to our customers. Alongside our structured cost-cutting work, our ambition is to gradually increase production as we grow with customers in the premium segment.

Holmen has succeeded in shifting its business from newsprint to book and magazine paper. Although demand for printing paper is generally falling, the segments that we have focused on remain comparatively stable. Over the year, we have been able to implement substantial price increases, which have more than compensated for rising raw material costs. The focus is now on ensuring good profitability for the long term by advancing our position in book and magazine paper towards products that make the best use of fresh fibre.

Wood construction has made great progress over the past few years and we are seeing an increased interest in building in wood. I am positive about future developments in this area, since building in wood has so many advantages and brings clear benefits for the climate and the environment. Prices have been on a strong upward trend and the year's profit from wood products is historically high. We did, however, notice a slow-down towards the end of the year. With a strong cost profile and good access to raw material, we are confident that we will be able to further develop our wood products business even in a weaker market.

The future is growing in the forest

The issue of climate change is more pressing than ever and requires a complete shift in the way we live. More and more people are realising that managed forests and the renewable, fossil-free products that the forest provides form a vital part of the solution. Customers and consumers are increasingly demanding sustainable products and production methods. And we have a genuinely sustainable business. With our own production of renewable energy, resource-efficient mills and climate-smart products, I would say that Holmen is well placed to meet the needs of the future.

Finally, I would like to thank Holmen's employees for all their great work over the year. Particular thanks go to those who made such an invaluable contribution during the severe summer wildfires. Together, we are growing a sustainable future.

Stockholm, 12 February 2019

Henrik Sjölund
President and CEO

**We grow a
sustainable
future**

Our business concept is to own and add value to the forest.

Holmen's forest holdings form the basis of our business – an ecocycle in which the raw material grows and is refined into everything from wood for climate-smart building to renewable packaging, magazines and books.



Forest

Active forestry

The revenue from and value of the forest will grow through active and sustainable forestry, where the harvest is managed and refined into climate-smart products. A strong position in the wood market will contribute to the competitiveness of Holmen's industries.



Paperboard

High-performance premium paperboard

The paperboard business will grow based on Holmen's position as a market leader in the premium segment for consumer packaging. High-quality and custom products are combined with large-scale production and good service.



Wood Products

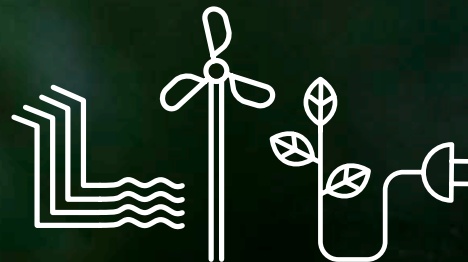
Efficient use of the raw material

Sales of wood products to the joinery and construction industry will be increased by adding value and making better use of the raw material.

Paper

Cost-effective alternatives

The paper business will be developed by exploiting the properties of fresh fibre and offering cost- and resource-efficient alternatives to traditional products for books, magazines and advertising.



Renewable Energy

Renewable production

Hydro and wind power will contribute to sustainable energy production and be managed with a focus on long-term profitability.



The value of the forest and the industry will grow.

The forest is managed to provide a good annual return and stable value growth. The industry is run with a focus on profitability and greater value added.

Profitability

The aim is that forest and energy, which constitute two-thirds of the Group's assets, will provide a stable return on capital employed of at least 5 per cent, while the industrial business will consistently return more than 10 per cent. Taken together, this means that the Group's return will exceed 7 per cent.

The return for 2018 was 9.7 per cent which means that, as in 2017, the target was exceeded.

Capital structure

Our financial position is to be strong in order to secure room for manoeuvre when making long-term commercial decisions. The target is to not exceed a debt-to-equity ratio of 0.5.

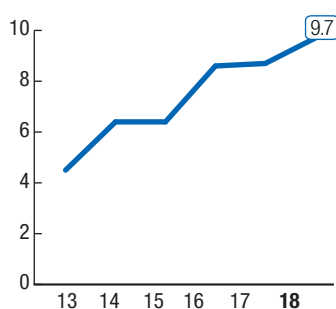
In 2018, the debt/equity ratio was 0.12. Good cash flow in recent years has enabled a higher dividend, while at the same time strengthening the financial position.

Dividend

Decisions on dividends are to be based on an appraisal of the Group's profitability, investment plans and financial position.

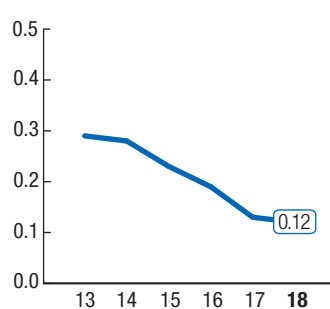
The Board proposes a dividend of SEK 6.75 per share in 2019. The proposed dividend corresponds to 4.8 per cent of equity. Over the past five years the dividend has increased by 6 per cent annually.

Return on capital employed, %

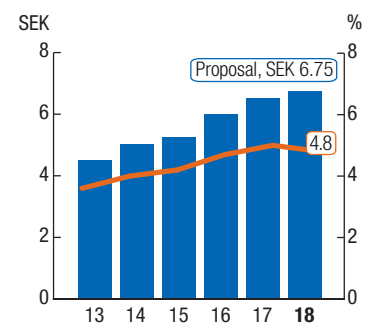


Excl. items affecting comparability

Debt/equity ratio, times



Dividend per share



- Dividend
- Dividend as percentage of equity

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



We will contribute to a better climate.

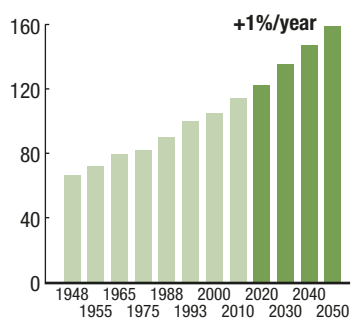
The growing forests capture carbon dioxide and provide the industry with renewable raw material. The climate impact of our production is to be reduced by phasing out fossil fuels and increasing the production of renewable electricity.

Forest growth

Growth in Holmen's forests is to increase, which will give higher future harvests and capture more carbon dioxide. The volume of standing timber and harvesting will be 50 per cent higher in 2050 than in the base year 2000.

The volume of standing timber has grown by 16 per cent to date, with harvesting up 23 per cent.

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



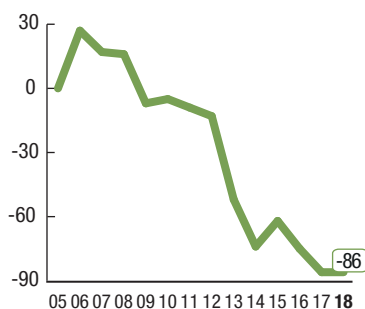
● Assessment of tax ● Forecast

Carbon emissions

By 2020, use of fossil fuels at the Group's mills will be down 90 per cent compared with the base year 2005.

The use of fossil fuels at the mills has fallen by 86 per cent since 2005.

Use of fossil fuels (base year 2005), %

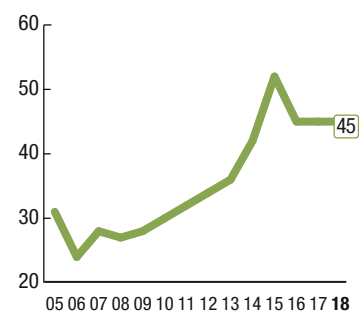


Renewable electricity production

Company-generated renewable electricity will equate to 50 per cent of Holmen's total electricity consumption by 2020, compared with 31 per cent in the base year 2005.

The proportion of company-generated renewable electricity in 2018 amounted to 45 per cent.

Renewable electricity production relative to electricity use (base year 2005), %



Active and sustainable forestry

Holmen's forest holdings are the foundation of our business. Active and sustainable management of the forest boosts its growth and the opportunities for harvesting. As well as being a stable source of revenue, the forest brings major climate benefits by capturing and storing carbon dioxide and providing the industry 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 consist of 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.

Growing forests create value

The growth of the forest and its value are dependent to a large extent on how the forest is managed and how much is harvested. Holmen's annual harvesting is governed by a long-term plan based on forest inventories that are conducted every 10 years.

In the latest plan from 2011, the annual harvest is forecast to grow from today's 3.0 million m³ to 3.5 million m³ by 2050, while the volume of standing timber is expected to rise from 122 million m³ to 160 million m³ growing stock, solid over bark. The volume of standing timber is thus growing by 1 per cent per year.

Social benefit. 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 construction and maintenance of forest roads for management and harvesting activities also

makes it easy to get out into the countryside and travel between different areas.

Climate benefit. 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.

Forest matters. 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 that the forest is vital with regard to the climate and that active forestry is the very foundation of an emerging bioeconomy.

Forestry constantly developing

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

Holmen's nature conservation strategy sets out how we work to combine high growth with preserving biodiversity. We improve our methods and know-how on a continuous basis through collaboration with research organisations and other industry actors. The aim is to ensure that all naturally occurring species are able to thrive in Sweden's forest landscape.

Investing in the future. Holmen invests around SEK 150 million a year in future growth through silviculture and fertilisation. Together, our two nurseries produce 35 million seedlings each year, with the majority planted on the Group's land. At least two new trees are planted for every tree harvested. With active improvement measures, the new trees also grow faster than the old ones.

Our nurseries use organic arginine instead of traditional nitrate-heavy fertiliser. Arginine is better at delivering nitrogen to the seedling than other fertilisers, where the nitrogen leaches out more and contaminates the surrounding watercourses.

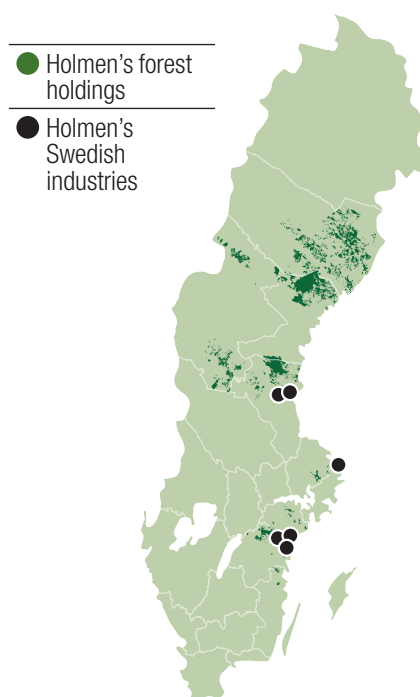
In 2018, Holmen received funding from the Swedish Environmental Protection Agency's Klimatklivet initiative in order to replace the oil-fired boilers that heat the greenhouses

at the nursery in Friggessund with district heating. This switch, which is scheduled for 2019, will make the heating entirely fossil-free.

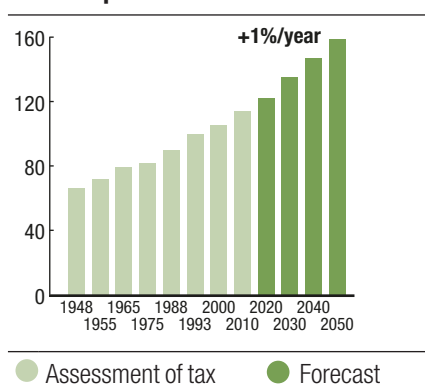
Robust against climate change. Conifers have been on the planet for millions of years and are highly adaptable. Seeds for Holmen's seedling cultivation are also selected to grow and thrive in a changing climate. A warmer climate may, however, impact on the forest in various ways: growth may increase in certain areas while at the same time the periods of ground frost may become shorter, which makes harvesting more difficult.

Strong demand for forest raw material

An active construction industry and a growing interest in building in wood have led to greater demand for logs in recent years. Due to a strong trend for various types of packaging material and the recent large-scale investments in pulp mills, competition for pulpwood has also become tougher, leading to price rises.



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



Holmen's forests 2018

Total land acreage	1 301 000 ha
Total forest land acreage*	1 153 000 ha
- of which nature conservation areas	192 000 ha
Productive forest land**	1 042 000 ha

Total volume of standing timber on productive forest land **122 million m³ growing stock, solid over bark**

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

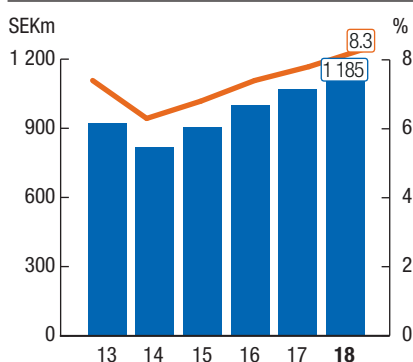
**Forest land that on average can produce 1 m³ growing stock, solid over bark per hectare and year (on average during the growth period of the forest stand).

Control over the raw material

The acquisition of Långvind forest holding in autumn 2018 was a natural step in Holmen's strategy to increase the amount of forest we own near our mills. Långvind is a large, contiguous area of 5 700 hectares productive forest land located 30 km south of Holmen's sawmill and paperboard mill in Iggesund. Proximity to our own production site makes the new acquisition an excellent addition to Holmen's holdings in the region.

In 2018, the decision was also taken to establish 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 in the south. With this level of control over the raw material, the strength of being a forest-owning manufacturing company becomes increasingly clear.

Operating profit/loss and return



- Operating profit/loss
- Return on capital employed

Key figures

	2018	2017
External net sales, SEKm	2 633	2 571
Profit/loss before change in value, SEKm	760	654
Operating profit/loss incl. change in value of forests, SEKm	1 185	1 069
Investments, SEKm*	357	49
Capital employed, SEKm	14 830	13 824
Average number of employees (FTE)	365	363
Harvesting in own forests, '000 m ³ sub	2 831	2 904

* Of which acquisition of forest properties SEK 317 million.

Rising prices

Demand for raw material from the forest was high in 2018, with prices gradually rising. Despite difficult winter weather and fires over the summer, profit from the forest increased by just over SEK 100 million to SEK 1 185 million. This profit makes up almost half of the Group's earnings. In addition, our own forests provide the basis for the supply of wood for our own production, which has been increasingly important over the past year amid greater competition for raw material.

57%

of the Group's capital is employed in the Forest business area

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 through two of the market's strongest brands, high quality and custom products.

Customer-led product development creates strong brands

Holmen markets paperboard under two brands – Invercote and Incada – which are produced at our paperboard mills in Iggesund, Sweden and Workington, UK respectively. With its high and consistent quality, the paperboard ensures stable results in the customer's production process. In 2018, Invercote and Incada were named Europe's two most valuable paperboard brands in market analyst Opticom's regular survey of converters.

Tailored to specific needs. Products are constantly being developed in close collaboration with customers, in order to meet the ever-growing demand for custom packaging solutions. The longstanding relationship with Apple is one such example. The collaboration began in 2005 and has since developed into a partnership for innovation and sustainable packaging.

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 warehouses and sheeting units. Our support teams work closely with the market and have a deep understanding of customers' needs and wishes. This enables them to 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.

Climate-smart products with 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. The inherent properties of fresh fibre make it possible to manufacture attractive and functional packaging solutions that offer an excellent substitute for environmentally harmful packaging based on fossil raw materials.

Sustainable production. Both of Holmen's paperboard mills earned the highest marks for sustainability in a review that analysis firm EcoVadis conducted in 2018. This puts both paperboard mills among the top one per cent of all companies evaluated by EcoVadis. Both 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.

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. 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. This is leading to the phasing out of fossil packaging materials such as various kinds of plastic.

Demand in the various product segments varies depending on the market, but there is a general increase in demand for renewable packaging materials. The exception is tobacco products, which are declining in several markets. 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.

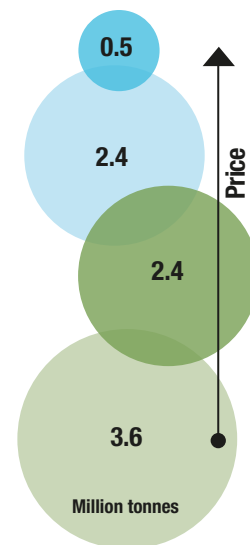
Europe. We are boosting our customer work and our focus on niche segments, as well as working proactively to continue growing over the long term, together with our customers.

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.

European paperboard market 2018



- **SBB** Prestige products for graphical printing, perfumes, confectionery and tobacco.
- **FBB** Confectionery, pharmaceuticals, tobacco, frozen goods, skin care and hygiene articles.
- **SUB/LPB** (solid unbleached board and liquid packaging board) Drinks, dairy products and dry goods.
- **WLC** (white lined chipboard) Dry goods and household products.



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.

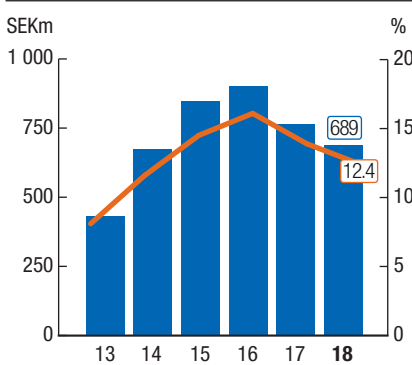
Raw material: Spruce pulpwood and purchased sulphate pulp.

Paperboard products replacing plastic

Replacing plastic with renewable materials is a clear trend, not least in the packaging industry. 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. As companies begin to look at packaging with more environmental awareness, they are also realising that it is possible to reduce their environmental impact in other areas too, such as gift cards.

IKEA and SF Bio are two companies that have opted to change the material in their gift cards – from plastic to paperboard from Holmen. The Invercote paperboard card functions well in the card manufacturers' processes and shows that it is perfectly possible to switch a whole product category to a sustainable alternative. The transition means less plastic waste, plus 97 per cent lower carbon emissions from the cards.

Operating profit/loss and return



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

Key figures

	2018	2017
Net sales, SEKm	5 785	5 526
Operating profit/loss excl. items affecting comparability, SEKm	689	764
Investments, SEKm	471	375
Capital employed, SEKm	5 316	5 433
Average number of employees (FTE)	1 346	1 383
Deliveries, '000 tonnes	525	526

20%

of the Group's capital is employed in the Paperboard business area

Higher raw material costs

Demand for paperboard progressed well over the year, but profit fell by SEK 75 million to SEK 689 million as it was not possible to pass on rising raw material costs to customers, owing to increasing competition. Production was established at a higher level and Holmen advanced its position in the premium segment for packaging. An ongoing cost-cutting programme includes reducing the workforce by 150 people.

Innovative paper products using fresh fibre

By refining and exploiting the unique properties of fresh fibre, Holmen is able to offer sustainable and resource-efficient paper products for books, magazines and advertising. The focus lies on securing and constantly developing a profitable business 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 traditional alternatives. In contrast to recovered fibre products, fresh fibre produces paper grades with a naturally high brightness that lifts text and images, and with high bulk – paper that is thick but light at the same time. This means that the customer gets more paper with the same feel, but without the higher costs. A lighter paper also leads to lower distribution costs.

Efficient production units, continued specialisation and a strong marketing organisation will see Holmen strengthen its position in existing and new markets. Customers around the world include publishers, printing firms and retailers looking for resource-efficient paper solutions with a focus on bulk, brightness and overall feel.

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. Investments and high utilisation of capacity allow us to keep production efficient and flexible in order to meet varied demands.

Magazine paper. Holmen EPIC, Holmen UNIQ, Holmen VIEW and Holmen TRND provide a broad range of cost-effective magazine papers that challenge coated and woodfree grades. With the new Holmen EPIC product

brand and the introduction of Holmen VIEW Matt, we are able to offer wood-containing paper with high whiteness and opacity, plus practically unbeatable image reproduction.

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

Printed advertising. Holmen's lightweight, bulky papers create opportunities for retailers seeking an attractive overall cost profile – either in the form of pure cost savings for both paper and distribution, or through the option of stepping up the format, numbers of pages or print run, without adding to the cost.

Sustainability at every stage

Our papers are manufactured using wood fibre from sustainably managed forests and are produced at two Swedish mills, Braviken and Hallsta. 100 per cent of the wood raw material is used in the resource-efficient mills.

Hallsta Paper Mill has almost 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 the sludge 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 mill. Surplus bark and wood shavings are sold for the production of renewable energy.

The majority of the products can be produced at both mills, which ensures highly reliable deliveries. Favourable locations in terms of logistics mean short wood transport distances, and the mills are close to ports with good capacity and efficient handling.

Recovered paper grows in the forest. Pulp, paper and paperboard made from fresh fibre from Nordic forests play an important role in the European recovered fibre ecocycle. Forest resources are limited in the rest of Europe and paper manufacture is based on recovered 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.

Successful transition creating demand

Our successful transition from newsprint to book and magazine paper has reinforced Holmen's competitiveness and generated high

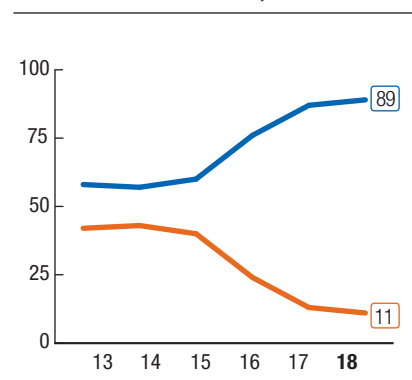
demand for our products. Targeted investments have opened up increased capacity in selected product areas and we are developing our position in a challenging market through a keen focus on employees, processes and unique product properties.

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 uncoated product alternatives have proven a great success.

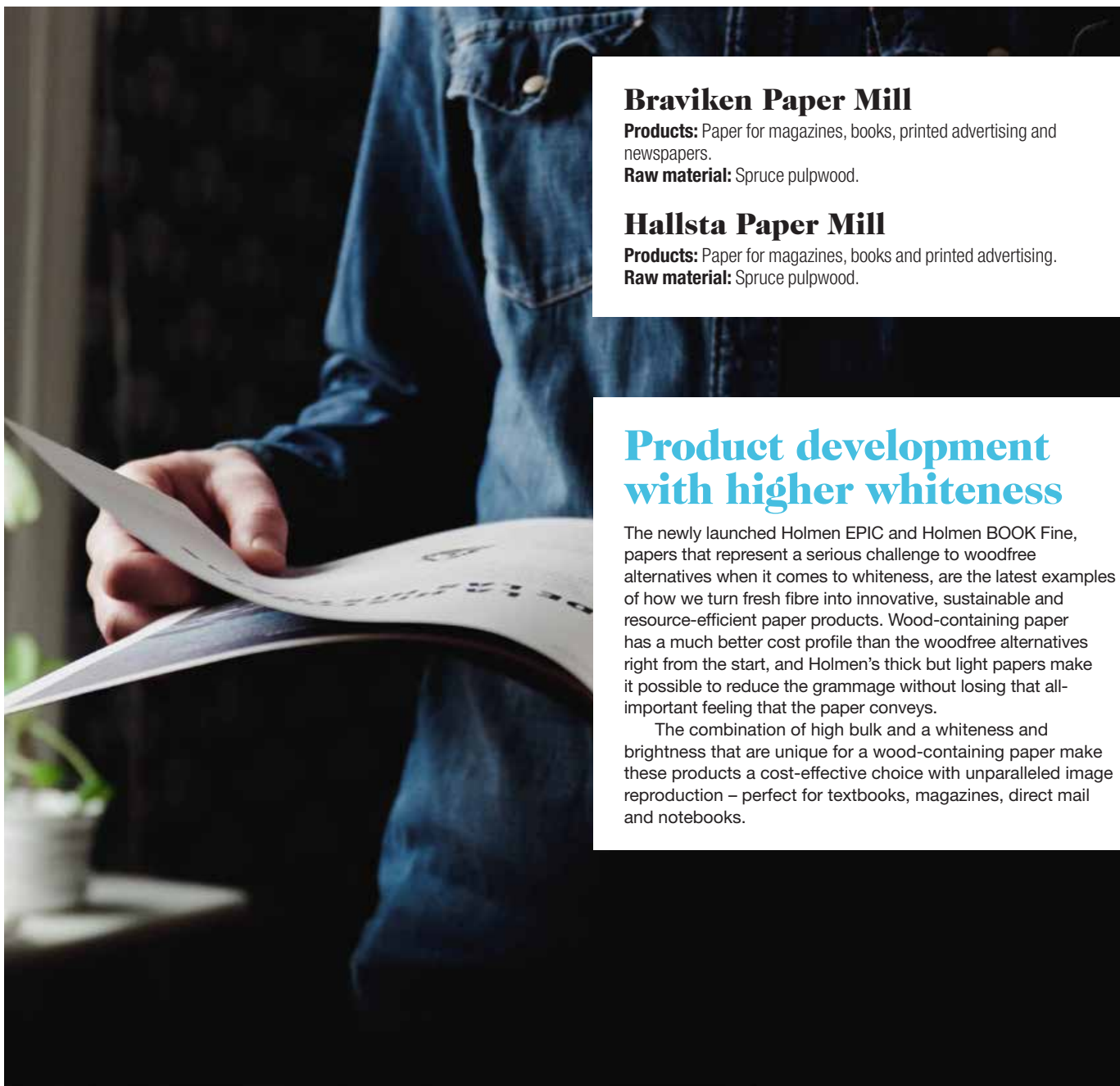
Stable book paper market. The market for book paper has remained on a positive trajectory in Europe and Holmen BOOK is the leading wood-containing product for paperbacks and hardback books. Our strong focus on quality and service has helped us to steadily capture market share. Our sales also continued to grow globally, with the products now established in both Asia and Latin America.

Printed advertising for retailers. Direct mail is still considered a vital 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 (bulk and grammage). We have continuously developed products that meet these requirements.

Production, %



● Magazine and book paper
● Newsprint



Braviken Paper Mill

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

Raw material: Spruce pulpwood.

Hallsta Paper Mill

Products: Paper for magazines, books and printed advertising.

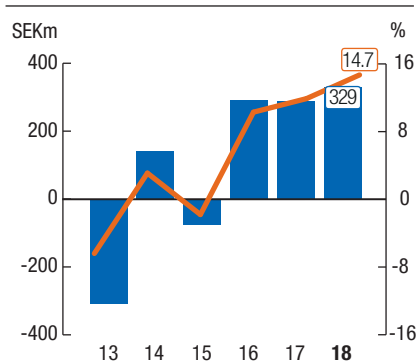
Raw material: Spruce pulpwood.

Product development with higher whiteness

The newly launched Holmen EPIC and Holmen BOOK Fine, papers that represent a serious challenge to woodfree alternatives when it comes to whiteness, are the latest examples of how we turn fresh fibre into innovative, sustainable and resource-efficient paper products. Wood-containing paper has a much better cost profile than the woodfree alternatives right from the start, and Holmen's thick but light papers make it possible to reduce the grammage without losing that all-important feeling that the paper conveys.

The combination of high bulk and a whiteness and brightness that are unique for a wood-containing paper make these products a cost-effective choice with unparalleled image reproduction – perfect for textbooks, magazines, direct mail and notebooks.

Operating profit/loss and return



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

Key figures

	2018	2017
Net sales, SEKm	5 571	5 408
Operating profit/loss, SEKm	329	288
Investments, SEKm	173	141
Capital employed, SEKm	2 072	2 193
Average number of employees (FTE)	860	866
Deliveries, '000 tonnes	1 036	1 117

8%

of the Group's capital is employed in the Paper business area

Continued product restructuring

The market situation for paper was good in 2018, although rising prices were largely offset by higher raw material costs. Profit increased by just over SEK 40 million to SEK 329 million and the return on capital employed rose to 15 per cent. The product mix improved, with an increased proportion of book and magazine paper.

Wood products for climate-smart building

Holmen supplies wood products to the joinery and construction industry and to builders' merchants. 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 carbon dioxide, in contrast to products from the forest, which instead deliver carbon storage. In addition, the whole chain from manufacture to transport is much more energy-efficient and cost-effective. We thus create benefit for the climate on multiple fronts.

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. The decision to establish a rail-based transport solution that will carry 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.

Efficient, large-scale production

Modern sawmills with a high technological level and gradually expanding value-adding processing are delivering a stronger product range. Investing in optical log sorting has brought greater precision, efficiency and volumes to Iggesund and Lingham Sawmills. With 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.

Investment in Braviken. In late 2018, the decision was taken to invest in increased production at Braviken Sawmill. Since it opened in 2011, the sawmill has been through several stages of augmentation. The next step in the mill's development is now being taken with an investment in dryers and a new trimming saw for sorting, which will increase capacity by 150 000 m³.

2018 also saw the opening of the wood treatment plant at Braviken Sawmill, which now delivers pressure-treated wood directly to builders' merchants. This category forms a vital and steadily growing component of the product range at Swedish builders' merchants.

Positive market trend

Holmen manufactures and supplies high-quality wood products to joinery and construction industry customers, mainly in Scandinavia, the UK, the rest of Europe, the Middle East and North Africa.

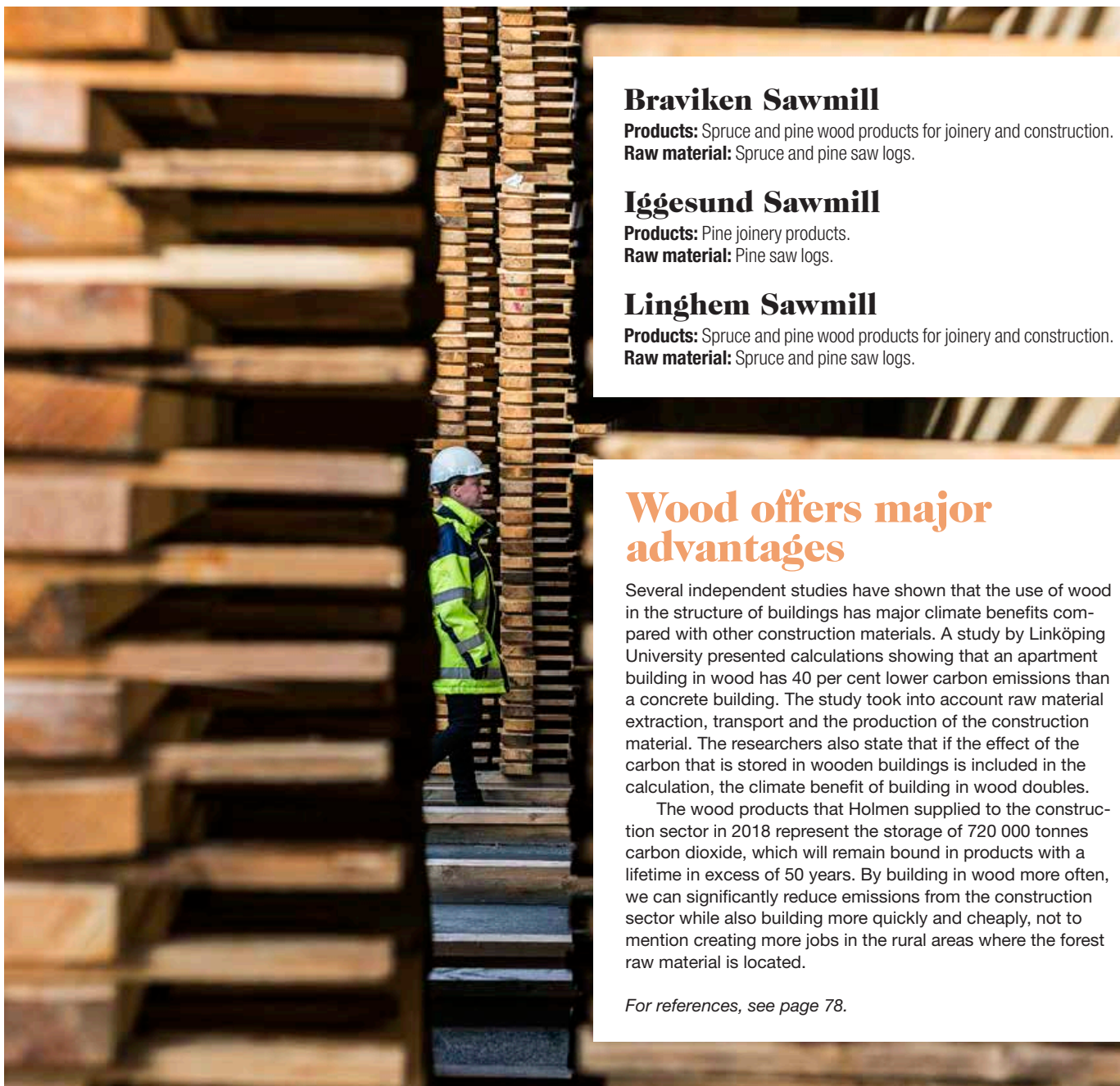
The market for wood products is global and huge streams of goods are shipped between continents. Demand largely follows the general economic cycle and has been developing well for several years. Demand for wood products is currently strong in all major markets, although a slowdown was noted towards the end of the year.

Construction market driving development.

For a long time, the rise in the use of wood in Sweden 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.



The wood treatment plant at Braviken Sawmill came on stream in spring 2018.



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.

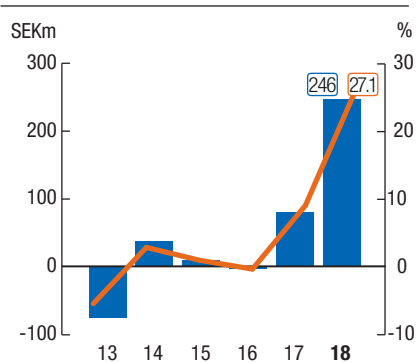
Wood offers major advantages

Several independent studies 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 the production of the construction material. 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.

The wood products that Holmen supplied to the construction sector in 2018 represent the storage of 720 000 tonnes carbon dioxide, which will remain bound in products with a lifetime in excess of 50 years. By building in wood more often, we can significantly reduce emissions from the construction sector while also building more quickly and cheaply, not to mention creating more jobs in the rural areas where the forest raw material is located.

For references, see page 78.

Operating profit/loss and return



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

Key figures

	2018	2017
Net sales, SEKm	1 747	1 562
Operating profit/loss, SEKm	246	80
Investments, SEKm	76	100
Capital employed, SEKm	927	862
Average number of employees (FTE)	261	251
Deliveries, '000 m ³	828	852

High return

The wood products market has been strong for a few years now and prices have risen significantly. Profit for 2018 increased by just over SEK 160 million, providing a return on capital employed of 27 per cent. Direct sales to Swedish builders' merchants rose thanks to the new wood treatment plant at Braviken Sawmill.

4%

of the Group's capital is employed in the Wood Products business area

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.

Strength in own energy assets

In a normal year Holmen produces over 1 TWh of renewable hydro and wind power. Together with the renewable electrical energy that is produced at the Group's mills, this equates to nearly 50 per cent of Holmen's overall energy consumption.

Hydro power provides a reliable electricity supply. Holmen's energy production is dominated by the renewable 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 cannot be stored to any great extent, 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 totally renewable electricity system.

Wind power a supplement. 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.

Sweden switching to renewables

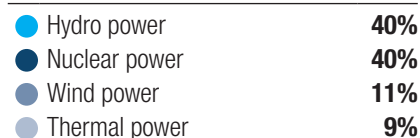
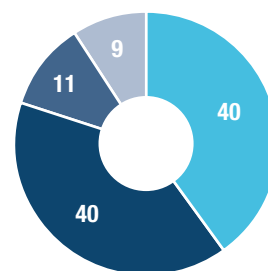
As part of its commitment to the UN's 2030 Agenda for sustainable development, the Swedish Government has decided to implement the biggest investment in the environment and the climate in Swedish history, setting a target that Sweden's energy production will be based 100 per cent on renewable energy by 2040 and the nation will be entirely carbon neutral by 2045. As the owner of hydro power stations and wind farms, Holmen has a key role to play in this transition – through our direct provision of fossil-free energy, but also by making our knowledge and our extensive land holdings available to other actors so that they can

establish themselves and grow in the energy market.

Most of Sweden's current electricity generation is based on nuclear and hydro power, each of which account for around 40 per cent of total production. With average energy consumption rising, the population growing and the planned partial decommissioning of nuclear capacity, renewable energy production is set to take on increasing importance in the future.

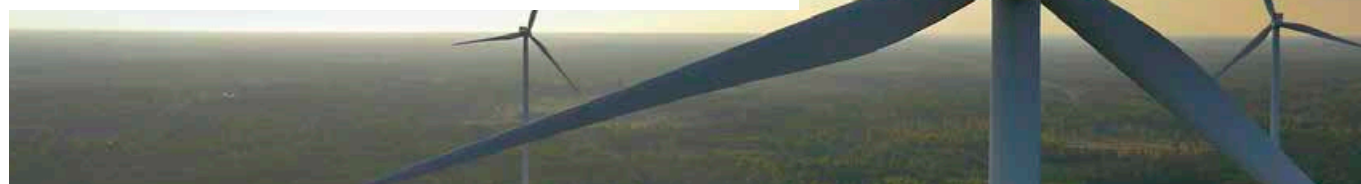
Volatile energy market. In 2018, the price of electricity climbed to much higher levels than have been seen for many years, averaging out at SEK 460 per MWh. This was caused by dry weather, which led to a poor hydrological balance – low reserves of water and snow in the Nordic countryside. Restrictions on nuclear power due to audits, plus rising prices for emission allowances and imported coal-based power contributed to the price hike.

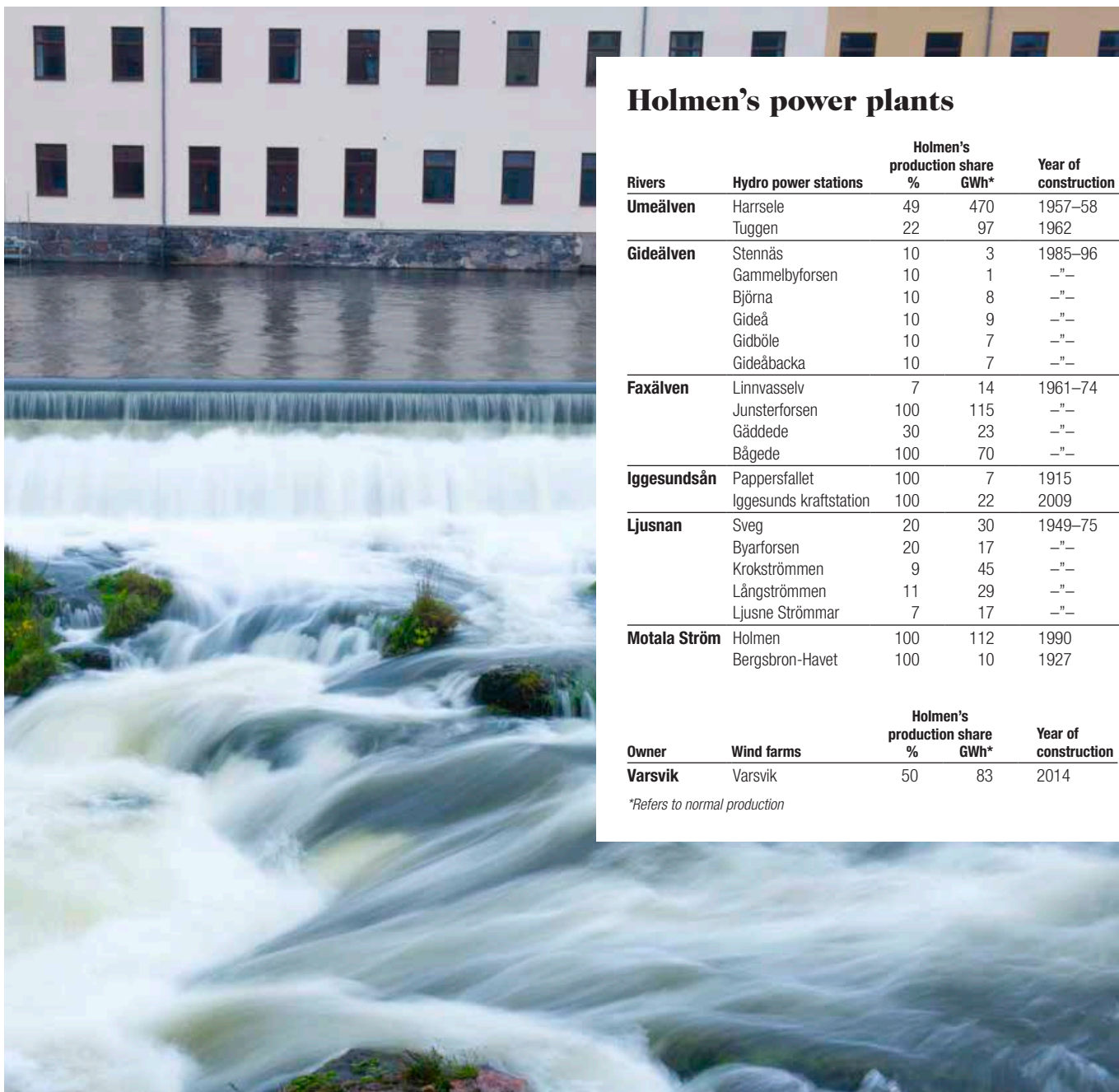
Sweden's electricity production, %



Wind analysis of Holmen's land holdings

More effective wind turbines and low operating costs are driving the expansion of wind power in Sweden. This is also creating the conditions for viable expansion of wind power on Holmen's land. In 2018, we therefore conducted a survey and wind analysis of the Group's land holdings to identify favourable areas for future wind power installations. The analysis shows that about twenty sites are judged suitable for wind farms. Holmen already has permits for approximately 900 GWh of wind power in Västerbotten and Västernorrland. An application for an additional 300 GWh in Västerbotten is under review.





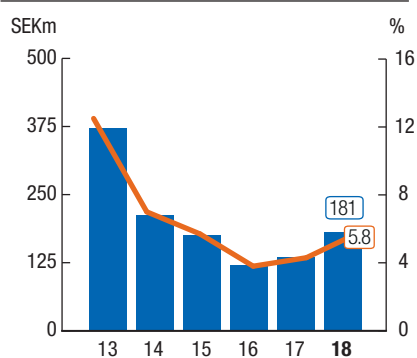
Holmen's power plants

Rivers	Hydro power stations	Holmen's production share		Year of construction
		%	GWh*	
Umeälven	Harrsele	49	470	1957–58
	Tuggen	22	97	1962
Gideälven	Stennäs	10	3	1985–96
	Gammelbyforsen	10	1	–"
	Björna	10	8	–"
	Gideå	10	9	–"
	Gidböle	10	7	–"
	Gideåbacka	10	7	–"
Faxälven	Linnvasselv	7	14	1961–74
	Junsterforsen	100	115	–"
	Gäddede	30	23	–"
	Bågede	100	70	–"
Iggesundsån	Pappersfallet	100	7	1915
	Iggesunds kraftstation	100	22	2009
Ljusnan	Sveg	20	30	1949–75
	Byarforsen	20	17	–"
	Krokströmmen	9	45	–"
	Långströmmen	11	29	–"
	Ljusne Strömmar	7	17	–"
Motala Ström	Holmen	100	112	1990
	Bergsbron-Havet	100	10	1927

Owner	Wind farms	Holmen's production share		Year of construction
		%	GWh*	
Varsvik	Varsvik	50	83	2014

*Refers to normal production

Operating profit/loss and return



- Operating profit/loss
- Return on capital employed

Key figures

	2018	2017
Net sales, SEKm	319	315
Operating profit/loss, SEKm	181	135
Investments, SEKm	22	26
Capital employed, SEKm	3 052	3 115
Average number of employees (FTE)	12	11
Own production of hydro and wind power, GWh	1 145	1 169

12%

of the Group's capital is employed in the Renewable Energy business area

Rising profits

Low rainfall and higher prices for emission allowances contributed to high electricity prices in Sweden in 2018. Profit rose by almost SEK 50 million to SEK 181 million thanks to higher electricity prices and a gradual reduction in property tax, taking the rate down to the same level as for other energy types.

How we grow a sustainable future

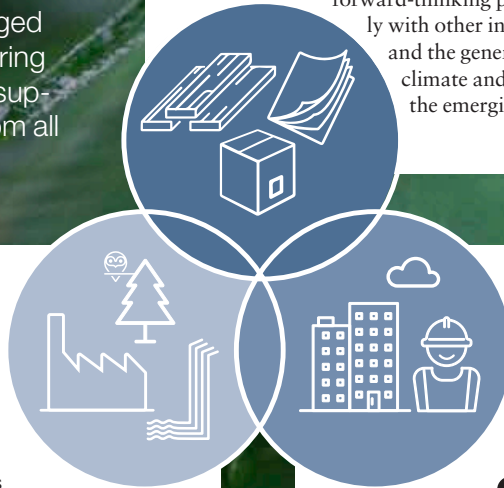
We are operating in a rapidly developing and changing world. This prompted us to conduct an in-depth stakeholder analysis in 2018, which showed that our greatest opportunity to influence and create a sustainable future can be summarized three areas.

The Holmen Sustainability Management Group, an offshoot of Group management, is charged with validating and quality assuring work on sustainability with the support of sustainability experts from all the business areas.

We help our customers in their sustainable business

The key to profitable, long-term, and sustainable business is our climate-smart products, which form part of the transition to an economy in which bio-based raw materials and products replace fossil-based ones. Our customers can be confident in the knowledge that we protect the forest we manage and that our production methods are sustainable. We are transparent about our working methods and our customers know the origin of our products. They can also have confidence in our business relationship. Holmen has been here for hundreds of years and has its sights set on the future. Many of our customer relationships have developed into close partnerships in which we work together to meet changing needs in an increasingly complex and global world.

Despite our long-term focus, we know that a better tomorrow demands innovative thinking today. This is why we focus on developing smart solutions and a forward-thinking product offering. At the same time, we work actively with other industry actors to make decision-makers, authorities and the general public aware of the forest's importance for the climate and that sustainable forestry is the very foundation of the emerging bioeconomy.



We contribute to a better climate

The forest is a valuable resource that binds carbon and provides a renewable alternative to fossil material. Young, growing trees bind more carbon than old trees whose growth has slowed down. Our goal is for the growth of our forest stands to increase, providing higher future harvests and higher carbon absorption. We plant at least two new trees for every tree harvested, and because our annual harvest equates to 80 per cent of the growth, the amount of wood in our forests increases year on year. The growth of the forest and its value largely depend on how it is managed. We practise active silviculture, encouraging biodiversity, to produce healthy forests, rich in plant and animal species. This ensures that we preserve important natural assets for future generations.

Phasing out fossil fuels and increasing the production of our own renewable electricity see us reducing the climate impact of our production. We work actively to cut material, energy and water consumption, minimise emissions and use waste products to produce renewable energy. The geographical locations of our mills and sawmills mean we can transport goods by sea and rail, cutting emissions to air, land and water.

We are committed to our employees and our local communities

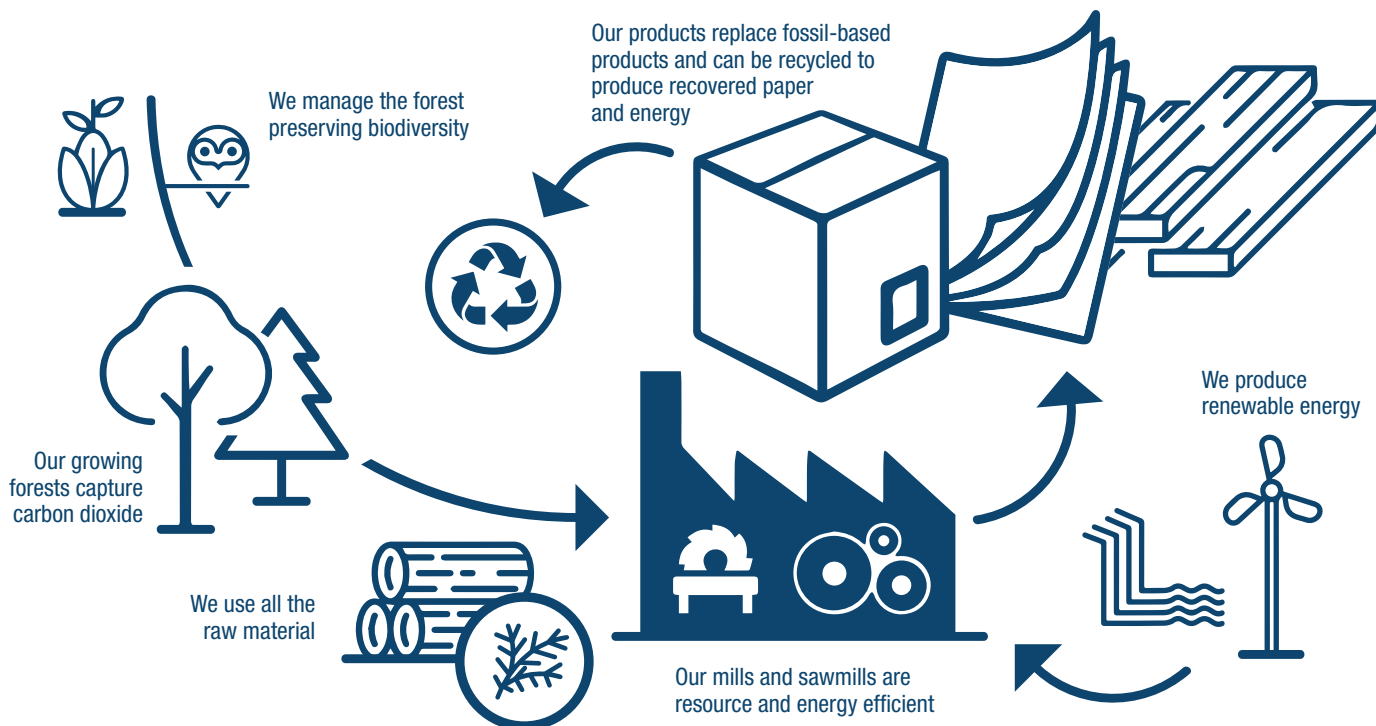
It takes a healthy workplace to create a sustainable future. We therefore work actively to attain gender equality and inclusivity, promote diversity, combat discrimination and prevent accidents. We want our employees to develop and grow with us, which is why we focus on skills development through training programmes, take a positive view of employee initiative and encourage internal career moves.

Forestry is also of significant regional importance. It creates employment in rural areas and in many cases enables people to live and work outside the big cities. Holmen has an important role as an employer in several locations, and our engagement and partnerships help to create thriving local communities, which in turn helps us to attract and retain competent employees.

The materiality analysis conducted in 2018 included interviews and workshops with about 50 stakeholders, such as employees, customers, investors, authorities, politicians, universities and voluntary organisations. A number of sustainability issues were identified as important to Holmen playing its part in the transition to a sustainable future. These form the basis of our three focus areas linked to economic, environmental and social sustainability.

Circularity – integral to our business

Growing, healthy forests, efficient management of raw materials and circular ecosystems are vital to our profitability. They are also the cornerstones of a genuinely sustainable business.



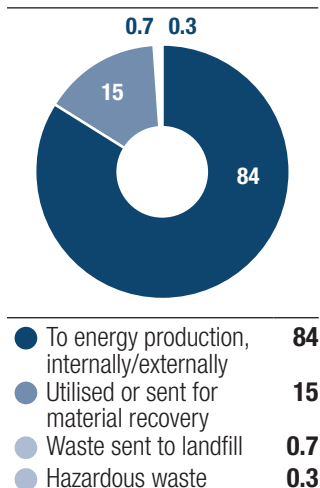
Circularity means that resources are used, reused and recycled to avoid final waste. Holmen owns and adds value to the forest by using renewable raw material to make climate-smart products in a business model that is almost entirely circular.

Holmen's forest management has chain-of-custody certification, which means that all the wood can be traced back to its origin in sustainably managed forests. Holmen manages its forests with as little environmental impact as possible through long-term, clear silviculture plans. We use the whole harvest in our sawmills and mills, in which production is largely based on fossil-free electrical and thermal energy. Since 2005, emissions of fossil carbon from the mills have fallen by 86 per cent and our own renewable energy production corresponds to almost half of Holmen's total electricity consumption. Close collaboration with paperboard and paper recycling organisations means we take responsibility for the final stage of our value chain.

By-products become new resources

Our production plants are among the most resource-efficient in the world. Over the years, we have developed methods to effectively reduce our use of energy, water and chemicals, and to recover and re-use 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 used to make natural fertiliser, which is sold on, and steam from the mills at Iggesund and Braviken is used in the drying processes at the integrated sawmills.

Distribution of by-products and waste, %



We take care of the whole harvest

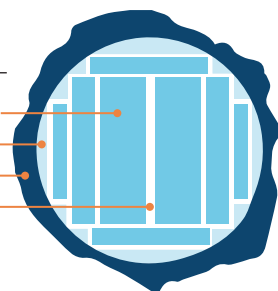
Holmen's two nurseries produce 35 million seedlings each year, with the majority planted on the Group's own land. After 70–90 years, as growth slows and the forest's capacity to absorb and store carbon has fallen, it is mature enough to be harvested. 80 per cent of the growth is harvested, which means that the amount of wood in our forests increases every year.

About half of the harvest consists of large logs that are used to produce construction material. The narrower part of the tree and wood from thinning represents 45 per cent of the harvest and is used to manufacture paperboard and paper. The remainder comprises branches, tops, bark and sawdust, which are used to produce renewable energy.

We saw as much wood as technically possible from the trees we harvest. Nothing goes to waste, everything is used.

Division of the stem

- Wood – Planks and boards
- Chips – Paper pulp
- Bark – Bioenergy
- Wood shavings – Bioenergy



Active environmental work creates climate benefit

Holmen's work to contribute to a better climate has three overarching business objectives, which are presented on page 9. The aims are to increase growth in our forests, reduce the use of fossil fuel at our mills and increase the proportion of self-generated renewable energy.



INCREASE GROWTH IN THE FOREST

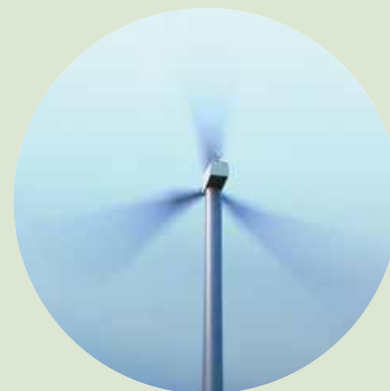
The volume of standing timber in Holmen's forests is increasing by 1 per cent a year. Carbon dioxide is bound into the increase in volume. Based on Sweden's official reports of greenhouse gases for forest and land in 1990–2018, uptake for Holmen's forests and forest land is estimated at approximately 1.3 million tonnes per year. Over the foreseeable period, annual growth in Holmen's forests is expected to exceed harvests, and an increasing amount of carbon dioxide will be bound in while harvesting of renewable forest raw material will increase. The measures to encourage growth that are estimated to have the greatest impact are increasing the use of improved seedlings and seeds in regeneration and limiting grazing damage.



REDUCE THE USE OF FOSSIL FUELS

Extensive investments in bio-based energy production at the paperboard mills, and the adjusted energy strategy at the other mills have resulted in a reduction in fossil fuel use of 86 per cent since 2005. Emissions of fossil carbon dioxide from the mills have thus also fallen considerably, and amounted to 75 000 tonnes in 2018.

Annual emissions of fossil carbon dioxide from forest machinery, manufacture of input goods and transport of raw materials and products are estimated at just over 340 000 tonnes. Together with emissions from production facilities, this represents the negative climate impact of Holmen's operations.



INCREASE THE PROPORTION OF RENEWABLE ELECTRICAL ENERGY

Holmen produces renewable electricity in the form of hydro power and wind power, as well as bio-based electricity in our mills. The goal is to increase company-produced renewable electrical energy as a proportion of total electricity use by Holmen. By 2020 the target is to attain production equivalent to 50 per cent of Holmen's total electricity usage. This proportion reached 45 per cent in 2018.

Technical advances and a new generation of more efficient wind turbines create opportunities for the future establishment of wind power on Holmen's extensive land holdings and thus higher production of renewable electricity.

A carbon-positive business

With the climate targets we have set, we see Holmen's operations contributing major climate benefits by reducing the amount of carbon dioxide in the atmosphere by just over 2.9 million tonnes while also contributing renewable forest raw material, climate-smart products and green energy. Greater use and development of the products of today and tomorrow based on forest raw material mean the positive climate effects will be even greater in the future.



Holmen's production of wood products in 2018 is equivalent to 720 000 tonnes of carbon dioxide stored in products with a lifetime of more than 50 years. Wood products also contribute a substitution effect when they replace climate-negative construction materials. The substitution effect for 2018 is estimated to amount to approximately 1 340 000 tonnes of carbon dioxide.

Key figures climate impact 2018

Emissions of fossil carbon dioxide (tonnes)

Nurseries and forestry	-26 100
Input goods	-68 900
Production facilities	-75 000
Transport of raw materials and products	-248 000
	-418 000

Absorption of carbon dioxide (tonnes)

Volume of standing timber and forest land	1 300 000
Wood products for construction purposes	720 000
Substitution of climate-negative construction materials	1 340 000
	3 360 000

Net, capture of carbon dioxide and substitution effect (tonnes)

2 942 000

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. The substitution factor used in the calculations comes from a study completed in 2010. Work is in progress in several industries to reduce the climate impact of construction material manufacture and use. An updated version of the previous study is expected to be published in 2019. For references, see page 78.

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	2002
Iggesund Sawmill, Environmental Code	2014
Braviken Sawmill, Environmental Code	2010
Linghem Sawmill, Environmental Code	2003

1) Port activity at Skarnäs 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.



The CDP CLIMATE PROGRAM is the name of an international federation that in 2018 represented over 650 institutional investors with assets totalling almost SEK 800 billion. Using information from more than 7 000 listed companies, CDP has built up the world's largest database of climate information. This information is made available to support strategic business and investment decisions.

Holmen has reported to the CDP Climate Program since 2007 and also to the CDP Forest Program since 2013. Surveys over the years have shown that Holmen has good management in place and a strategy to reduce the negative impacts of climate change. In the evaluation of forest management, Holmen has been placed in the group for good leadership that ensures sustainable use of the forest's resources for several years now.

Strategic choices and investments for the future have boosted Holmen's sustainability profile and our capacity to tackle risks and opportunities in the field of climate and sustainability. For more information about our work on sustainability, see holmen.com.

Holmen's 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 33 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 76 and 77.

Holmen's environmental work is characterised by constant improvement measures within the framework of certified environmental and energy management systems (see page 77), 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 2018 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 81 per cent of the Group's net sales in 2018.

The EU's Industrial Emissions Directive (IED) from 2013 requires 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.

At Braviken Paper Mill the production of bright products will gradually be stepped up. In 2018 the Land and Environment Court granted a temporary amendment to emissions requirements in 2018–2020. The mill will invest in an additional treatment stage in the process.

In 2018 Holmen gained a permit to build approximately 400 GWh of wind power production on Holmen land in Västerbotten. An application for a permit to build an additional approximately 300 GWh of wind power in Västerbotten is under examination.

The Government adopted a decision on new environmental legislation mainly for hydro power in 2018. This legislation entered into force on 1 January 2019. The legislation means that hydro power operators will need to apply for a review under the Swedish Environmental Code before the end of 2039. It was also stated that the opportunities in EU law to set less far-reaching requirements that favour socially beneficial operations are to be exploited to the full.

In 2018 Holmen conducted studies in the watercourses in which we have wholly owned hydro power stations with the aim of producing factual data on ecological status. The surveys show that the aquatic environment is better than the classification of the watercourses by the authorities would suggest.

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.

32 (29) industrial incidents were reported by the mills 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. In recent years, Holmen has significantly reduced the use of fossil fuels. This is a result of investments in bio-based energy production and energy savings at the mills. Surplus allocated emission allowances have been able to be sold.

The Group has produced renewable electricity for several years and electricity certificate trading has generated revenues. 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 received such green certificates in 2018.

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 2018, 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 ground wood mill in Bureå and two landfill sites, one in Kvillefors and one at Hulds Bruk. Remediation of land and buildings at the former industrial site of a surface treatment plant in Iggesund took place in 2017. In 2018 the concluding phase of remediation work began, in which polluted groundwater will undergo a treatment process.

Employees with courage, commitment and responsibility

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

Employees are the key to successful, long-term sustainable business. Holmen places great emphasis on ensuring their safety, delegating responsibility and stimulating a desire for personal growth and skills development founded on the company's core values. The Group works systematically to provide employees with opportunities to influence and develop operations through ongoing feedback and dialogue between manager and employee.

HR is run both across the whole Group and at business area level. The Senior Vice President Human Resources is responsible for coordinating the work.

Core values

Holmen's core values of *Courage*, *Commitment* and *Responsibility* are an important part of our corporate culture. The core values guide us in our work and form a natural element of our processes and tools, including in appraisal talks, as a complement to the management by objectives model, and as a basis for the leadership programme. The values are also used in employee surveys and in our processes to develop, retain and attract new talent.

Health and safety in focus

Health and safety is a priority for Holmen. The aim of our work in this respect is to achieve a pleasant, accident-free workplace for our employees and the contractors who work for us. Safety is consistently high on the agenda and all new employees are trained in health and safety. Work on health and safety is constantly monitored at management level. Holmen carries out systematic Group-wide health and safety work in line with OSHAS 18000 (see page 77) and all our production units are certified, apart from Lingham Sawmill, which was acquired in 2017. Work on certification began that same year. The Group's focus areas in 2018 were safe behaviours, communication, shared rules and health.

In 2018 sickness absence was 4.1 per cent, which is on a par with previous years. Long-term sickness absence (over 60 days) is 1.6 (2.0) per cent.

Equality

With respect for human rights, Holmen works for a workplace climate that is founded in 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. A few events linked to the Code 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.

Holmen draws up action plans and annual pay surveys in line with the Equality Act and uses appraisal talks and employee surveys as additional tools to improve our work on equality and actively combat discrimination.

The forest industry has long been a male-dominated sector and the proportion of women remains relatively low. However, we are working to increase the proportion of women at all levels of the company. In 2018 women made up 20.3 (19.3) per cent of Holmen's employees. Women accounted for 40 (25) per cent of new employees and 20 (21) per cent of managers.

Recruitment and development

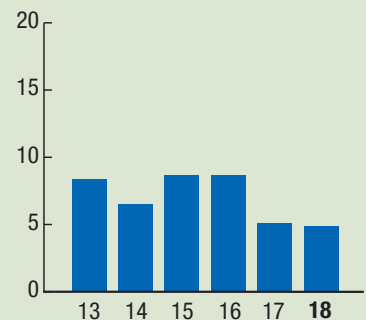
To maintain competitiveness over time, attracting and retaining the right employees is of the utmost importance. We ensure that Holmen continues to be a business with a focus on innovation and development and we work actively to identify current and future skills needs. Internally we invest in employee development at all levels, employee skills training programmes, leadership development and development programmes for specialists engaged in change projects. Questions such as gender equality, product development and sustainability are important areas in improving our attractiveness to new talent.



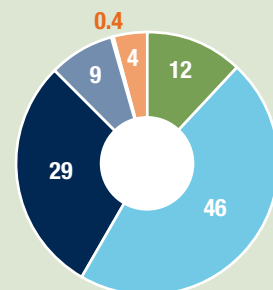
A ZERO VISION FOR ACCIDENTS

The number of accidents per million hours worked fell from 5.1 in 2017 to 4.9 in 2018. The dominant causes of accidents are slips, trips, pinch accidents, cuts and lacerations. In the past few years we have successfully managed to reduce the number of accidents and we are taking a focused, long-term approach to maintaining and improving on this positive trend. The long-term vision is zero accidents. Some units have been at this level for more than a year.

Industrial accidents
with more than 8 hours of absence
per million hours worked



Average number of employees (FTE) per business area, %



Total: 2 955

Forest	365
Paperboard	1 346
Paper	860
Wood Products	261
Renewable Energy	12
Group-wide	112



Thriving rural communities

Forestry has major regional importance and creates employment in rural areas. Silviculture has enabled many people to live and work outside the big cities.

Holmen plays a significant role as an employer in a number of locations and not only creates jobs in the Group but also for suppliers of goods and services. This means that Holmen contributes significant tax revenue in Sweden and in the other countries in which we operate. This sees us fulfilling a responsibility to society and we pay our taxes in line with the legislation and rules in force in all the countries in which we operate. We also choose to report this contribution to society on page 77.

Ongoing dialogue with local communities and stakeholder organisations, and partnerships with higher education institutions and universities see us working for sustainable development. One example of such collaboration is the '*Grow your income*' project, which seeks to increase the supply of biomass for the biofuel boiler at the mill in Workington by encouraging local farmers to grow energy crops. This project has generated a dialogue with a whole new stakeholder group, strengthening the mill's local engagement. Besides creating a new source of income for local farmers, planting energy crops has had several positive side effects as the energy crops prevent flooding and increase local biodiversity.

Sustainably managed forests are not only important from an environmental and economic perspective, they are also important for people's wellbeing and a place for recreation, hunting and fishing. Holmen pays particular attention to forests that are valuable in terms of aesthetics and experiences, and forests that many people visit for outdoor pursuits, relaxation and exercise.

Global contributions and local challenges

Holmen is an export company and part of Sweden’s basic industries. With high carbon absorption and exports of climate-smart products, our contribution to sustainable development is global. The challenges and the direct impact we have on the environment and people are largely local.

In 2015 the UN member states adopted the 2030 Agenda, a universal agenda that encompasses 17 sustainable development goals (SDGs). These goals cover social, economic and environmental sustainability.

We only have one planet and it is only by sustainable use of the Earth’s resources that humanity can survive. This is made clear by Johan Rockström and Pavan Sukhdev from the Stockholm Resilience Centre in their ‘wedding cake’ model, produced to show the importance of protecting the world’s resources to secure food supplies. The lowest level, the base, represents goals linked to environmental sustainability. The centre contains the social goals, with the economic ones higher up. The planet sets the boundaries and these are non-negotiable.

Even if Holmen’s operations are more geared towards sustainable consumption than sustainable food supplies, the principle of the

importance of sustainable management of the world’s resources remains the same. Sustainable bio-based operations and innovation within the planet’s limits are crucial to combat climate change and thus fundamental to attaining the social and economic goals.

Holmen and the SDGs

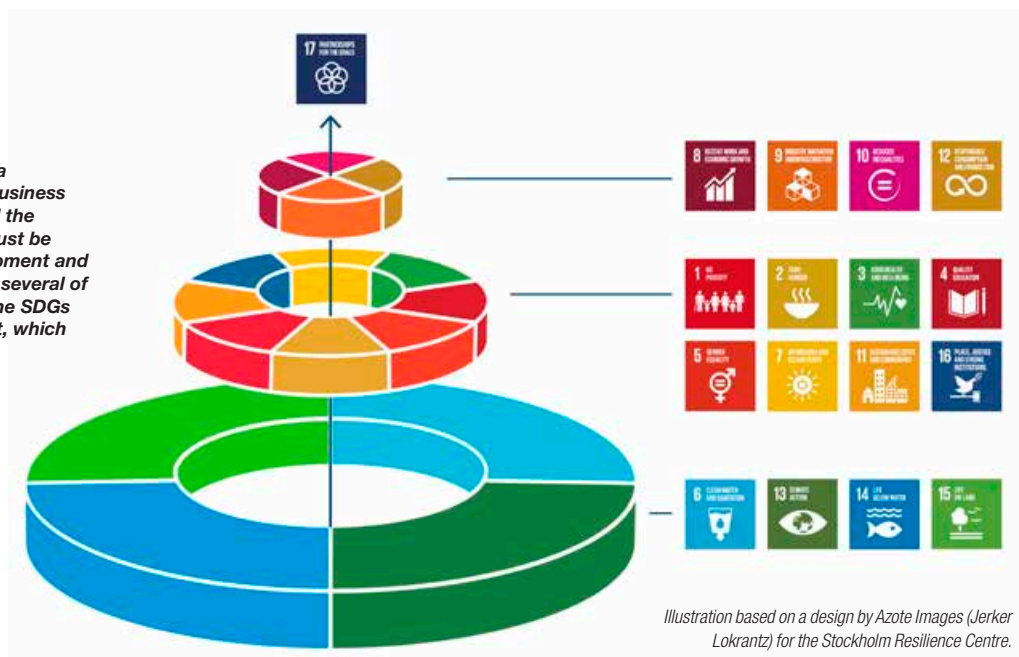
The basis of Holmen’s operations is active forestry where the growing forest absorbs carbon and provides industry with renewable raw materials. The forest raw material is turned into products that bind carbon and can replace fossil-based plastic packaging and climate-negative construction material. We protect biodiversity and we work actively to cut emissions to air and water. Although we have come a long way in our work on sustainability, challenges still remain. Water consumption, transport and the right to manage our forests are

key issues that Holmen, like other forest industry businesses, is actively monitoring and working on.

Holmen’s mission is to create a sustainable future. We do this by contributing to several of the UN’s Sustainable Development Goals. With carbon-positive operations, climate-smart products and a long-term environmental approach, our foremost contributions are linked to SDGs 13, 14 and 15. These are goals that are fundamental to all life on Earth. But our work cannot stand alone. For the climate and environmental benefits to be realised, our partnerships and relationships with customers and suppliers are central. For this reason, SDG 17, which covers implementation and partnership, is an important aspect of our work for a sustainable future.

“At Holmen we are proud to be part of a sustainable bioeconomy and that our business creates benefits locally and globally. All the UN’s sustainable development goals must be attained to achieve sustainable development and Holmen’s work goes hand in hand with several of them. Our greatest contribution is on the SDGs relating to climate and the environment, which are also vital to a sustainable future.”

Elin Swedlund, Sustainability Manager, Holmen



“Holmen has been part of the UN Global Compact and its corresponding Nordic network since 2007. We see it as natural to support its ten principles on human rights, social responsibility and anti-corruption.”

Henrik Sjölund, President and CEO

Information on how the Group complies with and works in line with the principles of the Global Compact is available at holmen.com. The Group reports its work on sustainability to the organisation each year in line with the ten principles and sets out the progress made. Work on the ten principles also helps to attain the UN Sustainable Development Goals.





**SDG: 13
CLIMATE ACTION**

Growth in Holmen's forests exceeds harvest, which means that large quantities of carbon are stored in our forests every year. Holmen's wood products that are used as joinery and construction timber also contribute a substitution effect when used to replace climate-negative construction materials. Our investments in higher production of wood products create greater opportunities for sustainable construction. We contribute towards a sustainable energy supply by producing renewable energy in the form of hydro power and wind power.



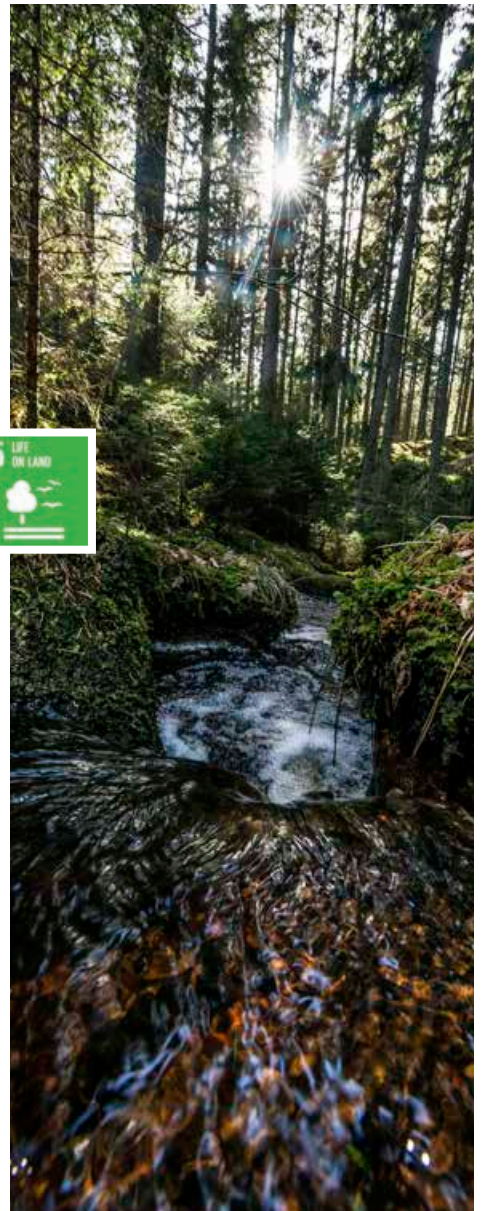
**SDG: 14
LIFE BELOW WATER**

The environmental situation in the water outside Holmen's mills has improved considerably over the past 40 years thanks to new process technology and technical water treatment measures. Holmen engages in industry-wide environmental research to investigate steps that lead to lasting environmental improvements. Replacing products made from plastic with paperboard products means we also reduce dependence on fossil raw materials, while reducing the amount of plastic waste that can end up in the sea.



SDG: 15 LIFE ON LAND

Holmen's aim is to ensure that all naturally occurring species are able to thrive in the forest landscape. We set aside or carry out natural nature conservation measures on just over 20 per cent of our forest land. We also restore the environment at sites of discontinued operations, which has resulted in reinstating environments that previously suffered negative impacts. Our products based on fresh fibre provide the recovered paper industry with a necessary injection of raw materials in the form of fresh fibre from sustainably managed forests in which biodiversity is safeguarded.



**SDG: 17
PARTNERSHIPS
FOR THE GOALS**

The climate and sustainability challenges faced by our planet cannot be tackled by an individual company like Holmen alone. This is why we work with our suppliers and customers to meet the ambitions of the SDGs. In many cases the environmental benefit first manifests itself in our customers' processes or products, making greater cooperation to exchange knowledge and ideas central to attaining the sustainable development goals.

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 33 573 shareholders at year-end 2018. Private individuals with Swedish citizenship accounted for the largest category of owners with 31 586 owners.

The largest owner at year-end, with 61.6 per cent of votes and 32.9 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 17.0 per cent of votes and 7.0 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 2018 AGM, the Board's authorisation to purchase up to 10 per cent of the company's shares was renewed. No buy-backs took place during the period. As previously, the company holds 0.9 per cent of all shares.

The 2018 AGM approved an increase in the number of shares in the company by means of a share split. This resulted in each share, regardless of series, being divided into two shares (a 2:1 split) of the same series. The record date for the share split was 2 May 2018, in accordance with the AGM's decision.

See pages 36–37 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 28 September 2018 that the 2019 AGM would take place in Stockholm on 11 April 2019.

Nomination committee

The AGM resolved to establish a nomination committee to consist of the chairman of 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 2018 and 2019 AGMs is shown in the table on page 30.

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 2019 AGM.

For the 2019 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, Henrik Sjölund and the new election of Alice Kempe. Carl Kempe did not stand for re-election.

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,

AGM 2018

The 2018 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. The minutes of the meeting were checked and approved by Ramsay Brufer, Alecta and Martin Wallin, Lannebo funds.

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 2019 AGM.

Board meetings

The Board held eight meetings in 2018, 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 2019. One meeting was held in connection with the Board's visit to Iggesund Mill and Iggesund Sawmill, with discussion being dedicated in particular to development of the paperboard market. 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 acquisition of a large forest holding in Hälsingland and the decision to expand Braviken Sawmill, as well as other major investment matters.

On one occasion the company's auditors reported directly to the Board, providing a presentation about their audit of the accounts and internal control.



or restrictions on how long members can serve on the Board.

The 2018 AGM re-elected Fredrik Lundberg, Carl Bennet, Lars G Josefsson, Lars Josefsson, Carl Kempe, Louise Lindh, Ulf Lundahl, Henriette Zeuchner and Henrik Sjölund to the Board. Fredrik Lundberg was re-elected Chairman. At the statutory first meeting of the new Board in 2018, Carl Kempe was elected Deputy Chairman and Lars Ericson, Senior Vice President Legal Affairs, was appointed Secretary of the Board.

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 70–71.

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. The lat-

ter relate to the division of responsibilities between the Board and the CEO and the information that the Board is to receive continually regarding 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 involving 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 2018 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 2018 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 unchanged guidelines to the 2019 AGM. These guidelines and information about remuneration are presented in Note 4 on page 50.

The 2018 AGM approved the Board fee and payment of the auditors' fee as invoiced.

The 2016 AGM approved a targeted share savings programme for Group management employees, heads of the business areas and a number of key individuals in the Holmen Group. The programme expires in May 2019 and the Board proposes that the 2019 AGM approve a new three-year programme. Further information about the existing share savings programme is provided in Note 4.

Board members as of the 2018 AGM

Board members	Elected	Role on the Board	Audit committee	Remuneration committee	Attendance at meetings:			(SEK '000)
					Board	Audit committee	Remuneration committee	
Fredrik Lundberg	1988	Chairman	Member	Chairman	8/8	5/5	2/2	710
Carl Kempe	1983	Deputy Chairman	Member	-	8/8	5/5	-	355
Carl Bennet	2009	Member	Member	Member	8/8	5/5	2/2	355
Lars G Josefsson	2011	Member	Member	-	8/8	5/5	-	355
Lars Josefsson	2016	Member	Member	-	8/8	5/5	-	355
Louise Lindh	2010	Member	Member	-	8/8	5/5	-	355
Ulf Lundahl	2004	Member	Member	-	8/8	5/5	-	355
Henriette Zeuchner	2015	Member	Member	-	8/8	5/5	-	355
Henrik Sjölund	2014	Member, President and CEO	-	-	8/8	-	-	-

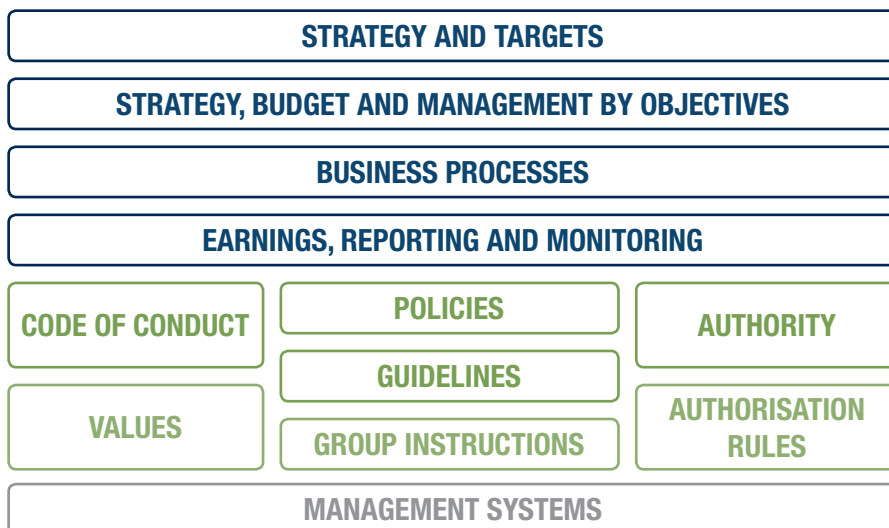
According to the nomination committee, Fredrik Lundberg, Carl Kempe, Carl Bennet, Lars G Josefsson, Lars Josefsson, Louise Lindh, Ulf Lundahl and Henriette Zeuchner are independent of the company and its senior management, and Lars G Josefsson, Lars Josefsson, Ulf Lundahl, Henriette Zeuchner and Henrik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

Employee representatives

Steewe Björklundh, member, elected 1998
Per-Arne Berg, deputy member, elected 2015

Kenneth Johansson, member, elected 2004
Daniel Häggglund, deputy member, elected 2014

Tommy Åsenbrygg, member, elected 2009
Christer Johansson, deputy member, elected 2017



Internal management processes and guideline documents.

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 four 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 72.

Group management met on nine occasions in 2018. The meetings dealt with matters such as earnings performance and reports before and after Board meetings, strategic issues, budgets, investments, internal control, work environment, sustainability issues and the impact of the new General Data Protection Regulation (GDPR). 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 2018 AGM as auditor for a period of one year. Authorised Public Accountant Joakim Thilsted 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 2018. 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 2018.

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 2018 is stated in Note 5 on page 51. 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 financial performance and KPIs, along with additional qualitative analysis. During the year, sustainability data was integrated into the financial reporting process.

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 works for a workplace climate that is founded in 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.

Composition of the nomination committee

Name	Representing	Before AGM:		Independent of the:	
		2019	2018	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
Alice Kempe	Kempe Foundations*	-	x	Yes	Yes
Torbjörn Widmark	Kempe Foundations*	x	-	Yes	Yes
Hans Hedström	Carnegie funds*	x	x	Yes	Yes

*At 31 August 2018, L E Lundbergföretagen controlled 61.6 per cent of the votes, the Kempe Foundations controlled 17.0 per cent and Carnegie funds (Sweden) controlled 1.5 per cent.

Policies. Holmen uses policies, guidelines and Group instructions to clarify how employees should act within key, critical and Group-wide 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 how raw materials should be used efficiently, how 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 that the company's assets are managed in accordance with Group rules, minimise risks of errors in financial reporting and prevent irregularities. 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.

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-compliances 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.

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.

Purpose and structure. The purpose of internal control is to ensure that Holmen achieves its financial reporting objectives (see box), 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 biological assets and 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 32–35.

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.

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.

Holmen's MSCI ESG 'AAA' rating

ESG stands for environmental, social and governance. MSCI ESG ratings are designed to help investors understand ESG risks and opportunities and incorporate these factors into their portfolio structure and management process. Holmen's MSCI ESG rating for 2018 remains unchanged at the highest level, 'AAA'.



See page 78 regarding use of the MSCI logo.

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.

Risk management

The business areas are responsible for their operations and manage business risks such as credit risks in relation to the Group's customers. They also take decisions regarding volumes and pricing with the aim of consistently generating a good return on invested capital. Group Finance manages the Group's funding and financial risks, based on a financial policy that is established by the Board and is characterised by a low level of risk. The purpose is to minimise the Group's cost of capital through suitable financing as well as effective management and control of the Group's financial risks.

Operational risks

Risk	Risk management	Comment
<p>Demand and prices. Changes in demand and prices affect opportunities to achieve profitability targets.</p>	<p>Changes in prices and deliveries largely depend on the development of the European market. This in turn is influenced by several factors, such as demand, production among European producers and changes in imports into Europe, as well as the opportunities for exporting profitably from Europe. Holmen has limited opportunities for making rapid significant changes to its range of products, but the company adapts its product focus, steering it towards the products and markets deemed to have the best long-term potential. Holmen aims to have a broad customer base and an offering that spans several product areas. This aim, combined with long-term customer relationships, reduces vulnerability to changes in the market.</p>	<p>The product mix has developed in line with the strategy for all business areas, which for Paper, for example, means increased sales of book and magazine paper, while sales of newsprint paper have decreased.</p>
<p>Commodity prices. Wood, electricity and chemicals are the most significant inputs and price changes affect profitability.</p>	<p>The harvest 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 mills.</p>	<p>Costs for input goods increased significantly in 2018. The market for pulp was difficult, with high import prices. In order to reduce dependence on expensive imported wood, in 2019 Holmen will use more fibre from its own forests by means of a new transport solution from its northern forest holdings. The price of net electricity consumption is 80 per cent hedged for 2019–2020 and 65 per cent hedged for 2021. The nominal amount for financial hedging is SEK 505 million.</p>
<p>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.</p>	<p>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 excess 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.</p>	<p>No event causing significant damage occurred in 2018.</p>
<p>Forest. Forest fires, grazing by wild animals and insect pests are risks in growing forests.</p>	<p>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 countered by waxing seedlings.</p>	<p>In 2018 there were an unusually large number of forest fires in Sweden and on Holmen's land. Holmen's costs for dealing with the fire damage and replanting the areas affected are estimated at SEK 30 million.</p>

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 2018 the Group's trade receivables totalled SEK 1 929 million, of which 43 per cent (37) were insured against credit losses. During the year, credit losses on trade receivables had a SEK -1 million (-5) impact on earnings. Sales to the five largest customers accounted for 14 per cent of the Group's total sales in 2018.

Environment. Production disruptions can cause breaches of emissions conditions set for the business by environmental authorities, which could impact the environment.

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.

The mills reported 32 (29) incidents to the supervisory authorities in 2018. The nonconformities were not of a significant nature in terms of environmental impact or impact on profits.

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. Work involving overhead cranes and vehicles constitutes the most significant areas of risk.

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 incident and accident reporting, and risk assessment of work by contractors are examples of activities to achieve a high level of safety in the workplace.

The figure in 2018 was 4.9 (5.1) industrial accidents per 1 million hours worked. See also page 24. The most common accidents were slips, trips, pinch accidents, cuts and lacerations.

Talent management. Skilled and motivated employees are key in being able to conduct long-term business operations with good profitability. Retirements increase the need to attract new personnel, which can be challenging.

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.

Our efforts have resulted in slightly 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.

Business ethics. Both 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.

Holmen's 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.

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 2018.

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.

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.

No cases regarding breaches of the Supplier Code of Conduct were reported in 2018. By the end of 2018, suppliers accounting for over 85 per cent (80 per cent) of the Group's purchasing volumes had signed up to the Supplier Code of Conduct. Holmen is subject to the UK Modern Slavery Act and a report relating to this is available at holmen.com.

IT systems. Sales and purchasing require efficient IT support in order to manage and plan production. Disruptions in IT support and unauthorised access to information can have significant negative effects on the business.

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.

Business operations were not affected by IT incidents in 2018.

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 recovered fibre, as well as legislation regarding water-based operations, could have an impact on the Group's competitiveness.

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.

In 2018, forestry's access to raw materials became a point of debate in Sweden. Holmen is monitoring developments closely and has contributed actively to increasing knowledge about how Swedish forestry makes a positive contribution to the UN's climate targets. In late 2018 the EU also made progress on a new directive on single-use plastics. Holmen takes a positive view of the directive as it could mean opportunities for the forest industry's renewable products. The UK's exit from the EU could affect the markets on which Holmen sells its products. Holmen also has production operations in the UK. We are following developments in the negotiations closely, but the outcome and consequences are hard to predict.

Financial risks

Risk

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 than costs. The translation exposure risk arises from the translation of foreign subsidiaries' assets, liabilities and earnings into Swedish kronor.

Risk management

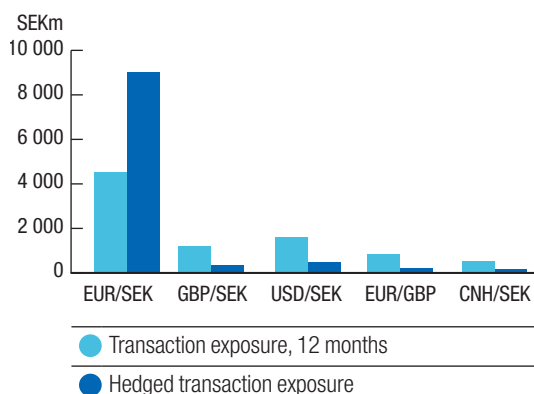
Transaction exposure. In order to reduce the impact on profit from changes in exchange rates, net flows are hedged using forward foreign exchange contracts. Net flows in euros, US dollars and sterling for the coming four months are always hedged. These normally correspond to trade receivables and outstanding 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.

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 5 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.

Comment

For just over the next two years, 90 per cent of expected flows in EUR/SEK are hedged at an average of 9.97. For other currencies, 4 months of flows are hedged.

Hedging in pounds sterling amounted to GBP 5 million at year-end. Net assets in other currencies are limited and are not usually hedged.



Interest rates. Risks that arise when changes in the market interest rate affect the Group's interest income and cost.

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 are used to manage fixed interest periods without altering underlying loans.

The Group's average borrowing rate in 2018 was 1.1 per cent. The table below shows the Group's fixed interest period by currency. The Group has fixed SEK 600 million until 2020 at a fixed interest rate of 3 per cent.

SEKm	<1 year	Year 1–3	Year 3–5	>5 years	Pension provisions	Total
SEK	-2 283	-600	0	0	-31	-2 914
EUR	4	0	0	0	-7	-3
GBP	79	0	0	0	-23	56
Other items	54	0	0	0	0	54
	-2 146	-600	0	0	-61	-2 807

Credit risk from financial counterparties. The risk of financial transactions giving rise to credit risks in relation to financial counterparties.

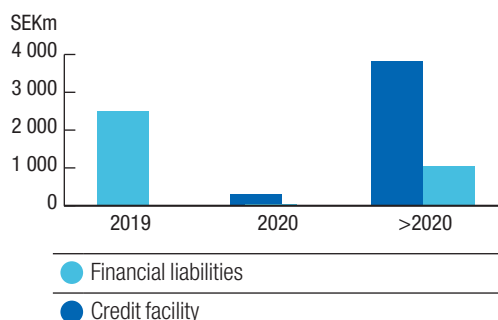
A maximum credit risk and settlement risk are established for each financial counterparty and are monitored continually. Holmen's financial counterparties are assessed using reputable credit rating agencies or, where a counterparty has no credit rating, the company's own analyses. This calculation is 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.

At 31 December 2018, the Group had outstanding derivative contracts with a nominal amount of SEK 15 billion and a net fair value of SEK +162 million.

Liquidity and refinancing. The risk of the need for future funding and refinancing of maturing loans being required at a high cost.

Holmen's strategy specifies that its financial position should be strong in order to secure room for manoeuvre when making long-term commercial decisions. The target is to not exceed a debt-to-equity ratio of 0.5. 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.

Net financial debt decreased in the year by SEK 129 million and amounted at 31 December 2018 to SEK 2 807 million, SEK 61 million of which comprised pension provisions. The Group has a contracted credit facility of EUR 400 million (SEK 4 108 million) with a syndicate of nine banks, of which SEK 291 million expires in 2020 and the remainder in 2021. The credit facility remained unutilised at year-end. It is available for use provided that the Group's debt/equity ratio is below 1.25. At year-end, the Group's debt/equity ratio was 0.12.



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%	56	29
Paper	+/-1%	56	18
Wood products	+/-1%	17	6
Wood from company forests	+/-1%	13	8
Hydro and wind power	+/-1%	3	3
Input goods			
Wood*	+/-1%	30	
Electricity*	+/-1%	13	
Chemicals	+/-1%	14	
Other variable costs	+/-1%	6	
Delivery costs	+/-1%	14	
Employees	+/-1%	23	
Other fixed costs	+/-1%	13	

*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 10 million for electricity.

Financial risks

The table to the right shows the extent of the impact from a change in the Swedish krona, the market interest rate and the price of electricity on Group profit before tax and equity next year, taking account of hedging. The adopted change is calculated based on five years' historical volatility for each instrument, which is deemed a reasonable change going forward. Excluding hedging, a 5 per cent change in the krona would affect earnings before tax by SEK 425 million a year.

Earnings before tax*	Change	SEKm
Exchange rates	+/-5%	179
SEK/EUR	+/-5%	28
SEK/USD	+/-5%	57
SEK/GBP	+/-5%	43
SEK/other currencies	+/-5%	51
Electricity price	+/-25%	35
Borrowing rate	+/- 0.5% unit	5
Equity		
Transaction hedging	+/-5%	493
Investment hedging	+/-5%	5
Equity hedging	+/-5%	3
Electricity price hedging	+/-25%	244
Interest rate hedging	+/- 0.5% unit	4

*Estimated effect for 2019 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 78 per cent, compared with 28 per cent for OMX Stockholm 30. For Holmen, this corresponds to an annual return of 12 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 series of shares are listed on Nasdaq Stockholm Large Cap. At the end of 2018 Holmen A was trading at SEK 178 (220) and Holmen B at SEK 175 (218), corresponding to a market capitalisation of SEK 29.5 billion (36.6). The highest closing price for Holmen's class B shares was SEK 240, on 24 April. The lowest closing price was SEK 175, on 28 December. The daily average number of class B shares traded was 242 000, which corresponds to a value of SEK 64 million. The daily average number of class A shares traded was 1 700. Just over 70 per cent of trading took place on Nasdaq Stockholm. The Holmen shares have also been traded on other trading platforms, such as BATS Europe, Chi-X 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 11 April 2019 approve a dividend of SEK 6.75 (6.5) per share, corresponding to 4.8 per cent of equity.

Share structure

During the year a share split was carried out, resulting in each share, regardless of series, being divided into two shares (a 2:1 split) of the same series. In this annual report, figures regarding share prices, dividend and earnings per share have been restated on the basis of the new number of shares. The new number of shares following the share split is 167 992 324, with 45 246 468 class A shares and 122 745 856 class B shares. The company also has 1 520 000 repurchased class B shares held in treasury. Each class A share carries 10 votes, and each 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 2016 AGM decided on a targeted share savings programme for around 40 key individuals in the Holmen Group. The purpose of the programme was to strengthen the interests between the owners and the management of the company and to create long-term commitment to Holmen. The number of shares allocated under the programme depends on the return on capital employed for 2016–2018. The programme expires in May 2019 and approximately 75 000 shares will then be transferred from the company to participants. The company's commitment to allocate shares to participants will be fulfilled through the use of previously repurchased shares.

The Board proposes that the 2019 AGM approve a new similar share savings programme.

Share buy-backs

The company has no specific target for share buy-backs. There is a mandate to repurchase up to 10 per cent of all the company's shares. Any buy-backs are regarded as a complement to dividend payments to adjust the capital structure when circumstances are deemed favourable. The 2018 AGM renewed the Board's authorisation to both take decisions on acquiring as many class B shares so that the company's holding of its own shares does not exceed 10 per cent of all shares and to sell the company's holding of its own shares as liquid assets for acquisitions. No shares were repurchased during the year. As previously, the company holds 0.9 per cent of all shares. The Board proposes that the 2019 AGM provide the same authorisation.

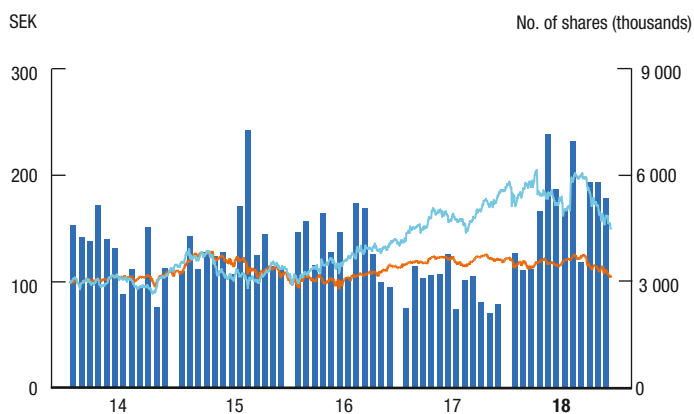
Earnings per share, 2018

SEK 13.5

Proposed dividend per share, 2018

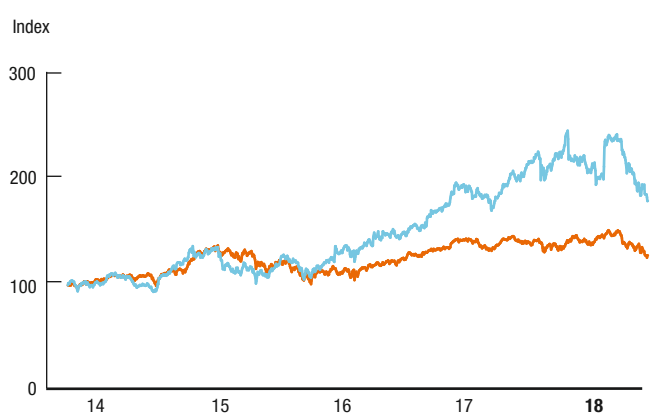
SEK 6.75

Share price performance, Holmen class B and OMX Stockholm



● Holmen B ● OMX Stockholm 30 (OMXS30)
● Total number of class B shares traded (thousands)

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



● Holmen B ● OMX Stockholm 30 (OMXS30)

Source: Macrobond

Ownership structure

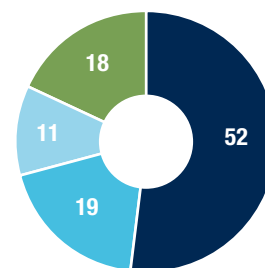
Holmen had a total of 33 573 shareholders at year-end 2018. In terms of numbers, Swedish private individuals account for the largest owner category with 31 586 shareholders. Shareholders registered in Sweden own 81 per cent (82) of the share capital. Among foreign shareholders, the largest proportion 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 2018/2019, with 61.6 per cent of votes and 32.9 per cent of capital, was L E Lundbergföretagen AB.

Communication with shareholders

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, which brokerage firms monitor Holmen and contact information.

Shareholder categories

Share of capital, %



Swedish institutions	52%
Swedish equity funds	19%
Swedish private individuals	11%
Foreign shareholders	18%

Annual return at 31 Dec 2018, %	1 year	3 years	5 years	10 years
Holmen B	-17	14	12	10
OMX Stockholm 30	-7	3	5	7

Holmen's total shareholder return has averaged 10 per cent a year over the past 10 years, which is 3 percentage points better than the OMX Stockholm 30.

Share structure

Equities	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		-1 520 000	-1 520 000		
Total number of shares outstanding		167 992 324	575 210 536		

Changes in share capital 2000–2018	Change in no. of shares	Total no. of shares	Change in share capital, SEKm	Total share capital, SEKm
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

Shareholder structure at 31 December 2018	% of capital	% of votes
L E Lundbergföretagen	32.9	61.6
Kempe Foundations	7.0	17.0
Carnegie funds (Sweden)	5.4	1.6
Nordea funds	3.4	1.0
Alecta	2.9	0.8
Swedbank Robur funds	2.3	0.7
Lannebo funds	2.2	0.7
DFA funds (US)	1.7	0.5
Vanguard (US)	1.6	0.5
SEB funds	1.3	0.4
Total	60.7	84.7
Other	39.3	15.3
Total*	100.0	100.0
*Of which non-Swedish shareholders.	17.7	5.5

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'.

Ownership structure

No. of shares	Shareholders	Share of capital, %
1–1 000	29 532	4
1 001–100 000	3 964	11
100 001–	77	85
Total	33 573	100

Data per share (adjusted for the 2:1 share split in 2018)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Diluted earnings per share, SEK ¹⁾	13.5	9.9	8.5	3.3	5.4	4.3	11.1	23.6	4.2	6.0
Dividend, SEK	6.75 ⁵⁾	6.5	6	5.5	5	4.5	4.5	4	3.5	3.5
Dividend as % of:										
Equity	5	5	5	4	4	4	4	3	3	4
Closing listed price	4	3	4	4	4	4	5	4	3	4
Profit/loss for the year	50	65	71	158	93	106	41	17	83	58
Return, equity, % ¹⁾	10	8	7	3	4	3	9	23	4	6
Return, capital employed, % ⁶⁾	10	9	9	6	6	5	7	9	6	7
Equity per share, SEK	140	131	127	124	125	124	124	118	101	98
Closing listed price, B, SEK	175	218	164	131	133	117	96	99	111	92
Average listed price for year, B, SEK	213	186	141	132	118	99	93	101	98	90
Highest listed price for year, B, SEK	240	218	163	153	136	118	102	126	113	103
Lowest listed price for year, B, SEK	175	157	114	110	105	87	85	78	87	68
Total closing market capitalisation, SEK '000 m	29.5	36.6	27.4	22.3	22.3	19.7	16.2	16.6	18.5	15.4
P/E ratio ²⁾	13	22	19	39	25	28	9	4	26	15
EV/Profit before depreciation/amortisation ³⁾	11	14	11	10	10	11	9	7	10	7
Closing beta value (48 months), B, at year-end ⁴⁾	0.74	0.74	0.72	0.68	0.71	0.67	0.67	0.67	0.67	0.71
Number of shareholders at year-end	33 573	30 903	28 159	28 176	27 788	27 692	28 440	28 899	28 339	30 425

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	2018	2017
Net sales	2	16 055	16 133
Other operating income	3	1 284	1 136
Change in inventories		439	-128
Raw materials and consumables		-9 027	-8 945
Personnel costs	4	-2 306	-2 252
Other operating costs	5, 20	-3 443	-3 189
Depreciation and amortisation according to plan	9, 10	-1 012	-991
Impairment losses	9	-25	-
Change in value of biological assets	11	425	415
Profit/loss from investments in associates and joint ventures	12	-9	-12
Operating profit/loss		2 382	2 166
Finance income	6	13	2
Finance costs	6	-38	-55
Earnings before tax		2 356	2 113
Tax	7	-89	-445
Profit/loss for the year		2 268	1 668
Attributable to:			
Owners of the parent company		2 268	1 668
Earnings per share (SEK)*	8		
basic		13.5	9.9
diluted		13.5	9.9
Average number of shares (million)*	8		
basic		168.0	168.0
diluted		168.0	168.0

*2017 figures have been adjusted because of the share split (2:1) in 2018.

Operating profit was SEK 2 382 million (2 166). The increase in profit was due to higher earnings from Forest and Wood Products.

Net financial items for 2018 totalled SEK -25 million (-53). Average net debt was lower than in the previous year.

Tax recognised totalled SEK -89 million (-445) in 2018. Tax recognised was affected positively in an amount of SEK 315 million as a result of lower future corporation tax in Sweden reducing the deferred tax liability.

Statement of comprehensive income, SEKm	Note	2018	2017
Profit/loss for the year		2 268	1 668
Other comprehensive income			
Revaluations of defined benefit pension plans	17	-52	121
Tax attributable to items that will not be reclassified to profit/loss for the year	7	10	-24
Total items that will not be reclassified to profit/loss for the year		-42	97
Cash flow hedging			
Revaluation		115	-88
Transferred from equity to the income statement		222	124
Transferred from equity to non-current assets		-8	-1
Translation difference on foreign operations		55	36
Hedging of currency risk in foreign operations		-8	-49
Share in joint ventures' other comprehensive income	12	-23	-4
Tax attributable to items that will be reclassified to profit/loss for the year	7	-69	3
Total items that will be reclassified to profit/loss for the year		284	21
Total other comprehensive income		242	119
Total comprehensive income		2 510	1 786
Attributable to:			
Owners of the parent company		2 510	1 786

Balance sheet at 31 December, SEKm	Note	2018	2017
Non-current assets			
Non-current intangible assets	9	68	90
Property, plant and equipment	10	9 077	9 078
Biological assets	11	18 400	17 831
Investments in associates and joint ventures	12	1 740	1 749
Other shares and participating interests	12	1	2
Non-current financial receivables	13	468	42
Deferred tax assets	7	1	1
Total non-current assets		29 755	28 793
Current assets			
Inventories	14	3 628	2 905
Trade receivables	15	1 929	2 089
Current tax receivable	7	328	36
Other operating receivables	15	959	658
Current financial receivables	13	35	32
Cash and cash equivalents	13	278	356
Assets held for sale		-	23
Total current assets		7 157	6 098
Total assets		36 912	34 891
Equity			
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		70	-214
Retained earnings incl. profit/loss for the year		18 865	17 731
Total equity attributable to the owners of the parent company		23 453	22 035
Non-current liabilities			
Non-current financial liabilities	13	1 033	552
Pension provisions	17	61	39
Other provisions	18	483	662
Deferred tax liabilities	7	5 839	5 650
Total non-current liabilities		7 416	6 903
Current liabilities			
Current financial liabilities	13	2 494	2 775
Trade payables	19	2 232	1 957
Current tax liability	7	13	21
Provisions	18	197	144
Other operating liabilities	19	1 108	1 056
Total current liabilities		6 044	5 952
Total liabilities		13 459	12 856
Total equity and liabilities		36 912	34 891

Changes in equity, SEKm

	Share capital	Other contributed capital	Reserves		Retained earnings incl. profit/loss for the year	Total equity
			Translation reserve	Hedge reserve		
Opening equity balance 1 Jan 2017	4 238	281	-95	-141	16 960	21 243
Profit/loss for the year	-	-	-	-	1 668	1 668
Other comprehensive income						
Revaluation of defined benefit pension plans	-	-	-	-	121	121
Cash flow hedging	-	-	-	35	-	35
Translation difference on foreign operations	-	-	36	-	-	36
Hedging of currency risk in foreign operations	-	-	-49	-	-	-49
Share in joint ventures' other comprehensive income	-	-	-	-4	-	-4
Tax attributable to other comprehensive income	-	-	11	-8	-24	-21
Total other comprehensive income	-	-	-2	24	97	119
Total comprehensive income	-	-	-2	24	1 765	1 786
Dividend paid	-	-	-	-	-1 008	-1 008
Share savings programme	-	-	-	-	13	13
Closing equity balance 31 Dec 2017	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	0	0	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

Cash flow statement, SEKm	Note	2018	2017
Operating activities			
Earnings before tax	25	2 356	2 113
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 012	991
Impairment losses		25	-
Change in value of biological assets		-425	-415
Change in provisions		-39	-236
Other*		-33	78
Income tax paid		-396	-221
Cash flow from operating activities before changes in working capital		2 500	2 310
Cash flow from changes in working capital			
Change in inventories		-705	73
Change in trade receivables and other operating receivables		230	22
Change in trade payables and other operating liabilities		262	104
Cash flow from operating activities		2 286	2 509
Investing activities			
Acquisition of property, plant and equipment		-972	-674
Disposal of property, plant and equipment		98	31
Acquisition of non-current intangible assets		-15	-18
Acquisition of biological assets		-150	-11
Disposal of biological assets		38	27
Increase in non-current financial receivables		-456	-
Repayment of non-current financial receivables		24	-
Acquisition of shares and participating interests		-3	0
Disposal of shares and participating interests		0	0
Cash flow from investing activities		-1 436	-644
Financing activities			
Raised long-term borrowings		1 000	-
Repayments of long-term borrowings**		-300	-1 400
Change in current financial liabilities	25	-539	680
Change in current financial receivables		0	9
Dividend paid to owners of the parent company		-1 092	-1 008
Cash flow from financing activities		-930	-1 718
Cash flow for the year		-81	147
Cash and cash equivalents at beginning of year		356	210
Exchange gains/losses on cash and cash equivalents		3	-1
Cash and cash equivalents at end of year		278	356

*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	2018	2017
Opening net financial debt	-2 936	-3 945
Cash flow		
Operating activities	2 286	2 509
Investing activities (excl. non-current financial receivables)	-1 005	-644
Dividend paid	-1 092	-1 008
Revaluations of defined benefit pension plans	-47	120
Foreign exchange effects and changes in fair value	-13	32
Closing net financial debt	-2 807	-2 936

Income statement, SEKm	Note	2018	2017
Net sales	2	14 384	14 345
Other operating income	3	628	565
Change in inventories		391	-166
Raw materials and consumables		-7 636	-7 969
Personnel costs	4	-1 921	-1 877
Other external costs	5, 20	-4 367	-4 031
Depreciation and amortisation according to plan	9, 10	-47	-25
Impairment losses	9	-25	-
Operating profit/loss		1 407	841
Profit/loss from investments in Group companies	6, 23	467	497
Profit/loss from investments in associates	6, 12	-20	-
Interest income and similar income	6	32	18
Interest expense and similar costs	6	-45	-99
Profit/loss after financial items		1 841	1 257
Appropriations	24	-1 373	787
Earnings before tax		467	2 044
Tax	7	47	-197
Profit/loss for the year		514	1 847

Statement of comprehensive income, SEKm	Note	2018	2017
Profit/loss for the year		514	1 847
Other comprehensive income			
Cash flow hedging			
Revaluation		95	-71
Transferred from equity to the income statement		230	109
Transferred from equity to non-current assets		0	-1
Tax attributable to other comprehensive income	7	-70	-8
Total items that will be reclassified to profit/loss for the year		255	29
Total comprehensive income		769	1 876

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 -8 million (-49) from hedging equity in foreign subsidiaries.

Cash flow statement, SEKm	Note	2018	2017
Operating activities			
Profit/loss after financial items		1 841	1 257
Adjustments for non-cash items			
Depreciation and amortisation according to plan		47	25
Impairment losses		25	-
Change in provisions		-17	-109
Other*		-113	855
Income tax paid		-297	-131
Cash flow from operating activities before changes in working capital		1 485	1 897
Cash flow from changes in working capital			
Change in inventories		-597	74
Change in operating receivables		140	97
Change in operating liabilities		207	260
Cash flow from operating activities		1 235	2 329
Investing activities			
Shareholders' contribution paid		-3	-1
Acquisition of property, plant and equipment		-67	-32
Disposal of property, plant and equipment		9	11
Increase in non-current financial receivables		-456	-
Repayment of non-current financial receivables		24	-
Disposal of shares and participating interests		100	0
Cash flow from investing activities		-395	-22
Financing activities			
Raised long-term borrowings		1 000	-
Repayments of external long-term borrowings**		-300	-1 400
Change in other financial liabilities	25	-502	-479
Change in other financial receivables		2 384	241
Dividend paid to owners of the parent company		-1 092	-1 008
Group contributions received		191	530
Group contributions paid		-2 584	0
Cash flow from financing activities		-904	-2 116
Cash flow for the year		-64	190
Cash and cash equivalents at beginning of year		294	104
Cash and cash equivalents at end of year		230	294

*Other adjustments primarily consist of impairment losses on the value of shares in Group companies, currency effects and the marking to market of financial instruments as well as gains/losses 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	2018	2017	Balance sheet at 31 December, SEKm	Note	2018	2017
Non-current assets				Equity	16		
Non-current intangible assets	9	25	8	Restricted equity			
Property, plant and equipment	10	2 974	2 930	Share capital		4 238	4 238
Non-current financial assets				Statutory reserve		1 577	1 577
Shares and participations	12, 23	10 787	10 702	Revaluation reserve		100	100
Non-current financial receivables	13	7 419	3 018	Non-restricted equity			
Total non-current assets		21 205	16 658	Retained earnings incl. hedge reserve		4 966	3 956
Current assets				Profit/loss for the year		514	1 847
Inventories	14	2 926	2 322	Total equity		11 395	11 718
Operating receivables	15	2 424	2 210	Untaxed reserves	24	1 012	2 032
Current tax receivable	7	327	29	Provisions			
Current investments	13	35	32	Pension provisions	17	20	12
Cash and cash equivalents	13	230	294	Tax provisions	18	45	45
Total current assets		5 942	4 888	Other provisions	18	708	725
Total assets		27 147	21 545	Deferred tax liability	7	635	610
				Total provisions		1 407	1 392
				Liabilities			
				Non-current financial liabilities	13	7 817	880
				Current financial liabilities	13	2 494	2 775
				Operating liabilities	19	3 022	2 749
				Total liabilities		13 333	6 403
				Total equity and liabilities		27 147	21 545

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 2017	4 238	1 577	100	-123	3 847	1 197	10 836
Appropriation of profits	-	-	-	-	1 197	-1 197	-
Profit/loss for the year	-	-	-	-	-	1 847	1 847
Other comprehensive income							
Cash flow hedging	-	-	-	38	-	-	38
Tax on other comprehensive income	-	-	-	-8	-	-	-8
Total other comprehensive income	-	-	-	29	0	0	29
Total comprehensive income	-	-	-	29	1 197	649	1 876
Dividend paid	-	-	-	-	-1 008	-	-1 008
Share savings programme	-	-	-	-	13	-	13
Closing equity balance 31 Dec 2017	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	0	0	0	255	0	0	255
Total comprehensive income	0	0	0	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

Notes to the financial statements

Amounts in SEKm, unless otherwise stated.

1. Accounting policies	44	14. Inventories	60
2. Operating segment reporting	48	15. Operating receivables	60
3. Other operating income	49	16. Equity, parent company	60
4. Employees, personnel costs and remuneration to senior management	50	17. Pension provisions	61
5. Auditors' fee and remuneration	51	18. Other provisions	62
6. Net financial items and income from financial instruments	51	19. Operating liabilities	62
7. Tax	52	20. Operating leases	62
8. Earnings per share	53	21. Collateral and contingent liabilities	63
9. Non-current intangible assets	53	22. Related parties	63
10. Property, plant and equipment	54	23. Investments in Group companies	64
11. Biological assets	55	24. Untaxed reserves	65
12. Investments in associates, joint ventures and other shares and participating interests	56	25. Cash flow statement	65
13. Financial instruments	57	26. Critical accounting estimates and judgements	65

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 certain financial assets and liabilities, which are valued at fair value. In the parent company, biological assets 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

New and amended accounting policies applicable as of 2018

IFRS 15 Revenue from Contracts with Customers is a new revenue standard with associated disclosure requirements which has replaced IAS 18, IAS 11 and IFRIC 13. This standard came into force on 1 January 2018. Under IFRS 15 income items are recognised when the customer gains control over the goods, which for Holmen has not resulted in any change compared with previous policies. Consequently, this has not resulted in any impact from the transition to IFRS 15 at 1 January 2018. Other regulatory changes relate to accounting of discounts and the right of return, which have only had a marginal impact on Holmen's accounting.

IFRS 9 Financial Instruments addresses the accounting of financial instruments and has replaced IAS 39. This standard encompasses classification, valuation and impairment of financial instruments and hedge accounting. This standard came into force on 1 January 2018. The material changes that have affected Holmen compared with previous regulations are that 1) the new category of financial instruments, 2) impairment of financial assets is based on a model based on expected future losses, 3) hedge accounting rules have changed, with requirements for hedging relationships to be the same as the Group's risk management targets. The introduction of IFRS 9 has not had any effect on Holmen's recognised values. See Note 13 for further information.

New and amended accounting policies not yet applied

IFRS 16 Leases is replacing the previous IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27 from 1 January 2019. This standard requires assets and liabilities attributable to all 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. Holmen will use the simplified forward-looking method, which involves an asset and liability being set at the same value in connection with the transition. An asset and liability will be recognised for an amount of SEK 205 million at 1 January 2019. Under the new regulations, in 2019 depreciation and amortisation are estimated to increase by approximately SEK 80 million, interest expense by around SEK 5 million, while other external costs are expected to decrease by approximately SEK 85 million. Profit before tax will be largely unchanged. The change will have some effect on key indicators such as net debt, capital employed and profit before depreciation/amortisation. Agreements for Holmen that are affected by the new regulations mainly relate to office rent, leased vehicles and vessels.

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 properties, 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 IAS37.

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 15 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, 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 normally affects profit/loss in the period to which it relates. 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 13 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 34–35.

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, wages/salaries to employees, 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. Upon initial classification as holdings for sale, non-current assets are 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 selling price and the utility value. The net realisable value is the estimated selling price after deduction of the estimated cost of selling the asset. The utility value 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.

Leasing

In the consolidated accounts, leases are classified as finance leases or operating leases. The leasing of non-current assets for which the Group is substantially exposed to the same risks and benefits as if the asset were directly owned is classified as finance leases. The leasing of assets over which the lessor substantially retains ownership is classified as operating leases. Costs relating to operating leases are recognised in profit/loss for the year on a straight-line basis spread over the term of the lease. Variable charges are expensed in the periods in which they are incurred. Within the Group, all leases are classified as operating leases. On 1 January 2019 IFRS16 Leases comes into force, which means that assets and liabilities attributable to all leases, with some exceptions, are recognised in the balance sheet. The leasing cost allocated by depreciation, amortisation and interest expense is recognised in the income statement.

Biological assets

The Group divides all its forest assets for accounting purposes into growing forests, which are recognised as biological assets at fair value, and land, which is stated at cost. Any changes in the fair value of the growing forests are recognised in the income statement. Holmen's assessment is that there are no relevant market prices available that can be used to value forest holdings as extensive as Holmen's. Valuation is therefore carried out by estimating the present value of expected future cash flows (after deduction of selling costs) from the growing forests. See Note 11.

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

Felling rights are stated as inventories. They are acquired with a view to securing Holmen's raw material requirements through harvesting. No measurable biological change occurs between the acquisition date and harvesting.

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.

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. Certificates received for renewable energy sold on forward contracts are recognised at net realisable value. 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.

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 outstanding share programme savings 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. Holmen's share savings programme was open to relevant employees between 27 April and 20 May 2016. The average share price during this period was used as the basis for the valuation of the shares at the allocation date. The vesting period runs from 20 May 2016 through the date of publication of Holmen's interim report for the first quarter of 2019.

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 and hedge reserves 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. 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

Note 2. Operating segment reporting

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
<i>Operating profit/loss excluding items affecting comparability*</i>	<i>1 185</i>	<i>689</i>	<i>329</i>	<i>246</i>	<i>181</i>	<i>-154</i>	<i>-</i>	<i>2 476</i>
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								
Scandinavia	2 598	137	449	624	319	-	-	4 127
Rest of Europe	35	4 108	4 410	644	-	-	-	9 198
Asia	-	1 114	537	218	-	-	-	1 868
Rest of the world	-	427	175	261	-	-	-	863
Total	2 633	5 785	5 571	1 747	319	-	-	16 055

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

2017	Forest	Paperboard	Paper	Wood Products	Renewable Energy	Group-wide and other	Eliminations	Total Group
Net sales								
External	2 571	5 526	5 408	1 562	315	751	-	16 133
Internal	2 965	-	-	-	-	-	-2 965	-
Other operating income	164	742	147	275	16	246	-455	1 136
Operating costs	-5 016	-5 012	-4 928	-1 673	-161	-1 144	3 419	-14 515
Depreciation and amortisation according to plan	-30	-492	-339	-86	-24	-21	-	-991
Change in value of biological assets	415	-	-	-	-	-	-	415
Share of profits of associates	-	-	-	1	-11	-2	-	-12
Operating profit/loss	1 069	764	288	80	135	-170	-	2 166
Operating margin, %	19	14	5	5	43	-	-	13
Return on capital employed, %	8	14	12	9	4	-	-	9
Operating assets	19 380	7 174	3 210	1 080	3 464	549	-398	34 461
Operating liabilities	-1 305	-832	-696	-169	-91	-1 143	398	-3 840
Net deferred tax	-4 251	-909	-320	-49	-258	139	-	-5 648
Capital employed	13 824	5 433	2 193	862	3 115	-455	-	24 972
Acquisition of non-current assets	49	375	141	100	26	11	-	702
Net sales by market								
Scandinavia	2 564	133	560	562	315	-	-	4 135
Rest of Europe	6	4 136	4 129	566	-	751	-	9 589
Asia	-	967	564	205	-	-	-	1 736
Rest of the world	-	290	155	228	-	-	-	673
Total	2 571	5 526	5 408	1 562	315	751	-	16 133

Non-current assets per country	Group		Parent company	
	2018	2017	2018	2017
Sweden	27 674	27 041	13 786	13 639
UK	1 604	1 701	-	-
Other	6	6	-	-
Total	29 284	28 748	13 786	13 639

Net sales by market	Group		Parent company	
	2018	2017	2018	2017
Scandinavia	4 127	4 142	4 103	4 114
Rest of Europe	9 198	9 582	7 763	7 947
Asia	1 868	1 736	1 713	1 608
Rest of the world	863	673	805	675
Total	16 055	16 133	14 384	14 345

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	
	2018	2017	2018	2017
Consumer paperboard	5 607	5 347	3 496	3 527
Pulp	179	164	329	279
Book and magazine paper	5 053	4 787	4 959	4 725
Newsprint	517	1 344	517	1 344
Wood products, pine	989	871	989	875
Wood products, spruce	758	685	758	685
Wood	2 633	2 571	2 598	2 565
Energy	319	315	319	315
Other	0	49	419	30
Total	16 055	16 133	14 384	14 345

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 energy 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. In a normal year generation amounts to just over 1 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 2018, the Group produced 0.5 million tonnes of paperboard, 1.1 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. In June 2016, Holmen sold its newsprint mill in Madrid. Between 1 July 2016 and the end of 2017 Holmen had an undertaking to sell the newsprint produced by the mill. During this period, income and costs from this will be recognised in the Group-wide segment. No profit items after operating profit/loss are allotted to the business areas.

Note 3. Other operating income

	Group		Parent company	
	2018	2017	2018	2017
Sales of by-products	335	360	174	231
Certificates, renewable energy	479	405	64	37
Emission allowances	41	21	40	21
Sales of non-current assets	28	22	9	9
Rent and land lease income	39	47	37	31
Silviculture contracts	63	67	63	67
Other	300	214	241	169
Total	1 284	1 136	628	565

Of the sales of by-products in the Group, SEK 41 million (101) relates to rejects from production, SEK 130 million (123) to sawdust, bark, chips etc., and SEK 164 million (137) 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 479 million (405).

The Group has been allotted emission allowances that have been used partly within its own production. The surplus resulted in a gain of SEK 41 million (21).

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

Wages, salaries and social security costs	Group		Parent company	
	2018	2017	2018	2017
Wages, salaries and other remuneration	1 609	1 579	1 297	1 275
Social security costs	638	617	584	561

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

The 2018 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 reported 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 can 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 Holmen 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 invested in Holmen shares (known as 'savings shares') during the period 27 April to 20 May 2016. For each savings share invested, half a matching share will be assigned after the end of the vesting period. In addition, a number of performance shares may be assigned to each participant. These are linked to the Group's return on capital employed. The allocation of the number of performance shares may vary, depending on the employee's position within the Group, up to a maximum of 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 20 May 2016 through the date of publication of Holmen's interim report for the first quarter of 2019.

Total costs for the programme are estimated at SEK 30 million. Costs corresponding to SEK 9 million (13) have been recognised for 2018.

Remuneration of Board and senior management

Board

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 2018, fees to the Board amounted to SEK 3 195 000 (3 060 000). The chairman received a fee of SEK 710 000 (680 000), and each of the other seven (seven) members received SEK 355 000 (340 000).

Senior management

Salary and other benefits for the CEO in 2018 amounted to SEK 9 052 744 (8 566 098). The total pension cost for the CEO, calculated in accordance with IAS 19, amounted to SEK 4 992 483 (4 985 519). Recognised wages and salaries for the share savings programme for the CEO amounted to SEK 1 581 019 (1 676 738). No variable remuneration was paid.

In 2018, the salaries and other benefits of other senior management, i.e. the heads of the four (four) business areas and the heads of the five (five) Group staffs and the head of international affairs from October 2018 who report directly to the CEO, totalled SEK 22 211 926 (22 829 993). The total pension cost for this group, calculated in accordance with IAS 19, amounted to SEK 10 160 508 (10 201 247) in 2018. Recognised wages and salaries for the share savings programme for this group amounted to SEK 2 188 461 (2 320 957). No variable remuneration was paid.

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 seven people. For one person no severance is paid. For three 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 19 million (15) at 31 December 2018 and for other members of senior management to SEK 35 million (28), calculated in accordance with IAS 19. The pension obligations are secured using plan assets managed by an independent pension fund.

	Average no. of employees (FTE)			Average no. of employees (FTE)		
	Of which women	Of which men		Of which women	Of which men	
	2018			2017		
Parent company						
Sweden	2 379	454	1 925	2 377	450	1 927
Group companies						
Estonia	6	2	4	6	2	4
France	12	5	7	12	5	7
Hong Kong	5	1	4	5	1	4
Italy	7	2	5	8	3	5
Japan	2	-	2	2	-	2
Netherlands	74	43	31	74	39	35
Poland	8	4	4	11	7	4
Russia	2	2	-	1	1	-
Switzerland	2	-	2	3	1	2
Singapore	6	3	3	6	3	3
UK	415	49	366	442	49	393
Germany	23	9	14	23	11	12
US	14	6	8	14	6	8
Total Group companies	576	126	450	607	128	479
Total Group	2 955	580	2 374	2 984	578	2 406

Proportion of women, %	Group		Parent company	
	2018	2017	2018	2017
Board (excl. deputy members)	17	17	17	17
Senior management	18	20	18	20
Total	17	18	17	18

Note 5. Auditors' fee and remuneration

The audit firm KPMG was elected by the 2018 Annual General Meeting as Holmen's auditors for a period of one year. KPMG audits Holmen AB and almost all of its subsidiaries.

	Group		Parent company	
	2018	2017	2018	2017
Remuneration to KPMG				
Audit assignments	6	6	4	4
Tax advice	1	1	1	0
Other services	0	-	0	-
Total	7	7	6	4
Other auditors	0	0	-	-
Total	8	7	6	4

'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	
	2018	2017	2018	2017
Financial income				
Dividend income from Group companies	-	-	367	1 314
Gains on sales of Group companies	0	-	100	-
Gains on sales of associates	-	-	8	-
Interest income*	12	2	23	18
Total financial income	13	2	499	1 332
Financial costs				
Impairment losses on value of shares in Group companies	-	-	-	-817
Impairment losses on value of shares in associates	-	-	-20	-
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss	-9	42	-12	-4
Cash and cash equivalents	1	1	1	1
Assets and liabilities measured at amortised cost	8	-45	7	-46
Total net profit/loss	0	-2	-24	-866
Interest cost**	-38	-53	-41	-50
Financial costs	-38	-55	-65	-916
Net financial items	-25	-53	434	416

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

**SEK -23 million (-31) in the Group and parent Company relates to interest expense for derivatives valued at fair value through other comprehensive income. SEK -6 million (-5) 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.

The net gains and losses stated in net financial items mainly relate to currency revaluations of internal loans 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 32–35.

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

	Group		Parent company	
	2018	2017	2018	2017
Exchange gains/losses on trade receivables and trade payables	285	40	280	34
Net gain/loss on derivatives stated in working capital	-222	-126	-231	-111
Interest income on trade receivables	1	0	1	0
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 2018 amounted to SEK -324 million (-90), with the remainder being recognised in other comprehensive income as hedge accounting is applied. The fair value of outstanding currency hedges at 31 December 2018 was SEK -244 million (-135).

Gains on financial electricity hedges are recognised in the income statement when they expire; for 2018 they totalled SEK 102 million (-36). The fair value of outstanding financial electricity hedges at 31 December 2018 was SEK 473 million (55). 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 5 million (5) at 31 December 2018. In 2018 there was a SEK 8 million positive effect on the cost of hedged items owing to results from hedging.

Results from hedging of foreign net assets amounted to SEK -8 million (-49) in 2018 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 55 million (36) on consolidated equity. The fair value of outstanding hedges of net assets at 31 December 2018 was SEK 2 million (3) and relates to financial derivatives.

The fair value of the derivatives used to manage the fixed interest periods amounted to SEK -26 million (-47) at 31 December 2018, which was recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement in 2019 and 2020.

NOTE 7

Note 7. Tax

Taxes stated in income statement	Group		Parent company	
	2018	2017	2018	2017
Current tax	36	-436	1	-208
Deferred tax	-125	-10	46	11
Total	-89	-445	47	-197

Tax recognised totalled SEK -89 million, corresponding to 4 per cent of profit before tax. There was a positive effect of SEK 315 million on recognised tax owing to a decision on lower future corporation tax in Sweden reducing the deferred tax liability.

Taxes stated in income statement	Group				Parent company			
	2018		2017		2018		2017	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit/loss before tax	2 356		2 113		467		2 044	
Tax at applicable rate	-518	22.0	-465	22.0	-103	22.0	-450	22.0
Difference in tax rate in foreign operations	5	-0.2	6	-0.3	0	0.0	0	0.0
Tax-exempt income	54	-2.3	7	-0.3	107	-23.0	328	-16.0
Non-tax-deductible costs	-30	1.3	-5	0.2	-8	1.8	-182	8.9
Standard interest on tax allocation reserve	-2	0.1	-2	0.1	-2	0.3	-2	0.1
Effect of unstated loss carry-forwards and temporary differences	3	-0.1	11	-0.5	0	0.0	0	0.0
Tax attributable to previous periods	87	-3.7	-8	0.4	1	-0.2	107	-5.3
Change to tax rate on deferred tax assets/liabilities	315	-13.4	10	-0.5	40	-8.6	0	0.0
Other	-2	0.1	0	0.0	11	-2.4	1	-0.1
Effective tax	-89	3.8	-445	21.1	47	-10.0	-197	9.7

Tax attributable to other comprehensive income	Group						Parent company					
	2018		2017		2018		2017		2018		2017	
	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
Cash flow hedging	329	-71	258	35	-8	28	326	-70	255	38	-8	29
Share in joint ventures' other comprehensive income	-23	-	-23	-4	-	-4	-	-	-	-	-	-
Translation difference on foreign operations	55	-	55	36	-	36	-	-	-	-	-	-
Hedging of currency risk in foreign operations	-8	2	-6	-49	11	-38	-	-	-	-	-	-
Revaluations of defined benefit pension plans	-52	10	-42	121	-24	97	-	-	-	-	-	-
Other comprehensive income	302	-60	242	140	-21	119	326	-70	255	38	-8	29

Taxes as stated in balance sheet	Group		Parent company	
	2018	2017	2018	2017
Tax receivables				
Deferred tax asset	1	1	-	-
Current tax receivable	328	36	327	29
Total tax receivables	329	37	327	29
Deferred tax liabilities				
Non-current assets				
Biological assets*	3 811	3 943	594	635
Property, plant and equipment	1 754	1 278	2	-1
Tax allocation reserve	225	444	-	-
Transactions subject to hedge accounting	44	-27	44	-26
Other, including deferred tax assets stated net among deferred tax liabilities	4	11	-6	2
Total deferred tax liabilities	5 839	5 650	635	610
Current tax liability	13	21	-	-
Total tax liabilities	5 852	5 671	635	610

*For the parent company this relates to forest land.

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
2018									
Biological assets*	-3 943	131	-	-	-3 811	-635	40	-	-594
Property, plant and equipment	-1 278	-473	-	-3	-1 754	1	-3	-	-2
Tax allocation reserve	-444	219	-	-	-225	-	-	-	-
Transactions subject to hedge accounting	27	-	-71	-	-44	26	-	-70	-44
Other	-10	-3	10	0	-3	-2	8	-	6
Deferred net tax liability	-5 648	-125	-61	-4	-5 838	-610	46	-70	-635

	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
2017									
Biological assets*	-3 854	-89	-	-	-3 943	-634	0	-	-635
Property, plant and equipment	-1 319	39	-	2	-1 278	1	0	-	1
Tax allocation reserve	-502	57	-	-	-444	-	-	-	-
Transactions subject to hedge accounting	35	-	-8	-	27	35	-	-8	26
Other	32	-17	-24	0	-10	-13	11	-	-2
Deferred net tax liability	-5 608	-10	-32	1	-5 648	-612	11	-8	-610

*For the parent company this relates to forest land.

For information on biological assets see Note 11. 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 18.

The deferred tax income recognised in the consolidated income statement relates primarily to a change in the tax rate in Sweden and changes in temporary differences. The amount recognised in other comprehensive income includes deferred tax related to changes of SEK 71 million (-8) in hedging reserves and an impact of SEK 10 million (-24) from the revaluation of defined benefit pension plans.

Holmen has requested an advance ruling on the entitlement to group relief in the parent company for tax losses that have arisen in the Group's Spanish operations. The Swedish tax authority has opposed such entitled to group relief. The Supreme Administrative Court, which is judging the case, is obtaining an interpretation from the Court of Justice of the European Union in order to determine the issue. A positive decision could result in the Group's tax expense decreasing by approximately SEK 350 million. No deferred tax asset has been recognised. There are no other loss carry-forwards of significance in the Group.

Note 8. Earnings per share

	Group	
	2018	2017
Total number of shares outstanding, 1 January	167 992 324	167 992 324
Buy-back of company's own shares during the year	-	-
Total number of shares outstanding, 31 December	167 992 324	167 992 324
Weighted average number of shares during the year, basic	167 992 324	167 992 324
Effect of share savings programme	-	-
Weighted average number of shares during the year, diluted	167 992 324	167 992 324
Shareholders' share of profit for the year, SEKm	2 268	1 668
Basic average number of shares	167 992 324	167 992 324
Basic EPS for the year, SEK	13.5	9.9
Shareholders' share of profit for the year, SEKm	2 268	1 668
Diluted average number of shares	167 992 324	167 992 324
Diluted EPS for the year, SEK	13.5	9.9

The 2018 AGM approved a share split, meaning that each share, irrespective of series, is divided into two shares (2:1 split) of the same series. The share split was carried out in May 2018. Comparative figures in the table above have been adjusted for the new number of shares. See Note 16 for information about share capital prior to the share split. In previous years 1 520 000 class B shares were repurchased, which corresponds to approximately 0.9 per cent of the total number of shares outstanding, and to approximately 0.3 per cent of the total number of votes.

In 2016, Holmen introduced a share savings programme. The programme involves previously repurchased shares being transferred to programme participants at the end of the term. The number of shares to be transferred depends on the Group's return on capital employed over the 2016–2018 period. The programme expires in May 2019 and approximately 75 000 shares are expected to be transferred from the company to the owners. The company's commitment to allocate shares to participants will be fulfilled through the use of previously repurchased shares. The allocation of repurchased shares in order to meet the undertaking results in dilution effects. The effects on key ratios and profit per share are marginal. See Note 4 for further information about the share savings programme.

Note 9. Non-current intangible assets

	Group		Parent company	
	2018	2017	2018	2017
Accumulated acquisition costs				
Opening balance	212	194	26	26
Investments	18	18	55	-
Translation differences	0	0	-	-
Total	231	212	81	26
Accumulated amortisation, depreciation and impairment losses				
Opening balance	123	107	19	19
Amortisation for the year	16	15	12	-
Impairment losses for the year	25	-	25	-
Disposal and retirement of assets	-	0	-	-
Translation differences	0	0	-	-
Total	163	123	56	19
Residual value according to plan at end of year	68	90	25	8

Non-current intangible assets mainly comprise IT systems at SEK 13 million (50) and rights of use for certain energy assets at SEK 42 million (32). These assets were largely acquired from external sources. They have determinable useful lives and are amortised over 5–20 years. No goodwill applies for the Group.

Note 10. Property, plant and equipment

Group	Forest land		Buildings, other land and land installations		Machinery and equipment		Work in progress and advance payments to suppliers		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated acquisition costs										
Opening balance	140	146	5 633	5 594	28 031	27 572	61	44	33 865	33 356
Investments	167	0	54	51	723	559	22	84	966	693
Reclassifications	-	-	-	-	4	67	-4	-67	-	-
Disposal and retirement of assets	-7	-6	-5	-7	-280	-132	-	-	-291	-145
Translation differences	0	0	13	-5	95	-35	1	1	110	-39
Total	301	140	5 695	5 633	28 573	28 031	80	61	34 649	33 865
Accumulated depreciation, amortisation and impairment losses										
Opening balance	-	-	3 316	3 228	21 471	20 739	-	-	24 787	23 967
Depreciation and amortisation according to plan for the year	-	-	99	96	898	879	-	-	997	976
Disposal and retirement of assets	-	-	-5	-7	-277	-127	-	-	-282	-134
Translation differences	-	-	8	-1	62	-20	-	-	70	-21
Total	-	-	3 418	3 316	22 154	21 471	-	-	25 572	24 787
Residual value according to plan at end of year	301	140	2 277	2 317	6 418	6 560	80	61	9 077	9 078

Parent company	Forest land		Buildings, other land and land installations		Machinery and equipment		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated acquisition costs								
Opening balance	464	464	150	139	210	220	825	823
Investments	4	1	17	11	59	21	81	32
Disposal and retirement of assets	0	0	-1	0	-19	-30	-20	-30
Total	469	464	166	150	251	210	886	825
Accumulated depreciation and amortisation according to plan								
Opening balance	-	-	131	130	154	158	285	288
Depreciation and amortisation according to plan for the year	-	-	2	1	33	24	35	25
Disposal and retirement of assets	-	-	0	0	-19	-29	-19	-29
Total	-	-	133	131	168	154	301	285
Accumulated revaluations								
Opening balance	2 389	2 389	1	1	-	-	2 389	2 389
Disposal and retirement of assets	0	0	-	-	-	-	0	0
Total	2 388	2 389	1	1	-	-	2 389	2 389
Residual value according to plan at end of year	2 857	2 853	34	20	83	56	2 974	2 930

The Group's investment commitments for approved and ongoing projects amounted to SEK 601 million (590) at 31 December 2018. In 2018, the company's capitalised borrowing costs totalled SEK 3 million (2). An interest rate of 1.5 per cent (1.1) was used to determine the amount.

Note 11. Biological assets

Forest assets are recognised in the consolidated accounts as growing forest, which is stated as a biological asset at fair value, and land, which is stated at cost. Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. Fair value measurement is based on measurement level 3. This calculation of cash flows is made for the coming 100 years, which is regarded as the forests' harvesting cycle. The cash flows are calculated on the basis of harvesting volumes according to Holmen's current plan and assessments of future price and cost changes. The cash flows are discounted using an interest rate of 5.5 (5.5) per cent.

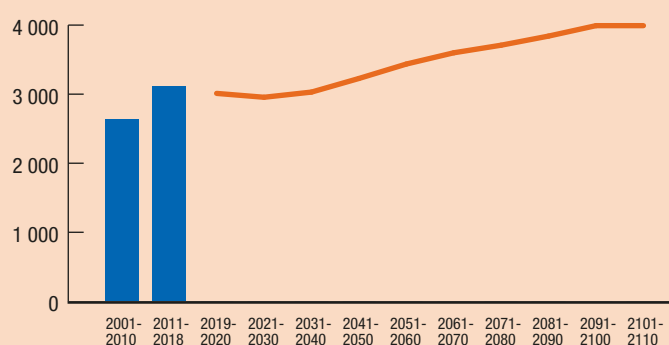
Holmen owns a total of 1 042 000 hectares of productive forest land, 960 000 hectares of which are actively managed. The productive forest land contains 122 million m³ growing stock, solid over bark. According to the applicable plan from 2011, the harvest will amount to 3.0 million m³sub per year until 2030. It is then calculated that it may gradually increase to just over 4 million m³sub in 2110. 50 per cent of the harvest consists of logs that are sold to sawmills, 45 per cent consists of pulpwood that is sold to the pulp and paper industry, and the remainder consists of forest fuel.

The valuation is based on a long-term trend price that is adjusted upwards annually by 2 per cent inflation. The trend price for 2019 is 445 SEK/m³sub, which is slightly lower than applicable market prices. The cost forecast is based on present-day levels and is adjusted upwardly by just over 2 per cent per year.

Holmen's forest holdings are reported at SEK 18 400 million (17 831) before tax. A deferred tax liability of SEK 3 811 million (3 943) is stated in relation to that figure. This represents the tax that is expected to be charged against earnings from future harvests. On that basis, the growing forest, net after tax, is stated at SEK 14 589 million (13 888).

Change in the value of the growing forests	Group	
	2018	2017
Book value at start of year	17 831	17 448
Acquisition of growing forest	150	11
Sales of growing forest	-9	-19
Change due to harvesting	-654	-614
Unrealised change in fair value	1 079	1 029
Reclassifications	-	-23
Other changes	3	-1
Book value at end of year	18 400	17 831

Harvest
'000 m³sub/year



- Average harvest
- Planned harvest

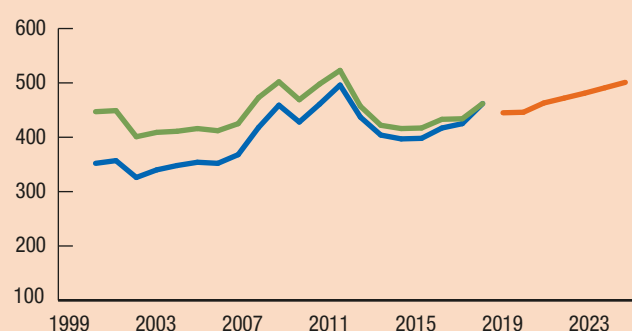
The net effect of the change in fair value and the change as a result of harvesting is stated in the income statement as a change in value of biological assets. In 2018, this amounted to SEK 425 million (415).

The table below shows how the value of forest assets would be affected by changes in the most significant valuation assumptions.

Change in value	Before tax	After tax
Annual change, + 0.1% per year		
Rate of harvesting	780	620
Price inflation	1 170	930
Cost inflation	-630	-500
Change in level, +1%		
Harvesting	260	210
Prices	430	340
Costs	-230	-180
Discount rate, +0.1%	-500	-400

Annual change refers to the annual rate of change used in the valuation of each parameter. For example, an increase of 0.1 per cent means that the annual price inflation will be increased from 2.0 per cent to 2.1 per cent in the calculations. Change in level means that the level for each parameter and year changes. For example, a 1 per cent price increase means that the wood prices in the calculations are raised by 1 per cent for all years (change in level).

Prices
SEK/m³sub



- Real
- Nominal
- Price used in valuation (nominal)

The Nominal price series shows the average selling price for Holmen. The Real series shows nominal prices recalculated at 2018 monetary value using historical Swedish CPI.

Note 12. Investments in associates, joint ventures and other shares and participating interests

	Group	
	2018	2017
Profit/loss from associates and joint ventures	-9	-12
Recognised in profit/loss for the year	-9	-12
Other comprehensive income from joint ventures	-23	-4
Total comprehensive income from associates and joint ventures	-32	-16

The combined value of Holmen's share in the profits of associates amounted to SEK 5 million (-4) for the Group and to SEK 11 million (0) for the parent company. The combined value of Holmen's share in the profits of joint ventures amounted to SEK -27 million (-13) for the Group and to SEK -27 million (-13) for the parent company.

	Group		Parent company			Group		Parent company	
	2018	2017	2018	2017		2018	2017	2018	2017
Associates					Joint ventures				
Book value at start of year	1 636	1 646	123	123	Book value at start of year	113	127	92	92
Investments	11	-	11	-	Investments	31	-	93	-
Share of earnings	-21	-9	-	-	Share of earnings	-30	-14	-	-
Translation difference	0	0	-	-	Book value at end of year	113	113	185	92
Impairment losses	-	-	-20	-					
Book value at end of year	1 626	1 636	114	123					

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

	Corporate ID No.	Registered office	Number of holdings	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
					2018	2017			2018	2017	
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	0	9.9	0	0	0
Harrsele AB	556036-9398	Vännäs	9 886	49.4	1 461	-	-	49.4	1 463	-	-
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	14	2	2	36.0	13	2	2
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.8	85	85	85	6.8	75	75	75
VindIn AB	556713-5172	Stockholm	200	17.7	29	26	26	17.7	49	46	46
Melodea Ltd, Israel		Tel Aviv	119	46.8	0	-	-	46.8	0	-	-
Other associates					0	0	0		0	0	0
					1 626	114			1 636	123	
Joint venture											
Varsvik AB	556914-9833	Stockholm	250	50.0	113	185	185	50.0	113	92	92
Total					1 740	299			1 749	215	

*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, and the holdings in VindIn AB refer to wind 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 1 461 million (1 463). Holmen purchased 471 GWh (491) of electrical power from Harrsele AB in 2018, giving Holmen an operating profit of SEK 107 million (94) 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 25 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, Vattenfall Tuggen AB and VindIn 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.

	Group		Parent company	
	2018	2017	2018	2017
Other shares and participating interests				
Book value at start of year	2	2	0	1
Disposals	0	0	0	0
Translation difference	0	0	-	-
Impairment losses	-	-	-	-
Book value at end of year	1	2	0	0

Note 13. 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. The partly owned wind power company Varsvik AB has loans amounting to SEK 452 million, which Holmen acquired from creditor bank for the nominal value in 2018.

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, the pension liability (see Note 17) is 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 32–35. SEK -2 494 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 176 million. Assets and liabilities are not offset in the report. Recognised derivatives totalled SEK 557 million (200) on the asset side and SEK -381 million (-351) 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 15 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 32–35 and Note 6 on page 51.

Group Maturity structure, undiscounted amounts	2019	2020	2021	2022	2023–
Financial liabilities					
Derivatives	-25	-18	-	-	-
Derivatives attributable to working capital	-273	-73	-3	-	-
Trade payables	-2 232	-	-	-	-
Other financial liabilities	-2 489	-8	-1	-501	-500
Financial receivables					
Derivatives	17	-	-	-	-
Derivatives attributable to working capital	286	178	77	-	-
Trade receivables	1 929	-	-	-	-
Other financial receivables	342	32	42	50	392

Parent company Maturity structure, undiscounted amounts	2019	2020	2021	2022	2023–
Financial liabilities					
Derivatives	-25	-18	-	-	-
Derivatives attributable to working capital	-273	-73	-3	-	-
Trade payables	-2 033	-	-	-	-
Other financial liabilities	-2 489	-7	-1	-501	-500
Financial receivables					
Derivatives	17	-	-	-	-
Derivatives attributable to working capital	286	178	77	-	-
Trade receivables	1 594	-	-	-	-
Other financial receivables	295	32	42	50	392

Financial instruments have been reclassified in conjunction with the introduction of IFRS 9. Reclassification has not had any effect on the book value of the financial instruments. The table below shows how financial assets and liabilities were classified under IAS 39 and how they are now classified under IFRS 9. See pages 58–59 for specification of financial instruments.

Classification of financial assets and liabilities	
Previous classification	Current classification
Derivatives recognised at fair value through profit/loss	Recognised at fair value through profit/loss
Derivatives with hedge accounting	Hedging instruments recognised at fair value through other comprehensive income
Trade and loan receivables Available-for-sale assets Other liabilities	Recognised at amortised cost

Note 13. Financial instruments, cont.

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Financial instruments included in net financial debt										
Non-current financial receivables										
Derivatives	-	-	-	0	-	-	0	0	0	0
Other financial receivables	-	-	-	-	468	42	468	42	468	42
	-	-	-	0	468	42	468	42	468	42
Current financial receivables										
Accrued interest	-	-	-	-	0	0	0	0	0	0
Derivatives	17	8	-	-	-	-	17	8	17	8
Other financial receivables	-	-	-	-	18	24	18	24	18	24
	17	8	-	-	18	24	35	32	35	32
Cash and cash equivalents										
Current deposit of cash and cash equivalents	-	-	-	-	0	0	0	0	0	0
Bank balances	-	-	-	-	278	356	278	356	278	356
	-	-	-	-	278	356	278	356	278	356
Non-current liabilities										
Bond loans	-	-	-	-	-1 000	-500	-1 000	-500	-1 000	-500
Derivatives	-	-	-26	-45	-	-	-26	-45	-26	-45
Other non-current liabilities	-	-	-	-	-7	-7	-7	-7	-7	-7
	-	-	-26	-45	-1 007	-507	-1 033	-552	-1 033	-552
Current liabilities										
Commercial paper programme	-	-	-	-	-1 951	-2 099	-1 951	-2 099	-1 951	-2 099
Bank account liabilities	-	-	-	-	-24	-10	-24	-10	-24	-10
Derivatives	-7	-4	-	-	-	-	-7	-4	-7	-4
Accrued interest	-	-	-	-	-12	-11	-12	-11	-12	-11
Bond loans	-	-	-	-	-500	-650	-500	-650	-500	-650
Other current liabilities	-	-	-	-	0	0	0	0	0	0
	-7	-4	-	-	-2 487	-2 770	-2 494	-2 775	-2 494	-2 775
Financial instruments not included in net financial debt										
Other shares and participating interests	1	2	-	-	-	-	1	2	1	2
Trade receivables	-	-	-	-	1 929	2 089	1 929	2 089	1 929	2 089
Derivatives (recognised among operating receivables)	5	1	536	192	-	-	541	192	541	192
Trade payables	-	-	-	-	-2 232	-1 957	-2 232	-1 957	-2 232	-1 957
Derivatives (recognised among operating liabilities)	-45	-34	-303	-267	-	-	-348	-301	-348	-301
	-39	-31	233	-75	-303	132	109	25	109	25
Total financial instruments	-29	-28	207	-121	-3 033	-2 723	-2 855	-2 872	-2 855	-2 872

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

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Non-current financial receivables										
Derivatives	-	0	-	-	-	-	-	0	-	0
Receivables from Group companies	-	-	-	-	6 954	2 916	6 954	2 916	6 954	2 916
Other financial receivables	-	-	-	-	465	102	465	102	465	102
	-	0	-	-	7 419	3 018	7 419	3 018	7 419	3 018
Current financial receivables										
Accrued interest	-	-	-	-	0	0	0	0	0	0
Derivatives	17	8	-	-	-	-	17	8	17	8
Other financial receivables	-	-	-	-	18	24	18	24	18	24
	17	8	-	-	18	24	35	32	35	32
Cash and cash equivalents										
Bank balances	-	-	-	-	230	294	230	294	230	294
	-	-	-	-	230	294	230	294	230	294
Non-current liabilities										
Bond loans	-	-	-	-	-1 000	-500	-1 000	-500	-1 000	-500
Liabilities to Group companies	-	-	-	-	-6 791	-334	-6 791	-334	-6 791	-334
Derivatives	-	-	-26	-45	-	-	-26	-45	-26	-45
	-	-	-26	-45	-7 331	-834	-7 817	-880	-7 817	-880
Current liabilities										
Commercial paper programme	-	-	-	-	-1 951	-2 099	-1 951	-2 099	-1 951	-2 099
Bank account liabilities	-	-	-	-	-24	-10	-24	-10	-24	-10
Derivatives	-7	-4	-	-	-	-	-7	-4	-7	-4
Accrued interest	-	-	-	-	-12	-11	-12	-11	-12	-11
Bond loans	-	-	-	-	-500	-650	-500	-650	-500	-650
Other current liabilities	-	-	-	-	0	0	0	0	0	0
	-7	-4	-	-	-2 487	-2 770	-2 494	-2 775	-2 494	-2 775
Financial instruments not included in net financial debt										
Other shares and participating interests	0	0	-	-	-	-	0	0	0	0
Trade receivables	-	-	-	-	1 594	1 769	1 594	1 769	1 594	1 769
Derivatives (recognised among operating receivables)	5	4	536	194	-	-	541	198	541	198
Trade payables	-	-	-	-	-2 033	-1 814	-2 033	-1 814	-2 033	-1 814
Derivatives (recognised among operating liabilities)	-45	-34	-304	-267	-	-	-350	-301	-350	-301
	-40	-30	232	-73	-439	-45	-248	-148	-248	-148
Total financial instruments	-30	-27	206	-118	-2 590	-313	-2 875	-458	-2 875	-458

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

Note 14. Inventories

	Group		Parent company	
	2018	2017	2018	2017
Raw materials and consumables	873	842	660	661
Logs and pulpwood	282	212	239	201
Finished products and work in progress	1 804	1 319	1 369	934
Felling rights	613	507	603	501
Electricity certificates and emission allowances	56	24	55	24
Total	3 628	2 905	2 926	2 322

During the year impairment losses on finished stock had an effect of SEK -6 (8) million on Group profit, while impairment losses on other stock had an effect of SEK -2 million (-2). Impairment losses on inventories had an impact of SEK -2 million (-2) on the parent company.

Note 15. Operating receivables

	Group		Parent company	
	2018	2017	2018	2017
Trade receivables				
Group companies	-	-	37	59
Associates	61	56	61	56
Other	1 868	2 033	1 495	1 654
Total trade receivables	1 929	2 089	1 594	1 769
Current receivables				
Group companies	-	-	-	-
Associates	-	3	-	3
Other	214	291	184	168
Financial derivatives	541	192	541	198
Prepayments and accrued income	205	171	104	72
Total other operating receivables	959	658	830	442
Total operating receivables	2 889	2 747	2 424	2 210

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 26 million (17). The provision for expected credit losses was SEK 34 million (41) at 31 December 2018. During the year, the provision was changed by SEK -1 million (-2) as a result of actual credit losses, and by SEK -6 million (6) as a result of changes in the provision for anticipated or expected credit losses. At 31 December 2018, SEK 27 million (33) 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 16. Equity, parent company

	31 Dec 2018		
	Number	Quotient value	SEKm
Registered share capital			
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
Repurchased class B shares	-1 520 000		
Total number of shares outstanding	167 992 324		

	31 Dec 2017		
	Number	Quotient value	SEKm
Registered share capital			
Class A	22 623 234	50	1 131
Class B	62 132 928	50	3 107
Total no. of shares	84 756 162		4 238
Repurchased class B shares	-760 000		
Total number of shares outstanding	83 996 162		

The 2018 AGM approved a share split, meaning that each share, irrespective of series, was divided into two shares (2:1 split) of the same series, which is why the number of shares has increased.

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 2018 the Group's own shareholding was 1 520 000 shares (760 000). None of the Group's own shares were sold during the year. The increase was due to the share split being carried out.

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK 176 million (-145) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK 178 million (-151) on equity.

Holmen's profitability target is for forests and power to generate a return of 5 per cent and for its industrial operations to generate a return of over 10 per cent. Taken together this means that the Group's return on capital employed should exceed 7 per cent. Decisions on dividends are based on an appraisal of the Group's profitability, future investment plans and financial position. The aim is to have a robust financial position with a debt/equity ratio at a maximum of 0.5.

The AGM has at its disposal the company's earnings amounting to SEK 5 480 444 085. The Board proposes that the AGM on 11 April 2019 approve a dividend of SEK 6.75 per share. The proposed dividend totals SEK 1 134 million. The Board also proposes that the remaining amount of SEK 4 346 495 898 be carried forward.

For the previous year the dividend was SEK 13 per share (SEK 1 092 million), which corresponds to SEK 6.5 per share following implementation of the share split.

The debt/equity ratio was 0.12 (0.13).

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 32–35.

Note 17. 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. In the UK there are two defined benefit plans. Both 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	
	2018	2017	2018	2017
Cost recognised in profit/loss for the year				
Defined benefit plans				
Personnel costs	-7	-5	-18	-12
Finance costs	0	-4	0	0
Total defined benefit plans stated in profit/loss for the year	-7	-9	-18	-12
Defined contribution plans				
Personnel costs	-117	-128	-93	-106
Total recognised in profit/loss for the year	-123	-137	-111	-118

	Group	
	2018	2017
Cost recognised in other comprehensive income		
Return on plan assets excl. recognised interest income	-135	103
Actuarial gains and losses from changes in demographic assumptions	14	122
Actuarial gains and losses from changes in financial assumptions	56	-101
Actuarial gains and losses from experiential adjustments	53	14
Payroll tax	-5	1
Effect of asset ceiling	-34	-18
Total recognised in other comprehensive income	-52	121

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 52 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 23 million which will be covered over the next three years.

	Group		Parent company	
	2018	2017	2018	2017
Obligations				
Obligations at 1 January	-2 198	-2 414	-173	-167
Current service cost	-7	-5	-18	-12
Payroll tax	-2	2	-	-
Interest expense	-55	-60	5	-5
Actuarial gains/losses	122	35	-	-
Benefits paid	127	222	11	11
Exchange differences	-52	21	-	-
Obligations at 31 December	-2 063	-2 198	-176	-173

The weighted average duration is 16 years.

Of the Group's total obligations, SEK 9 million (10) refers to those that are not funded, while the rest are wholly or partially funded obligations. Of the parent company's obligations, SEK 20 million (12) are secured under the Swedish Pension Obligations Vesting Act.

	Group		Parent company	
	2018	2017	2018	2017
Plan assets				
Fair value of assets at 1 January	2 177	2 213	160	155
Interest income	55	55	-	-
Expected return excl. recognised interest income	-135	103	-	-
Real return (parent company)	-	-	-5	5
Administrative expenses	-2	-3	-	-
Contribution by employer	24	37	-	-
Benefits paid	-115	-210	-	-
Exchange differences	51	-19	-	-
Fair value of assets at 31 December	2 053	2 177	156	160
Effect of asset ceiling	-52	-18	-	-
Pension provisions, net	-61	-39	-20	-12

Plan assets by type are as shown below:

	Group		Parent company	
	2018	2017	2018	2017
Plan assets				
Equities	1 007	1 098	70	79
Bonds	1 040	1 050	83	79
Current fixed income investments	6	29	2	3
	2 053	2 177	156	160

The plan assets do not include any financial instruments issued by Group companies or assets used by the Group. Of equities, 46 per cent relate to the UK, 49 per cent to the rest of Europe and the US and 5 per cent to the rest of the world. Of bonds, 44 per cent relate to government bonds and 56 per cent to corporate bonds.

	Group	
	31 Dec 2018	31 Dec 2017
Key actuarial assumptions, Group (weighted average), %		
Discount rate	2.7	2.5
Rate of salary increase	3.0	3.0
Rate of price inflation	3.2	3.1

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 0.6 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 2018	31 Dec 2017
Sensitivity analysis		
Discount rate (+ 0.5%)	-144	-183
Rate of salary increase (+ 0.5%)	2	2
Rate of price inflation (+ 0.5%)	111	129
Mortality (+ 1 year in life expectancy)	92	108

The Group's payments into the funded defined benefit plans in 2019 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 31 million (31) and are included among personnel costs in the income statement. Holmen's active members in the plan amounted to 672 people, which corresponds to 0.14 per cent of the plan's active members. Premiums to Alecta are expected to amount to SEK 27 million in 2019. 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 2018, Alecta's collective consolidation level was 142 per cent (154).

Note 18. Other provisions

Group	Provisions for taxes		Other provisions		Total	
	2018	2017	2018	2017	2018	2017
Book value at start of year	185	45	622	856	807	901
Provisions during the year	-	140	76	6	76	146
Utilised during the year	-	-	-110	-240	-110	-240
Unutilised amount reversed during the year	-95	-	-	-2	-95	-2
Translation differences	-	-	3	3	3	3
Book value at end of year	90	185	590	622	680	807
Of which non-current portion of the provisions	90	185	393	477	483	662
Of which current portion of the provisions	-	-	197	144	197	144
Parent company						
Book value at start of year	45	45	725	833	770	878
Provisions during the year	-	-	180	105	180	105
Utilised during the year	-	-	-197	-211	-197	-211
Unutilised amount reversed during the year	-	-	-	-2	-	-2
Book value at end of year	45	45	708	725	753	770
Of which non-current portion of the provisions	45	45	451	532	496	577
Of which current portion of the provisions	-	-	256	193	256	193

Other provisions mainly relate to uncertainties associated with obligations for environmental restoration, fixed price electricity supply contracts and restructuring costs. SEK 370 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 19. Operating liabilities

	Group		Parent company	
	2018	2017	2018	2017
Trade payables				
Group companies		-	36	53
Associates		-	-	-
Other	2 232	1 957	1 996	1 761
Total trade payables	2 232	1 957	2 033	1 814
Current liabilities				
Group companies		-	0	0
Associates	8	6	7	6
Other	171	186	159	170
Derivatives	348	301	350	301
Accruals and deferred income	581	563	472	458
Total other operating liabilities	1 108	1 056	989	935
Total operating liabilities	3 340	3 012	3 022	2 749

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 210 million (191), discounts of SEK 54 million (52) and goods and services delivered but not yet invoiced of SEK 78 million (46).

The fair values of derivatives relate to hedges of future cash flows. See Note 13.

Note 20. Operating leases

In 2018, the Group's lease payments amounted to SEK 72 million (52), and the parent company's to SEK 46 million (38). The Group's leases mainly relate to transportation and office rent.

Breakdown of future lease payments	Group			Parent company		
	2019	2020–2023	2024–	2019	2020–2023	2024–
Future lease payments	72	99	42	46	65	40
Present value of future lease payments	71	95	37	46	62	36

The contracts have remaining durations ranging from 1 to 10 years. The net present value of the Group's future lease payments for existing leases amounted to SEK 205 million at the end of the previous year. Those in the parent company amounted to SEK 143 million.

On 1 January 2019 IFRS16 Leases comes into force, which means that assets and liabilities attributable to all leases, with some exceptions, are recognised in the balance sheet. See Note 1 for information about the transition method.

Note 21. Collateral and contingent liabilities

Group	Property mortgage	Other collateral	Total collateral		Contingent liabilities	Group		Parent company	
			2018	2017		2018	2017	2018	2017
Financial liabilities	-	6	6	143	Surety on behalf of Group companies	-	-	38	40
Total	-	6	6	143	Other contingent liabilities	98	97	83	83
Parent company					Total	98	97	122	123
Financial liabilities	-	6	6	143	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	6	143					

Note 22. Related parties

Of the parent company's net sales of SEK 14 384 million (14 345), SEK 151 million (115) relates to deliveries of goods to Group companies. The parent company's purchases of goods from Group companies amounted to SEK 242 million (1 056). Parent company net sales also include income from the sale of silviculture services to subsidiaries for an amount of SEK 389 million (-). SEK -1 378 million (-1 208) 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, which do not carry interest.

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 page 37). Holmen rents office premises for SEK 6 million (8) from Fastighets AB L E Lundberg, which is a group company within

L E Lundbergföretagen AB. In 2018, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 710 000 (680 000) 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 (340 000).

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 452 million, which Holmen acquired from creditor banks for the nominal value in 2018.

Transactions with related parties

Group	Sale of products to related parties		Purchase of products from related parties		Other (e.g. interest, dividend)		Liability to related parties		Receivable from related parties	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Associates	395	333	71	85	0	0	37	56	85	89
Joint venture	3	3	-	-	17	5	-	-	454	24
Parent company										
Subsidiaries	151	115	242	1 056	374	1 325	6 830	388	6 993	2 982
Associates	395	333	71	85	0	0	34	52	85	89
Joint venture	3	3	-	-	16	5	-	-	454	86

For fees and remuneration paid to members of the Board, see Note 4.

Note 23. Investments in Group companies

Accumulated acquisition costs	Parent company		Accumulated impairment losses	Parent company	
	2018	2017		2018	2017
Book value at start of year	17 142	17 141	Book value at start of year	6 655	5 838
Purchasing	1	0	Impairment losses for the year	-	817
Shareholder's contribution	-	1	Closing balance at 31 December	6 655	6 655
Sales	-1	-	Book value at end of year	10 487	10 487
Closing balance at 31 December	17 142	17 142			

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'.

Parent company's direct holdings of investments in subsidiaries	Corporate ID No.	Registered office	Number of holdings	Holding %*	Book value in the parent company	Holding %*	Book value in the parent company
					2018	2017	2017
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	556537-4286	Stockholm	-	-	-	100	8 868
Holmens Bruk AB	559165-6615	Stockholm	1 000	100	383	-	-
Holmen Skog Mitt AB	559165-6623	Stockholm	1 000	100	2 856	-	-
Holmen Skog Syd AB	559165-6631	Stockholm	1 000	100	1 527	-	-
Holmen Sägverk AB	559165-6672	Stockholm	1 000	100	422	-	-
Holmen Vattenkraft AB	559165-6664	Stockholm	1 000	100	2 663	-	-
Iggesunds Bruk AB	559165-6656	Stockholm	1 000	100	740	-	-
Ljusnan Vattenkraft AB	559165-6680	Stockholm	1 000	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	100	0
Other Swedish Group companies					2		2
Total Swedish holdings					8 943		8 942
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, US		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					10 487		10 487

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

**Indirect holdings.

Note 24. Untaxed reserves

	Parent company		
	31 Dec 2017	Appropriations	31 Dec 2018
Accumulated depreciation and amortisation in excess of plan			
Non-current intangible assets	-	-23	-23
Property, plant and equipment	12	-2	11
	12	-24	-12
Tax allocation reserves			
2013 fiscal year	280	-280	-
2014 fiscal year	610	-610	-
2015 fiscal year	370	-106	264
2016 fiscal year	290	-	290
2017 fiscal year	470	-	470
	2 020	-996	1 024
Total	2 032	-1 020	1 012

Group contributions received amounted to SEK 191 million (530) and Group contributions paid amounted to SEK -2 584 million (0). Total appropriations of profit amounted to SEK -1 373 million.

Note 25. Cash flow statement

	Group		Parent company	
	2018	2017	2018	2017
Interest paid and dividends received				
Dividends received	-	-	367	1 314
Interest received	12	2	23	17
Interest paid	-28	-36	-29	-36
Total	-16	-34	362	1 294

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2018, a number of different short-term loans totalling SEK 6 585 million (7 160) were raised within the Group's commercial paper programme, and SEK 6 733 million (6 770) was repaid. For a specification of cash and cash equivalents, see Note 13.

	Group			
	2017	Cash flow	Currency and market revaluation	2018
Bond loans	1 150	350*	-	1 500
Commercial paper	2 099	-148	-	1 951
Other financial liabilities	77	-19	17	75
Pension liability	39	-25	47	61
Financial liabilities including pension liability	3 365	158	64	3 587

	Parent company			
	2017	Cash flow	Currency and market revaluation	2018
Bond loans	1 150	350*	-	1 500
Commercial paper	2 099	-148	-	1 951
Liabilities to Group companies	334	6 457	-	6 791
Other financial liabilities	70	-19	17	68
Pension liability	12	-13	21	20
Financial liabilities including pension liability	3 665	6 627	38	10 330

*Relates to SEK 300 million in repayment of loans which when raised were long-term but at the point of repayment were short-term, SEK 350 million in repayment of short-term loans and SEK 1 000 million in loans raised.

The increase in the parent company's liabilities to associates is affected by items attributable to an intra-group restructuring.

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.

Biological assets

Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. The most material estimates made relate to how much harvesting can be increased in the future, what changes there will be in pulpwood and log prices, how high inflation will be, and what discount rate is used. Note 11 provides a sensitivity analysis for the valuation of changes in these estimates. The book value of biological assets at 31 December 2018 was SEK 18 400 million and the attributable deferred tax liability was SEK 3 811 million, giving a net value of SEK 14 589 million.

Tax

Holmen has requested an advance ruling on the entitlement to group relief in the parent company for tax losses that have arisen in the Group's Spanish operations. The Swedish tax authority has opposed such entitlement to group relief. The Supreme Administrative Court, which is judging the case, is obtaining an interpretation from the Court of Justice of the European Union in order to determine the issue. A positive decision could result in the Group's tax expense decreasing by approximately SEK 350 million. No deferred tax asset has been recognised. See Note 7.

Pension obligations

The Group has benefit-based pension obligations measured at SEK 2 063 million and SEK 2 053 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 17.

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 18.

Proposed appropriation of profits

	SEK
The following earnings of the parent company are at the disposal of the Annual General Meeting:	
Net profit for the 2018 financial year	513 951 736
Retained earnings	4 966 492 348
	5 480 444 085
The Board of Directors proposes that a dividend of SEK 6.75 per share (167 992 324 shares) be paid to the shareholders and that the remaining amount be carried forward	1 133 948 187
	4 346 495 898

The Board of Holmen AB has proposed that the 2019 Annual General Meeting resolve in favour of paying a dividend of SEK 6.75 per share – SEK 0.25 per share higher than the preceding year – totalling SEK 1 134 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 50.0 per cent of net profit for 2018 for the Group and means that 4.8 per cent of equity in the Group at 31 December 2018 will be paid out by way of dividend.

The Board has established that the Group should have a strong financial position with a debt/equity ratio – defined as net financial debt in relation to equity – at a maximum of 0.5. The debt/equity ratio at 31 December 2018 was 0.12. Payment of the proposed dividend would raise the debt/equity ratio by 0.06.

Holmen AB's equity at 31 December 2018 amounted to SEK 11 395 million, of which non-restricted equity was SEK 5 480 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 176 million on equity. The Group's equity at 31 December 2018 amounted to SEK 23 453 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 12 February 2019. 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 Annual General Meeting to be held on 11 April 2019.

Stockholm 12 February 2019

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

Carl Kempe

Deputy Chairman

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 14 February 2019.

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 2018, except for the sustainability report on pages 8-9, 23-24, 30, 31, 33. The annual accounts and consolidated accounts of the company are included on pages 2-3, 8-9, 23-24, 28-66, 70-71 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 2018 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 2018 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 sustainability report on pages 8-9, 23-24, 30, 31, 33.

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 Biological Assets

See note 11, note 26 and the Accounting Principles on pages 44-47 of in the annual accounts and consolidated accounts for detailed disclosure and description of the matter.

Description of key audit matter

Biological assets consist of growing forest which has a carrying value of SEK 18 400 million as of 31 December 2018.

Biological assets are measured at fair value, via discounting estimated net future cash flows from the growing forest to present value. Cash flows are estimated over a 100-year period, representing the assessed average harvesting cycle. The valuation is performed internally and is calculated using a combination of harvest plans, future sales prices, cost projections, inflation and discount rates.

The valuation is complex and comprises significant level of judgement.

There is a risk that the estimates that form the basis of the carrying value of Biological Assets may need to be adjusted, which would directly affect the reported result for the period.

Response in the audit

We have reviewed and assessed the Group's choice of a cash flow based valuation model. We have also inspected the valuations performed and the underlying documentation in order to assess that they are in line with established valuation techniques.

Furthermore, 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. We have conducted discussions with Company management and evaluated previous year's estimates compared to actual outcomes. A critical part of our work has also been examination and evaluation of the sensitivity analysis performed by management that shows how changes in the assumptions can affect the overall valuation. In addition to this we have compared the Group's valuation to valuations performed by other companies via comparison of calculated value per cubic metre.

We have also considered the completeness of the disclosures in the Annual Report and assessed whether they are in agreement with the assumptions made by Company management in their valuation of Biological Assets.

Other provisions

See note 18, note 26 and the Accounting principles on page 44-47 in the annual accounts and consolidated accounts for detailed disclosure and description of the matter.

Description of key audit matter

The carrying value of the other provisions per 31 December 2018 amounts to SEK 680 million in the Group and SEK 753 million in the parent company. The other provisions include among other environmental obligations, contractual commitments regarding delivery of electricity at a fixed price, restructuring costs and tax risks.

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 held 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 4-7, 10-22, 25-27 samt 72-79. The Board of Directors and the Managing Director 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 Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director 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 Managing Director 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 Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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 Managing Director of Holmen AB for the year 2018 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 Managing Director 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 Managing Director

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 Managing Director 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 Managing Director 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 8-9, 23-24, 30, 31, 33 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 10 April 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1995.

Stockholm 14 February 2019
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 2018, 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 14 February 2019
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Torbjörn Westman
Expert member of FAR



Board of Directors

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.

Carl Bennet

Gothenburg. Born in 1951. Member since 2009. M.Sc. in Economics. D. Tech. h.c. CEO of Carl Bennet AB. Former President and CEO of Getinge AB. Chairman of Getinge AB, Lifco AB and Elanders AB.

Other significant appointments: Board member of Arjo 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 and the Confederation of Swedish Enterprise.

Shareholding: 9 834 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.

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.

Carl Kempe

Deputy chairman

Örnsköldsvik. Born in 1939. Member since 1983. Licentiate in Engineering. Dr. h.c. mult.

Other significant appointments: Chairman of MoRe Research AB and permanent secretary of the Kempe Foundations.

Own and related parties' shareholdings: 772 000 shares.

Tommy Åsenbrygg

Skebobruk. Born in 1968. Member since 2015. Employee representative, PTK.

Shareholding: 200 shares.



Per-Arne Berg

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

Henriette Zeuchner

Stockholm. Born in 1972. Member since 2015. M.Sc. in Economics and Bachelor of Laws. CEO of Discovery Networks Sweden AB.

Other significant appointments: Board member of the NTM Group.

Shareholding: 1 600 shares.

Daniel Hägglund

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

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 GmbH, Robert Bosch Industrietreuhand KG and Brookfield Renewable Energy. Board member of Hand in Hand International and member of The Royal Swedish Academy of Engineering Sciences, IVA.

Shareholding: 10 000 shares.

Lars Josefsson

Norrköping. Born in 1953. Member since 2016. M.Sc. in Engineering.

Other significant appointments: Chairman of Ouman and TimeZynk. Board member of Metso. Deputy Chairman of Vestas.

Shareholding: 5 000 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, Ramirent plc and SHB Regionbank Stockholm. Board member of Eltel AB, Indutrade AB and Nordstjernan Kredit AB.

Shareholding: 8 000 shares.

Christer Johansson

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

Steewe Björklundh

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

Information at 31 December 2018.

Auditors: KPMG AB

Principle Auditor: Joakim Thilstedt.
Authorised Public Accountant



Group management

Daniel Peltonen

Senior Vice President Paperboard

Born in 1971. Joined Holmen in 1997.
Shareholding: 1 076 shares.

Johan Padel

Senior Vice President Wood Products

Born in 1966. Joined Holmen in 2014.
Shareholding: 1 660 shares.

Stina Sandell

Senior Vice President Sustainability and Communications

Born in 1966. Joined Holmen in 2017.
Shareholding: 0 shares.

Anders Jernhall

Executive Vice President, Chief Financial Officer

Born in 1970. Joined Holmen in 1997.
Shareholding: 9 800 shares.

Sören Petersson

Senior Vice President Forest

Born in 1969. Joined Holmen in 1994.
Shareholding: 8 800 shares.

Henrik Sjölund

President and CEO

Born in 1966. Joined Holmen in 1993.
Shareholding: 9 834 shares.
Henrik Sjölund has no significant shareholdings and no ownership in companies with which the Group has important business relations. Further information about the President and CEO can be found on page 70.

Gunilla Rolander

Senior Vice President Human Resources

Born in 1966. Joined Holmen in 2013.
Shareholding: 724 shares.

Lars Lundin

Senior Vice President Paper

Born in 1966. Joined Holmen in 2018.
Shareholding: 0 shares.

Ola Schultz-Eklund

Senior Vice President Technology

Born in 1961. Joined Holmen in 1994.
Shareholding: 1 600 shares.

Nils Ringborg

Senior Vice President International Affairs

Born in 1958. Joined Holmen in 1988.
Shareholding: 5 028 shares.

Lars Ericson

Senior Vice President Legal Affairs

Company secretary.
Born in 1959. Joined Holmen in 1988.
Shareholding: 1 300 shares.

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	2018	2017	2016	2015	2014
Operating profit, EBITDA and excluding items affecting comparability					
EBITDA	3 063	2 742	2 865	2 673	2 717
Depreciation and amortisation according to plan	-1 012	-991	-1 018	-1 240	-1 265
Change in value of forests	425	415	315	267	282
Operating profit/loss excluding items affecting comparability	2 476	2 166	2 162	1 700	1 734
Items affecting comparability*	-94	-	-232	-931	-450
Operating profit/loss	2 382	2 166	1 930	769	1 284
Operating margin					
Operating profit/loss excluding items affecting comparability	2 476	2 166	1 930	769	1 284
Net sales	16 055	16 133	15 513	16 014	15 994
Operating margin, %	15.4	13.4	13.9	10.6	10.8
Profit/loss before change in value, forest					
Profit/loss before change in value, forest	760	654	686	638	535
Change in value of forests	425	415	315	267	282
Operating profit/loss, forest	1 185	1 069	1 001	905	817
Capital employed					
Equity	23 453	22 035	21 243	20 853	20 969
Net financial debt	2 807	2 936	3 945	4 799	5 907
Capital employed	26 261	24 972	25 190	25 653	26 876
Return on capital employed					
Operating profit/loss excluding items affecting comparability	2 476	2 166	2 162	1 700	1 734
Average capital employed	25 469	24 874	25 146	26 769	27 010
Return, %	9.7	8.7	8.6	6.4	6.4
Net financial debt					
Non-current financial liabilities	1 033	552	882	2 295	2 488
Current financial liabilities	2 494	2 775	3 200	2 698	3 269
Pension provisions	61	39	201	130	400
Non-current financial receivables	-468	-42	-39	-43	-40
Current financial receivables	-35	-32	-89	-61	-22
Cash and cash equivalents	-278	-356	-210	-221	-187
Net financial debt	2 807	2 936	3 945	4 799	5 907
Debt/equity ratio					
Net financial debt	2 807	2 936	3 945	4 799	5 907
Equity	23 453	22 035	21 243	20 853	20 969
Debt/equity ratio, times	0.12	0.13	0.19	0.23	0.28
Equity/assets ratio					
Equity	23 453	22 035	21 243	20 853	20 969
Assets	36 912	34 891	34 891	35 456	36 434
Equity/assets ratio, %	63.5	63.2	60.9	58.8	57.6

*See page 74 for what items affecting comparability refers to.

Ten-year review, finance

SEKm	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Income statement										
Net sales	16 055	16 133	15 513	16 014	15 994	16 231	17 852	18 656	17 581	18 071
Operating costs	-12 984	-13 379	-12 626	-13 348	-13 270	-13 919	-15 224	-15 501	-15 077	-15 191
Profit from investments in associates and joint ventures	-9	-12	-22	7	-7	3	47	84	28	45
Depreciation and amortisation according to plan	-1 012	-991	-1 018	-1 240	-1 265	-1 370	-1 313	-1 260	-1 251	-1 320
Change in value of forests	425	415	315	267	282	264	350	-	52	16
Operating profit/loss excluding items affecting comparability	2 476	2 166	2 162	1 700	1 734	1 209	1 713	1 980	1 332	1 620
Items affecting comparability*	-94	-	-232	-931	-450	-140	-193	3 593	264	-
Operating profit	2 382	2 166	1 930	769	1 284	1 069	1 520	5 573	1 596	1 620
Net financial items	-25	-53	-71	-90	-147	-198	-227	-244	-208	-255
Earnings before tax	2 356	2 113	1 859	679	1 137	871	1 294	5 328	1 388	1 366
Tax	-89	-445	-436	-120	-230	-160	559	-1 374	-684	-360
Profit/loss for the year	2 268	1 668	1 424	559	907	711	1 853	3 955	704	1 006
Diluted earnings per share, SEK**	13.5	9.9	8.5	3.4	5.4	4.3	11.1	23.6	4.2	6.0
Net sales										
Forest	5 944	5 535	5 302	5 481	5 641	5 694	6 061	6 348	5 585	4 799
Paperboard	5 785	5 526	5 252	5 472	5 113	4 618	4 967	5 109	4 849	5 023
Paper	5 571	5 408	5 431	6 148	6 247	7 148	8 144	8 631	8 142	9 303
Wood Products	1 747	1 562	1 342	1 314	1 352	1 175	1 129	875	586	553
Renewable Energy	319	315	314	359	389	450	522	552	626	527
Group-wide costs and eliminations***	-3 311	-2 214	-2 128	-2 760	-2 748	-2 853	-2 972	-2 858	-2 207	-2 135
Group	16 055	16 133	15 513	16 014	15 994	16 231	17 852	18 656	17 581	18 071
Operating profit										
Forest	1 185	1 069	1 001	905	817	924	931	739	818	605
Paperboard	689	764	903	847	674	433	596	863	817	419
Paper	329	288	289	-74	141	-309	94	228	-618	340
Wood Products	246	80	-3	9	37	-75	-130	-136	20	21
Renewable Energy	181	135	120	176	212	371	355	406	495	414
Group-wide costs and eliminations***	-154	-170	-148	-163	-146	-136	-132	-120	-200	-178
Group	2 476	2 166	2 162	1 700	1 734	1 209	1 713	1 980	1 332	1 620
Items affecting comparability*	-94	-	-232	-931	-450	-140	-193	3 593	264	-
Group	2 382	2 166	1 930	769	1 284	1 069	1 520	5 573	1 596	1 620
Cash flow										
Earnings before tax	2 356	2 113	1 859	679	1 137	871	1 294	5 328	1 388	1 366
Adjustment items	540	418	965	1 802	1 448	1 056	1 057	-2 561	811	1 163
Income tax paid	-396	-221	-504	-398	-191	210	-434	-557	-704	-334
Changes in working capital	-214	199	-360	443	-217	-127	338	-109	28	678
Cash flow from operating activities	2 286	2 509	1 961	2 526	2 176	2 011	2 254	2 101	1 523	2 873
Cash flow from investing activities****	-1 005	-644	-123	-824	-815	-872	-1 957	-1 791	-1 585	-714
Cash flow after investments	1 281	1 865	1 838	1 702	1 361	1 139	297	310	-62	2 158
Dividend paid	-1 092	-1 008	-882	-840	-756	-756	-672	-588	-588	-756

*Items affecting comparability:

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 the 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 of 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.

***Income and costs from the sale of newsprint from the Spanish mill sold in Q2 2016 are recognised in the Group-wide segment.

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

For a ten-year review of data per share, see page 37.

SEKm	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Balance sheet										
Non-current assets*	29 287	28 751	28 701	29 524	30 221	30 652	30 664	30 335	26 028	25 694
Current assets	6 845	5 710	5 852	5 607	5 964	5 774	6 005	6 642	6 950	6 075
Financial receivables	503	74	128	104	62	52	69	128	262	225
Cash and cash equivalents	278	356	210	221	187	275	308	112	193	182
Total assets	36 912	34 891	34 891	35 456	36 434	36 753	37 046	37 217	33 432	32 176
Equity	23 453	22 035	21 243	20 853	20 969	20 854	20 813	19 773	16 913	16 504
Deferred tax liability	5 839	5 650	5 613	5 508	5 480	5 804	5 504	6 630	5 910	5 045
Financial liabilities and interest-bearing provisions	3 588	3 366	4 283	5 124	6 156	6 443	6 967	6 499	6 227	6 091
Operating liabilities	4 032	3 840	3 752	3 971	3 829	3 653	3 762	4 313	4 383	4 536
Total equity and liabilities	36 912	34 891	34 891	35 456	36 434	36 753	37 046	37 217	33 432	32 176
Capital employed										
Forest	14 830	13 824	13 536	13 401	13 212	12 688	12 657	11 599	8 822	8 075
Paperboard	5 316	5 433	5 546	5 698	5 841	5 686	5 489	4 233	3 428	3 456
Paper	2 072	2 193	2 507	3 266	4 366	4 438	4 920	5 798	6 069	8 131
Wood Products	927	862	859	897	874	1 327	1 385	1 471	1 153	367
Renewable Energy	3 082	3 115	3 153	3 075	3 118	3 005	2 947	2 884	2 831	2 907
Group-wide and other**	34	-455	-410	-684	-535	-173	5	47	382	-748
Capital employed	26 261	24 972	25 190	25 653	26 876	26 970	27 403	26 032	22 685	22 188
Key figures										
Operating margin, %***										
Paperboard	12	14	17	15	13	9	12	17	17	8
Paper	6	5	5	-1	2	-4	1	3	-8	4
Wood Products	14	5	0	1	3	-6	-12	-16	4	4
Group	15	13	14	11	11	7	10	11	8	9
Return, capital employed, %***										
Forest	8	8	7	7	6	7	8	8	10	7
Paperboard	12	14	16	15	12	8	12	23	24	12
Paper	15	12	10	neg	3	neg	2	4	neg	4
Wood Products	27	9	0	1	3	neg	neg	neg	3	7
Renewable Energy	6	4	4	6	7	13	12	14	17	15
Group	10	9	9	6	6	4	7	9	6	7
Key figures										
Return on equity, %	10	8	7	3	4	3	9	23	4	6
Debt/equity ratio	0.12	0.13	0.19	0.23	0.28	0.29	0.32	0.32	0.34	0.34
Deliveries										
Harvesting in own forests, '000 m ³	2 831	2 904	2 986	3 213	3 297	3 465	3 211	2 988	2 999	2 897
Paperboard, '000 tonnes	525	526	497	499	493	469	485	474	464	477
Paper****, '000 tonnes	1 036	1 117	1 134	1 325	1 305	1 574	1 651	1 668	1 732	1 745
Wood products, '000 m ³	828	852	776	730	725	686	660	487	285	313
Own production of hydro and wind power, GWh	1 145	1 169	1 080	1 441	1 113	1 041	1 353	1 235	1 149	1 090

*Excluding non-current financial receivables.

**Income and costs from the sale of newsprint from the Spanish mill sold in Q2 2016 are recognised in the Group-wide segment.

***Excluding items affecting comparability.

****Deliveries from own mills, i.e. no deliveries from the Spanish mill as of Q3 2016.

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 2017.

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.

	2018	2017	2016	2015	2014
Production					
Paperboard, '000 tonnes	538	530	503	502	500
Market pulp, '000 tonnes	66	54	56	56	67
Paper, '000 tonnes	1 069	1 088	1 176	1 287	1 325
Wood products, '000 m ³	873	827	776	734	742
Own production of hydro and wind power, GWh	1 145	1 169	1 080	1 441	1 113
Electricity production at the mills, GWh	679	621	784	781	740
Raw materials					
Wood, million m ³ sub ¹⁾	5.62	5.63	5.36	5.10	5.16
Purchased pulp, '000 tonnes	78	79	70	79	75
Thermal energy, GWh	6 238 ²⁾	6 099	6 375	6 288	6 230
Electrical energy, GWh	3 996 ³⁾	3 987	3 949	3 994	4 067
Water use, million m ³ , ⁴⁾	73	73	70	68	74
Plastic granules/foiling material, '000 tonnes	2.9	2.9	2.6	2.5	2.1
Chemicals, '000 tonnes ⁵⁾	165	147	151	138	146
Filler, pigment, '000 tonnes ⁵⁾	164	146	148	146	147
Emissions to air, tonnes⁶⁾					
Sulphur dioxide (counted as sulphur, S)	56	48	41	52	57
Nitrogen oxides	986	907	960	891	1 181
Particulates	45	30	39	48	29
Fossil carbon dioxide, '000 tonnes	75	73	124	180	126
Biogenic carbon dioxide, '000 tonnes	1 660	1 545	1 540	1 440	1 550
Emissions to water, tonnes⁶⁾					
AOX (chlorinated organic matter)	48	48	52	57	54
Nitrogen	216	177	208	226	203
Phosphorus	16	14	14	19	19
COD (organic matter), '000 tonnes	21.5	20.1	20.4	21.0	20.4
Suspended solids (SS), '000 tonnes	3.5	2.8	3.2	3.3	3.6
By-products, '000 tonnes					
To energy production, internally/externally	977	995	872	823	824
Utilised or for recovery ⁷⁾	166	202	270	303	296
Tall oil ⁸⁾	13	14	13	12	13
Waste, '000 tonnes					
Hazardous ⁹⁾	1.6	1.8	2.2	1.9	1.6
Sent to landfill (wet)	7.6	1.8	16.0	13.0	5.6
Energy supplies					
Branches, treetops and peat, GWh ¹⁰⁾	137	116	155	230	275
Electrical and thermal energy, GWh ¹¹⁾	370	366	380	348	305
Environmental protection expenditure, SEKm					
Investments (remedial and preventive)	84	44	55	12	26
Electricity and heat-saving investments ¹²⁾	10	20	8	18	320
Environmental taxes and charges ¹³⁾	12	12	14	12	10
Internal and external environmental expenses ¹⁴⁾	165	137	182	208	169
Environmental cost of forestry ¹⁵⁾	91	62	71	101	70

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 4 675 GWh from production at mills from recovered liquors, bark and wood residues, 1 222 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. 341 GWh comes from natural gas, oil and purchased thermal energy.

3) Of which 1 420 GWh from renewables and 2 576 GWh from nuclear. Emissions of fossil carbon dioxide from production of purchased electricity totalled 21 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 238 000 tonnes for chemicals and 232 000 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 2018, 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 waste in 2018 totalled 634 tonnes.

10) Branches, treetops and peat delivered from Holmen's land to external energy producers.

11) For 2018: 130 GWh of electrical energy supplied from the mill at Workington to the local community. 229 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 high costs stated for 2014 mainly consist of environmentally related elements of the implementation of biofuel boilers within the paperboard business and the wind farm at Varsvik, Norrtälje, Sweden.

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 just under 16 per cent of its productive forest acreage and thus refrains from harvesting just under 16 per cent of the potential volume. The annual loss of income in 2018 is estimated at SEK 91 million.

	2018	2017	2016	2015	2014
Personnel					
Employees					
Average number	2 955	2 976	2 989	3 315	3 359
of whom women, %	20.3	19.3	19.3	19.4	19.2
of whom temporary employees, %	10.7	7.4	8.8	9.0	7.9
Average age ¹⁾	44.9	46.0	46.3	46.8	46.8
Sickness absence, %²⁾					
Total	4.1	4.2	4.2	4.2	3.9
of which longer than 60 days	1.6	2.0	2.0	1.8	1.7
Gender equality, %¹⁾					
Women managers out of total number of managers	19.8	20.7	19.0	20.5	20.9
Women joining the company out of total new employees	40.1	25.0	27.0	24.0	31.0
Personnel turnover, %¹⁾					
Personnel turnover	7.9	8.0	6.9	7.6	7.2
of which given notice	0.4	0.9	1.6	2.8	2.0
of which retiring	2.6	2.6	2.4	2.4	2.2
of which leaving at own request	3.9	4.4	2.9	2.5	3.0
New employees	2.7	5.9	5.4	5.3	5.1
Number of industrial accidents²⁾					
Industrial accidents, more than 8 hours of absence, per million hours worked	4.9	5.1	8.8	8.8	6.5
Union cooperation, %³⁾					
Percentage of employees that work at a unit with a collective agreement ⁴⁾	94	94	94	97	97
Income statement per stakeholder category, SEKm					
<i>Customers</i> Sales of products, wood and electricity	17 339	17 269	17 072	17 216	17 015
<i>Suppliers</i> Purchases of products, services, along with depreciation, etc.	-12 539	-12 719	-12 721	-13 955	-13 307
<i>Employees</i> Wages and social security costs	-1 792	-1 767	-1 786	-1 825	-1 792
<i>Lenders</i> Interest	-25	-53	-71	-90	-147
<i>Society</i> Property tax	-82	-101	-126	-129	-138
Excise tax	-30	-31	-26	-27	-18
Social security costs	-479	-449	-448	-481	-453
Payroll tax	-35	-36	-34	-29	-23
Corporation tax	-89	-445	-436	-120	-230
<i>Shareholders</i> Net profit	2 268	1 668	1 424	559	907
Board's dividend proposal	1 134	1 092	1 008	882	840

- 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.

Management system certifications

PRODUCTION FACILITIES ¹⁾	ENVIRONMENT	RENEWABLE ENERGY	QUALITY	HEALTH AND SAFETY
	ISO 14001	ISO 50001	ISO 9001	OHSAS 18001
Iggesund Mill ²⁾	2001	2005	1990	2016
Workington Mill	2003	2015	1990	2005
Hallsta Paper Mill	2001	2005	1993	2012
Braviken Paper Mill	1999	2006	1996	2015
Iggesund Sawmill ³⁾	1999	2006	1997	2017
Braviken Sawmill ³⁾	2011	2011	2011	2017

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

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.

Definitions, glossary and references

DEFINITIONS

Capital employed

Net financial debt plus equity, which corresponds to fixed capital (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.

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 buyback of shares, if any, during the year. Diluted EPS means that any diluting effect from outstanding call options has been taken into account.

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 illustrate how income measures were affected by events outside normal business operations, such as impairment losses, disposals and major restructuring. The effects of maintenance and rebuilding shutdowns are not treated as an item affecting comparability. Page 74 states which items have been treated as items affecting comparability over the past 10 years.

Net financial debt

Non-current and current financial liabilities and pension provisions, less financial assets.

Operating margin

Operating profit/loss (excluding items affecting comparability) expressed as a percentage of net sales.

Operating profit

Profit before net financial items and tax.

Profit before depreciation/amortisation

Earnings before interest, taxes, depreciation, amortisation and change in value of forests, excl. items affecting comparability.

Result before change in value

Result before change in value, excl. items affecting comparability. Used for the Forest business area.

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 expressed as a percentage of average equity, calculated on the basis of quarterly data.

Yield

Profit/loss before change in value in relation to the book value of biological assets. Used for the Forest business area.

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.

COD

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 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.

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.

m³ growing stock, solid over bark

Cubic metre 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 possible technology shall be used in connection with professional activities.

SBB

Solid Bleached Board. Multi-layer 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.

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References page 17

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Information

The interim and year-end reports are presented at a teleconference for the press and analysts. The conference is in English and can be accessed live at 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 on holmen.com.

How to order printed materials:

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Calendar

For 2019 Holmen will publish the following financial reports:

Interim report January–March: 8 May 2019
Interim report January–June: 15 August 2019
Interim report January–September: 18 October 2019
Year-end report: 30 January 2020

Date for trading and dividend

The final date for trading in Holmen shares including right to dividend: 11 April 2019
Record date for dividend: 15 April 2019
Payment date for dividend: 18 April 2019

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. It is laminated, partially varnished and finished with a foil laminate.
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Holmen's forest outside Norrköping and refiner plate from Braviken Paper Mill.

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