

HOLMEN

Annual Report 2021

**WE GROW
HOUSES
WE GROW
CHANGE**

CONTENTS

2021

Holmen in brief	03	Financial statements	50
CEO's message	04	Notes	56
Strategy and targets	06	Proposed appropriation of profits	83
Investment case.....	10	Auditor's report	85
The year in brief.....	14	Review of Sustainability Report	87
Forest	16		
Paperboard	18	Board of Directors	88
Paper	20	Group management	90
Wood Products	22		
Renewable Energy	24	Key figures	91
A sustainable business	26	Ten-year review, finance	92
Employees	36	Five-year review, sustainability	94
Corporate governance report	38	Business overview	96
Risk management	43	Definitions and glossary	98
Shareholder information	48	Calendar and information	99

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 using fresh fibre from sustainably managed forests.

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 2021 financial year. The annual report comprises the administration report (pages 2, 6–9, 14–15, 34–49, 83–84, 88–89) and the financial statements, together with the notes and supplementary information (pages 50–82). The statutory sustainability report in accordance with the Annual Accounts Act is included in the annual report (pages 8–9, 31, 34–37, 40–42, 44–45). The Group's consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be adopted at the Annual General Meeting.

The basis for the sustainability information presented is the issues identified as key in view of the materiality analysis conducted in 2018.

The Sustainability Report has been compiled in accordance with the Global Reporting Initiative's GRI guidelines at Core level. The report comprises pages 2, 4–10, 12–13, 16–50, 61, 63–66, 80, 87–90, 94–97. GRI index is available at 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.

The cover is printed on Invercote G 280 gsm. **The insert** is printed on Holmen TRND, 2.0 – 80 gsm. **Layout:** Identity Works. **Production:** Gylling Produktion AB. **Photos:** Ulla-Carin Ekblom, Måns Berg, Christian Ekstrand and others. **Print:** Larsson Offsettryck AB

HOLMEN GROWS HOUSES

We manage the forest actively and sustainably, and use the raw material wisely and far-sightedly. The wood is refined into wood products for sustainable building, and we turn whatever is left over into world-leading paperboard and innovative paper products. In addition, we use the water rushing down the rivers and the wind blowing through the treetops to produce renewable energy. For us, successful business and a sustainable future go hand in hand. When we grow houses, we are also growing change.

2021 IN FIGURES

Net sales
19 479 SEKm

Cash flow
3 375 SEKm

Operating profit*
4 061 SEKm

No. of employees
3 474

Total shareholder return Holmen B and OMX Stockholm



*Excl. items affecting comparability

DEAR SHAREHOLDERS,

2021 was characterised by a rapid economic recovery with a shortage of input goods and logistics resources, which led to increased prices across much of society. With our own forest holdings and renewable energy assets, we were nevertheless able to advance our positions while at the same time seeing our operating profit climb to a historically high level of SEK 3 731 million.

As we close the books on 2021, we can clearly see that our business model – creating value based on our forest assets – is a successful one. We have managed to keep up production and seize on opportunities to increase prices, which has generated superb results, helped in no small part by sales of wood products. We can also report that interest in owning forest remains high, as reflected in the 9 per cent increase in the value of our forest assets to SEK 47 billion. In light of the solid earnings development and our strong financial position, the proposal is to increase the ordinary dividend to SEK 7.50 and to pay an extra dividend of SEK 4.00.

The transition to a sustainable world

The transition to a sustainable world continues, with politicians, businesses and consumers jointly pushing towards sustainable use of the planet's resources. The greatest challenge lies in halting global warming, in which context it is worth noting that energy production accounts for three-quarters of carbon emissions. Although we are seeing rapid advances in renewable energy, only a small proportion of the world's energy comes from sustainable sources. Looking back over the past 50 years, the world's energy consumption has tripled, and this increase in demand has almost exclusively been met using fossil fuels. Moving forward, we have to be able to supply a growing population with more energy, while at the same time transitioning existing energy production to sustainable sources. This means not only that we need to produce more renewable electricity, but that we must also electrify substantial elements of industrial production, heating and transport.

Renewable electricity production

With a fossil-free energy system and opportunities to increase renewable electricity generation, Sweden is well placed to lead the development of next-generation, fossil-free industrial processes. Recent initiatives concerning everything from green steel to batteries are concrete examples of companies beginning to turn words into action. With our controllable hydro power, we can help to provide the growing industries with green electricity when needed. When Blåbergsliden Wind Farm becomes fully operational in early 2022, we will be increasing our provision of renewable energy by 30 per cent. We see good potential to develop a significant wind power business.

Sustainable building

The real estate sector accounts for over a third of Europe's carbon emissions, something that the major construction companies have begun to acknowledge as they set targets to become fossil-free along the whole value chain. The main challenge is that making cement manufacture sustainable is both costly and difficult. Wood offers an alternative that not only is fossil-free, but also stores carbon dioxide in the buildings. This makes the market prospects for wood very promising, not least if fossil construction materials are made to carry their true cost to the climate. Through the acquisitions and investments of recent years, we have expanded our wood products

business while at the same time shifting ourselves forward in the value chain, most recently with the acquisition of Martinsons. We are now taking the next step in developing Iggesund Sawmill by adding construction timber as a complement to our strong joinery products portfolio, while at the same time increasing capacity. With a strong position in the wood market and well-invested sawmills, we have created a platform for continued growth for many years to come.

Fossil-free paper and paperboard

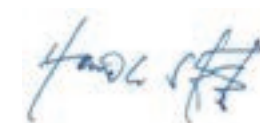
We grow forest with a view to building houses. When we saw the wood, whatever is left over is used in our paper and paperboard mills, where wood chips and shavings are topped up with the trees that are too narrow to become construction material. With a practically fossil-free energy supply, we provide the market with climate friendly products – a fact that our customers are increasingly beginning to appreciate. With control over the wood raw material and a sustainable energy supply, we are continuing to develop our position by making the most of the unique properties that fresh fibre provides.

Managed forest generates climate benefits

The world's forests capture and store as much carbon dioxide as there is in the atmosphere, and this sequestration is increasing year on year. This increase is seen exclusively in the forests that are actively managed. We have long combined active forestry with preservation of good biodiversity, and we are seeing this bear fruit with a steadily increasing volume of standing timber and larger harvests from healthy ecosystems. Regular independent measurements show that the conditions for biodiversity in Sweden and Finland are good, while the majority of other countries both in and outside Europe need to do much, much more. We are focused on gradually increasing the carbon storage in our standing forest, while at the same time stepping up production of wood products, paperboard and paper as part of the transition to a sustainable world. In 2021, our combined operations contributed towards a climate benefit of 7 million tonnes CO₂e, equivalent to 15 per cent of emissions in Sweden.

We grow houses and then make renewable packaging, magazines and books from what is left over, while also harnessing the energy that blows through the treetops and flows down the rivers. Backed by a strong financial position, we are well equipped to benefit from the opportunities that will open up as Europe converts to a fossil-free society.

Stockholm, 18 February 2022



Henrik Sjölund
President and CEO

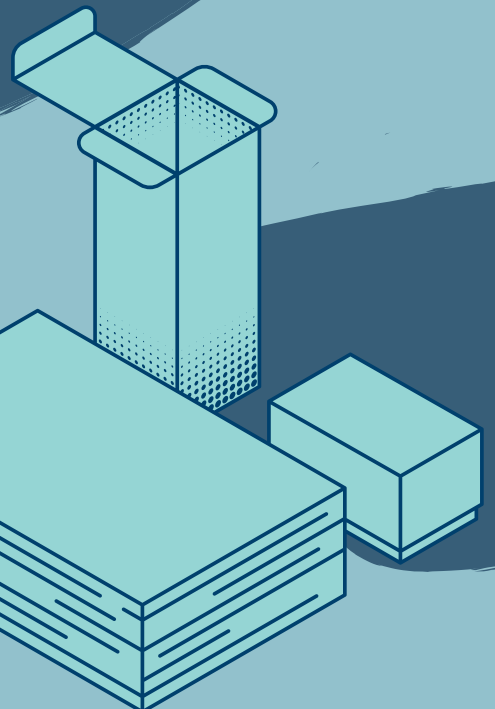
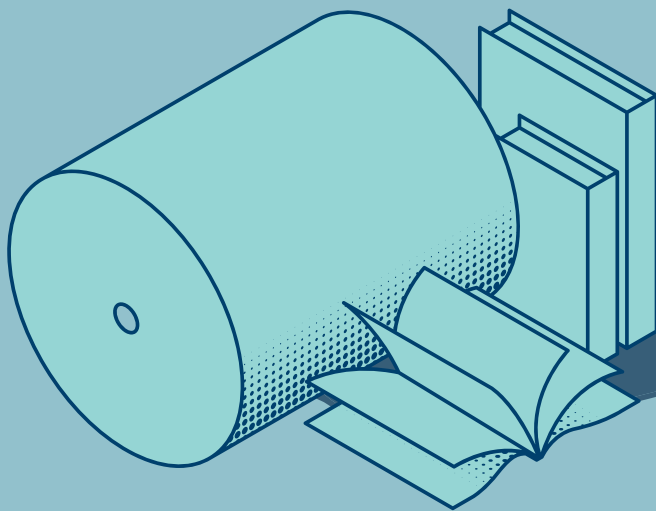
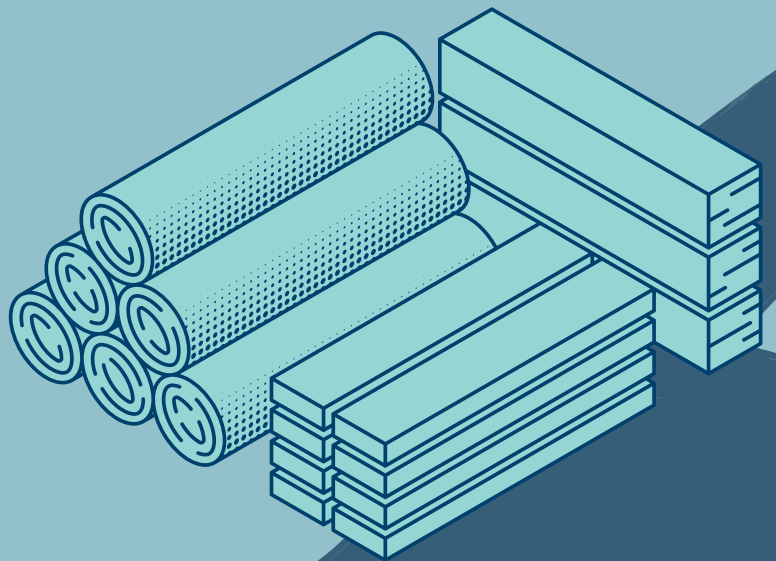


» We have created a platform for continued growth for many years to come.«

GROWING A SUSTAINABLE FUTURE

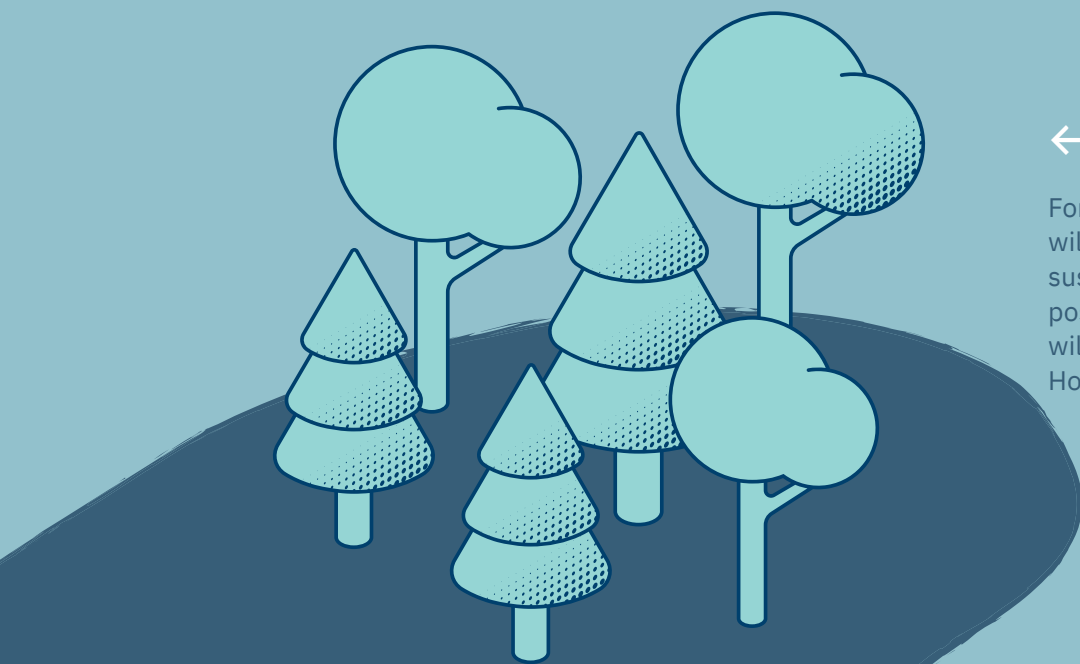
Our business concept is to own and add value to the forest

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



↗ Paper

The Paper business will be developed by offering resource-efficient alternatives to traditional products.



← Forest

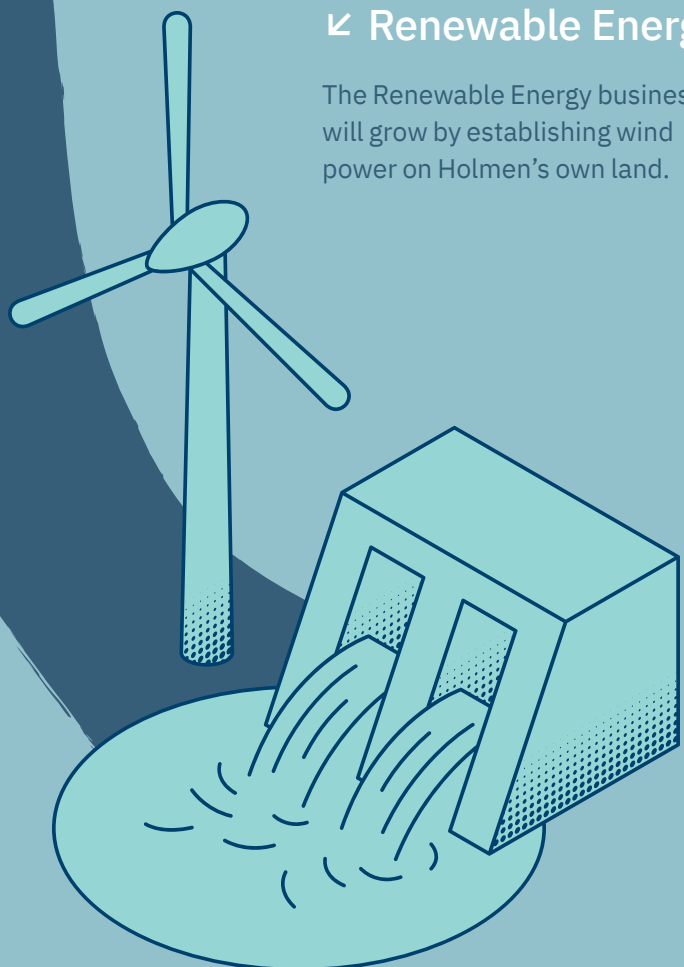
Forest growth and future harvests will increase through active and sustainable forestry. A strong position in the wood market will enable the development of Holmen's production facilities.

← Wood Products

The Wood Products business will grow through products and solutions for sustainable construction.

↙ Renewable Energy

The Renewable Energy business will grow by establishing wind power on Holmen's own land.



← Paperboard

The Paperboard business will develop on the basis of its position as a market leader in the premium segment for renewable consumer packaging.

WE AIM TO CREATE VALUE THAT STANDS THE TEST OF TIME

WHILE CONTRIBUTING TO A BETTER CLIMATE

Forest

The forest is sustainably managed to provide a good annual return and stable value growth. Growth and harvests will increase over time.

In 2021, harvest amounted to 2.8 million m³, which is in line with the current harvesting plan. Forest property prices continued to rise during the year, which increased the value of the Group's forest assets by 9 per cent to SEK 47 billion.

Industry

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

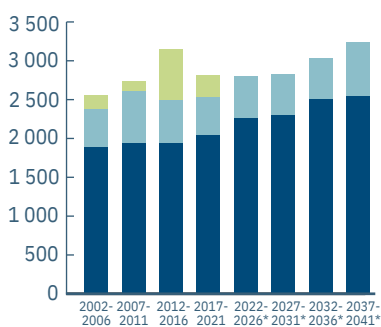
In 2021, the return for the industrial side of the business reached 26 per cent, driven by excellent profitability in Wood Products.

Renewable Energy

The production of renewable energy will increase by complementing our existing hydro power with wind power on our own land.

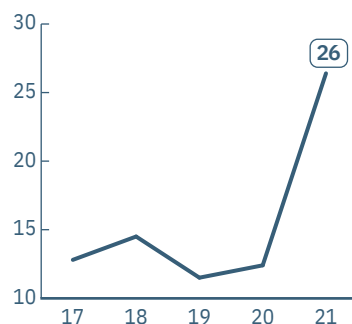
The level of hydro and wind power production was normal, amounting to a little over 1.2 TWh. 2022 will see the wind farm in Blåbergsliden become fully operational, which is expected to boost the Group's annual production of renewable energy by a little over 0.4 TWh.

Annual harvest, '000 m³sub/year

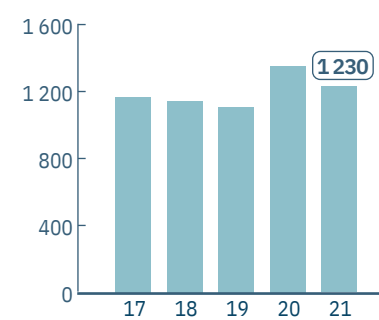


■ Harvest ■ Thinning
■ Storms & other events
*Forecast

Industry's return on capital employed, %



Production of hydro and wind power, GWh





Climate benefit

We will increase our benefit to the climate through higher growth in our forest and higher sales of renewable products that store carbon dioxide and replace fossil-based alternatives, while also reducing the fossil emissions along our value chain.

In 2021, Holmen's operations helped to generate a climate benefit of almost 7 million tonnes of CO₂e, with positive contributions from all the business areas. For further information, see page 32.

Capital structure

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

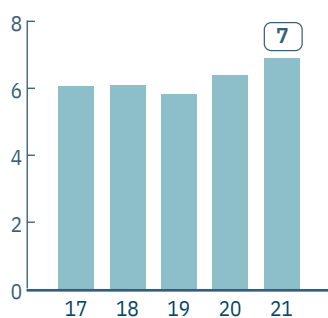
At year end, the financial position remained strong, with a debt/equity ratio of 9 per cent.

Dividend

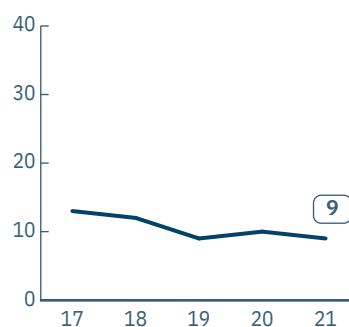
Holmen will generate a good annual dividend for shareholders. The level is determined by the Group's profitability, investment plans and financial situation. The dividend is supplemented with share buy-backs where this is judged to create long-term value for shareholders.

The Board proposes that the 2022 AGM approve a dividend of SEK 7.50 per share and an extra dividend of SEK 4.00 per share.

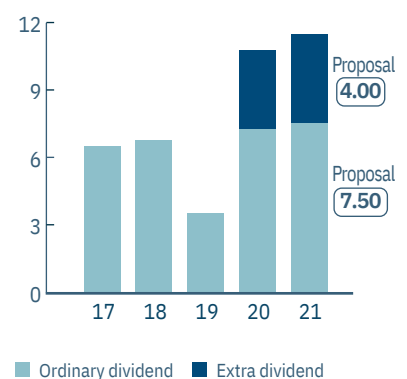
Climate benefit, million tonnes CO₂e



Net debt as % of equity



Dividend per share, SEK



THE VALUE OF OWNING FOREST

The forest is a fantastic asset. In the drive to become less dependent on fossil raw materials, forest products have a key role to play and demand for them will increase over time.

Active forestry improves tree growth, and with it the amount of renewable raw material, but the potential is limited to the areas that are available for forestry. The fact that Holmen owns 1.3 million hectares of land provides fantastic opportunities to create value over time.

The growth in the forest is the result of our active and sustainable forest management, which begins with the seed – we raise our own seedlings and reforest all the areas that are harvested. Because the annual growth is greater than the harvest, the amount of wood in our forests is also increasing year on year, which means that we will gradually be able to harvest more in the future. In 2021, Holmen's total volume of standing timber amounted to 125 million m³ growing stock, solid over bark, which is 6 per cent higher than 10 years ago.

Revenue from our forest holdings

Owning forest naturally provides a chance to earn revenue when the forest is harvested. The best prices are achieved for the large logs that are turned into construction material. Holmen uses the narrower part of the tree and wood from thinning, along with residual wood chips from the sawmills, to manufacture paperboard and paper for packaging, books and other graphical printing. In addition to logs and pulpwood, treetops and branches have their own uses and are sold as forest fuel for the production of district heating and so on.

Wind and hydro power. Owning forest land also provides opportunities for other revenue streams, not least by developing wind power. With our extensive forest holdings, we have a unique opportunity to develop areas that are favourable for wind power. We continue to initiate projects on our own land, and in the autumn Holmen's new Blåbergsliden Wind Farm began generating electricity step by step. When operating at full strength, the wind farm will produce 0.4 TWh, boosting our production of hydro and wind power to 1.6 TWh per year. There are currently 159 wind turbines in use or under construction on our land. With several wind projects in various stages of development, we have an opportunity to continue expanding wind power within Holmen.

Holmen's energy production is dominated by hydro power from our 21 fully or partly owned power stations. Hydro power provides a reliable electricity supply and delivers major social benefits in the transition to more renewable energy sources.

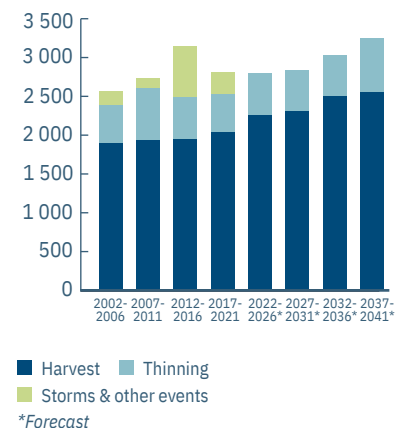
Other opportunities on our land.

Where parts of our land holdings are located near centres of population, in southern and central Sweden, and in tourist areas close to the mountains, the potential exists to develop the land for housing and holiday accommodation. Extracting stone and gravel from our own land for use in projects such as road building is another possibility for landowners such as Holmen.

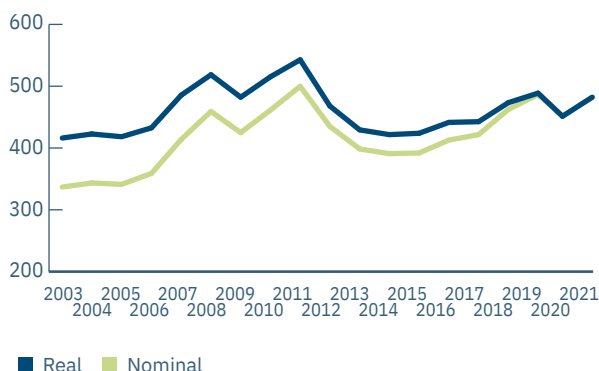
The value of the forest is confirmed by current transactions

A large number of forest property transactions are carried out every year. Holmen's forest assets are recognised at fair value based on the prices paid for forest properties in the areas where we have our forest. As of 31 December 2021, the book value stands at SEK 47 080 (43 202) million, which averages out at SEK 45 100 per hectare of productive forest land. The value varies across the country, with forest properties in southern Sweden being valued much higher per hectare as a result of a greater volume of standing timber, higher wood producing capacity, a shorter harvesting cycle and greater demand for forest land.

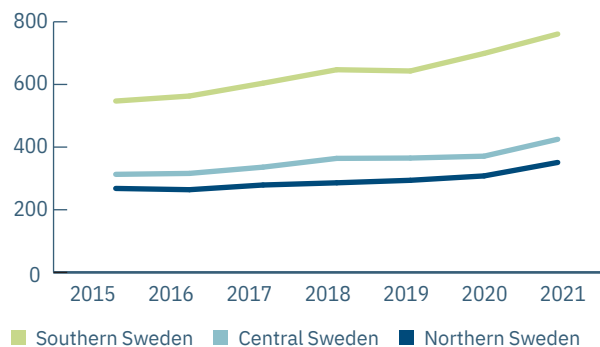
Planned harvest, '000 m³sub/year



Wood prices, SEK/m³sub



Price of forest properties, SEK/m³sub



Source: Annual collation of price statistics from various market players and transaction data.



THE CLIMATE TRANSITION IS DRIVING DEMAND

One of society's biggest challenges is meeting the needs of a growing population while at the same time curbing climate change. If we are to successfully transition to a fossil-free society, we must break our dependence on fossil resources and make more use of renewable materials from nature.

Growing demand for renewable and fossil-free products

Demand for raw materials and products that are renewable, recyclable and fossil-free is on the rise, a trend being accelerated by political decisions and increasing awareness among consumers. Active forestry is boosting the growth in our forests, but the supply of forest raw materials is limited, while at the same time global demand is expected to increase, for both logs and pulpwood.

Population growth and urbanisation, coupled with surging ambitions for sustainable construction, are driving the wood products market. Demand for paperboard and paper is being fuelled largely by economic and population growth, as well as changes in consumer behaviour and increased digitalisation. The desire to reduce climate impacts and avoid

plastic packaging is a strong driving force promoting greater use of wood fibre-based products.

Everything and everyone must carry their climate cost

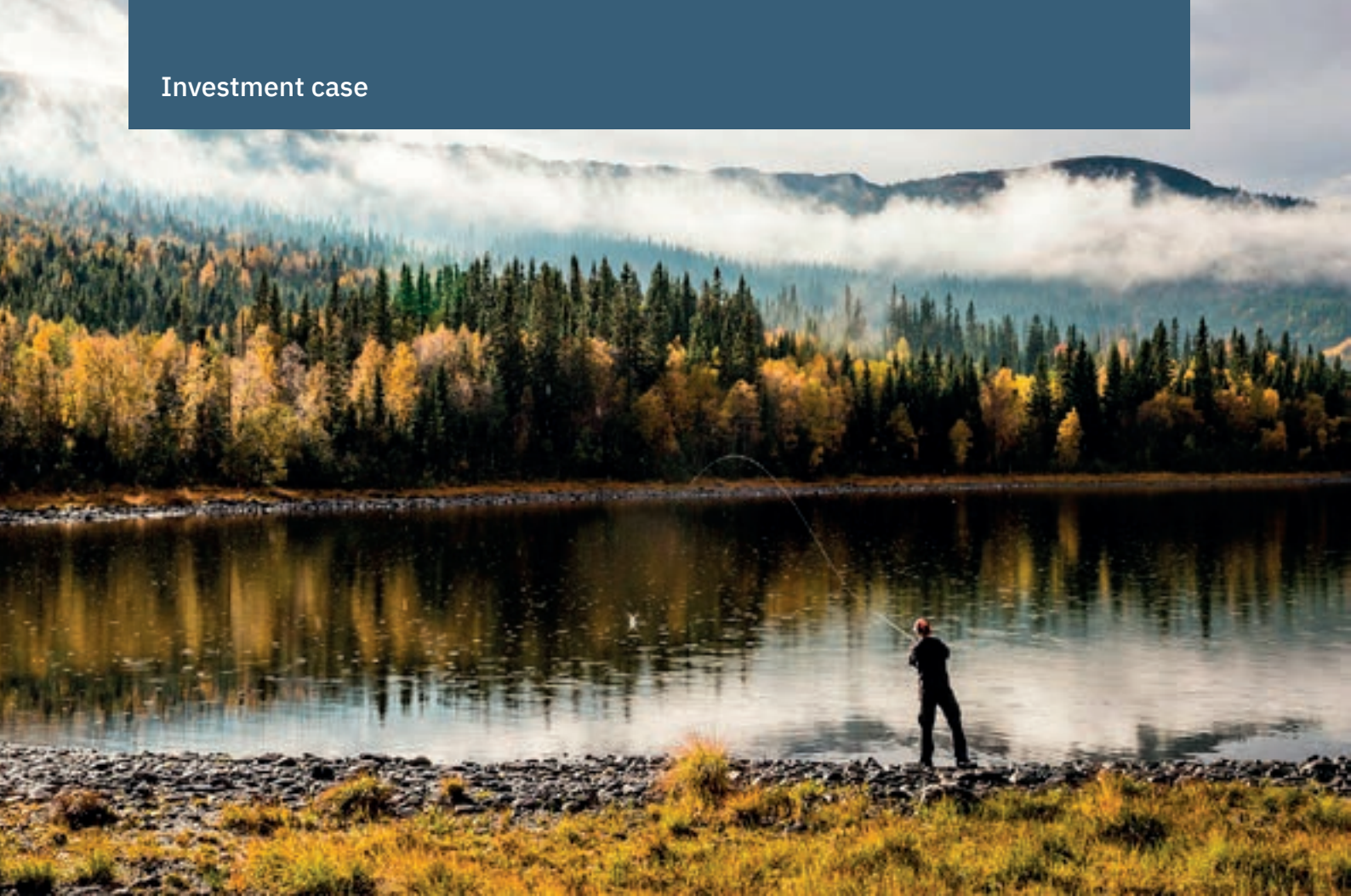
The European energy market is undergoing a major transition. Roughly half of electricity production in Europe is fossil-free, but electricity only accounts for a quarter of total energy consumption and almost all other energy consumption is fossil-based. To meet the climate targets, much of fossil-based energy production will need to be switched to fossil-free sources. As fossil energy is phased out, renewable electricity production will take on even greater significance in the future. According to a report by the Confederation of Swedish Enterprise (reference page 99), demand for electricity in Sweden alone is set to rise by at least 60 per cent by the year 2045.

However, it will not be enough just to increase the production of renewable energy – all transport and industrial processes will need to be electrified and made more energy-efficient, as will the construction and heating of buildings. Achieving this transition will require major investment and all products will have to carry the true cost of their climate impact.

Buildings account for considerable emissions of greenhouse gases from material and energy use, during both their construction and their life cycle. Within the EU, the construction and real estate sector is responsible for 35 per cent of fossil carbon dioxide emissions, and in Sweden buildings account for 40 per cent of energy use. Active measures in the areas of heating, material choices and transport offer major opportunities to cut the real estate sector's climate footprint. As the focus on climate issues intensifies, it is becoming increasingly clear that the forest and its products have a vital role to play in a fossil-free future. This is true not least of wood products, which store carbon dioxide when they are in use, while at the same time reducing demand for products with a high carbon footprint, such as concrete and steel.

The climate can't wait

Holmen is a company that is helping to improve the climate. The amount of greenhouse gas in the atmosphere is lower thanks to the work we do. Our growing forests capture and store carbon dioxide, our products replace fossil alternatives and our production of hydro power and wind power contributes to the transition towards a renewable energy system in Europe.



WE ARE HELPING THE WORLD TO TRANSITION

We are living in a time of huge challenges for the future and there is an urgent need for change in order to deal with the climate crisis. Our circular business meets that need. With our operations already providing climate benefits, we are looking to make even more of a contribution to the transition. And it all starts in the forest.

Higher growth while preserving biodiversity

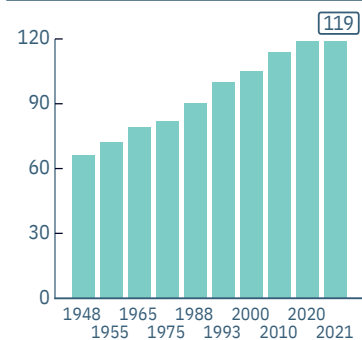
Holmen has been managing forests since the 17th century and over the years has contributed to enormous industrial advances. Historically, biodiversity has not been a priority issue in Swedish forestry, but the past 30 years have seen major developments and we have learned a great deal about how we can improve conditions for biodiversity and at the same time increase growth in the forest.

Holmen's forest strategy focuses on achieving high and profitable growth while also ensuring that all naturally occurring species can thrive in the Swedish forest landscape. Of Holmen's over a million hectares of forest-clad land, we use about 80 per cent for wood production.

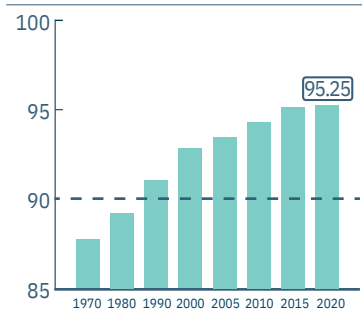
The trees we plant today will grow for around 80 years before they are harvested, and an awful lot can happen in that time. The forest could be hit by drought, storms and pests. But a thriving ecosystem increases the chances that the trees will survive and reach maturity. Each year, we invest around SEK 170 million in care for our forests and constantly work to improve everything from seedlings to nature conservation through research, development and education – all to ensure good growth and healthy ecosystems for future generations.

The Biodiversity Intactness Index (BII) shows that the conditions for biodiversity in Sweden have improved since the 1970s and are now rated as good.

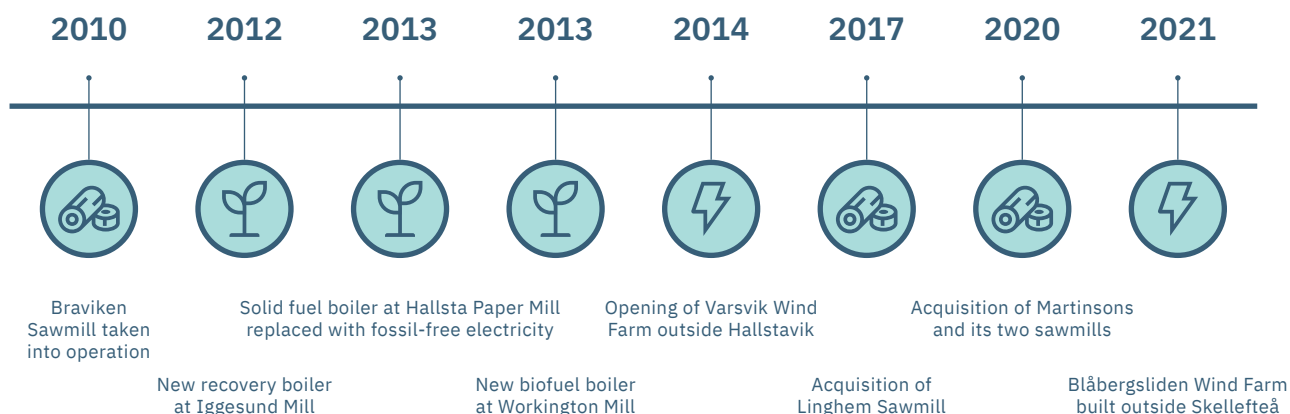
Volume of standing timber, m³ growing stock, solid over bark per hectare of productive forest land



Biodiversity Intactness Index Sweden



Areas with a BII above 90 are considered to have enough biodiversity to be a resilient and functioning ecosystem. Source: Natural History Museum. References page 99.



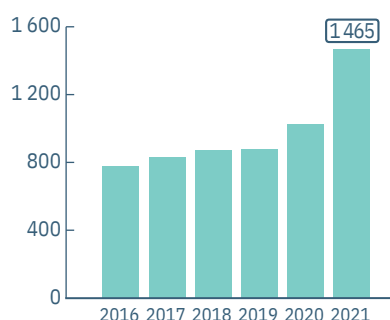
Increased production and processing of wood products

Holmen's manufacture of wood products has become an increasingly important part of our business. The construction of Braviken Sawmill in 2010 and the acquisition of Martinsons in 2020 have prompted strong growth in our wood products business. Demand for refined wood products is growing and with rising interest in wood construction we see great opportunities to further develop the business.

With a broader palette of refined products, we hold a strong market position, with increased sales to chains of builders' merchants. Through Martinsons, we are now also able to offer the planning and construction of complete frames in CLT and glulam for everything from sports halls and schools to office blocks and apartment buildings.

With five sawmills strategically located near our forest holdings, we are maximising the value of our forest and securing the raw material supply to all of our industrial sites.

Production of wood products, '000 m³



Increased production of renewable energy from wind power

For Holmen, the establishment of large-scale wind power provides a logical complement to our controllable hydro power. It is also a good way to derive added value from our land, as higher energy production provides a good revenue stream for Holmen.

Holmen opened Uppland's first wind farm, Varsvik, back in 2014, and now in 2021 Blåbergsliden Wind Farm has just been completed outside Skellefteå. With 26 turbines, the wind farm will boost our annual production of renewable energy by 30 per cent, taking it up to 1.6 TWh. In addition to Blåbergsliden, a permit application for another wind farm in Västerbotten has been submitted, and in 2021 we also applied for environmental permits for wind power in Östergötland.

As a large landowner, Holmen is well placed to help with the expansion of wind power and in recent years we have conducted surveys and wind analyses on the Group's land to identify favourable sites for future wind power development.

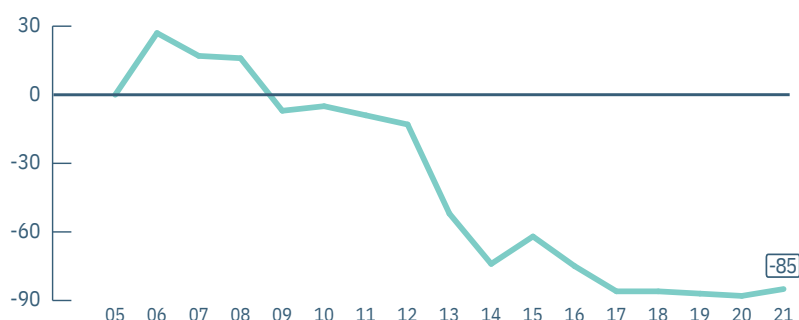
Lower fossil emissions from our production

We began planning for the transition from fossil energy use at our industrial sites in the early 2000s. Since then we have switched to primarily using fossil-free electricity and renewable energy from biofuel. Combined with energy efficiencies, emissions of fossil carbon dioxide from our production facilities have thus been cut significantly.

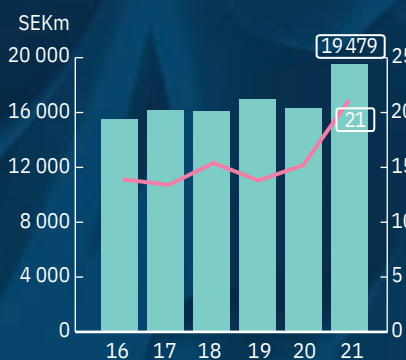
Since 2005, the use of fossil fuels in our production has fallen by 85 per cent. In contrast to many of our competitors on the continent, much of our manufacturing is practically fossil-free, and production at Hallsta Paper Mill is entirely fossil-free.

Today the majority of our fossil emissions are generated from purchases of input products, along with transport to and from Holmen's industrial sites. Therefore, we are now focusing on cutting emissions in these areas.

Use of fossil fuels (base year 2005), %

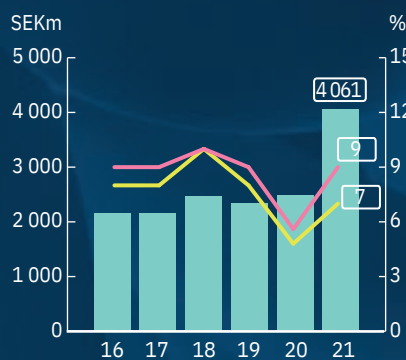


Net sales and operating margin



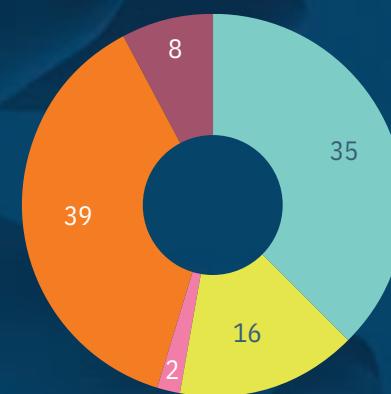
■ Net sales
 ■ Operating margin*
 *Excl. items affecting comparability

Operating profit/loss and return



■ Operating profit*
 ■ Return on capital employed*
 ■ Return on equity**
 *Excl. items affecting comparability
 **Excl. forest revaluation 2019

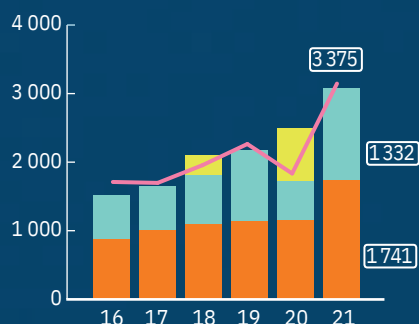
Operating profit* Business area, %



Total: 4 061 SEKm
 ■ Forest 1 495 SEKm
 ■ Paperboard 673 SEKm
 ■ Paper 70 SEKm
 ■ Wood Products 1 668 SEKm
 ■ Renewable Energy 347 SEKm

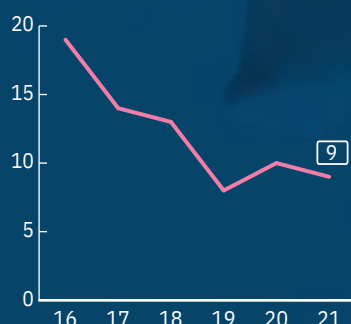
*Excl. items affecting profitability and Group-wide

Cash flow, SEKm

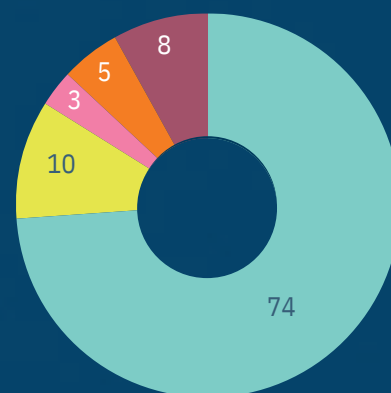


■ Dividend ■ Investments
 ■ Acquisitions
 ■ Cash flow before investments and changes in working capital

Net debt as % of equity



Capital employed* Business area, %



Total: 51 093 SEKm
 ■ Forest 37 300 SEKm
 ■ Paperboard 5 169 SEKm
 ■ Paper 1 637 SEKm
 ■ Wood Products 2 278 SEKm
 ■ Renewable Energy 4 069 SEKm

*Excl. Group-wide

HISTORIC RESULTS BASED ON OUR OWN FOREST

2021 turned out to be another year defined by the coronavirus pandemic. With a business based on our own forest holdings and a substantial profit of SEK 3 731 million, it is evident that we successfully maintained production and benefited from the price rises that followed when demand rose.

The continued strength of the wood products market drove demand for logs, leading to high prices, while demand for pulpwood remained normal with stable prices. Profit for the Forest business area amounted to SEK 1 495 million, with sales of forest assets in the UK contributing to the strong result. The value of owning Swedish forest also became increasingly clear, as the market price for forest property continued to rise over the year. Based on transaction prices in the areas where the Group owns forest land, the value of Holmen's forest assets climbed 9 per cent to SEK 47 billion.

As restrictions were lifted and the world opened up, demand for consumer packaging rose, causing an uplift in prices at the end of the year. Paperboard's revenue was adversely impacted by a major maintenance shutdown at both our mills, leading to a profit of SEK 673 million. Damage to the turbine in the biofuel boiler at Workington Mill increased energy costs by SEK 330 million, but did not affect paperboard production. The higher costs were posted as an item affecting comparability. A lack of recycled fibre

and record-high electricity prices placed constraints on European production of printing paper which, coupled with capacity reductions, created a shortage of paper in the market and prices rose towards the end of the year. The high electricity prices were partially offset by substantial increases in deliveries and a better product mix. Paper reported a profit of SEK 70 million. Wood Products experienced steep price rises in the first half of the year, but as customers ran down stocks in the autumn, prices fell back slightly. On the back of these high sales prices, and the greater volumes resulting from the acquisition of Martinsons, Wood Products profit totalled SEK 1 668 million.

The economic recovery drove up demand for coal and natural gas, while tightened regulations on fossil carbon emissions increased the cost of emission allowances. Together, these factors pushed electricity prices on the continent up to record levels. The energy shortage in Europe also affected Swedish electricity prices, while at the same time the price differences within Sweden were unusually large due to limitations in transmission capacity. Although production fell from the high levels of 2020, Renewable Energy reported a higher profit of SEK 347 million due to a rise in the average electricity price.

Holmen's financial position remains strong, even after distribution of the dividend and investments. During the year, the Group's net financial debt fell by SEK 80 million to SEK 4 101 million, equating to 9 per cent of equity.

Outlook

The continuing economic recovery is expected to drive demand for pulpwood. Demand for logs is expected to remain at a high level, given the ongoing strength of demand and an unstable supply of raw material from Central Europe due to the long-standing effects of storms and insect attacks.

The paperboard market has seen positive development during the pandemic and is expected to continue growing. European consumption of fresh fibre board rose by 6 per cent over the year, and Holmen continues to focus its business development on the customer segments with the highest quality requirements. The shortage of input goods that affected the market balance for paper in 2021 appears to be continuing into 2022. With local wood raw material and fossil-free electricity, our competitiveness is sound and we are continuing to develop our business in segments where the benefits of fresh fibre are most evident. The established commitment to wood products continues, with investments in increased capacity and processing aimed at developing the wood products business and generating added value from our own forest holdings. The market for wood products also looks favourable, particularly if other construction materials are required to carry their true cost to the climate.

Greater electrification of both manufacturing and transport is going to push up demand for more renewable electricity. Blåbergsliden Wind Farm will become fully operational in the first quarter of 2022, which will increase our annual wind and hydro power production by 30 per cent. The levels in Holmen's water storage reservoirs were normal at the end of the year.

With our strong financial position, Holmen is well equipped to exploit any opportunities as Europe converts to a fossil-free society. Our business already provides climate benefits and the best we can do for the climate is to help more customers to replace fossil sources with renewables.

Key figures

	2021	2020
Net sales, SEKm	19 479	16 327
Operating profit/loss, SEKm	3 731	2 479
Operating profit/loss excl. items affecting comparability, SEKm	4 061	2 479
Profit for the year, SEKm	3 004	1 979
Diluted earnings per share, SEK	18.5	12.2
Ordinary dividend per share, SEK	7.5*	7.25
Extra dividend per share, SEK	4.0*	3.5
Return on capital employed, %	8.5	5.6
Cash flow before investments and changes in working capital, SEKm	3 375	2 411
Cash flow from investments, SEKm**	1 332	1 924
Equity, SEKm	46 992	42 516
Net financial debt, SEKm	4 101	4 181
Net debt as % of equity	9	10
Average no. of employees (FTE)	3 474	2 974

*Board proposal. **Net including company acquisitions but excluding changes in non-current financial receivables.

SUSTAINABLE FORESTRY

Holmen manages the forest actively and sustainably. As well as being a stable source of revenue for Holmen, the forest brings major climate benefits by capturing and storing carbon dioxide and reducing the need for fossil raw materials. The strategy is to increase the revenue from and future value of the forest holdings through active and sustainable forestry.

Holmen's forests cover 1.3 million hectares, of which a little over a million hectares comprise productive forest land. 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 boosts competitiveness and enables the development of Holmen's production facilities.

Actively managed forest benefits the climate

In our forests, we grow houses. This means that we manage the forest for the benefit of the wood. The trees absorb carbon dioxide as they grow, while replacing fossil alternatives doubles the climate effect of the renewable raw material. In addition, the larger the area managed, the more carbon dioxide is captured. Forest that is not managed does not deliver anywhere near the same long-term benefits for the climate, not least due to the absence of any substitution of products that are harmful for the climate. Our active forestry also means that the trees grow better. When we increase the harvest, we are binding more carbon dioxide in wood products in the long term and are able to offer more climate-smart products in paperboard and paper.

Forestry constantly developing

The volume of standing timber in Holmen's forests is built up over 70–90 years and is then harvested when it reaches maturity, 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 using seedlings and seeds that are specifically tailored to the location. 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 invests around SEK 170 million a year in future growth through silviculture and fertilisation. Holmen's forestry is certified according to PEFC™ and FSC® and all the wood is traceable.

45 million seedlings. Holmen's two nurseries – one in Gideå and one in Friggessund – produce a little over 45 million spruce and pine seedlings each year, the majority of which are planted on our own land. Selected seeds and organic fertiliser produce healthy and vigorous seedlings that are given a special coating to protect against insect attack. Using bio-based heating makes the production of seedlings practically fossil-free. Holmen is also involved in the development of an automated system for growing forest seedlings. This technology will allow us to produce seedlings that grow better, offer higher wood quality and have greater disease resistance.

Biodiversity

We combine active forestry focused on high growth with protecting the diversity of natural habitats and species in our forests. We apply extensive environmental conservation measures during harvesting. For example, we leave old and dead trees in the forest landscape, as well as trees along watercourses. We also conduct targeted initiatives to increase the availability of habitats that are in short supply, not least by restoring wetlands or performing controlled burning. In addition, we have identified almost 8 800 sites that we do not harvest. In these areas that have been voluntarily set aside, we conduct inventories of the natural assets and, where necessary, take action to protect and boost habitat diversity. The aim is to ensure that all naturally occurring species are able to thrive in the Swedish forest landscape.

Sustainable forestry is about balancing several perspectives – economic, environmental and social – and succeeding in doing so over time. It is in our interest and equally in the interest of society for us to manage the forest actively and sustainably and for us to use the raw material in a wise and far-sighted way.

Learning more about Swedish forests

Forestry is essential to thriving rural communities. It creates jobs in places where there are few employers and gives people an opportunity to live, work and enjoy quality of life outside the city regions. Forestry also makes the forests easily accessible. Our forest roads take people out into the countryside, while thinning means the forest does not become overgrown. With its contribution to both the climate and the Swedish economy, management of the forest is of great national, regional and local significance. Holmen and other industry players have therefore joined forces to make politicians, authorities and the general public aware of how vital the forest is for the climate, and the importance of forestry for an emerging bioeconomy.

Holmen's Knowledge Forests. To raise awareness of our forestry and forest research, we have established Holmen's Knowledge Forests. The forests are selected for their specific biological conditions and is used to explore, gather and pass on knowledge. It is also our way of showing that sustainable forestry can promote growth while at the same time increasing biodiversity in the forest. This year saw the opening of Likstammen Knowledge Forest in Södermanland, where we operate sustainable management of lakeside holdings, combining active forestry with pure nature conservation measures such as restoring wetlands.

Strong position in the wood market

The growing interest in building in wood has driven up demand for logs in recent years. Calls for different types of renewable packaging material and large-scale investments in pulp mills have also helped to drive up demand for pulpwood.

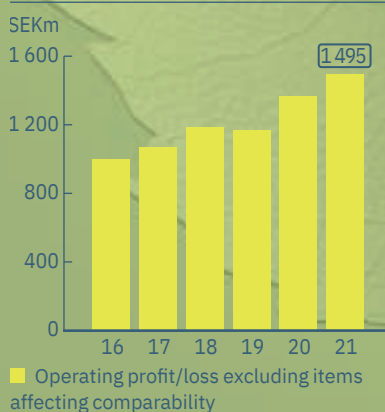
Over the year, demand for logs remained high and prices increased, while the pulpwood market was more balanced. Holmen holds a strong position in the wood market and, with our growing output of wood products, we can process an ever-increasing proportion of our forest at our own industrial sites.

»It is in our interest and equally in the interest of society for us to manage the forest actively and sustainably and for us to use the raw material in a wise and far-sighted way.«

Key figures

	2021	2020
Net sales, SEKm	6 509	5 883
Of which from own forest, SEKm	1 376	1 325
Operating profit/loss, SEKm	1 495	1 367
Investments, SEKm	249	207
Book value, forest assets, SEKm	47 080	43 202
Average no. of employees (FTE)	431	384
Volume from own forest, '000 m ³ sub	2 833	2 841

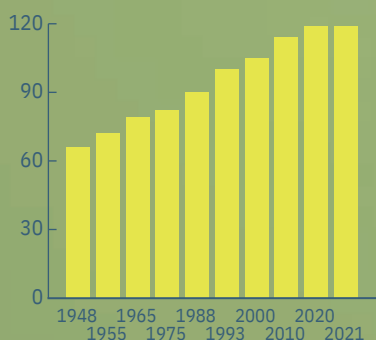
Operating profit



Comment on results

Forest posted a profit of SEK 1 495 million, which was positively impacted by the sale of a large forest property in the UK. Demand for logs was good, while the pulpwood market was more balanced, with stable prices. Harvesting and thinning of Holmen's own forest stood at a normal level, in line with the harvesting plan. Forest property prices continued to rise during the year, which increased the value of the Group's forest assets by 9 per cent to SEK 47 billion.

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



Holmen's forests 2021

Total land acreage	1 304 000 ha
Total forest land acreage*	1 159 000 ha
– of which nature conservation areas	201 000 ha
Productive forest land**	1 044 000 ha

Total volume of standing timber on productive forest land

125 million m³ growing stock, solid over bark

*Calculated based on Holmen's stand catalogue and data from the National Forest Inventory in line with the international definition of forest land: Land area > 0.5 hectares with a tree canopy cover of more than 10 per cent for trees capable of reaching a height of at least 5 metres at maturity.

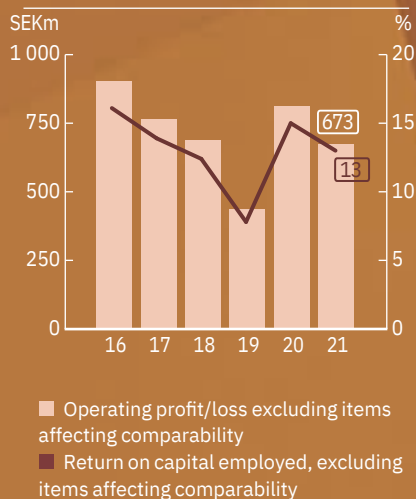
**Forest land that can produce 1 m³ growing stock, solid over bark per hectare and year (on average during the growth period of the forest stand) according to Holmen's stand catalogue.

»Our customers' choices make a difference. And the best we can do for the climate is to help more customers to replace fossil sources with renewables.«

Key figures

	2021	2020
Net sales, SEKm	6 261	6 187
Operating profit/loss excl. items affecting comparability, SEKm	673	812
Investments, SEKm	399	275
Capital employed, SEKm	5 169	5 276
Average no. of employees (FTE)	1 263	1 228
Deliveries, '000 tonnes	544	544

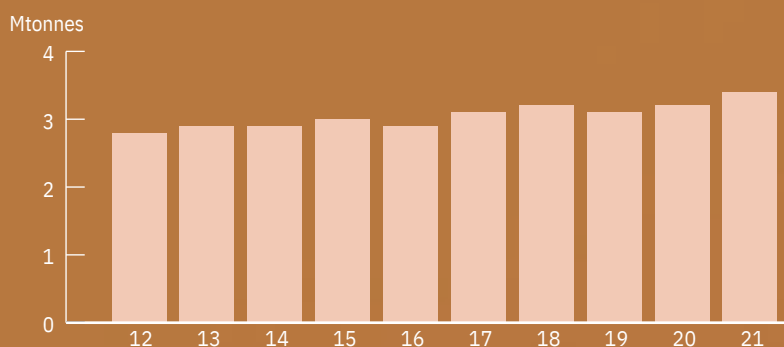
Operating profit/loss and return



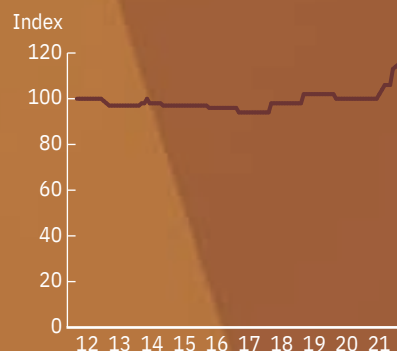
Comment on results

Demand for paperboard for consumer packaging gradually increased over the year, causing prices to rise. However, major maintenance shutdowns at both mills had a negative impact on profits, which totalled SEK 673 million for Paperboard. Damage to the turbine at Workington Mill increased energy costs, but did not affect paperboard production. The higher costs were posted as an item affecting comparability.

European demand for SBB and FBB



Price trend FBB



PREMIUM PAPERBOARD FOR CONSCIOUS BRANDS

Holmen Iggesund is a market leader in the production of high-quality paperboard. The strategy is to grow globally with two of the market's strongest brands by combining high quality, custom products and first-class service.

Holmen develops premium paperboard for consumer packaging solutions in sectors such as cosmetics, electronics, pharmaceuticals, food and tobacco. The paperboard is marketed under two brands: Invercote and Incada. The products are world leaders due to their quality, durability and excellent design properties. Our facilities for paperboard production and processing are located in Iggesund and Strömsbruk in Sweden and in Workington in the UK.

Our paperboard is manufactured from a renewable, recyclable and biodegradable material, which allows us to work with our customers to develop better packaging solutions that are more fit for purpose – solutions that are sustainable and promote more circular packaging systems.

Fresh fibre delivers unique properties

Both Invercote and Incada are manufactured entirely from 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. Achieving all this relies on the combination of fresh fibre and a multi-tiered structure, with layers of different fibre types forming the basis for the paperboard's outstanding performance.

Close customer collaboration on development

With its high and consistent quality, the paperboard ensures stable results in the customer's production process. Products are constantly being developed to meet the growing demand for sustainable packaging solutions. The customers' need for support and fast deliveries are priority areas that cover everything from advice and product samples to service centres

with local sheeting units and warehousing. Via support teams that maintain close contact with the market and have a deep understanding of the customer's needs and wishes, we offer expert advice before, during and after the customer's production process.

The service offering includes environmental documentation and 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 we can offer custom solutions that meet the toughest requirements.

Smart and sustainable production

Both of Holmen's paperboard mills hold chain-of-custody certification and all the wood raw material comes from sustainably managed forests. Our facilities are largely self-sufficient in renewable thermal and electrical energy. Iggesund Mill is integrated with Iggesund Sawmill, ensuring that every part of the tree is put to use on site in a circular production process. 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.

Within the past two years, Iggesund Mill and Workington Mill have both received a Platinum rating from EcoVadis for their successful sustainability work. In 2021, Iggesund Mill was also ranked number one in its class by the international analysis firm, cementing the mill's world-beating status on sustainability.

A renewable alternative to plastic

Two strong trends in the packaging market are the drive to reduce impacts on the climate and the drive to avoid plastic packaging. Replacing fossil plastic materials with paperboard cuts our customers' carbon footprint, while also reducing the amount of plastic that can end up in the natural environment. Products made from fresh fibre can also be recycled,

which is essential for a functioning recycled fibre industry.

New product for food packaging.

Inverform, a paperboard product specifically developed to replace plastic and aluminium food packaging, has been well received by the market. Inverform has been designed for press-moulded and folded trays for packaging ready meals. Inverform-based packaging has a substantially lower carbon footprint than regular plastic trays and can also be recycled in the existing packaging collection system. In addition, 2021 saw the launch of a degradable bioplastic that can be used as a barrier against liquids and fats. The new Bio E coating, comprising 75 per cent renewable raw material, is a vital step towards entirely fossil-free food packaging. Our customers' choices make a difference. And the best we can do for the climate is to help more customers to replace fossil sources with renewables. These innovations are prime examples of how we continue to develop purposeful packaging solutions in collaboration with our customers and partners.

Growing packaging market

Demand for packaging is rising in line with factors such as population growth, urbanisation, an expanding middle class and more single-person households. Demand in the various product segments varies depending on the market, but there is a general increase in demand for renewable packaging materials. This trend is being driven by regulations against single-use plastics and growing environmental awareness among consumers.

Demand up in the wake of the pandemic.

The resumption of operations after the pandemic, with the restoration of inventories and disruption of supply chains, has created a shortage of paperboard for consumer packaging. Demand for paperboard was good over the year, particularly in food, electronics and pharmaceuticals.

INNOVATIVE PAPER PRODUCTS FROM FRESH FIBRE

Holmen develops fresh fibre-based papers that are perfect for books, magazines and printed advertising. Our papers are lightweight compared to traditional alternatives, making them resource-efficient without compromising on quality or the overall impression. The focus lies on delivering and constantly developing products that are competitive over time.

Holmen is a market leader in the development of new paper products based entirely on fresh fibre. In contrast to recycled fibre products, fresh fibre produces a naturally high brightness for an improved experience of text and images. Holmen's paper products have high bulk, making them thick yet light, which means that the customer gets more paper with the same feel at no extra cost. A lighter paper also enables lower distribution costs.

With renewable raw material, fossil-free electricity and resource-efficient production, we are able to offer products with a low climate footprint. Customer interest in the low climate impact of our products continues to grow, in a trend that matches our strategy of helping our customers to conduct more sustainable business.

Paper with the power to communicate

Our customers are largely publishers, printing firms and retailers looking for resource- and cost-efficient papers with a focus on bulk, brightness and overall impression. We take a long-term approach in working to meet customer demand and create profitable products in three graphical segments: books, magazines and printed advertising.

Book paper. Holmen's book paper is the leading product for paperback books in Europe. Our carbon-neutral paper with high bulk helps customers to achieve efficiencies in both production and distribution. Publishers appreciate Holmen's paper because it offers product properties – in the form of a bright, smooth surface – that enhance the reading experience.

Graphical paper. Holmen offers a wide range of papers for magazines and printed advertising. The combination of high bulk, whiteness and brightness makes our magazine papers competitive alternatives, with a focus on the overall impression.

Direct mail is still considered an important communications channel for driving customers to both physical stores and digital commerce. Holmen's lightweight paper offers customers the potential to increase the format or the number of pages or copies without adding to the cost, or simply to bank the pure savings on both paper and distribution.

Paper products of the future

Holmen has been making paper for more than 100 years and has unparalleled expertise. We are convinced that paper has an important role to play in society, today and tomorrow. With fresh fibre as the foundation, we are continuing to develop our position in a changing market, in both existing and new segments. Investments have boosted capacity in selected product areas and our development of new paper products involves close collaboration with customers and partners.

Packaging paper. The launch of paper products for flexible packaging in the form of bags and wrapping paper, as well as base paper for the production of corrugated board, marks our next step in developing the paper products of the future. Broadening our range of products for sustainable packaging solutions boosts our competitiveness, offering customers opportunities to reduce their climate footprint and replace fossil-based packaging.

Production in circular ecocycles

Holmen's paper is produced at two Swedish mills, Braviken and Hallsta. Strategic logistical locations ensure short transport distances for the wood and proximity to ports with good capacity. The raw material for our paper comprises residual products from nearby forests and sawmills, which are employed in a circular ecocycle where nothing goes to waste. Environmental and chain-of-custody certification enables

us to ensure that the raw material for our products always comes from sustainably managed forests.

Uniquely, production at Hallsta Paper Mill is entirely fossil-free. The mill's energy solutions include recovering heat from the wastewater and the paper machines, selling the bark to heating plants and composting residual products to create topsoil.

Braviken Paper Mill and Braviken Sawmill make an energy-efficient unit. The paper mill receives raw material in the form of wood chips from the sawmill, which in turn is supplied with energy and heat from the paper mill. Surplus bark and wood shavings are sold for the production of renewable energy.

Over the year, both mills have received a Platinum rating from EcoVadis. This puts them in the top percentage of the 75 000 companies around the world that have been assessed on their environmental, ethical and social performance.

Recycled paper grows in the forest.

Paper made from fresh fibre is essential for the European paper recycling system. Forest resources are limited in the rest of Europe and paper manufacture is based on recycled paper to a considerably higher extent. However, paper cannot be recycled again and again forever. After a certain number of times, the wood fibre is exhausted. The ecocycle therefore needs a constant injection of fresh fibre.

The pandemic's effects on a challenging market

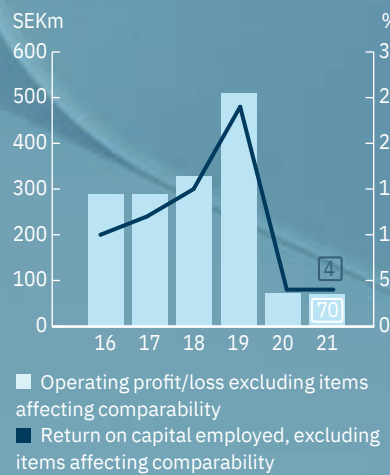
The coronavirus pandemic has had a major impact on both supply and demand with regard to graphical paper. Although the pandemic has accelerated the underlying structural downturn, capacity reductions have stabilised the market. Demand varies between segments, but overall our paper products have demonstrated good competitiveness, not least due to resource-efficient production using local wood raw material and fossil-free electricity.

»With fresh fibre as the foundation, we are continuing to develop our position in a changing market, in both existing and new segments.«

Key figures

	2021	2020
Net sales, SEKm	5 441	4 879
Operating profit/loss, SEKm	70	73
Investments, SEKm	129	280
Capital employed, SEKm	1 637	1 969
Average no. of employees (FTE)	854	832
Deliveries, '000 tonnes	1 029	883

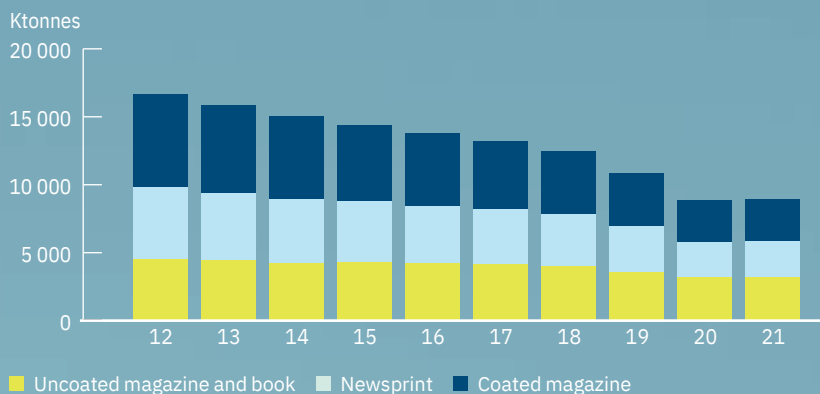
Operating profit/loss and return



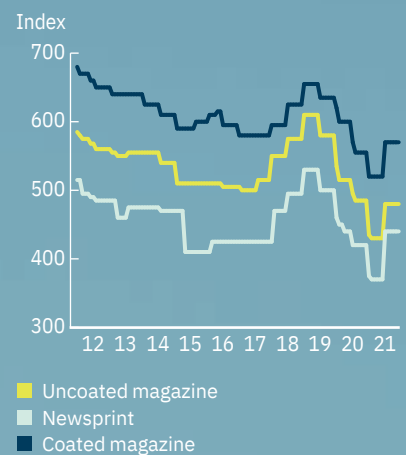
Comment on results

A lack of recycled fibre and record-high energy prices placed constraints on European production of printing paper over the year. Coupled with capacity reductions, this created a shortage in the market, causing prices to rise towards the end of the year. Paper posted a profit of SEK 70 million, with substantial increases in deliveries and a better product mix partially offsetting the high electricity prices.

European demand for paper



Price trend

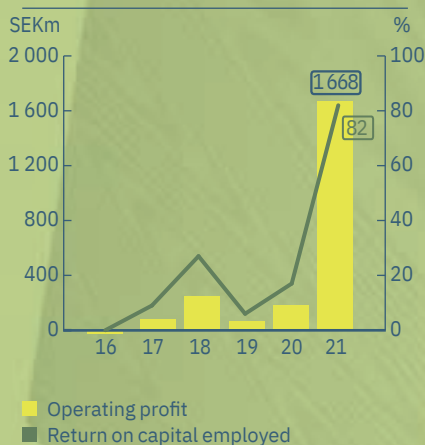


»Drawing energy from the sun and water from the ground, trees absorb carbon dioxide from the air, and this then remains stored in the wood products we manufacture.«

Key figures

	2021	2020
Net sales, SEKm	4 872	2 222
Operating profit/loss, SEKm	1 668	185
Investments, SEKm	242	107
Capital employed, SEKm	2 278	1 846
Average no. of employees (FTE)	783	387
Deliveries, '000 m ³	1 373	1 052

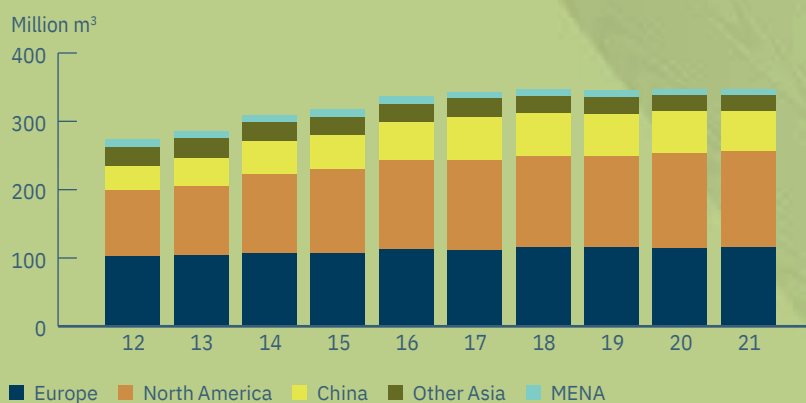
Operating profit/loss and return



Comment on results

The market for wood products has developed positively during the pandemic. After steep price rises early in the year, the price of wood products slipped slightly in the autumn as customers ran down their stocks. The acquisition of Martinsons and the expansion of Braviken Sawmill enabled volumes to increase, helping Wood Products to post a historically high profit of SEK 1 668 million.

Consumption of wood products



Price trend



BUILDING THE FUTURE IN WOOD

Holmen produces sawn and refined wood products for joinery, construction and builders' merchants. A project business for full structural frames in CLT provides a complete offering for climate-smart, large-scale wood construction. 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.

Wood is a fantastic material. It is strong, versatile, light and the only construction material that is renewable.

Holmen's sawmills play a key role in our circular business. This is where the wood is split and the processing of the forest we have harvested begins. Developing the wood products business is a natural extension of our forestry work and a key dimension of our strategy of owning and adding value to the forest.

Sustainable building

Our wood products become houses and other buildings. They are used for façades, roof trusses, floors, walls, doors and window frames, as well as for furniture and decking. Products as simple as planks and boards create great value, not least for the climate. Drawing energy from the sun and water from the ground, trees absorb carbon dioxide from the air, and this then remains stored in the wood products we manufacture. Building in wood is therefore significantly better for the climate than building in concrete and steel, since the manufacture of these materials requires large amounts of energy and generates considerable emissions of fossil carbon dioxide. In addition, the whole chain from manufacture to transport is much more energy-efficient and cost-effective, since wood weighs less than concrete and steel. We thus create benefit for the climate on multiple fronts.

Adding value and increasing production

Holmen's high-tech sawmills enable us to offer a wide range of dimensions and grades. Thanks to advanced technology, we can maximise the output from every log. Proximity to the raw material combined with efficient wood purchasing is a

key factor for profitability, while competitiveness is underpinned by the fact that parts of production are co-located with the Group's paperboard and paper mills.

Demand for refined wood products, especially CLT and glulam beams, is growing and with rising interest in wood construction we see great opportunities to further develop the business. We currently offer everything from joinery timber and refined products for builders' merchants to advanced construction components and glulam. The acquisition of Martinsons' two sawmills in northern Sweden in 2020 advanced Holmen's position in wood construction and now enables us to process the majority of the raw material from our forests in-house. Through Martinsons, we are also able to offer the planning and construction of complete wooden frames for everything from sports halls and schools to office blocks and apartment buildings.

Investments to boost capacity. Since becoming operational in 2011, Braviken Sawmill has undergone several rounds of technical upgrades to become Scandinavia's largest and most modern sawmill. Following the expansion of Braviken and the acquisition of Martinsons, the focus now turns to Iggesund Sawmill as the next step in strengthening our market position. An investment in timber sorting and a new planing mill will increase production at Iggesund Sawmill by 20 per cent, as well as adding construction timber on top of its joinery products range.

A new environmental permit for a capacity increase at Kroksjön Sawmill, plus a new log feed and modernisation of the glulam factory at Bygdasiljum Sawmill, will also create opportunities to expand production in northern Sweden.

Energy-efficient production units. Two of the Group's sawmills, Iggesund and Braviken, form energy-efficient units 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.

Sustainable raw material supply.

Holmen's sawmills are located near our forest holdings from north to south, bringing logistical benefits and giving access to a transport network that reaches around the globe by rail, road and, not least, sea. Holmen's sawmills have chain-of-custody certification, which means that 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. With a total of five sawmills, strategically located near our forest holdings in various parts of Sweden, we have good control over our raw material.

Strong growth in global market

The market for wood products is global and huge streams of goods are shipped between continents. Worldwide consumption of wood products has leapt up 30 per cent in the past decade, propelled largely by increased consumption in China and in the US market.

Sustainable building driving the trend.

The real estate sector accounts for a third of carbon emissions in Europe and the construction industry is working hard to reduce its carbon footprint. Within the ongoing green transition, wood as a construction material has a great deal in its favour, since wooden buildings continue to store carbon dioxide within the structures, instead of generating emissions. As this trend gathers momentum, it is expected to push up demand for wood products, particularly if concrete and steel have to carry their true cost to the climate. 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.

Steep price rises during the pandemic.

A strong housing market in the USA and a rise in home renovation projects in many countries due to the pandemic, combined with production curtailments in Canada and Russia, led to steep price rises for wood products in the first half of 2021. Production bottlenecks suppressed activity in the construction market during the autumn, causing a downturn in prices.

GREEN ENERGY FROM OUR LAND

Holmen's production of renewable hydro and wind power contributes towards a sustainable energy supply in Sweden and towards Europe's transition to fossil-free energy sources. We are now taking the next step as a green energy producer by investing in the expansion of our wind power capacity.

Holmen produces renewable energy from water and wind. Hydro power is an important source of energy for society as it can be regulated and has an almost infinite lifetime and minimal climate impact. At the same time, we are investing in building more wind power. This will help to increase the amount of renewable electricity on the market, which is a cornerstone of the transition to a sustainable society.

Europe switching to renewables

The European energy market is undergoing a major transition due to the issue of climate change. In late 2020, the European Parliament decided to raise its climate ambitions, whereby carbon emissions in the EU are to fall by at least 55 per cent by 2030 (base year 1990) compared with the previous target of a 40 per cent cut.

Roughly half of electricity production in Europe is fossil-free. However, electricity only accounts for a quarter of total energy consumption and almost all other energy consumption is fossil-based. To meet the climate targets, much of fossil-based energy production will need to be switched to fossil-free sources. Together with increasing electrification of both transport and industry, it is clear that electricity consumption is set to increase, creating additional demand for more renewable energy.

Transitioning the energy system to more weather-dependent energy sources such as solar and wind power will also bring challenges, since the power supply has to be maintained every minute of every day, all year round. An expansion of transmission capacity both between and within countries is therefore necessary.

Wind power creates opportunities

Wind power is the fastest growing energy type in the EU and the third largest means of producing 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. This expansion is being driven by rapid technical development of next-generation wind turbines that are larger and more efficient, and as a major landowner, Holmen has excellent opportunities to establish wind power at a competitive cost.

Increased production on own land.

Blåbergsliden Wind Farm was erected on Holmen's land outside Skellefteå during the year. When the wind farm is operating at full strength, the 26 turbines, with a total annual production of 0,4 TWh, will be able to supply around 100 000 households with renewable electricity annually. This investment is a significant step in the development of Holmen's energy business. In addition to Blåbergsliden, a permit application for another wind farm in Västerbotten has been submitted, and during the year we applied for environmental permits for two wind farms in Östergötland.

Strength in own energy assets

Holmen produced 1.2 TWh renewable electricity from hydro and wind power in 2021, a figure that is set to rise in future years with the commissioning of Blåbergsliden. Together with the renewable electrical energy that is produced at the Group's mills, our production of hydro and wind power equates to more than 40 per cent of Holmen's overall energy consumption.

Hydro power provides a reliable

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

or changes in other electricity production by reducing or increasing the flow of water through the turbines. The climate impact of the operation is also marginal, with minimal emissions.

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

Record-high electricity prices over the year

The market for electricity in the Nordic region has worked well historically, with harmonised pricing that usually follows the marginal cost of coal-based power, since the market is tied in with the rest of Europe. Over the year, the price of coal and natural gas has risen globally due to the recovery after the pandemic. Rules on fossil carbon emissions have also been tightened in Europe, leading to higher costs for emission allowances. Together, these factors pushed electricity prices on the continent up to record levels.

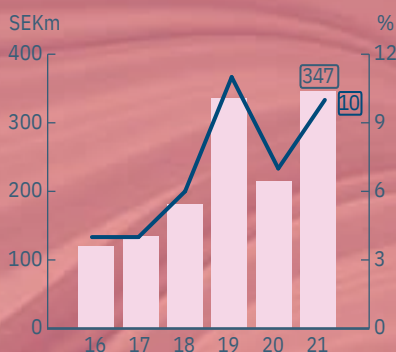
The energy shortage in Europe also affected Swedish electricity prices, while at the same time the price differences within Sweden were unusually large due to limitations in transmission capacity between northern and southern parts of the country. In northern Sweden, however, where Holmen has most of its energy production, the price of electricity decreased slightly due to high hydro power production and limitations in transmission capacity.

»With electrification of both transport and industry on the rise, it is clear that electricity consumption is set to increase, creating additional demand for more renewable energy.«

Key figures

	2021	2020
Net sales,	488	378
Operating profit/loss excl. items affecting comparability, SEKm	347	215
Investments, SEKm	712	291
Capital employed, SEKm	4 069	3 351
Average no. of employees (FTE)	19	16
Own production of hydro and wind power, GWh	1 230	1 352

Operating profit/loss and return

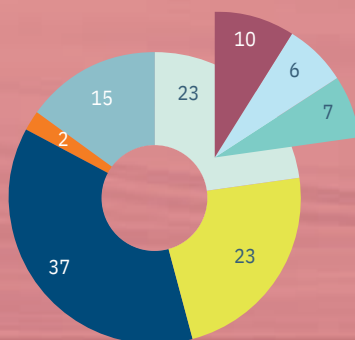


■ Operating profit/loss excluding items affecting comparability
 ■ Return on capital employed, excluding items affecting comparability

Comment on results

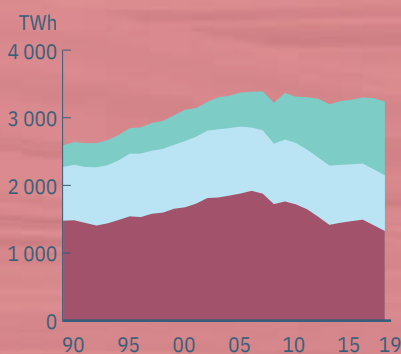
The global recovery after the pandemic has driven up demand for coal and natural gas over the year. Coupled with higher costs for emission allowances, this has helped to drive up electricity prices on the continent to record levels. Since the electricity market in Europe is interconnected, this also affected Swedish electricity prices, so that despite production falling slightly from a high level in 2020, Renewable Energy increased its profit to SEK 347 million.

European energy consumption, %



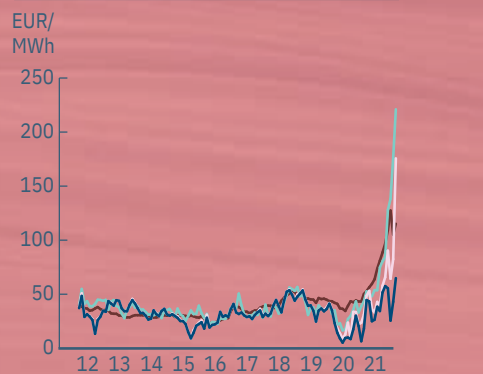
■ Electricity
 ■ Fossil fuels
 ■ Natural gas
 ■ Nuclear power
 ■ Oil
 ■ Coal
 ■ Other
 ■ Renewables

European electricity consumption



■ Fossil ■ Nuclear ■ Renewable

Price trend



■ SE2 (Sundsvall) ■ SE3 (Stockholm)
 ■ Germany ■ Marginal cost of coal-based power

WE LET THE FOREST GROW AND GIVE

Our business model is circular. The forest ecocycle gives us our wood, which is refined and made into products which our customers can then refine in their turn. As the lifecycle draws to a close, the products can be recovered and come back to life in a new form, or be put to use as biofuel.

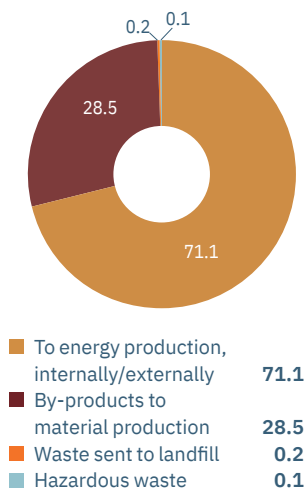
Over the years, we have made circularity an integrated part of our business. Today, growing, healthy forests, efficient management of raw materials and circular cycles are not merely essential to our profitability, they are also the cornerstone of a genuinely sustainable business. We have the expertise to make the forest grow and give.

We grow houses but we produce more than wood products

Holmen's two nurseries produce more than 45 million seedlings each year, with the majority planted on the Group's own land. After 70–90 years, as the tree's growth slows and its capacity to absorb and store carbon dioxide falls, the forest is mature enough to be harvested.

We saw as many planks and boards as technically possible from the trees we harvest. But not everything can be turned into construction materials. This is because tree trunks and planks are rectangular, and because trees also have branches, knots and bark. We use 100 per cent of the raw material. Nothing goes to waste. About half of the harvest consists of large logs that are used to produce construction material used for houses and interiors, for example. The narrower part of the tree and wood from thinning represent about half of the harvest and are used with residual products from the sawmills in the form of wood chips to manufacture paperboard and paper. The remainder comprises branches, tops, bark and wood shavings, which are used to produce bioenergy.

Distribution of by-products and waste, %



A circular business that is bigger than Holmen

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

No recycled paper without fresh fibre.

When our paperboard and paper is recycled, it feeds into the recycled paper system, which needs an injection of fresh fibre to function. This is why we often say that recycled paper grows in the forest.

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

Flourishing ecosystems for a renewable future

The forest has the capacity to provide many benefits at the same time, making it a valuable resource not only for Holmen but for society as a whole. The transition to a fossil-free society demands more renewable material, which means that the earth's surface needs to be managed more efficiently and to a greater extent. Flourishing ecosystems are essential to creating healthy, resilient forests.

Forever learning. We are convinced that it is through research and collaboration that we can continue to develop forestry and find new ways to encourage both growth and biodiversity. Environmental conservation is part of all our activities as we manage and harvest our forest, and protect and improve habitat diversity. This enables Holmen to increase harvests over time, while enabling all naturally occurring species to continue to thrive in the forest landscape.

To increase the value and the usefulness of the forest, Holmen constantly engages in development work spanning every aspect of our operations. Holmen's work on research and development is mainly focused on three areas – increased forest growth, more efficient production and developing new and existing products based on forest raw material.

5%

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

45%

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

50%

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

About half of these logs in turn become wood products while residual products such as wood chips and wood shavings are used to produce pulp and bioenergy.



Using all of the tree trunk

- Wood – Planks and boards
- Wood chips – Pulp for paper
- Bark – Bioenergy
- Wood shavings – Bioenergy

FORESTRY FROM A GLOBAL PERSPECTIVE

Sweden is a country with major forest assets that are actively managed, as is the case in many other countries. However, there are some differences that are worth highlighting. The degree of deforestation, the number of forest plantations and the intensity of forest management are areas that differ widely between different countries. The impact on the ecosystems and the conditions for biodiversity also vary between different countries and regions. All in all, this also affects the forests' capacity to contribute to a better climate.

Managed forests absorb more carbon dioxide

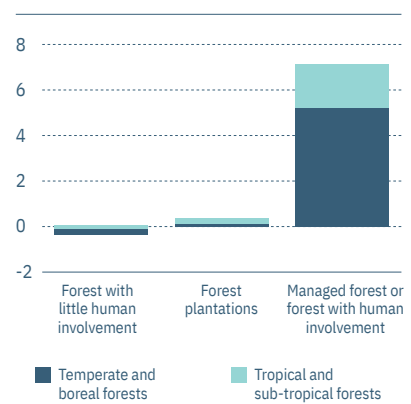
Through photosynthesis and using energy from sunlight, growing trees transform carbon dioxide (CO₂) into biomass and thus store large amounts of carbon (C) in the trees' wood. The world's forests store more than 800 billion tonnes of carbon in trees and in the soil, equivalent to more than 3 000 billion tonnes of carbon dioxide. This means that the forests contain about as much carbon as the whole atmosphere. The forest thus plays a vital role in balancing the global climate. Fortunately, the amount of carbon stored in the world's forest assets is growing. The growing forests capture and store around 7 billion tonnes of carbon dioxide a year, as a net amount, counteracting the effect of fossil emissions and providing us with a temporary buffer against climate change, to a certain extent. But in which forests does this uptake happen?

- A quarter of the world's forests have very little human involvement. These forests

contain high amounts of carbon but do not store any additional carbon dioxide to any greater degree, since emissions of carbon dioxide from old trees and plants as they rot largely balance out carbon uptake in young trees. Minimal growth, a higher risk of fire and reduced areas due to tropical deforestation also mean that the net uptake in these forests is limited.

- Forest plantations account for only 3 per cent of the world's forests and contribute approximately 3 per cent of the forests' net uptake due to high growth.
- The highest net uptake of carbon dioxide is found in forests with human involvement. A significant part of the explanation behind this is that a large proportion of these forests is actively managed and consequently has both high growth and low emissions from old trees, fire and other damage, producing a high net carbon uptake.

Net CO₂ uptake in the world's forests, billion tonnes per year



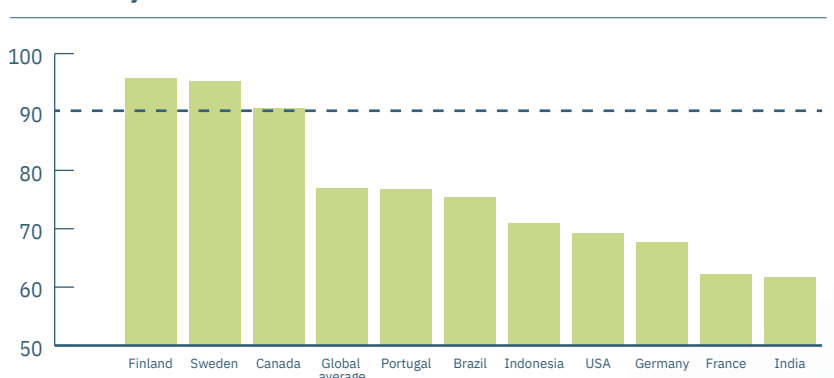
Source: Harris et al., 2021. References page 99.

Good conditions for biodiversity in the Nordic countries

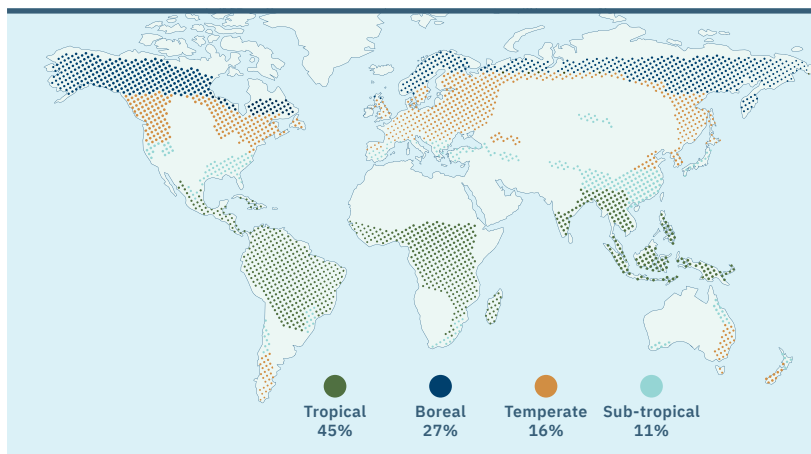
Safeguarding global biodiversity is a critical dimension of sustainable development, and one that is closely related to how our forests are managed. Although the challenges are often local in nature, there is value in observing progress at an aggregated level. The natural variation of biotopes and species in a given area makes this a complex challenge.

The Biodiversity Intactness Index (BII) models human impact on the natural environment and estimates how high a proportion of the original number of species and habitats still remain. If the BII is 90 or higher, the area is considered to have good conditions for resilient and functioning ecosystem.

Biodiversity Intactness Index 2020



If the BII of an area is 90 or higher, human impact on the area is considered to be within planetary boundaries. Source: Natural History Museum. Global Forest Watch. References page 99.



The world's forests

Forests cover almost a third of the land area of our planet, or about four billion hectares. More than half of this is tropical and sub-tropical forest. This includes the vast tropical rain forests of the Amazon, the Congo Basin and in South-East Asia, but also large areas of forest in dryer areas. Temperate and boreal forests are mainly found in the northern hemisphere. The taiga has large areas of boreal forest in the cold regions of Siberia, Europe and Canada. A large proportion of temperate and many boreal forests are actively managed, including in Sweden.

Forestry in different parts of the world

Forest area

Between them, the major European forest industry nations of Sweden and Finland account for about a quarter of the EU's forests, but only just over 1 per cent of global forested land. Brazil, Canada, the USA and Russia are the countries with the largest amount of forest. In total, these four countries account for almost half of the world's forests.

However, forestry conditions vary between different countries and regions. Differences in forms of ownership and responsibility for the land affect the way the forests are managed and the approach to questions of forest policy.

Deforestation

Currently 0.2 per cent of the world's forests are deforested every year; in other words, forest land is converted to other land use, mainly agriculture but also for urban development and infrastructure. Deforestation is at its highest in the tropics and considerably lower in temperate and boreal regions.

Forest plantations

Intensively managed forest plantations account for 3 per cent of the world's forests. Brazil, Portugal and India are examples of countries with significant plantation areas. In Sweden, 1.4 per cent of forests are classified as plantations, mainly stands of lodgepole pine or spruce planted on former arable land.

Active forestry

Sweden and Finland are examples of countries where active forestry is undertaken on a large proportion of forest land, producing a relatively high harvesting level for industrial roundwood. Germany and Portugal are examples of countries with smaller areas of forest but where higher growth due to warmer climate produces longer growth seasons and thus an even higher wood harvest per hectare. Other important forest industry countries such as Brazil, Canada and the USA have a relatively small harvesting level in relation to their vast forest areas.

Use of bioenergy

Burning wood to meet domestic needs is still the most dominant use of wood in many low and middle-income countries, as a rule with a low energy yield. Sweden and Finland are countries with a high degree of active forestry and a well-developed, industrialised forest industry. Here, the effective production of renewable bioenergy from residual products from the forest is an integrated part of the value chain and a key component in the countries' total energy supply.

	Forest area	Deforestation	Forest plantations	Wood harvest to industry	Bioenergy from solid fuel*
	Mha	%/year	%	m ³ /ha/year	% of the country's total energy supply
Brazil	497	0.3	2	0.3	22
Canada	347	-	-	0.4	2
USA	310	-	5	1.2	2
Indonesia	92	0.7	5	0.9	5
India	72	0.9	14	0.7	10
Sweden	28	-	1	2.5	18
Finland	22	-	-	2.3	23
France	17	-	-	1.4	2
Germany	11	0.1	-	5.4	2
Portugal	3	1.2	21	3.5	8
The world	4 000	0.2	3	0.5	4

*Excluding domestic use, also includes biomass for energy from agriculture. Russia is not included due to insufficient data. References page 99.



HOW WE ARE CONTRIBUTING TO A SUSTAINABLE FUTURE

At Holmen, successful enterprise and a sustainable future go hand in hand. Sustainability is about balancing several perspectives – economic, environmental and social – and succeeding in doing so over time. It is in our interest and equally in the interest of society to manage the forest sustainably and to use the raw material in a wise and far-sighted way.

We have identified Holmen's three most important areas where we can make progress for a sustainable future.

1

THE CLIMATE CAN'T WAIT

We are part of a value chain in which climate benefit is created at several stages and where we control a large proportion of the chain ourselves. We will increase the positive impact of our operations even further, while reducing our own climate footprint at the same time.

The forest's uptake of carbon dioxide will increase through active and sustainable forestry with high growth, while we increase the storage of carbon dioxide in our climate-smart products. We will also cut emissions from our value chain in line with targets approved by the Science Based Targets initiative*.

TARGET: We will increase the amount of carbon dioxide stored in our products while reducing our greenhouse gas emissions in line with the Paris Agreement.

Outcomes are presented on pages 9 and 32.

2

THE POWER OF CUSTOMER CHOICE

We create the greatest benefit for the climate together with our customers. Their choosing renewable products from the forest, wind and water mean that the world avoids fossil emissions. We make our customers part of a circular business that creates value at several stages of the chain.

Our customers' choices make a positive difference. And the best we can do for the climate is to help more customers to replace fossil sources with renewables, known as carbon dioxide substitution. The goal is to help customers to choose more renewable products so that more fossil carbon atoms can stay in the ground.

TARGET: We will increase the substitution of fossil carbon dioxide through higher sales of renewable products and renewable energy.

Outcomes are presented on pages 9 and 32.

3

WE GROW TOGETHER

We are engaged with our employees and local communities and invest in development and community. When people and communities grow, we can grow too.

We create a positive working climate through development and teamwork in equal measures, with goal-oriented work on health and safety, diversity and inclusion. Our forestry fosters thriving rural communities and enables people to live, work and enjoy quality of life outside the urban regions.

TARGET: We will be an attractive employer with a healthy work environment free from industrial accidents, discrimination or harassment, and where employees recommend Holmen as a workplace.

Outcomes are presented on page 37.

The materiality analysis carried out in 2018 identified three focus areas where we see Holmen having the greatest opportunity to make progress and contribute to a sustainable future. The analysis included interviews and workshops with about 50 stakeholders and was based on the ten principles of the UN Global Compact, the UN's Sustainable Development Goals and the mega-trends and external factors affecting our customers and our industry.

*The Science Based Targets initiative is an international framework for calculating climate targets in line with the UN body the IPCC's climate targets: the Paris Agreement. Read more about our climate targets at [holmen.com](https://www.holmen.com).

The EU taxonomy

The EU has decided to implement a taxonomy with criteria for when a business can be considered to be sustainable from a climate perspective. So far, only certain activities are covered by the taxonomy. In 2021 companies are to disclose which of their activities are covered by the taxonomy.

Harvest of own forest, electricity production from hydro and wind power and bioenergy are the activities within Holmen that are covered by the taxonomy.

	Total ¹⁾ (SEK '000)	Proportion covered by the taxonomy (%)	Proportion not covered by the taxonomy (%)
Income	20 664	8/11%	92/89%
Capital expenditure (CapEx)	1 761	53%	47%
Operational expenditure (OpEx)	1 507	25%	75%

Some of the harvest from Holmen's own forest is refined by Holmen, which under the taxonomy is classified as integrated activities. Under the rules of the taxonomy, income from such activities should not be included. If the income from these activities is included in the calculation, the proportion of the Group's income covered by the taxonomy amounts to 11 per cent but if it is not included, the proportion amounts to 8 per cent. The majority of Holmen's income comes from the production of wood products, paperboard and paper. These products are not covered by the taxonomy, but contribute positively to the climate transition by binding carbon dioxide and replacing fossil alternatives such as steel, concrete and plastic. Should the EU expand the scope of the taxonomy, Holmen is in favour of the inclusion of these activities.

1) Income refers to the Group's net sales of SEK 19 479 million and parts of the Group's other operating income (SEK 1 185 million) in line with the taxonomy's definition. These are shown in the Group income statement on page 50. Total CapEx (SEK 1 761) corresponds to investments for the year in line with note 9 Forest assets, note 10 Intangible assets, note 11 Property, plant and equipment and note 12 Leasing on pages 69–71. Of the OpEx defined in the taxonomy, repairs and maintenance and research and development are applicable to Holmen.

Harvest of own forest falls under taxonomy activity 1.3 (forest management), electricity generation from wind power is taxonomy activity 4.3, electricity generation from hydro power taxonomy activity 4.5 and electricity generation from bioenergy taxonomy activity 4.8.

Holmen contributes to the Sustainable Development Goals

We have been building our experience for 400 years and we constantly work to find long-term solutions to current challenges. Thanks to sustainable use of our forests' ecosystems, today we are able to operate a circular, renewable and bio-based business that benefits our customers, shareholders, employees and local communities. Our production, business and organisation contribute to the UN's Sustainable Development Goals and thus also to the 2030 Agenda.



Top ranked by EcoVadis

In the past two years all of Holmen's paperboard and paper mills were awarded the Platinum rating by the international analysis firm EcoVadis. This means that Holmen's mills are among the top percentage of the 75 000 companies examined worldwide. EcoVadis assesses how companies work on the environment, sustainable purchasing, ethics, workers' rights and human rights.



Holmen's emissions targets are in line with the UN's climate goals under the Paris Agreement, as certified by the UN-backed organisation the Science Based Targets initiative (SBTi).

A holistic approach to sustainability

Holmen has been part of the UN Global Compact and its corresponding Nordic network since 2007. We report to the organisation each year on our work in line with its ten principles and set out the progress made. Information on how Holmen is working in line with and fulfilling the principles of the UN Global Compact is provided at holmen.com.

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



Henrik Sjölund
President and CEO of Holmen

High rating in CDP's annual assessment

CDP is an independent sustainability index that analyses climate data from over 13 000 companies each year. The companies that report their sustainability work to CDP are assessed on disclosure, awareness and management of climate risks and opportunities.

Holmen has reported to the CDP Climate Program since 2007 and also to the CDP Forest Program since 2013. The results show that Holmen has a good strategy and management to mitigate negative impacts of climate change. In the 2021 evaluation Holmen was ranked A- in both categories.



A VALUE CHAIN THAT BENEFITS THE CLIMATE

The forest delivers the most benefit when it is put to use. This is the heart of Holmen's sustainable business. We are part of a value chain that creates climate benefit in four areas, amounting to a total of almost 7 million tonnes of carbon dioxide per year. This is equivalent to 15 per cent of total emissions within Sweden's borders. This is how Holmen created real climate benefit in 2021.

Forest carbon uptake

Young trees have the greatest capacity to bind carbon dioxide. When the trees become old and die, they rot and the stored carbon dioxide returns to the atmosphere. Through active and sustainable forestry we increase forest growth and capacity to absorb carbon. In 2021 it is calculated that the net increase in the volume of standing timber in Holmen's forests has absorbed and stored a net 1.3 million tonnes of carbon dioxide.

Carbon storage and substitution in products

The raw material from the forest continues to bind carbon dioxide in its refined form and substitution occurs when wood-based products and renewable energy replace fossil alternatives with a higher climate footprint. It is here that Holmen's climate benefit becomes the most tangible – when our products reduce the need for fossil

materials and raw materials, which means that fossil carbon can stay in the ground.

The production of wood products increased global storage of carbon dioxide by more than 0.5 million tonnes, while at the same time replacing construction materials that would have caused greenhouse gas emissions of 2.6 million tonnes. Holmen's paperboard and paper production also contributes, storing an equivalent of just under 0.1 million tonnes of carbon dioxide, and when these products can no longer be recycled, they provide benefit as bioenergy, replacing fossil energy equivalent to emissions of 1.5 million tonnes of greenhouse gases.

Renewable energy production that replaces fossil alternatives

Sales of renewable electricity produced by Holmen from hydro power, wind power and biomass replace carbon and gas power equivalent to emissions of 1.0 million tonnes of greenhouse gases. On top of this, we have bioenergy production that comes from residual products from the forest and our facilities. By selling this bioenergy, we replace fossil emissions of 0.6 million tonnes.

Climate targets in line with SBT

Holmen's own operations generate greenhouse gas emissions that are already within the Paris Agreement's threshold values for 2044. We have achieved this through energy efficiency measures and investments in renewable energy at our

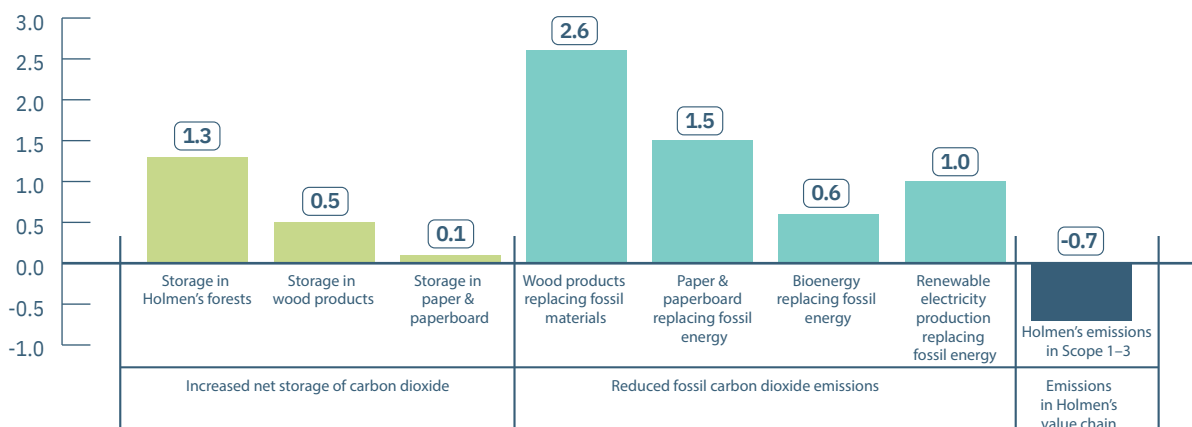
facilities. Since 2005, the use of fossil fuels in our production has fallen by 85 per cent and today the majority of our fossil emissions are generated from purchases of input products and from transport to and from Holmen's industries. Therefore, we are now focusing on cutting emissions in these areas. Holmen's emission targets are approved by the Science Based Targets initiative.

No-one owns climate benefit

Holmen's business helps to benefit our planet by reducing the amount of greenhouse gases in the atmosphere. It is in our own interests to manage our forest sustainably while preserving robust ecosystems and as high growth as possible. This produces more renewable wood raw material while increasing the forest's capacity to absorb carbon dioxide.

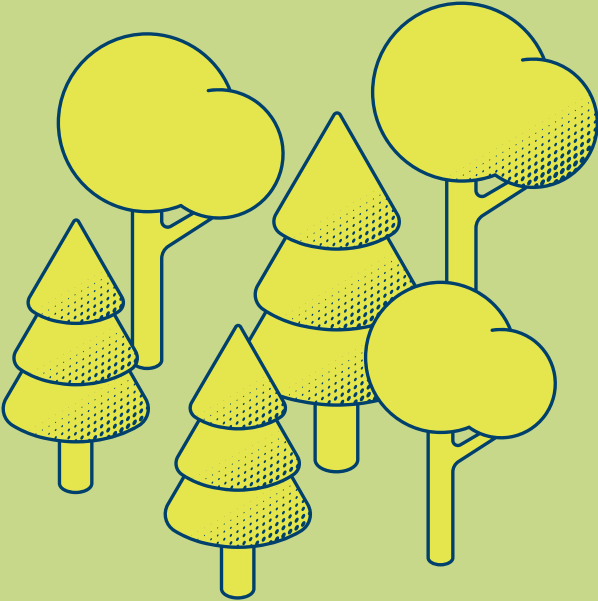
The greatest climate benefit is created, however, when our customers choose to replace fossil alternatives with renewables. This means that fossil raw materials such as oil, coal and gas can stay in the ground rather than being extracted. Therefore, Holmen has decided to invest even more in producing the products that contribute to the greatest climate benefit: wood products. The forest provides the greatest benefit when it is used and it is the power of customer choice that makes the difference.

Managed forests benefit the climate in several ways, million tonnes CO₂e



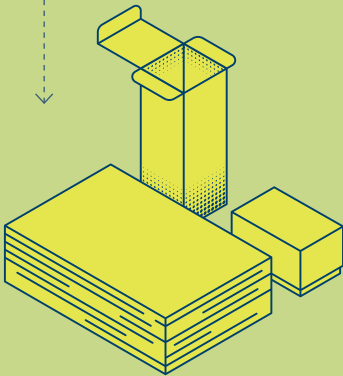
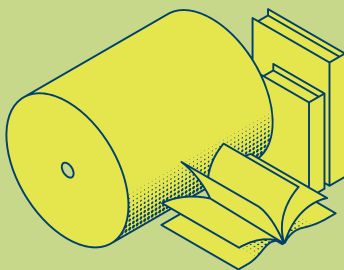
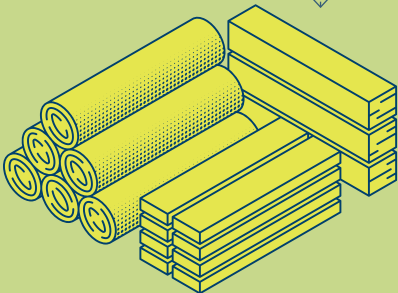
Actively managing the forest enables us to benefit the climate by storing carbon dioxide both in the forest and in our products, and by forest-based products replacing fossil alternatives. Total climate benefit from Holmen's value chains in 2021 is calculated in line with the methodology used by the Swedish Forest Industries Federation, CEPI and a number of other forest companies. To ensure that Holmen's reporting is based on the same methodology, Holmen had the calculation methodology produced by Peter Holmgren of Futurevistas AB in 2020. See page 98 for further details of the calculations.

In 2021 Holmen's operations contributed towards a climate benefit of **7** million tonnes CO₂e, equivalent to 15 per cent of emissions within Sweden.

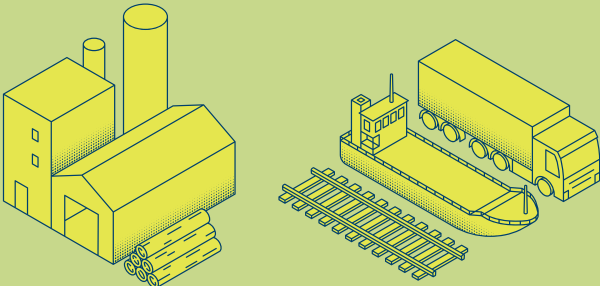
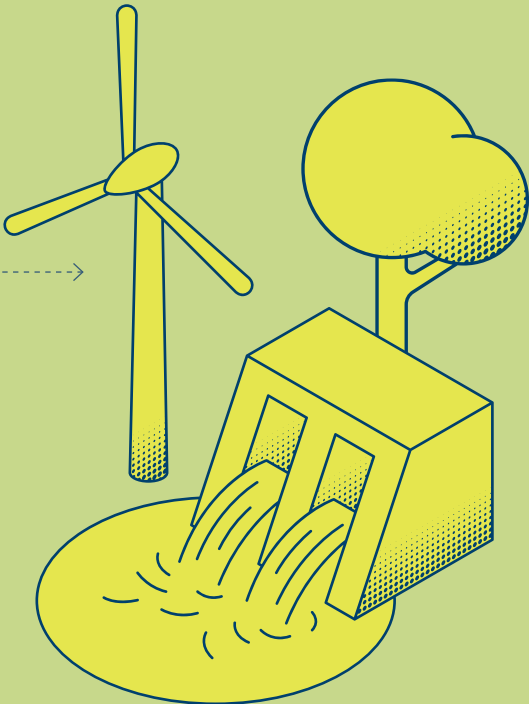


1.3 million tonnes of CO₂e were absorbed in the growing volume of standing timber in our forests

4.7 million tonnes of CO₂e were stored in and replaced by wood products (3.1) and by paper and paperboard (1.6)



1.6 million tonnes CO₂e were replaced by our renewable production of electricity from wind and water (1.0) and from bioenergy (0.6)



Emissions equivalent to **0.7** million tonnes CO₂e come from Holmen's production and transport

ACTIVE ENVIRONMENTAL ACTIVITIES

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

Environmental responsibility

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

Energy, chemicals and fibre are recovered as far as possible, in order to minimise the environmental impact of production. The section on Risk management on page 45 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 page 94.

Holmen's environmental work is characterised by constant improvement measures within the framework of certified environmental and energy management systems (see page 35), 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 2021, Holmen was running production operations that require environmental permits at nine facilities. Additionally, the coating and laminating factory in Strömsbruk is a notifiable activity. The permits specify conditions regarding permitted production volumes and permitted emissions to air and water, among other things. Eight of the facilities are located in Sweden and one is in Workington in the UK. The facilities' turnover amounted to 84 per cent of the Group's net sales in 2021.

Workington's application for an exemption, and the proposed conditions during the period of the exemption, have been submitted to the environmental authority, which commenced its review in April 2021.

To meet demand for bright paper products, work continued on the application for a new environmental permit for Braviken Paper Mill in 2021.

In 2021 final conditions for noise and emissions to water were decided for the sawmill in Bygdsiljum in Skellefteå municipality.

The sawmill in Kroksjön gained a new environmental permit in December 2020, which entered into force in January 2021 and was applied in December 2021.

In Västerbotten, Holmen is constructing Blåbergsliden Wind Farm, which will have annual electricity production of just over 400 GWh. The wind farm is expected to be fully operational in 2022. Another wind farm of a similar size is undergoing the permit process in Västerbotten and during the year we submitted applications for permits to build wind power on our own land in two areas in Östergötland.

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

Environmental permits for the Group's production facilities

Iggesund Mill, Environmental Code ¹⁾	2018
Workington Mill, IED	2017
Hallsta Paper Mill, Environmental Protection Act	2000
Braviken Paper Mill, Environmental Code ²⁾	2002
Iggesund Sawmill, Environmental Code	2014
Braviken Sawmill, Environmental Code	2010
Linghem Sawmill, Environmental Code	2003
Bygdsiljum Sawmill, Environmental Code	2018
Kroksjön Sawmill, Environmental Code ³⁾	2020

- 1) Port activity at Skärnäs Terminal, alongside Iggesund Mill, is included in the environmental permit. In addition, operations subject to notification requirements take place at the production unit in Strömsbruk.
- 2) An application for a new environmental permit was submitted to the Land and Environment Court in late 2020.
- 3) The sawmill gained a new environmental permit in late 2020 which was applied in 2021.

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 2021, studies were in progress at different stages regarding the former sawmills Håstaholmen, Stocka and Lännaholm, the sulphite mills at Strömsbruk, Domsjö, Loddby and Mariannelund, the paper mill at Silverdalen and the groundwood mill at Bureå. The ground area and the buildings at the former sawmill in Håstaholmen in Hudiksvall have been remediated. The

project to remediate polluted sediment in the area of water off the industrial site was completed in 2020 and in 2021 the polluted sediment mass was dealt with. The project will be completed in spring 2022, when the environmental authorities are expected to approve the report on completed remediation. The land area, the buildings and the groundwater at the former surface treatment plant in Iggesund have been remediated. In 2021 the environmental authority approved the remediation report and the case was thus closed.

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. 53 (37) environment-related incidents were reported to the supervisory authorities during the year. One of the nonconformities was of a significant nature in terms of impact on results and was due to a turbine breakdown in Workington. 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

Holmen has been awarded emission allowances within the EU Emissions Trading Scheme. As a result of investment in bio-based energy production and energy savings at the facilities, the use of fossil fuels has fallen considerably in recent years. Surplus allocated emission allowances have been able to be sold. Holmen has applied to be allocated emission allowances for the period 2021–2030 and has received an allocation decision for the trading period 2021–2025. The Group has produced renewable electricity for many years. This has contributed income in that we have

obtained electricity certificates for our production. The electricity certificates have been sold to electricity distributors, who have used the certificates in their turn because their customers need a proportion of their electricity to come from renewable sources. 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. Workington Mill obtained such green certificates in 2021.

Management system certifications

Production facilities ¹⁾	Environment ISO 14001	Energy ISO 50001	Quality ISO 9001	Health and safety ISO 45001
Iggesund Mill ²⁾	2001	2005	1990	2016
Workington Mill ³⁾	2003	2015	1990	2005
Hallsta Paper Mill	2001	2005	1993	2012
Braviken Paper Mill	1999	2006	1996	2015
Iggesund Sawmill	1999	2006	1997	2017
Braviken Sawmill	2011	2011	2011	2017
Linghem Sawmill ⁴⁾				2020
Bygdsiljum Sawmill ⁴⁾	1999			
Kroksjön Sawmill ⁴⁾	2005			

- 1) Holmen Forest is certified under the environmental management system ISO 14001. Forest operations also hold forest management and chain-of-custody certification under PEFC™ and FSC® respectively. All Holmen's facilities at which wood raw material is used have chain-of-custody certification. Licence codes for PEFC™ and FSC® are available at holmen.com.
- 2) The certifications include the production unit in Strömsbruk and operations at Skärnäs Terminal.
- 3) Workington Mill has been certified under the food safety management system ISO 22000 since 2019 and upgraded to FSSC 22000 in 2021.
- 4) Work is in progress to include Linghem, Bygdsiljum and Kroksjön in the other sawmill certificates.

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. Certificates can be viewed at holmen.com/sustainability.



EMPLOYEES WITH COURAGE, COMMITMENT & RESPONSIBILITY

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

Management by objectives

Holmen is a learning workplace where everyone has the opportunity to feel a sense of commitment and responsibility for the areas in which they work and the objectives set. Applying Holmen's management by objectives model, the strategy, business plans and performance expectations are communicated across the organisation. At employee level, communication is via appraisal talks. Based on the expectations communicated, our employees produce an initial proposal for targets that will lead to the expectations being met. This helps us to make the most of the skills and potential of every employee.

We believe in the drive inherent in every individual, team and unit. The management by objectives model is our way of making sure that all of us working at Holmen feel

that we are focusing on the right things and helping to implement our strategy.

Core values

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

Recruitment and development

Attracting and retaining the right employees is of the utmost importance in maintaining competitiveness over time. This way, we ensure that Holmen continues to be a business with a focus on innovation and development. We have an attractive employer offering and we are constantly refining our offering to attract the right target groups in the skills market. We recruit using a structured process that helps us bring in the right skills. Employees and leaders are given opportunities to grow through competence development and we

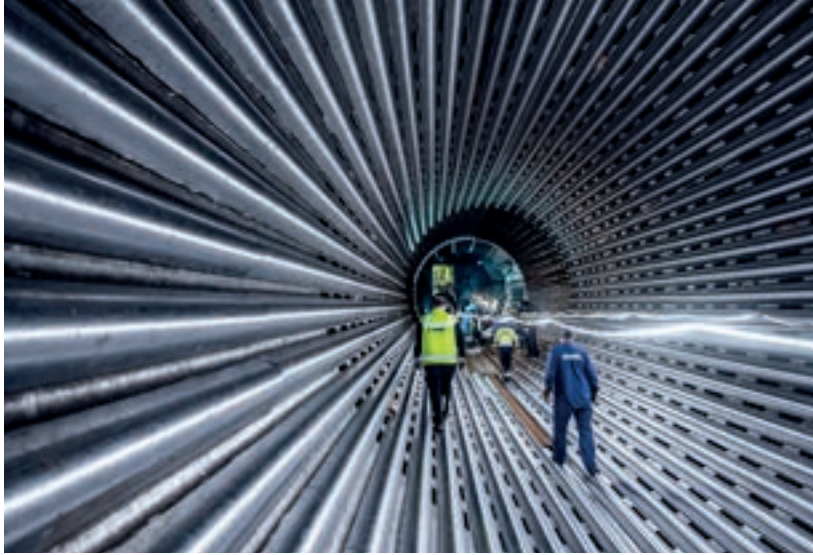
create conditions in which each and every individual is able to grow, with stimulating tasks and new challenges.

Based on our current and future skills needs, we are working on employee development at all levels. We give employees a great deal of responsibility, but also motivation and support from a team of committed and expert colleagues and leaders. We also provide development programmes for new as well as more experienced managers and for specialists driving work on change.

Health and safety

It goes without saying that we actively pursue a healthy culture and an accident-free workplace for our employees and the contractors who work with us. Holmen carries out systematic Group-wide health and safety work in line with ISO 45001 (see page 35) and all our production units are certified, apart from Bygdsiljum and Kroksjön Sawmills, which were acquired in 2020. Work is in progress to include these facilities in the certificates of the other sawmills.

As a result of the coronavirus pandemic, Holmen implemented a large number of adaptations and measures to ensure a safe work environment for our employees and others present in our operations. The precautionary principle applies.

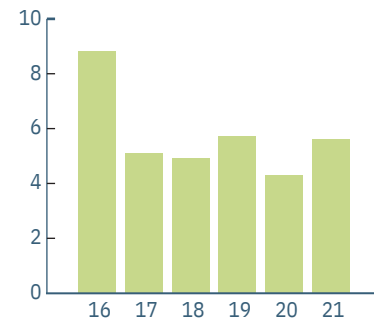


A zero vision for accidents

The number of accidents per million hours worked increased from 4.3 in 2020 to 5.6 in 2021. The dominant causes of accidents are tripping, slipping, falls and pinch point accidents. In 2021 the number of lacerations fell from 20 per cent to 3 per cent compared with the previous year. The increase in the number of accidents comes from acquired production units. Work to incorporate the new units in the Group's health and safety work continues. At the previously owned production units, the accident rate remained unchanged in 2021 compared with 2020. It is important for us to continue to work far-sightedly, focused on our vision of zero accidents.

Industrial accidents

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



Dynamic workplace

To maintain strong competitiveness, we want to be a workplace that attracts and retains the skills Holmen needs – employees who represent a diversity of insights, experiences and cultures. Our industry is currently overwhelmingly male and we are therefore working to increase diversity and achieve a more even gender distribution among managers and leaders. This will enable us to benefit from a diversity of backgrounds and experiences and ensure that everyone feels welcome.

As part of our work to create an inclusive workplace in which everyone is given the same development opportunities, we draw up action plans and annual pay surveys in line with the Swedish Equality Act.

Code of Conduct

Holmen's good reputation as a responsible and trustworthy company is fundamental to our business. Holmen's Code of Conduct clearly sets out the requirements and expectations of how employees at Holmen are to behave.

Office workers are trained in the code via e-learning and 86 per cent of all office staff have completed the training in the past two years. A few cases linked to deviation from Holmen's Code of Conduct were reported during the year and were handled according to internal procedures.

We have also continued to work in line with our supplier follow-up process, which was updated in 2020. We have identified which suppliers pose risks linked to the climate, the environment, labour law, human rights, business ethics and sustainable purchasing. Work to draw up action plans for suppliers identified as being high risk continues.

Human rights and equality

Holmen safeguards human rights and the equal value of all people in everything we do, both in the workplace and when travelling on business. All employees must have the same rights, obligations and opportunities irrespective of their sex, transgender identity or expression, ethnicity, political opinion, union membership, religion or other belief, disability, sexual orientation, health status, age or family responsibilities. This is set out in Holmen's Code of Conduct and applies to employees, contractors and suppliers. To us, this means that everyone who works at Holmen and in our supply chain must stay healthy and perform well at work, while enjoying an inclusive, safe and healthy work environment with fair terms of employment. Bullying and harassment are not tolerated and everyone is expected to act professionally and not expose themselves to the risk of being

linked to opinions and activities that are not compatible with Holmen's Code of Conduct. We have clear guidelines on what applies and where to turn in cases where Holmen's Code of Conduct is not being followed.

A zero vision for discrimination and harassment

Holmen has a vision of zero discrimination and harassment, which is followed up internally via the employee survey, appraisal talks and reported cases. A few cases involving discrimination and harassment were reported during the year. The cases were handled in line with internal procedures.

Employees recommend Holmen as a workplace

A comparison based on 600 000 responses from 250 companies in different industries showed that Holmen's employees recommend Holmen as an employer far exceeding the benchmark. Employee surveys show that Holmen's employee Net Promoter Score (eNPS) is 43, compared with a benchmark index of 13.

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 48 126 shareholders at year-end 2021. Private individuals with Swedish citizenship accounted for the largest category of owners with 45 729 owners.

The largest owner at year-end, with 62.3 per cent of votes and 34.1 per cent of capital, was L E Lundbergföretagen, which means that a Group relationship exists between L E Lundbergföretagen AB (corporate ID no. 556056-8817), whose registered office is in Stockholm, and Holmen. The second-largest owner was the Kempe Foundations and their holdings of Holmen shares amounted to 17.5 per

cent of votes and 7.4 per cent of capital at the same date. No other individual shareholder controlled as much as 10 per cent of the votes. Employees have no holdings of Holmen shares via a pension fund or similar system.

At the 2021 AGM, the Board's authorisation to purchase up to 10 per cent of the company's shares was renewed. No shares were bought back in 2021. The company already holds 0.3 per cent of the total number of shares in treasury.

See pages 48–49 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 22 September 2021 that the 2022 AGM would take place in Stockholm on 30 March 2022.

Nomination committee

The AGM resolved that the nomination committee shall 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 2021 and 2022 AGMs is shown in the table on page 41.

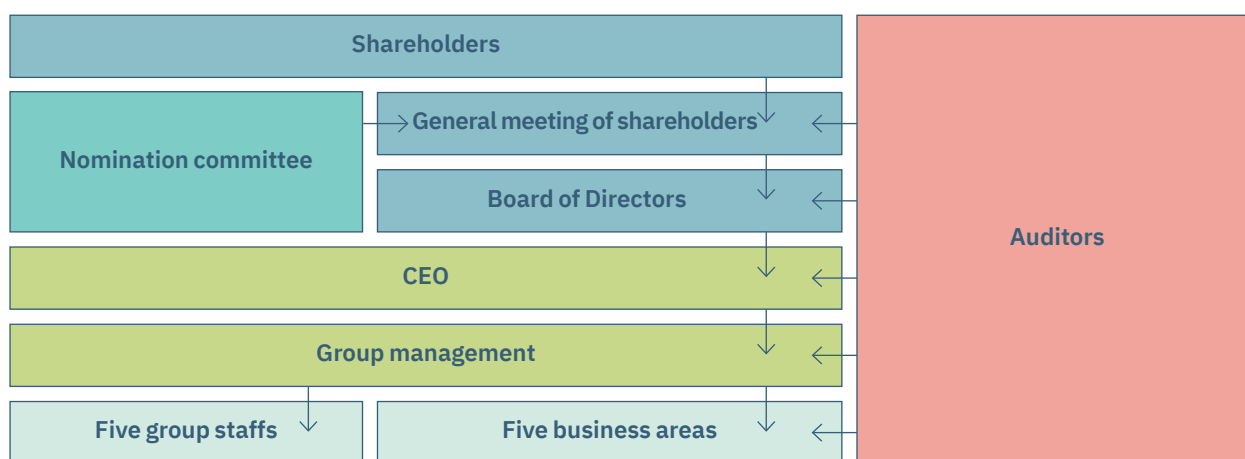
The nomination committee's mandate is to submit proposals for the election of

↓ AGM 2021

The 2021 AGM and the material presented were in Swedish. The notice convening the meeting, the agenda and the minutes are available at holmen.com. According to item 1.2 of the Swedish Corporate Governance Code, the Chairman of the Board and as many members of the Board as are required for a quorum are to be present at meetings. In light of the risk of spreading the coronavirus, however, the Board resolved to conduct the AGM only through postal voting so that as few participants as possible would be present. For this reason, only the Chairman of the Board and the CEO were present at the AGM. However, as many members as were needed for the Board to have a quorum were prepared to hold a telephone meeting on the day of the AGM. For the AGM, shareholders were given the opportunity to ask and receive answers to questions in writing. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. Fredrik Lundberg, Hans Hedström, Carnegie Funds, and Carina Silberg, Alecta, checked and approved the minutes. It was not possible to follow or participate in the meeting from other locations using communication technology.

↓ Board meetings

The Board held seven meetings in 2021, 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 2022. One meeting was held in connection with the company's AGM. In addition, the Board paid particular attention to strategic, financial and accounting issues, the monitoring of business operations, the valuation of the company's forests, effects of the coronavirus pandemic, sustainability issues and other significant investment matters. On one occasion the company's auditor reported directly to the Board, providing a presentation about the audit of the accounts and internal control.



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 2022 AGM.

For the 2022 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, Alice Kempe, Lars Josefsson, Louise Lindh, Ulf Lundahl, Henrik Sjölund and Henriette Zeuchner, as well as the election of Fredrik Persson. Current board member Lars G Josefsson has declined 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, or restrictions on how long members can serve on the Board.

The 2021 AGM re-elected Fredrik Lundberg, Carl Bennet, Lars Josefsson, Lars G Josefsson, Alice Kempe, Louise Lindh, Ulf Lundahl, Henrik Sjölund and Henriette Zeuchner to the Board. Fredrik Lundberg was re-elected Chairman of the Board. At the statutory first meeting of the new Board in 2021, Henrik Andersson,

Senior Vice President Legal Affairs, was appointed company secretary.

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

Of the nine Board members elected by the AGM, eight are deemed independent of the company as defined by the Code. The CEO is the only Board member with an operational position in the company. Further information about the members of the Board is provided on pages 88–89.

The Board's activities

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

↓ Members of the Board of Directors

Board members	Elected	Role on the Board	Audit committee	Remuneration committee	Attendance at meetings in 2021:			Fee (SEK '000)
					Board of Directors	Audit committee	Remuneration committee	
Fredrik Lundberg	1988	Chairman	Member	Chairman	7/7	5/5	2/2	740
Carl Bennet	2009	Member	–	Member	7/7	–	2/2	370
Lars Josefsson	2016	Member	Member	–	7/7	5/5	–	370
Lars G Josefsson	2011	Member	–	–	6/7	–	–	370
Alice Kempe	2019	Member	–	Member	7/7	–	2/2	370
Louise Lindh	2010	Member	–	–	7/7	–	–	370
Ulf Lundahl	2004	Member	Chairman	–	7/7	5/5	–	370
Henriette Zeuchner	2015	Member	–	–	7/7	–	–	370
Henrik Sjölund	2014	Member, President & CEO	–	–	7/7	–	–	–

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

Employee representatives

Steeve Björklundh, member, elected 1998/Kenneth Johansson, member, elected 2004/Tommy Åsenbrygg, member, elected 2009/Martin Nyman, deputy member, elected 2021/Daniel Häggglund, deputy member, elected 2014/Christer Johansson, deputy member, elected 2017.



Internal management processes and guideline documents.

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 2021 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, Carl Bennet and Alice Kempe. During the year, the committee prepared matters pertaining to the remuneration and other employment conditions of the CEO and also evaluated guidelines for remuneration and share savings programmes. The committee also examined remuneration structures, remuneration levels and methods for establishing the Group's salary levels to ensure that these are reasonable and appropriate. In addition, the committee prepared the Board's proposal to the Annual General Meeting regarding share savings programmes.

Remuneration and other employment conditions for senior management who report directly to the CEO are decided by the latter and approved by the remuneration committee in accordance with the instructions for the remuneration committee adopted by the Board of Directors, as well as the guidelines adopted by the AGM for remuneration of senior management.

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

The current 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, were adopted by the 2020 AGM. The AGM adopted the guidelines in accordance with the Board's proposal. Current guidelines and information about remuneration are presented in Note 4 on page 63.

The 2021 AGM approved the Board fee and payment of the auditors' fee as invoiced.

The 2019 AGM approved a targeted share savings programme for key individuals in the Group. The programme expires in April 2022 and the Board of Directors has proposed that the 2022 AGM take a decision on a new, similar programme. The aim of the programme is to strengthen common interests between shareholders and company management, as well as to create a long-term commitment to Holmen. More information about the current share savings programme can be found in Note 4.

Group management

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

Holmen's Group management comprises the company's CEO, the heads of the five business areas, the heads of the five Group staffs and the head of international affairs. Information about the CEO and other members of Group management is provided on page 90.

Group management meets regularly. The meetings during the year dealt with matters such as earnings performance and reports before and after Board meetings, strategic issues, budgets, investments, integration of the sawmill group Martinsons, internal control, work environment, sustainability issues, climate and environmental issues and silviculture matters. Meetings were

also dedicated to reviews of market conditions, the coronavirus pandemic, economic developments 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. In 2021, Group management placed special focus on testing the company's strategy in relation to a number of potential scenarios for how society and markets might develop.

Audit

The 2021 AGM chose the auditing company PricewaterhouseCoopers AB (PwC) to serve as the new auditors to succeed KPMG. Authorised Public Accountant Magnus Svensson Henryson was appointed as the principal auditor. PwC performs the audit for Holmen AB as well as for the majority of Holmen's 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.

The members of Holmen's audit committee are Ulf Lundahl, chairman, Fredrik Lundberg and Lars Josefsson. The audit committee has met five times. The audit committee's task is to monitor the company's financial reporting and the efficiency of the company's internal control and risk management. The audit committee reviews and monitors the impartiality and independence of the auditor. The committee also evaluates the auditor's work and submits proposals to the company's nomination committee on the election of an auditor for the next mandate period. 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 in 2021 to the audit committee at four meetings and to the Board of Directors on one occasion. In addition to the audit assignment, Holmen has consulted PwC on matters pertaining to taxation, accounting and for various investigations. The remuneration paid to PwC for 2021 is stated in Note 5 on page 64. PwC is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

Internal management processes

Holmen's business strategy is formulated by Group management in order to create long-term value for both shareholders and customers, while contributing to a better

climate and thriving rural communities. An annual review of the Group's strategy is conducted, including objectives for the business. The strategy is presented to and adopted by the Board and forms the basis for the expectations that are set. On the basis of the expectations, each unit sets objectives and identifies success factors for achieving them. Key performance indicators (KPIs) are linked to the success factors in order to measure and demonstrate changes in performance. The strategy review also provides the basis for the budget, in which decisions are taken on the distribution of resources and targets for the coming year are set. Use of a simple and well-implemented management-by-objectives tool for continuous follow-up ensures that the entire organisation is applying appropriate priorities to attain the objectives established.

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

Operations are followed up through regular reporting of performance and KPIs that reflect business activity, along with additional qualitative analysis. Reporting of non-financial data is integrated with the financial reporting. When major investment decisions are under consideration, financial, social and environmental effects are taken into account.

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

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

Policies. Holmen works with policies, guidelines and Group instructions to clarify how employees should act within key and critical areas. The Group's 11 policies cover matters such as expectations of employee participation and leadership, specify the scope of management by objectives, talent management, interaction with trade union organisations, equality and employment terms and conditions. In addition to this,

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

Compliance. Holmen's Code of Conduct, policies and values are part of every employee's induction programme, and shall be reiterated by managers at employee meetings. Compliance is monitored partly through employee surveys and appraisal talks, pay surveys, safety statistics and

» *Successful entrepreneurship and a sustainable future must go hand in hand. When Holmen increases forest growth, produces more climate-smart products and expands wind power, values are created that stand the test of time, while counteracting global warming.«*

Louise Lindh, Board member, Holmen

a good work environment is covered in terms of health and safety, anti-corruption and competition issues, and how good business practice is maintained in relation to external contacts on different markets. Employees in departments at risk of encountering unauthorised behaviour receive special training on business ethics. The policies specify that raw materials should be used efficiently, pollution should be prevented and that we should aspire to make continuous improvements.

audits of the organisational and social work environment. The Board is to be informed of any violations of the Code of Conduct. Where non-compliance or failings are found in terms of the corporate culture, the issue is addressed on a case-by-case basis.

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

↓ Composition of the nomination committee

Name	Representing	Before AGM:		Independent of the:	
		2022	2021	Company	Largest shareholder (in terms of votes)
Mats Guldbbrand	L E Lundbergföretagen*	x (chairman)	x (chairman)	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Carl Kempe	Kempe Foundations*	x	x	Yes	Yes
Hans Hedström	Carnegie Funds*	x	x	Yes	Yes

*At 31 August 2021, L E Lundbergföretagen controlled 62.3 per cent of the votes, the Kempe Foundations controlled 17.5 per cent and Carnegie Funds (Sweden) controlled 1.4 per cent.

concern and improprieties at the company. No complaints about deficiencies were reported through this channel in 2021.

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 below), ensure the company's assets are managed according to Group rules and to prevent irregularities. Group Finance coordinates and monitors the internal control process concerning financial reporting.

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

Control environment. The control environment provides the basis for internal control of financial reporting and is based in part

on the company's internal management processes. The Board of Directors' procedural rules and the instruction for the CEO establish the distribution of roles and responsibilities to ensure effective control and management of the business' risks.

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

Risk assessment. Risk assessment activities aim to identify and evaluate the risks that can result in the Group's financial reporting objectives not being met. The results of these risk-related activities are compiled and assessed under the guidance of Group Finance.

Holmen's greatest risks regarding financial reporting are linked to the valuation of forest assets, pension obligations, provisions and financial transactions. The risk assessment also involves identifying and assessing operational risks. For further information, see the Risk Management section on pages 43–47.

Control activities. To ensure that Holmen's financial reporting objectives are met, control requirements are incorporated into the processes that are deemed relevant: sales, purchasing, investments, personnel, financial statements, payments and IT. Control activities aim to prevent, identify and rectify errors and discrepancies. Business-specific self-assessments that are completed by all Group units set out

what control requirements apply for each respective process and whether or not they are met.

Information and communication.

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

Follow-up and evaluation. Control activities are assessed regularly to ensure that they are effective and appropriate. The results of self-assessments are followed up on a continual basis and discrepancies are reported to the Executive Vice President. The accuracy of self-assessments is subject to testing.

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

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

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

↓ Holmen's financial reporting

External financial reporting must:

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

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

»Sustainability is about balancing several perspectives – economic, environmental and social – and succeeding in doing so over time. It is a core component of our corporate governance and we were among the first to integrate the sustainability report into our annual report.«

Anders Jernhall, Executive Vice President and CFO, Holmen

RISK MANAGEMENT

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

Purchasing and some parts of IT are managed by Group-wide functions in order to leverage economies of scale and risks are handled in line with the Group's policies. The Group's financing and financial risks are managed by Group Finance based on

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

↓ Operational risks

Risk	Risk management	Comment
<p>Production and deliveries Demand for Holmen's products is affected by many factors, including political and macroeconomic factors, production by European manufacturers, changes in imports to Europe and opportunities for profitably exporting from Europe. Changes in demand for Holmen's products affect the ability to achieve full production at the Group's industries and can lead to lower income. Income may also be impacted if harvesting from our own forests needs to be limited as a result of lower demand and variations in precipitation and wind, which govern generation from hydro and wind power.</p>	<p>Holmen endeavours to maintain a good cost position through large-scale production at well-invested production facilities, efficient logistics solutions and good control over the supply of wood. Together with longstanding customer relationships and strong product brands, this also increases the ability to maintain a high level of production amid more difficult market conditions. Changes in demand for wood may be met by shifting harvesting from our own forests from year to year, while production of hydro power during the year can be controlled by regulating water reservoir levels.</p>	<p>In 2021, Holmen increased production of wood products by 43 per cent as a result of the acquisition of Martinsons, which occurred in late 2020, and the expansion of Braviken Sawmill. Towards the end of the year, Holmen's new Blåbergsliden Wind Farm gradually began to generate electricity. At full production, the wind farm will generate 0.4 TWh annually, which will increase Holmen's production of hydro and wind power by 30 per cent. For information about how changes in deliveries would affect Holmen's operating profit, given the circumstances on 31 December 2021, see the sensitivity analysis on page 47.</p>
<p>Selling prices The market balance in each product segment governs the selling price and affects income.</p>	<p>Holmen has limited possibilities to make rapid changes to its product range in the event of changes in price, but it adjusts its product focus towards those products and markets deemed to have the best long-term conditions, and by having a broad customer base and offering across a number of product areas. Changes in the price of wood can be managed to some extent by shifting harvesting from year to year and changes in the price of electricity can be managed by regulating reservoir water levels in order to shift electricity generation over the year.</p>	<p>Prices for wood products increased sharply during the first half of the year because of strong demand, but during the second half, prices fell somewhat when customers phased out their stocks. Paper prices fell at the turn of the year, 2020/2021, but capacity reductions and a shortage of recycled paper and energy caused prices to rise in the autumn. Paperboard prices rose towards the end of the year because of strong demand. Electricity prices rose during the year, but with great local variations. On average, Holmen's electricity price was 50 per cent higher than in 2020. For information about how changes in prices would affect Holmen's operating profit, given the circumstances on 31 December 2021, see the sensitivity analysis on page 47.</p>
<p>Raw materials Wood, electricity and chemicals are the most significant input goods and price changes affect profitability. Holmen's costs depend on the price trend for input goods, as well as on how well the Group succeeds in making production and administration more efficient. There is a risk that the Group's costs will increase if there is a shortage of raw materials, or if prices increase for input goods.</p>	<p>Half of the Group's wood needs are covered by harvesting from the Group's own forests, while the remainder is purchased from private forest owners. 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 electricity purchases. The price risk in this consumption is managed through physical fixed price contracts and financial hedging. The Group also sells electricity from its hydro power and wind power assets to the electricity grid. The need for thermal energy is great and is met locally through recycling and production from residual products. Chemicals are a significant input, particularly in paperboard production, but the need is declining since used chemicals are being recovered at the mills.</p>	<p>The price of electricity increased sharply in southern Sweden where the majority of Holmen's consumption occurs. The rise in electricity prices was partially offset by hedges that had been previously made. Holmen hedges parts of the consumption by the Paper business area. For 2021, 70 per cent of consumption was hedged. At year-end, 85 per cent of electricity consumption was hedged for 2022. For 2023, 65 per cent has been hedged, while for 2024 the figure is 20 per cent. As a result of the strong sawmill economy, log prices rose, while pulpwood prices were stable. For information about how changes in commodity prices would affect Holmen's operating profit, given the circumstances on 31 December 2021, see the sensitivity analysis on page 47.</p>

Risk	Risk management	Comment
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. There is also a risk that essential raw materials are not delivered because of changes in laws and regulations or other external factors.	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 engaged an external party, EcoVadis, to monitor suppliers regarding their compliance with the Code. Holmen is subject to the UK Modern Slavery Act and a report on this is available at holmen.com. Compliance with forest management contractor agreements is ensured through site visits in the forest and all forest management contractors are trained in forest management and labour law and are informed about where to turn if irregularities should occur.	In 2021, 2 (1) cases regarding breach of the Supplier Code of Conduct were reported. In the event of such breaches of the Code, an active dialogue with an action plan is in place in accordance with Holmen's procedures. Suppliers associated with 85 per cent (90) of the Group's purchasing volumes have signed the Supplier Code of Conduct. Supply chain risks relating to the climate, environment, labour legislation, human rights, business ethics and a sustainable purchasing have been mapped and an action plan has been formulated. The largest suppliers of input products are engaged in dialogues regarding the reduction of fossil emissions. Despite the challenges associated with the pandemic, Holmen has been able to maintain its deliveries of essential raw materials to such an extent that production has not been negatively impacted.
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, 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 2021, the Group's trade receivables totalled SEK 2 393 million (2 015), of which 34 per cent (32) were insured against credit losses. During the year, no credit losses on trade receivables had an impact on earnings (SEK -14 million). Sales to the five largest customers accounted for 14 per cent (15) of the Group's total sales in 2021.
Facilities Production equipment can be seriously damaged, for example, in the event of a fire, machine breakdown or power outage. This can lead to supply problems, unexpected costs and reduced customer confidence. Production facilities require ongoing maintenance. Major maintenance shutdowns can entail higher costs and greater loss of production than planned. Investments in non-current assets can also be more expensive than initially planned.	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 and has insurance against interruptions in the event of unforeseen events. The Group also has liability insurance that covers sudden and unforeseen environmental damage affecting third parties.	The turbine in the biofuel boiler at Workington was damaged at the end of June and was out of operation for the rest of the year. Paperboard production was not affected, but energy costs rose when electricity and gas had to be purchased at the same time that income from green electricity certificates was not received during the period that the turbine was not running, causing costs to increase by SEK 330 million. The turbine is expected to be restarted during the first quarter of 2022. An insurance investigation regarding the damage is underway. During the year major maintenance shutdowns were carried out at the paperboard mills in both Iggesund and Workington, with an adverse effect on profit of SEK 310 million. In 2022, a major maintenance shutdown is planned at Iggesund Mill, which is expected to have a negative impact on profit of SEK 150 million.
IT systems Efficient IT support is required to be able to plan and manage the production and when handling sales and purchasing. Disruptions in IT support and unauthorised access to information can have significant negative effects on the business.	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 protective measures to address changes in the risk profile.	Business operations were not affected by IT incidents in 2021. A regularly recurring IT security training course was held for employees during the year.
Forest management Holmen's right to manage its own forest is crucial for maintaining its value. There is a risk that requirements to allocate areas for purposes other than forestry could increase in the future. Such a development could have a negative impact on the value of Holmen's forest assets, and mean that forestry methods may need to change, which could reduce the harvest and increase costs.	Land and forest management are regulated both nationally and at the EU level. In order to be able to engage in active and sustainable forestry, it is important that laws and regulations such as the Environmental Code, the Forest Inquiry, the EU's forest strategy and LULUCF do not restrict the conditions necessary for sustainable operations. Holmen participates in national and international industry organisations to exert an influence on relevant political and regulatory issues.	During the year, the right to use the forest in line with Swedish laws and regulations was questioned within the EU. Holmen has actively participated, both on its own and through industry organisations, in the debate to influence the EU position, including by elucidating the positive climate effects associated with a managed forest.
Damage to forests Wild game can damage the forest when grazing, resulting in both deterioration of the quality of the trees and reduced forest growth. Insect pests are another risk factor; for example, the spruce bark beetle can damage spruce forests. Storm and snow damage, fungal attacks and forest fires are other examples of damage that must be addressed and managed in forestry.	Holmen's forest holdings are scattered across large parts of Sweden and the risk of extensive damage occurring simultaneously is considered to be low, for which reason the Group does not have insurance cover for its forest holdings. To reduce the extent of grazing by wild animals, active efforts are undertaken on Holmen's land to maintain game at the correct population level. Insect pests such as pine weevils are combatted by waxing seedlings and infested forest is harvested as soon as possible to prevent spread.	The spruce bark beetle infestation continued in southern Sweden in 2021. To prevent spread, Holmen prioritised harvesting spruce bark beetle infested forests and the percentage of spruce sawn at Braviken Sawmill was adapted to take care of the damaged logs.

Risk	Risk management	Comment
<p>Climate change The Swedish Meteorological and Hydrological Institute's forecasts show that average temperature, precipitation and soil moisture will increase in Sweden. A warmer climate could increase the growth of our northerly growing forests with a longer growth period, more precipitation and higher levels of carbon dioxide in the air, aiding photosynthesis. It could also affect the ecosystems in that biological diversity is altered, while the risk of storm and snow damage, fungal attack, insect damage and forest fires increases. Climate change could also impact the ability to carry out harvesting, for example because of the increased risk of damage to the land.</p>	<p>Holmen is developing seedlings and processes for planting, clearing and thinning to adapt our forests to a changed climate. Seeds for Holmen's cultivation of seedlings are selected to grow and flourish in a changing climate. When planting, we choose tree species based on the specific conditions of the soil to ensure the trees can better withstand extreme weather such as storms, rain and drought. Since shorter periods of frozen ground can make harvesting more difficult in the winter, this work is being adjusted through planning and by relocating machines to areas with better conditions.</p>	<p>Ongoing climate risk analyses are conducted to create healthy, resilient forests suited to a changing climate. The risk of impact on Holmen's sites from climate change is being managed through Holmen operational continuity planning. Risks concerning energy consumption and greenhouse gas emissions are managed through our ISO-certified environmental and energy management systems. Demand for Holmen's products is rising in response to the market's ambitions to counteract climate change, since our customers want renewable alternatives to fossil-based products.</p>
<p>Environment and permits Holmen runs operations that require environmental permits. The permits specify conditions regarding permitted production volumes and permitted emissions to air and water. Production disruptions can cause breaches of emissions conditions set for the business by environmental authorities, which could impact the environment. In places where Holmen has conducted industrial operations, the need for remediation may entail future costs.</p>	<p>Environmental measures are organised and conducted in accordance with Holmen's environmental and energy policy. In the event of process disruptions, the environment takes precedence over production. Risks are prevented and managed through regular own checks, checks by authorities and environmental risk analyses, as well as through the use of certified environmental and energy management systems and chain-of-custody certification. In consultation with the authorities, Holmen is conducting investigations to assess the need for remediation at former industrial sites.</p>	<p>In 2021, 53 (37) environmentally related incidents were reported to the supervisory authorities. One of the nonconformities was of a significant nature in terms of impact on results and was due to a turbine breakdown in Workington. Corrective measures were taken to deal with these cases, in line with the environmental management system of the operations concerned.</p>
<p>Health and safety Incidents and accidents at the workplace have an effect on human life and health. This could also lead to production disruptions and increased costs.</p>	<p>Good health and safety is a priority at all levels of management in the Group. Certified management systems, Group-wide targets relating to work accidents, continual training of personnel to increase risk awareness, procedures for risk observation and incident and accident reporting, and risk assessment of tasks and work by contractors are examples of activities to achieve a high level of safety in the workplace.</p>	<p>In 2021, the rate of industrial accidents was 5.6 per 1 million hours worked (4.3). See also page 37. The most common accidents were slips, trips and crush injuries. The most significant areas of risk involve work with overhead cranes and vehicles with people in movement. As a result of the coronavirus pandemic, a large number of adaptations and measures were implemented to ensure a safe work environment for employees and others present in the operation.</p>
<p>Talent management Skilled and motivated employees are key to being able to conduct long-term business operations with good profitability. Retirements increase the need to attract new personnel, which can be challenging.</p>	<p>With Holmen's employer brand, Holmen is being marketed as an employer in digital channels and physical meetings. A strong Employer Value Proposition (EVP) featuring Holmen's sustainable business and the small big company is the prominent message.</p>	<p>Employer branding efforts in digital channels at the Group level, combined with local efforts at our operating sites, provide a good foundation for an inflow of interested applicants to our vacant positions. The voluntary employee turnover is stable and annual surveys show that new employees appreciate Holmen as an employer, both the culture and the job opportunities. During the year, managers were trained in skills-based recruitment in order to increase the precision of recruitment and to increase diversity.</p>
<p>Business ethics risks Nationally and internationally, customers and partners place requirements on Holmen as a stable and reliable supplier that has good business ethics and clear sustainability principles. Deviations from principles and policies could have a negative impact on reputation and business relationships.</p>	<p>Holmen's Code of Conduct, business ethics policy and associated guidelines provide clear guidance on how to maintain good business ethics when dealing with external contacts in various markets. Holmen's Code of Conduct also provides guidance on human rights, workers' rights and the environment. These areas are clarified in Holmen's policies and related guidelines. Managers and employees in sales, marketing, purchasing, finance, HR, information, market communication, projects and Group staffs have all received training in all aspects of Holmen's Code of Conduct.</p>	<p>No identified or reported cases concerning deviations from the business ethics policy or the parts of the Code of Conduct or Supplier Code of Conduct regarding business ethics issues were reported in 2021. In 2020 and 2021, 86 per cent of office workers and managers completed the training on the Code of Conduct. See also page 37. During the year Holmen, updated the whistleblower policy in line with the new law to protect people who report misconduct. We had no lawsuits during the year regarding corruption against the organisation or its employees.</p>
<p>International, political and legal risks Holmen is active in a global market and sells products to many countries around the world. Because of this geographical spread, Holmen is exposed to political risks, conflicts, natural disasters, epidemics and pandemics. Moreover, Holmen is obligated to comply with laws and regulations where Holmen conducts business, including in areas such as the environment, real estate, labour law and taxation. Changes in laws and regulations may affect conditions for Holmen's operations and lead to increased costs for regulatory compliance.</p>	<p>Holmen participates in national and international industry organisations whose purpose is to handle the monitoring of social trends, advocacy and put forward Holmen's position and view on relevant political and regulatory 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. More unpredictable risks that may arise, such as shutdowns as a result of disease outbreaks or political unrest, are managed through ongoing external monitoring, close dialogue and coordination with industry organisations to maintain the best possible preparedness.</p>	<p>Holmen worked continually in 2021 to take action to minimise the impact of the coronavirus pandemic, with a focus on the health and safety of our employees. Holmen has been active through dialogue, consultation responses, preparedness and advocacy work, on its own and together with industry organisations, to promote the growth of bio-based and fossil-free activities.</p>

↓ Financial risks

Risk	Risk management	Comment																																																
<p>Currency The Group's earnings are affected by fluctuations in exchange rates. Transaction exposure risk arises due to a significant portion of the Group's sales income being in different currencies from costs. The translation exposure risk arises from the translation of foreign subsidiaries' assets, liabilities and earnings into Swedish kronor.</p>	<p>Transaction exposure. In order to reduce the impact on profit from changes in exchange rates, net flows are hedged using forward foreign exchange contracts. Net flows in euros, US dollars and pounds sterling for the coming four months are always hedged. These normally correspond to trade receivables and outstanding orders. The Board can decide to hedge flows for a longer period if this is deemed suitable in light of the products' profitability, competitiveness and the currency situation. Currency exposure arising when investments are paid for in foreign currency is distinguished from other transaction exposure. Normally, 90–100 per cent of the currency exposure associated with major investments is hedged.</p> <p>Translation exposure. Hedging exposure that arises when subsidiaries' assets and liabilities are translated into Swedish kronor (known as equity hedging) is assessed on a case-by-case basis and is arranged based on the value of net assets upon consolidation. The Group's non-current assets are mainly Swedish, with the exception of the paperboard mill in the UK, which accounts for 2 per cent of the assets. The hedges take the form of foreign currency loans or forward foreign exchange contracts. Exposure that arises when the earnings of foreign subsidiaries are translated into Swedish kronor is not normally hedged.</p>	<p>For the next two years, expected flows in EUR/SEK are hedged at an average of 10.49. For other currencies, 4–10 months of flows are hedged.</p> <p>Hedging of exposure to pounds sterling amounted to GBP 34 million at year-end. Net assets in other currencies are limited and are not usually hedged.</p>																																																
	<table border="1"> <caption>Net flow and hedged amounts (SEKm)</caption> <thead> <tr> <th>Currency</th> <th>Net flow 12 months</th> <th>Hedged</th> </tr> </thead> <tbody> <tr> <td>EUR/SEK</td> <td>~5,000</td> <td>~8,500</td> </tr> <tr> <td>GBP/SEK</td> <td>~1,500</td> <td>~500</td> </tr> <tr> <td>USD/SEK</td> <td>~1,500</td> <td>~1,000</td> </tr> <tr> <td>EUR/GBP</td> <td>~500</td> <td>~200</td> </tr> <tr> <td>CNH/SEK</td> <td>~500</td> <td>~100</td> </tr> </tbody> </table>	Currency	Net flow 12 months	Hedged	EUR/SEK	~5,000	~8,500	GBP/SEK	~1,500	~500	USD/SEK	~1,500	~1,000	EUR/GBP	~500	~200	CNH/SEK	~500	~100																															
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<p>Interest rates Changes in market interest rates affect the Group's cost of borrowing.</p>	<p>The fixed rate period for the Group's net financial debt varies over time and is decided by the Board of Directors. To limit the effects of a rise in interest rates, the interest rate on loans may be fixed, or an interest rate swap agreement may be entered into without changing the interest rate on the underlying loan.</p>	<p>The Group's average borrowing rate in 2021 was 1.2 per cent.</p> <p>In 2021 interest on loans of SEK 500 million was fixed for 5 years. The table below shows the Group's fixed interest rate period by currency.</p>																																																
	<table border="1"> <thead> <tr> <th>SEKm</th> <th><1 year</th> <th>1–3 years</th> <th>3–5 years</th> <th>>5 years</th> <th>Pension obligations</th> <th>Right-of-use agreement</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>SEK</td> <td>-1 118</td> <td>-1 000</td> <td>-1 400</td> <td>-</td> <td>-16</td> <td>-159</td> <td>-3 693</td> </tr> <tr> <td>EUR</td> <td>121</td> <td>-</td> <td>-</td> <td>-</td> <td>-8</td> <td>-74</td> <td>39</td> </tr> <tr> <td>GBP</td> <td>-492</td> <td>-</td> <td>-</td> <td>-</td> <td>0</td> <td>-6</td> <td>-498</td> </tr> <tr> <td>Other items</td> <td>56</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-5</td> <td>51</td> </tr> <tr> <td></td> <td>-1 433</td> <td>-1 000</td> <td>-1 400</td> <td>-</td> <td>-24</td> <td>-244</td> <td>-4 101</td> </tr> </tbody> </table>	SEKm	<1 year	1–3 years	3–5 years	>5 years	Pension obligations	Right-of-use agreement	Total	SEK	-1 118	-1 000	-1 400	-	-16	-159	-3 693	EUR	121	-	-	-	-8	-74	39	GBP	-492	-	-	-	0	-6	-498	Other items	56	-	-	-	-	-5	51		-1 433	-1 000	-1 400	-	-24	-244	-4 101	
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<p>Credit risk from financial counterparties The risk of financial transactions giving rise to credit risks in relation to financial counterparties.</p>	<p>The creditworthiness of Holmen's financial counterparties is assessed using reputable credit rating agencies or, where a counterparty has no credit rating, the company's own analyses. A maximum credit risk and settlement risk are established for each financial counterparty and are monitored continually. This calculation is based on the maturity and historical volatility of different types of derivatives. For cash and cash equivalents and current investments, the maximum credit risk is assessed to correspond to the nominal amount.</p>	<p>At 31 December 2021, the Group had outstanding derivative contracts with a nominal amount of SEK 18 billion and a net fair value of SEK 946 million. The credit risk associated with outstanding derivative contracts is judged to be negligible.</p>																																																

Risk	Risk management	Comment
<p>Liquidity and refinancing The risk of the need for future funding and refinancing of maturing loans being required at a high cost.</p>	<p>Holmen's strategy is to have a strong financial position in order to secure room for manoeuvre when making long-term commercial decisions. The target is for net financial debt not to exceed 25 per cent of equity. Holmen's financing mainly comprises bonds and the issue of commercial paper. Holmen reduces the risk of future funding becoming difficult or expensive by using long-term contractually agreed credit facilities. The Group plans its financing by forecasting financing needs over the coming years based on the Group's budget and profit forecasts that are regularly updated.</p>	<p>The financial position is strong, with net financial debt at 31 December 2021 amounting to SEK 4 101 million. Of these financial liabilities, SEK 736 million falls due in 2022.</p> <p>The Group has unutilised committed credit facilities of SEK 5 billion, of which SEK 1 billion matures in 2025 and SEK 4 billion in 2027. Both facilities include a limit stipulating that they cannot be used if net liability in relation to equity exceeds 125 per cent. At year-end, the Group's net liability in relation to equity was 9 per cent.</p>

Year	Financial liabilities	Credit facility
2022	736	0
2023	1000	0
2024	1000	0
2025	1000	0
≥ 2026	1000	4000

↓ Sensitivity analysis

Operational risks	Impact on operating profit, SEKm			
	Sale	Change	Price	
<p>A 1 per cent change in deliveries and price of the Group's products or significant input goods is deemed to affect Group operating profit as per the table to the right.</p> <p>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.</p>			Deliveries	
	Paperboard	+/-1%	61	28
	Paper	+/-1%	54	15
	Wood Products	+/-1%	49	26
	Wood from company forests	+/-1%	14	9
	Hydro and wind power	+/-1%	5	3
				Price
	Input goods	Change		
	Wood	+/-1%	38	
	Electricity*	+/-1%	5	
	Chemicals	+/-1%	13	
	Other variable costs	+/-1%	8	
	Delivery costs	+/-1%	18	
	Employees	+/-1%	27	
Other fixed costs	+/-1%	14		
*Taking electricity price hedges for 2022 into account. Without taking hedges into account, the corresponding figure would be SEK 23 million.				
Financial risks	Earnings before tax*	Change	SEKm	
<p>The table to the right shows the extent of the impact from a change in the Swedish krona, the price of electricity and the market interest rate on Group profit before tax and equity next year, taking account of hedging. The adopted change is calculated based on five years' average historical volatility for each instrument, which is deemed a reasonable change going forward. Historical volatility on exchange rates is calculated based on average annual volatility on the KIX, the Riksbank's exchange rate index. Excluding hedging, a 5 per cent change in the krona would affect earnings before tax by SEK 480 million a year.</p>	Exchange rates	+/-5%	165	
	EUR/SEK	+/-5%	45	
	USD/SEK	+/-5%	14	
	GBP/SEK	+/-5%	59	
	other currencies/SEK	+/-5%	47	
	Borrowing rate	+/-0.5% unit	7	
	Equity	Change	SEKm	
	Transaction hedging	+/-5%	556	
	Investment hedging	+/-5%	14	
	Equity hedging	+/-5%	21	
	Electricity price hedging	+/-50%	1 282	
Interest rate changes	+/-0.5% unit	7		
*Estimated effect for 2022 including hedging.				

SHAREHOLDER INFORMATION

Holmen's two classes 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 203 per cent, compared with 87 per cent for OMX Stockholm 30. For Holmen, this corresponds to an annual return of 25 per cent. At the same time, the number of owners has increased by 20 000 to just over 48 000.

Stock exchange trading

Holmen was listed on the Stockholm Stock Exchange in 1936, but was called Mo och Domsjö AB at that time. Holmen's two classes of shares are currently listed on Nasdaq Stockholm, Large Cap. At the end of 2021 Holmen A was trading at SEK 448 (415) and Holmen B at SEK 435 (394), corresponding to a market capitalisation of SEK 71.0 billion (64.7). The highest closing price for Holmen's class B shares was SEK 469, on 10 August. The lowest closing price was SEK 365, on 23 February. The daily average number of class B shares traded was 510 000, which corresponds to a value of SEK 204 million. The daily average number of class A shares traded was 1 140. Almost 40 per cent of trading took place on Nasdaq Stockholm. Holmen shares have also been traded on other trading platforms, such as Cboe BXE, LSE and CEUX.

Dividend

Decisions on dividends are based on an appraisal of the Group's profitability, future investment plans and financial position. The Board proposes that the AGM to be held on 30 March 2022 approve a dividend of SEK 7.5 per share and an extra dividend of SEK 4.0 per share.

Share structure

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

Share savings programme

The 2019 AGM approved a targeted share savings programme for key individuals in the Group. The programme expires in April 2022 and the Board of Directors has proposed that the 2022 AGM take a decision on a new, similar programme. The aim of the programme is to strengthen common interests between shareholders and company management, as well as to create a long-term commitment to Holmen. More information about the current share savings programme can be found in Note 4.

Share buy-backs

The 2021 AGM renewed the authorisation for the Board to be able to take decisions to purchase up to 10 per cent of the company's shares. No buy-backs took place during the period. The company already owns 0.3 per cent of all shares outstanding. The Board proposes that the 2022 AGM approve corresponding authorisation for the Board.

Ownership structure

Holmen had a total of 48 126 shareholders at year-end 2021. In terms of numbers, Swedish private individuals account for the largest owner category with 45 729

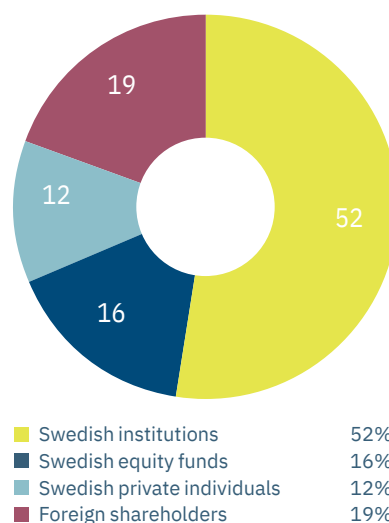
shareholders. Shareholders registered in Sweden own 81 per cent (82) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the US and Norway, accounting for 6 per cent and 4 per cent of capital, respectively. The largest owner at the turn of 2021/2022, with 62.3 per cent of votes and 34.1 per cent of capital, was L E Lundbergföretagen AB.

Shareholder communication

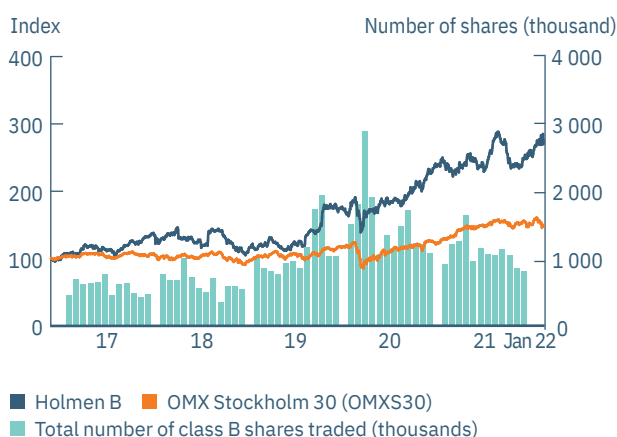
Information about the company is available at the holmen.com website, including financial information in the form of reports, presentations and financial data, as well as the performance of Holmen shares and contact information.

Shareholder categories

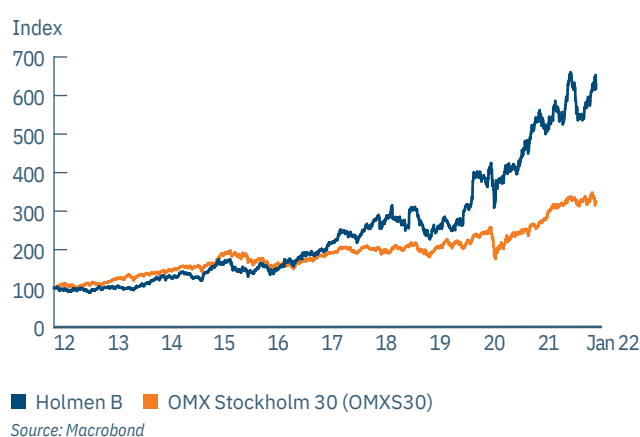
Share of capital, %



Share price performance, Holmen class B and OMX Stockholm



Total shareholder return Holmen B and OMX Stockholm Including reinvested dividend without tax



Earnings per share, 2021

SEK **18.5**

Proposed dividend per share, 2021

SEK **7.5 +**
SEK **4.0**

Annual return at 31 Dec 2021*, %	1 year	3 years	5 years	10 years
Holmen B	13	39	25	20
OMX Stockholm 30	33	23	13	13

*Including reinvested dividend.

Holmen's total shareholder return has averaged 20 per cent a year over the past 10 years, which is 7 percentage points better than the OMX Stockholm 30.

Share capital structure

Equities	Votes	No. of shares	No. of votes	Quotient value	SEKm
A	10	45 246 468	452 464 680	26	1 180
B	1	117 265 856	117 265 856	26	3 058
Total no. of shares		162 512 324	569 730 536		4 238
Holding of repurchased class B shares		-586 639	-586 639		
Total shares outstanding		161 925 685	569 143 897		

Changes in share capital 2000–2021

Changes in share capital 2000–2021	Change in no. of shares	Total no. of shares	Change in share capital	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
2020 Cancellation of shares repurchased	-7 000 000	162 512 324	-	4 238

Ownership structure* 31 Dec 2021

	% of capital	% of votes
L E Lundbergföretagen	34.1	62.3
Kempe Foundations	7.4	17.5
Carnegie Funds (Sweden)	5.1	1.4
SEB Funds	4.1	1.2
Norges Bank	3.1	0.9
Nordea Funds	2.6	0.7
Swedbank Robur Funds	2.5	0.7
Alecta	2.3	0.7
Vanguard (US)	1.8	0.5
BlackRock	1.5	0.4
Total	64.4	86.3
Other	35.6	13.7
Total	100.0	100.0
Of which non-Swedish shareholders	19.3	5.7

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

Shareholder statistics at 31 Dec 2021

Holding classes, no. of shares	No. of shareholders	Share of capital, %
1–1 000	44 221	4
1 001–100 000	3 834	11
100 001–	71	85
Total	48 126	100

Data per share (adjusted for the 2:1 share split in 2018)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Diluted earnings per share, SEK ¹⁾	18.5	12.2	52.6	13.5	9.9	8.5	3.3	5.4	4.3	11.1
Dividend, SEK										
Ordinary dividend, SEK	7.5²⁾	7.25	3.5	6.75	6.5	6	5.5	5	4.5	4.5
Extra dividend, SEK	4.0²⁾	3.5	-	-	-	-	-	-	-	-
Total dividend in % of:										
Equity	4.0	4.1	1.4	4.8	5.0	4.7	4.2	4.0	3.6	3.6
Closing market price	2.6	2.7	1.2	3.9	3.0	3.7	4.0	3.8	3.8	4.7
Profit/loss for the year	62	88	6	50	65	71	158	93	106	41
Return, equity, % ³⁾	7	5	35	10	8	7	3	4	3	9
Return, capital employed, % ^{1) 3)}	9	6	9	10	9	9	6	6	4	7
Equity per share, SEK	290	263	238	140	131	127	124	125	124	124
Closing market price, B, SEK	435	394	285	175	218	164	131	133	117	96
Average listed price for year, B, SEK	404	310	220	213	186	141	132	118	99	93
Highest market price for year, B, SEK	469	396	297	240	218	163	153	136	118	102
Lowest market price for year, B, SEK	365	228	172	175	157	114	110	105	87	85
Total closing market capitalisation, '000 SEKm	71.0	64.7	46.6	29.5	36.6	27.4	22.3	22.3	19.7	16.2
P/E ratio ⁴⁾	23	32	5	13	22	19	39	25	28	9
EV/EBITDA ^{3) 5)}	14	19	14	9	13	10	11	9	10	8
Closing beta value (48 months), B, at year-end ⁶⁾	0.78	0.77	0.77	0.74	0.74	0.72	0.68	0.71	0.67	0.67
Number of shareholders at year-end	48 126	48 104	38 904	33 573	30 903	28 159	28 176	27 788	27 692	28 440

1) See page 98: Definitions and glossary. 2) Board proposal. 3) Excl. items affecting comparability. 4) Closing market price divided by diluted earnings per share.

5) Market capitalisation plus net financial debt at year-end (EV) divided by EBITDA. 6) 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.

FINANCIAL STATEMENTS

Income statement, SEKm	Note	2021	2020
Net sales	2	19 479	16 327
Other operating income	3	1 690	1 339
Change in inventories		1	-88
Raw materials and consumables		-10 110	-8 781
Personnel costs	4	-2 720	-2 411
Other operating costs	5	-3 814	-3 310
Change in value of biological assets	9	464	579
Depreciation and amortisation according to plan	10, 11, 12	-1 261	-1 172
Profit/loss from investments in associates and joint ventures	13	0	-6
Operating profit		3 731	2 479
Financial income	6	9	11
Financial costs	6	-48	-53
Earnings before tax		3 691	2 437
Tax	7	-688	-458
Profit/loss for the year		3 004	1 979
Attributable to:			
Owners of the parent company		3 004	1 979
Earnings per share (SEK)	8		
basic		18.5	12.2
diluted		18.5	12.2
Average number of shares (million)	8		
basic		161.9	161.9
diluted		161.9	161.9

Operating profit for 2021 amounted to SEK 3 731 million (2 479). Profit was positively affected by higher prices for wood products and the expansion of the wood products business.

Tax recognised totalled SEK -688 million (-458), corresponding to 19 per cent (19) of profit before tax.

Net financial items totalled SEK -39 million (-42). Net debt totalled SEK 4 101 million (4 181) at year-end.

Statement of comprehensive income, SEKm	Note	2021	2020
Profit/loss for the year		3 004	1 979
Other comprehensive income			
Revaluation of forest land	9	3 345	1 173
Revaluation of defined benefit pension plans	18	-12	-15
Tax attributable to items that will not be reclassified to profit/loss for the year	7	-683	-239
Total items that will not be reclassified to profit/loss for the year		2 650	920
Cash flow hedges			
Revaluation		182	380
Transferred from equity to the income statement		349	-105
Transferred from equity to non-current assets		-27	-2
Translation difference on foreign operations		180	-187
Hedging of currency risk in foreign operations		-39	29
Share in joint ventures' other comprehensive income	13	3	16
Tax attributable to items that will be reclassified to profit/loss for the year	7	-97	-61
Total items that will be reclassified to profit/loss for the year		551	69
Total other comprehensive income after tax		3 201	989
Total comprehensive income		6 204	2 968
Attributable to:			
Owners of the parent company		6 204	2 968

Balance sheet at 31 December, SEKm	Note	2021	2020
Non-current assets			
Forest assets			
Biological assets	9	29 204	28 663
Forest land	9	17 876	14 538
Non-current intangible assets	10	539	555
Property, plant and equipment	11	9 711	9 226
Right-of-use assets	12	240	284
Investments in associates and joint ventures	13	1 756	1 717
Other shares and participations	13	2	2
Non-current financial receivables	14	268	290
Deferred tax assets	7	3	1
Total non-current assets		59 598	55 276
Current assets			
Inventories	15	3 818	3 594
Trade receivables	16	2 393	2 015
Current tax receivables	8	70	6
Other operating receivables	16	1 676	1 262
Current financial receivables	14	39	43
Cash and cash equivalents	14	507	346
Total current assets		8 503	7 267
Total assets		68 101	62 543
Equity			
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		14 748	11 541
Retained earnings including profit/loss for the year		27 725	26 457
Total equity attributable to owners of the parent company		46 992	42 516
Non-current liabilities			
Non-current financial liabilities	14	3 911	3 919
Non-current liabilities relating to right-of-use assets		173	175
Pension obligations	18	24	48
Non-current provisions	19	409	491
Deferred tax liabilities	7	11 610	10 570
Total non-current liabilities		16 127	15 203
Current liabilities			
Current financial liabilities	14	736	605
Current liabilities relating to right-of-use assets		71	112
Trade payables	20	2 836	2 496
Current tax liabilities	7	80	211
Current provisions	19	-	163
Other operating liabilities	20	1 259	1 235
Total current liabilities		4 982	4 824
Total liabilities		21 109	20 026
Total equity and liabilities		68 101	62 543

Changes in equity, SEKm

	Share capital	Other contributed capital	Reserves			Retained earnings incl. profit/loss for the year	Total equity
			Translation reserve	Hedge reserve	Revaluation reserve		
Opening equity balance 1 Jan 2020	4 238	281	92	83	10 366	25 052	40 111
Profit/loss for the year	-	-	-	-	-	1 979	1 979
Other comprehensive income							
Revaluation of forest land	-	-	-	-	1 173	-	1 173
Revaluation of defined benefit pension plans	-	-	-	-	-	-15	-15
Cash flow hedges	-	-	-	273	-	-	273
Translation difference on foreign operations	-	-	-187	-	-	-	-187
Hedging of currency risk in foreign operations	-	-	29	-	-	-	29
Share in joint ventures' other comprehensive income	-	-	-	16	-	-	16
Tax attributable to other comprehensive income	-	-	-6	-55	-242	3	-300
Total other comprehensive income	-	-	-165	234	932	-12	989
Total comprehensive income	-	-	-165	234	932	1 967	2 968
Dividend paid	-	-	-	-	-	-567	-567
Cancellation of treasury shares	-175	-	-	-	-	175	-
Bonus issue	175	-	-	-	-	-175	-
Share savings programme	-	-	-	-	-	2	2
Closing equity balance 31 Dec 2020	4 238	281	-73	316	11 297	26 457	42 516
Profit/loss for the year	-	-	-	-	-	3 004	3 004
Other comprehensive income							
Revaluation of forest land	-	-	-	-	3 345	-	3 345
Revaluation of defined benefit pension plans	-	-	-	-	-	-12	-12
Cash flow hedges	-	-	-	504	-	-	504
Translation difference on foreign operations	-	-	180	-	-	-	180
Hedging of currency risk in foreign operations	-	-	-39	-	-	-	-39
Share in joint ventures' other comprehensive income	-	-	-	3	-	-	3
Tax attributable to other comprehensive income	-	-	8	-105	-689	6	-780
Total other comprehensive income	-	-	149	402	2 656	-6	3 201
Total comprehensive income	-	-	149	402	2 656	2 997	6 204
Dividend paid	-	-	-	-	-	-1 741	-1 741
Share savings programme	-	-	-	-	-	12	12
Closing equity balance 31 Dec 2021	4 238	281	76	718	13 953	27 725	46 992

Cash flow statement, SEKm	Note	2021	2020
Operating activities			
Earnings before tax	25	3 691	2 437
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 261	1 172
Change in value of biological assets		-464	-579
Change in provisions		-187	-95
Other*		-263	46
Income tax paid		-662	-569
Cash flow from operating activities before changes in working capital		3 375	2 411
Cash flow from changes in working capital			
Change in inventories		-236	195
Change in trade receivables and other operating receivables		-156	-44
Change in trade payables and other operating liabilities		247	-105
Cash flow from operating activities		3 229	2 457
Investing activities			
Acquisition of property, plant and equipment		-1 534	-1 032
Disposal of property, plant and equipment		19	12
Acquisition of non-current intangible assets		-13	-7
Investments in and acquisition of biological assets		-166	-128
Disposal of biological assets		424	69
Acquisition of shares and participations		-63	-839
Repayment of non-current financial receivables		25	141
Cash flow from investing activities		-1 307	-1 783
Financing activities			
Raised long-term borrowings		500	1 900
Change in current financial liabilities	25	-411	-2 049
Repayment of debt related to right-of-use assets	25	-110	-95
Change in current financial receivables		-3	3
Dividend paid to owners of the parent company		-1 741	-567
Cash flow from financing activities		-1 764	-808
Cash flow for the year		158	-133
Cash and cash equivalents at beginning of year		346	483
Exchange difference on cash and cash equivalents		2	-4
Cash and cash equivalents at end of year		507	346

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

Change in net financial debt, SEKm	2021	2020
Opening net financial debt	-4 181	-3 784
Business combinations	-	-187
Cash flow		
Operating activities	3 229	2 457
Investing activities (excl. non-current financial receivables)	-1 332	-1 924
Dividend paid	-1 741	-567
Liabilities arising from new right-of-use agreements	-67	-163
Revaluation of defined benefit pension plans	17	-15
Foreign exchange effects and changes in fair value	-27	1
Closing net financial debt	-4 101	-4 181

Parent company

Income statement, SEKm	Note	2021	2020
Net sales	2	18 186	14 187
Other operating income	3	921	690
Change in inventories		35	-119
Raw materials and consumables		-10 127	-7 285
Personnel costs	4	-2 078	-1 942
Other external costs	5	-5 428	-5 150
Depreciation and amortisation according to plan	10, 11	-51	-48
Operating profit		1 458	332
Profit/loss from investments in Group companies	6, 23	380	199
Interest income and similar income	6	26	24
Interest expense and similar costs	6	-90	-23
Profit/loss after financial items		1 774	531
Appropriations	24	768	1 804
Earnings before tax		2 541	2 336
Tax	7	-451	-417
Profit/loss for the year		2 090	1 919

Statement of comprehensive income, SEKm	Note	2021	2020
Profit/loss for the year		2 090	1 919
Other comprehensive income			
Cash flow hedges			
Revaluation		204	372
Transferred from equity to the income statement		329	-97
Transferred from equity to non-current assets		-27	-2
Tax attributable to other comprehensive income	7	-104	-55
Total items that will be reclassified to profit/loss for the year		401	218
Total comprehensive income		2 491	2 137

The parent company includes Holmen's Swedish operations, with the exception of the majority of the non-current assets, as well as certain parts of the operation that was taken over on 1 October 2020 in conjunction with the acquisition of Martinsons, which are recognised in other companies in the Group.

Profit after net financial items includes the result from hedging equity in foreign subsidiaries of SEK -39 million (29).

Cash flow statement, SEKm	Note	2021	2020
Operating activities			
Profit/loss after financial items		1 774	531
Adjustments for non-cash items			
Depreciation and amortisation according to plan		51	48
Impairment losses		2	95
Change in provisions		-145	-50
Other*		75	22
Income tax paid		-618	-440
Cash flow from operating activities before changes in working capital		1 139	206
Cash flow from changes in working capital			
Change in inventories		-250	187
Change in operating receivables		-641	96
Change in operating liabilities		622	-171
Cash flow from operating activities		870	319
Investing activities			
Acquisition of property, plant and equipment		-92	-72
Disposal of property, plant and equipment		10	6
Repayment of non-current financial receivables		25	141
Acquisition of shares and participations		-39	-918
Cash flow from investing activities		-95	-842
Financing activities			
Raised long-term borrowings		500	1 900
Change in other financial liabilities	25	-303	-1 941
Change in other financial receivables		-286	-1 549
Dividend paid to owners of the parent company		-1 741	-567
Group contributions received		1 495	2 513
Group contributions paid		-230	-1
Cash flow from financing activities		-565	355
Cash flow for the year		209	-168
Cash and cash equivalents at beginning of year		236	403
Cash and cash equivalents at end of year		445	236

*Other adjustments primarily consist of foreign exchange effect and the marking to market of financial instruments and gains/losses on the sale of non-current assets.

Balance sheet at 31 December, SEKm	Note	2021	2020
Non-current assets			
Non-current intangible assets	10	13	17
Property, plant and equipment	11	3 075	3 038
Non-current financial assets			
Shares and participations	13, 23	11 634	11 597
Non-current financial receivables	14	4 176	3 467
Total non-current assets		18 898	18 119
Current assets			
Inventories	15	2 886	2 659
Operating receivables	16	3 616	2 442
Current tax receivables	7	39	-
Current investments	14	39	43
Cash and cash equivalents	14	445	236
Total current assets		7 025	5 379
Total assets		25 923	23 498

Balance sheet at 31 December, SEKm	Note	2021	2020
Equity			
Restricted equity			
Share capital		4 238	4 238
Statutory reserve		1 577	1 577
Revaluation reserve		100	100
Non-restricted equity			
Retained earnings incl. hedge reserve		4 986	4 394
Profit/loss for the year		2 090	1 919
Total equity		12 990	12 228
Untaxed reserves	24	2 852	2 354
Provisions			
Pension obligations	18	0	4
Provisions	19	599	744
Deferred tax liabilities	7	787	657
Total provisions		1 386	1 405
Liabilities			
Non-current financial liabilities	14	4 513	4 083
Current financial liabilities	14	736	514
Current tax liabilities	7	-	145
Operating liabilities	20	3 446	2 769
Total liabilities		8 695	7 511
Total equity and liabilities		25 923	23 498

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 2020	4 238	1 577	100	135	2 759	1 847	10 656
Appropriation of profits	-	-	-	-	1 847	-1 847	-
Profit/loss for the year	-	-	-	-	-	1 919	1 919
Other comprehensive income							
Cash flow hedges	-	-	-	272	-	-	272
Tax on other comprehensive income	-	-	-	-55	-	-	-55
Total other comprehensive income	-	-	-	218	-	-	218
Total comprehensive income	-	-	-	218	1 847	72	2 137
Dividend paid	-	-	-	-	-567	-	-567
Cancellation of treasury shares	-175	-	-	-	175	-	-
Bonus issue	175	-	-	-	-175	-	-
Share savings programme	-	-	-	-	2	-	2
Closing equity balance 31 Dec 2020	4 238	1 577	100	353	4 042	1 919	12 228
Appropriation of profits	-	-	-	-	1 919	-1 919	-
Profit/loss for the year	-	-	-	-	-	2 090	2 090
Other comprehensive income							
Cash flow hedges	-	-	-	505	-	-	505
Tax on other comprehensive income	-	-	-	-104	-	-	-104
Total other comprehensive income	-	-	-	401	-	-	401
Total comprehensive income	-	-	-	401	1 919	171	2 491
Dividend paid	-	-	-	-	-1 741	-	-1 741
Share savings programme	-	-	-	-	12	-	12
Closing equity balance 31 Dec 2021	4 238	1 577	100	754	4 232	2 090	12 990

NOTES TO THE FINANCIAL STATEMENTS

Amounts in SEKm, unless otherwise stated

1. Accounting policies	56	14. Financial instruments	73
2. Operating segment reporting	61	15. Inventories	76
3. Other operating income	62	16. Operating receivables	76
4. Employees, personnel costs and remuneration to senior management	63	17. Equity, parent company	76
5. Auditors' fee and remuneration	64	18. Pension obligations	77
6. Net financial items and income from financial instruments	64	19. Provisions	78
7. Tax	65	20. Operating liabilities	78
8. Earnings per share	66	21. Collateral and contingent liabilities	78
9. Forest assets	67	22. Related parties	79
10. Non-current intangible assets	69	23. Investments in Group companies	80
11. Property, plant and equipment	70	24. Untaxed reserves	81
12. Right-of-use assets (leases)	71	25. Cash flow statement	81
13. Investments in associates, joint ventures and other shares and participations	72	26. Business combinations	82
		27. Critical accounting estimates and judgements	82

Note 1. Accounting policies

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

Compliance with standards and statutory requirements

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

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

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

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

Functional currency and reporting currency

The functional currency is the currency used in the primary financial environments in which the companies conduct their business. The parent company's functional currency is the Swedish krona (SEK), which is also the reporting currency of the parent company and the Group. The financial statements are presented in millions of 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 27 'Critical accounting estimates and judgements'.

Changes in accounting policies

New and amended accounting policies applicable as of 2021

New and amended IFRSs with application from 2021 do not have any material impact on the company's financial statements.

New and amended accounting policies not yet applied

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

Segment reporting

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

Classification

Essentially, non-current assets, non-current liabilities and non-current 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 current 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 depreciation/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 any 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. Translation differences arising during 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 Skog AB, Iggesund Paperboard AB, Holmen Paper AB, Holmen Wood Products AB and Holmen Energi AB.

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

Income

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

The transaction price is the price of the goods or service. Variable consideration mainly occurs in the form of volume or cash discounts. 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.

The Group's business also includes construction solutions in wood. Income from this activity is treated as a commercial construction contract and recognised over time, based on costs spent in relation to the total estimated costs of the project. Projects usually do not extend beyond twelve months. Holmen therefore applies the relief rule and does not disclose remaining performance commitments. Accrued income related to commercial construction contracts is initially recognised as contract assets, since the right to payment is conditional upon customer approval. When the customer has accepted the goods, the amount of the contract asset is recognised as a receivable instead. Advances received are included in the contract liability.

Payment terms vary from market to market and Holmen usually follows applicable practice on the respective market.

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.

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.

Note 1

Financial income and costs

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

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

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

Taxes

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

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

Earnings per share

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

Financial instruments

Financial instruments are measured and recognised according to IAS 9.

Recognition in and derecognition from the balance sheet

A financial asset or liability is stated in the balance sheet when the company becomes a party in accordance with the contractual conditions of the instrument. A financial asset is removed from the balance sheet when the rights referred to in the contract have been realised or mature, or when the company no longer has control over them. A financial liability is removed from the balance sheet when the undertaking in the contract is performed or expires in some other way. Spot transactions are stated in accordance with the trade date principle. Trade receivables are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has provided a product or service and there is a contractual obligation to pay, even if an invoice has not yet been received. A financial asset and a financial liability are only offset and recognised at a net amount where a legal right to offset the amounts exists and there is an intention to settle the items at a net amount or simultaneously realise the asset and settle the liability. Financial assets, excluding shares, and financial liabilities have been classified as current if the amounts are expected to be recovered or paid within 12 months of the balance sheet date. Shares have been classified as non-current if they are intended to be held in the operation permanently.

Classification and measurement of financial instruments

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

Financial assets - are measured initially at fair value less any transaction costs. Normally, the assets are measured on a current basis at amortised cost using the effective interest method since the assets are held with the objective of collecting the contractual cash flows, which consist of principal and interest on the outstanding principal. 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 - When assessing expected credit losses on financial assets, the simplification rule is applied in accordance with IFRS 9. 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 46–47.

Forest assets

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

Recognition in the parent company

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

Non-current intangible assets

Non-current intangible assets such as the value of acquired wood supply business, 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. Both goodwill and other non-current intangible assets are tested for impairment annually. Any impairment losses may be reversed via exceptions from 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 allocated to cash-generating units that are expected to benefit from the effects of the acquisition. 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 book value includes all directly attributable expenses, for example in connection with materials and services, employee benefits, registration of a legal right, amortisation of patents and licences and borrowing costs in accordance with IAS 23. Other development expenditure is recognised in the income statement as costs when incurred. Development expenditures recognised in the balance sheet are stated at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

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

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

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

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

The following useful lives (years) are used:

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

If there is any indication that the book value is too high, an analysis is made in which the recoverable amount of single or inherently related assets is determined at the higher of the net realisable value and the value in use. The net realisable value is the estimated selling price after deduction of the estimated cost of selling the asset. The value in use is measured as expected future discounted cash flow. The discount rate applied takes account of the risk-free rate and the risk associated with the asset. An impairment loss consists of the amount by which the recoverable amount falls short of the book value. An impairment loss is reversed if there has been any positive change in the circumstances upon which the determination of the recoverable amount is based. A reversal may be made up to, but not exceeding, the book value that would have been recognised, less depreciation, if there had been no impairment.

Borrowing costs attributable to the purchase or construction of qualifying assets are to be capitalised in the consolidated accounts as part of the asset's cost.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and that is relevant for the Group in connection with major investment projects.

Right-of-use assets (leases)

When entering an agreement an assessment is made as to whether the agreement is, or contains, a lease. An agreement is, or contains, a lease if the agreement transfers the right for a set period to control the use of an identified asset in

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

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

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

Parent company

The policies on leases, in accordance with IFRS 16, that are applied by the Group are not applied by the parent company. The parent company applies an exception option in RFR 2 with the result that the parent company recognises existing leases as operating leases.

Inventories

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

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

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

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 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 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

Note 1

assets calculated according to the same interest factor (discount rate). Other components are recognised in operating profit/loss. The revaluation effects consist of actuarial gains and losses and the difference between the actual return on plan assets and the amount included in net interest. Revaluation effects are recognised in other comprehensive income.

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

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

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

Share-based payments

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

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

Termination benefits

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

Short-term benefits

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

Equity

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

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

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

Provisions

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

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

Contingent liabilities

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

Group contributions and shareholder contributions

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

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

Other

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

Note 2. Operating segment reporting

2021	Forest	Paperboard	Paper	Wood Products	Renewable Energy	Group-wide and other	Eliminations	Total Group
Net sales								
External	2 424	6 261	5 441	4 872	481	-	-	19 479
Internal	4 085	-	-	-	7	-	-4 092	-
Other operating income	580	642	270	499	28	217	-544	1 690
Operating costs	-5 979	-5 995	-5 270	-3 514	-140	-380	4 636	-16 643
Change in value of biological assets	464	-	-	-	-	-	-	464
Depreciation and amortisation according to plan	-78	-565	-371	-189	-28	-29	-	-1 261
Profit/loss from investments in associates and joint ventures	-	-	-	1	-1	-	-	0
Operating profit	1 495	343	70	1 668	347	-193	-	3 731
Operating profit/loss excluding items affecting comparability*	1 495	673	70	1 668	347	-193	-	4 061
Operating margin excluding items affecting comparability, %	23	11	1	34	71	-	-	21
Return on capital employed, excluding items affecting comparability, %	4	13	4	82	10	-	-	9
Operating assets	49 178	6 974	2 707	2 954	4 772	1 320	-620	67 284
Operating liabilities	-1 834	-958	-840	-606	-334	-633	620	-4 584
Net deferred tax	-10 045	-847	-231	-70	-368	-47	-	-11 608
Capital employed	37 300	5 169	1 637	2 278	4 069	640	-	51 093
Acquisition of non-current assets	249	399	129	242	712	43	-	1 775
External net sales by market								
Sweden	2 422	131	195	2 113	481	-	-	5 343
UK	-	804	661	839	-	-	-	2 304
Germany	-	1 136	791	37	-	-	-	1 963
France	-	465	528	81	-	-	-	1 074
Italy	-	333	570	7	-	-	-	911
Rest of Europe	2	1 780	1 677	924	-	-	-	4 383
Asia	-	1 196	645	309	-	-	-	2 150
Rest of the world	-	415	374	561	-	-	-	1 351
Total	2 424	6 261	5 441	4 872	481	-	-	19 479

*Items affecting comparability refer to the costs and the loss of revenue associated with the turbine breakdown at the paperboard mill in Workington (SEK 330 million).

Net sales by market	Group		Parent company		Net sales by product area	Group		Parent company	
	2021	2020	2021	2020		2021	2020	2021	2020
Sweden	5 343	4 197	6 240	4 382	Consumer paperboard	6 059	6 001	3 950	3 861
UK	2 304	1 830	1 793	1 253	Pulp	202	187	396	293
Germany	1 963	2 115	1 611	1 707	Book, magazine & packaging paper	4 977	4 381	4 977	4 381
France	1 074	816	896	647	Newsprint	464	498	464	498
Italy	911	805	788	716	Wood products, pine	2 206	1 035	2 206	863
Rest of Europe	4 383	3 740	3 497	2 820	Wood products, spruce	2 345	1 080	2 345	948
Asia	2 150	1 940	2 077	1 841	Wood construction solutions	320	107	-	-
Rest of the world	1 351	884	1 285	820	Wood	2 424	2 664	3 181	2 656
Total	19 479	16 327	18 186	14 187	Electricity	473	330	473	330
					Other	8	45	194	358
					Total	19 479	16 327	18 186	14 187

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

Non-current assets per country	Group		Parent company	
	2021	2020	2021	2020
Sweden	57 993	53 657	14 721	14 652
UK	1 329	1 321	-	-
Other	4	4	-	-
Total	59 326	54 983	14 721	14 652

Note 2. Operating segment reporting, cont.

2020	Forest	Paperboard	Paper	Wood Products	Renewable Energy	Group-wide and other	Eliminations	Total Group
Net sales								
External	2 664	6 187	4 879	2 222	375	-	-	16 327
Internal	3 219	-	-	-	3	-	-3 222	-
Other operating income	279	796	179	395	19	248	-577	1 339
Operating costs	-5 318	-5 617	-4 603	-2 308	-149	-392	3 799	-14 589
Change in value of biological assets	579	-	-	-	-	-	-	579
Depreciation and amortisation according to plan	-55	-554	-381	-124	-27	-31	-	-1 172
Profit/loss from investments in associates and joint ventures	-	-	-	-	-6	-	-	-6
Operating profit	1 367	812	73	185	215	-174	-	2 479
Operating margin, %	23	13	2	8	57	-	-	15
Return on capital employed, %	4	15	4	17	7	-	-	6
Operating assets	45 088	6 920	2 925	2 625	3 810	873	-379	61 862
Operating liabilities	-1 673	-869	-693	-727	-121	-893	379	-4 597
Net deferred tax	-9 185	-775	-262	-52	-339	44	-	-10 568
Capital employed	34 230	5 276	1 969	1 846	3 351	24	-	46 697
Acquisition of non-current assets	207	275	280	107	291	845	-	2 006
External net sales by market								
Sweden	2 656	105	279	781	375	-	-	4 197
Germany	-	1 258	850	6	-	-	-	2 115
UK	-	774	590	465	-	-	-	1 830
France	-	380	425	11	-	-	-	816
Italy	-	271	532	2	-	-	-	805
Rest of Europe	8	1 749	1 571	411	-	-	-	3 740
Asia	-	1 329	438	174	-	-	-	1 940
Rest of the world	-	321	192	371	-	-	-	884
Total	2 664	6 187	4 879	2 222	375	-	-	16 327

The Forest business area manages the Group's forests, which cover just over one million hectares. The annual harvest of own forest amounts to 2.8 million m³sub. The Renewable Energy business area is responsible for the Group's hydro power and wind power assets. Production in a normal year is 1.2 TWh of renewable hydro and wind power. In 2022, 0.4 TWh will be added from the new Blåbergsliden Wind Farm. The business areas are responsible for the Group's wood and electricity supply 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 mainly for books, magazines and advertising at two Swedish mills. The Wood Products business area produces wood products at five sawmills, for use in joinery and construction. In 2021, the Group produced 0.5 million tonnes of paperboard, 1.0 million tonnes of paper and 1.5 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 deferred tax assets and tax liabilities. Financing and tax issues are managed at Group level. Consequently, financial assets and liabilities, including pension obligations, and current tax assets and tax liabilities, are not allocated to the business areas.

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

Note 3. Other operating income

	Group		Parent company	
	2021	2020	2021	2020
Sales of by-products	584	411	378	291
Sales of non-current assets	320	59	10	6
Certificates, renewable energy	186	457	1	12
Emission allowances	140	85	136	83
Rent and land lease income	101	94	43	49
Silviculture contracts	95	80	95	80
Other	264	153	258	170
Total	1 690	1 339	921	690

Of the sales of by-products in the Group, SEK 182 million (118) relates to rejects from production, SEK 292 million (186) to wood shavings, bark and chips, as well as SEK 110 million (108) to external sales of energy.

The sale of non-current assets in 2021 mainly relates to the sale of forest properties in the UK.

Holmen receives a certificate for the production of renewable energy at the British paperboard mill in Workington. Income declined during the year to SEK 186 million (457) because of the turbine breakdown at the mill in Workington, which resulted in lower than normal renewable energy production.

The Group has been allotted emission allowances that have been used partly within its own production. The surplus resulted in a recognised gain of SEK 140 million (85).

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

	Group		Parent company	
	2021	2020	2021	2020
Wages, salaries and social security costs				
Wages, salaries and other remuneration	1 928	1 694	1 415	1 326
Social security costs	759	679	615	577

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

The 2020 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 shall apply to remuneration agreed after the guidelines have been adopted by the 2020 AGM. The guidelines do not cover remuneration determined by the AGM.

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

Holmen's strategy is to own and add value to the forest. Holmen's forest holdings form the basis of the business in which the raw material grows and is refined into everything from wood products for climate-smart building to renewable packaging, magazines and books, using energy that largely comes from its own hydro and wind power. Successful implementation of the company's business strategy, long-term interests and sustainability requires the company to be able to attract the right employees. This guideline is intended to provide Holmen with the conditions to recruit and retain skilled employees.

Forms of remuneration

A long-term share-based incentive programme has been established within the company, which is described under Share savings programme. It was approved by the 2019 AGM and is therefore not covered by these guidelines. Over and above share-based incentive programmes approved by the AGM, no variable remuneration shall be paid.

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

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

Notice and severance pay

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

Consideration of salary and employment terms for other employees

In formulating its proposals for these remuneration guidelines, the Board has taken into account salaries and employment terms of the company's other employees, by including information about employees' total remuneration, the components of such remuneration and the increase in remuneration and the rate of increase over time, which have constituted part of the basis for decisions in evaluating the reasonableness of these guidelines.

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

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

Deviation from the guidelines

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

Share savings programme

The 2019 AGM approved a targeted share savings programme for key individuals in the Group. The overall purpose of the programme is to retain close alignment of the interests of senior management and shareholders and to encourage long-term commitment to Holmen.

Participation in the programme required the relevant employees to have personally invested in Holmen shares (known as 'savings shares') during the period 9 May to 31 May 2019. The programme expires on 28 April 2022. For each invested savings share, a half matching share will be allotted after the end of the vesting period since Holmen's total return for the period 2019–2021 was positive, which was the condition for the allocation of matching shares. In addition, performance shares will be allotted to participants since return on capital employed exceeded the limit for allocation during the period 2019–2021. The number of performance shares varies depending on the position of the participant. To be eligible for allocation of matching and performance shares, participants must have been full-time employees within the Holmen Group and held the savings shares for the entire vesting period. The vesting period runs from 31 May 2019 through the day of publication of the interim report for the first quarter of 2022. The maximum number of shares that can be allocated is estimated at 112 000. Total costs for the programme are estimated at SEK 32 million. Costs of SEK 20 million (5) have been recognised for 2021.

Remuneration of Board and senior management

Board of Directors

A fixed Board fee shall be paid to the members of the Board elected by the AGM. The CEO, however, does not receive any Board fee. For 2021, fees to the Board amounted to SEK 3 330 000 (3 195 000). The chairman of the Board received a fee of SEK 740 000 (710 000), and each of the other seven (seven) members received SEK 370 000 (355 000).

Senior management

Salary and other benefits for the CEO in 2021 amounted to SEK 9 786 724 (9 783 332), of which SEK 9 360 000 (9 360 043) relates to basic salary and SEK 426 724 (423 289) relates to other benefits. No variable remuneration was paid. The total pension cost for the CEO, calculated in accordance with IAS 19, amounted to SEK 5 907 348 (5 647 641). Recognised wages and salaries for the share savings programmes for the CEO amounted to SEK 2 309 061 (577 836).

In 2021, the salaries and other benefits of other senior management, i.e. the heads of the five (five) business areas and the heads of the five (five) Group staffs and the head of international affairs, who report directly to the CEO, totalled SEK 30 826 296 (29 066 025) in 2021, of which SEK 29 635 750 (28 186 992) relates to basic salary and SEK 1 190 546 (879 033) relates to other benefits. No variable remuneration was paid. The total pension cost for this group, calculated in accordance with IAS 19, amounted to SEK 12 027 090 (11 795 571) in 2021. Recognised wages and salaries for the share savings programmes for this group amounted to SEK 4 694 627 (1 802 587).

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

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

Pension obligations in respect of senior management

Holmen's pension obligations over and above the ITP plan for the CEO amounted to SEK 32 million (29) at 31 December 2021 and for other members of senior management to SEK 32 million (31), calculated in accordance with IAS 19. The pension obligations are secured using plan assets managed by an independent pension fund. These agreements were entered into in accordance with the guidelines for remuneration to senior management that were applicable at the time.

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

	2021			2020		
	Average no. of employees (FTE)	Of which women	Of which men	Average no. of employees (FTE)	Of which women	Of which men
Parent company						
Sweden	2 464	507	1 957	2 316	462	1 854
Group companies						
France	12	6	6	12	6	6
Netherlands	80	45	35	76	41	35
UK	383	41	342	377	41	336
Sweden	466	72	394	123	17	106
Germany	22	8	14	22	8	14
US	9	3	6	12	4	8
Other countries	38	14	24	35	15	20
Total Group companies	1 010	189	821	658	132	526
Total Group	3 474	696	2 778	2 974	594	2 380

	Group		Parent company	
	2021	2020	2021	2020
Proportion of women, %				
Board (excl. deputy members)	25	25	25	25
Senior management	17	17	17	17
Total	21	21	21	21

Note 5. Auditors' fee and remuneration

The audit firm PricewaterhouseCoopers AB (PwC) was elected by the 2021 AGM as Holmen's auditors for a period of one year. PwC performs the audit for Holmen AB as well as for the majority of Holmen's subsidiaries. For the 2020 financial year, the audit firm KPMG conducted the audit at Holmen AB as well as at the majority of Holmen's subsidiaries.

	Group		Parent company	
	2021	2020	2021	2020
Remuneration to auditors				
Audit assignments PwC	8	-	5	-
Audit assignments KPMG	1	7	-	4
Tax advice PwC	1	-	1	-
Tax advice KPMG	0	0	-	0
Total	9	7	6	5
Other auditors	0	0	-	-
Total	9	7	6	5

'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	
	2021	2020	2021	2020
Financial income				
Dividend income from Group companies	-	-	382	284
Dividends from associates	0	0	-	-
Gains on sales of Group companies	-	-	-	10
Interest income*	8	11	26	24
Total financial income	9	11	408	318

*SEK 8 million (11) relates to interest income calculated using the effective interest rate method from financial items valued at amortised cost.

	Group		Parent company	
	2021	2020	2021	2020
Financial costs				
Impairment losses on value of shares in Group companies	-	-	-2	-95
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss	3	15	-35	43
Cash and cash equivalents	0	6	0	6
Assets and liabilities measured at amortised cost	-5	-22	-5	-21
Total net profit/loss	-2	-2	-40	28
Interest expense attributable to right-of-use agreements	-5	-5	-	-
Interest expense*	-41	-47	-49	-52
Financial costs	-48	-53	-92	-118
Net financial items	-39	-42	316	199

*SEK -2 million (-7) in the Group and parent company relates to interest expense for derivatives valued at fair value through other comprehensive income. SEK -1 million (-2) relates to interest expense for derivatives recognised at fair value through profit/loss for the year. Remaining interest expense is calculated using the effective interest rate method and relates to financial items valued at amortised cost.

Net gains and losses recognised in net financial items mainly relate to currency revaluations of internal lending and hedging of internal lending. The parent company's net financial items also include currency revaluation of forward contracts that hedge net investment in foreign operations, which are recognised in the Group under other comprehensive income. The fair value of the interest component in forward foreign exchange contracts as well as value changes in accrued interest and realised interest in fixed-interest-rate swaps is recognised on an ongoing basis in net interest items. Information on financial risks is provided on pages 46–47.

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

	Group		Parent company	
	2021	2020	2021	2020
Exchange gains/losses on trade receivables and trade payables	-97	48	-96	45
Net gain/loss relating to derivatives	336	-98	314	-80

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 2021 amounted to SEK 120 million (-16), with the remainder being recognised in other comprehensive income as hedge accounting is applied. The fair value of outstanding currency hedges at 31 December 2021 was SEK 103 million (466).

Gains/losses on financial electricity hedges are recognised in the income statement when they expire; for 2021 they totalled SEK 215 million (-82). The fair value of outstanding financial electricity hedges at 31 December 2021 was SEK 838 million (14). 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 -3 million (-35) at 31 December 2021. In 2021 there was an impact of SEK -23 million (-2) on the cost of hedged items owing to results from hedging.

Results from hedging of foreign net assets amounted to SEK -39 million (29) in 2021 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 180 million (-187) on consolidated equity. The fair value of outstanding hedges of net assets at 31 December 2021 was SEK -12 million (7) and relates to financial derivatives.

The fair value of the derivatives used to manage the fixed interest periods amounted to SEK 13 million (-3) at 31 December 2021, which was recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement in 2022 and later.

Note 7. Tax

Taxes stated in income statement	Group		Parent company	
	2021	2020	2021	2020
Current tax	-456	-517	-426	-429
Deferred tax	-232	59	-25	12
Total	-688	-458	-451	-417

Tax recognised totalled SEK -688 million (-458), corresponding to 19 per cent (19) of profit before tax.

Taxes stated in income statement	Group				Parent company			
	2021		2020		2021		2020	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit/loss before tax	3 691		2 437		2 541		2 336	
Tax at applicable rate	-760	20.6	-521	21.4	-523	20.6	-500	21.4
Difference in tax rate in foreign operations	-2	0.0	9	-0.4	-	-	-	-
Tax-exempt income	65	-1.8	7	-0.3	79	-3.1	64	-2.7
Non-tax-deductible costs	-25	0.7	-19	0.8	-4	0.2	-24	1.0
Standard interest on tax allocation reserve	-2	0.1	-2	0.1	-2	0.1	-2	0.1
Tax attributable to previous periods	4	-0.1	60	-2.4	0	0.0	45	-1.9
Change to tax rate on deferred tax assets/liabilities	-31	0.8	5	-0.2	-2	0.1	0	0.0
Other*	62	-1.7	4	-0.2	1	-0.1	0	0.0
Effective tax	-688	18.6	-458	18.8	-451	17.7	-417	17.9

*In 2021, deferred tax income of SEK 60 million is recognised, relating to a tax reduction for the year's investments in property, plant and equipment.

Tax attributable to other comprehensive income	Group						Parent company					
	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
	2021			2020			2021			2020		
Cash flow hedges	504	-105	399	273	-55	218	505	-104	401	272	-55	218
Share in joint ventures' other comprehensive income	3	-	3	16	-	16	-	-	-	-	-	-
Translation difference from foreign operations	180	-	180	-187	-	-187	-	-	-	-	-	-
Hedging of currency risk in foreign operations	-39	8	-31	29	-6	23	-	-	-	-	-	-
Revaluation of forest land	3 345	-689	2 656	1 173	-242	932	-	-	-	-	-	-
Revaluation of defined benefit pension plans	-12	6	-6	-15	3	-12	-	-	-	-	-	-
Other comprehensive income	3 981	-780	3 201	1 289	-300	989	505	-104	401	272	-55	218

Taxes as stated in balance sheet	Group		Parent company	
	2021	2020	2021	2020
Tax receivables				
Deferred tax assets	3	1	-	-
Current tax receivables	70	6	39	-
Total tax receivables	72	7	39	-
Deferred tax liabilities				
Non-current assets				
Biological assets	6 016	5 901	-	-
Forest land	3 648	2 939	601	595
Property, plant and equipment	1 171	1 063	2	2
Tax allocation reserve	606	509	-	-
Transactions subject to hedge accounting	196	92	196	91
Other, including deferred tax assets stated net among deferred tax liabilities	-29	66	-12	-32
Deferred tax liabilities	11 610	10 570	787	657
Current tax liabilities	80	211	-	145
Total tax liabilities	11 690	10 780	787	802

Note 7. Tax, cont.**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	Reclassification	Closing balance	Opening balance	Stated in the income statement	Stated in other comprehensive income	Closing balance
2021										
Biological assets	-5 901	-125	-	-	10	-6 016	-	-	-	-
Forest land	-2 939	-10	-689	-	-10	-3 648	-596	-5	-	-601
Property, plant and equipment	-1 063	-51	-	-13	-44	-1 171	-2	0	-	-2
Tax allocation reserve	-509	-97	-	-	-	-606	-	-	-	-
Transactions subject to hedge accounting	-92	-	-105	1	-	-196	-91	-	-104	-196
Other	-66	51	6	-5	44	29	32	-20	-	11
Deferred net tax liability	-10 570	-232	-788	-17	-	-11 608	-657	-25	-104	-787

	Group						Parent company			
	Opening balance	Stated in the income statement	Stated in other comprehensive income	Translation differences and other	Business combination	Closing balance	Opening balance	Stated in the income statement	Stated in other comprehensive income	Closing balance
2020										
Biological assets	-5 746	-155	-	-	-	-5 901	-	-	-	-
Forest land	-2 697	-	-242	-	-	-2 939	-595	-1	-	-596
Property, plant and equipment	-1 434	357	-	14	-	-1 063	-2	-	-	-2
Tax allocation reserve	-359	-150	-	-	-	-509	-	-	-	-
Transactions subject to hedge accounting	-37	-	-55	0	-	-92	-37	-	-55	-91
Other	-26	7	-3	7	-50	-66	19	13	-	32
Deferred net tax liability	-10 298	59	-300	21	-50	-10 570	-614	12	-55	-657

The Group's deferred tax liability for forest assets (biological assets and forest land) amounts to SEK 9 664 million (8 840) and is calculated based on the difference between book value SEK 47 080 million (43 202) and taxable cost SEK 173 million (315). This represents the tax expense that would arise if the forest assets were sold as forest properties. No tax expense arises if the assets are retained.

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

The amount recognised in other comprehensive income includes deferred tax mainly related to a change in the value of forest land of SEK -689 million (-242) and hedge reserve of SEK -105 million (-55).

Holmen has claimed group relief in the parent company related to tax losses in Spanish subsidiaries that was liquidated. The deductions correspond to SEK 389 million in tax, but no tax receivable has been recognised. There are no other loss carry-forwards of significance in the Group.

Note 8. Earnings per share

	Group	
	2021	2020
Total number of shares outstanding, 1 January	161 925 685	161 925 685
Share savings programme allocation	-	-
Total number of shares outstanding, 31 December	161 925 685	161 925 685
Shareholders' share of profit/loss for the year, SEK	3 003 524 941	1 979 252 281
Basic average number of shares	161 925 685	161 925 685
Basic EPS for the year, SEK	18.5	12.2
Shareholders' share of profit/loss for the year, SEK	3 003 524 941	1 979 252 281
Diluted average number of shares	161 925 685	161 925 685
Diluted EPS for the year, SEK	18.5	12.2

The share savings programme approved by the 2019 AGM may entail allocation of a maximum of 112 000 shares from Holmen's treasury holdings when the programme expires in 2022. The effects on key ratios and profit per share are marginal.

Note 9. Forest assets

Holmen's owns land totalling 1 304 000 hectares, of which 1 044 000 hectares are productive forest land with an estimated volume of standing timber of 125 million cubic metres (m³) of growing stock, solid over bark. The holdings are distributed over three regions in Sweden.

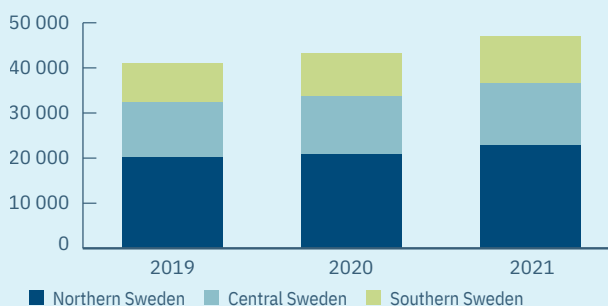
	Productive forest land, '000 ha	Volume of standing timber, growing stock, solid over bark, millions m ³
North	689	75
Central	264	35
South	91	15
Total	1 044	125



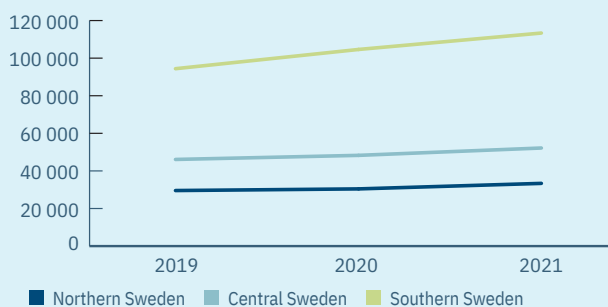
Forest assets are recognised at fair value, calculated based on the transaction prices for forest properties in those areas where the Group owns forest land. The calculation is carried out through an appraisal of the valuations that are based partly on price statistics published by various market participants and partly on detailed information regarding transactions with forest properties over the past three years. The price statistics refer to SEK per m³ growing stock, solid over bark, which is paid on average in the various counties in Sweden where Holmen has land. The calculation based on transactions with forest properties is carried out as a regression analysis based on transactions exceeding 20 hectares in the areas where Holmen has land.

The book value of forest assets amounted to SEK 47 080 million (43 202) at 31 December 2021. The value per hectare varies between different parts of the country, with forest properties in southern Sweden being valued much higher per hectare as a result of a greater volume of standing timber, higher site quality, a shorter harvesting cycle and greater demand for forest land. The graphs below show Holmen's recognised value of forest assets by region, stated in both SEK million and in SEK per hectare.

Book value, SEKm



Book value, SEK/hectare

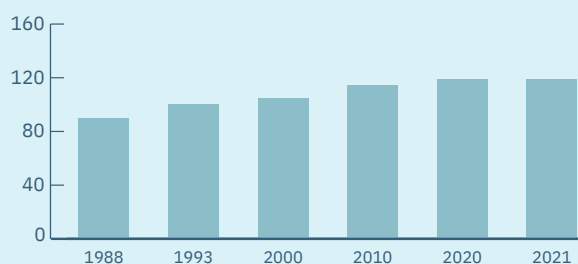


The recognised value of forest assets is primarily dependent on how large the volume of standing timber is estimated to amount to and the market price per m³ growing stock, solid over bark calculated based on price statistics and transaction data collected from external parties. The table below shows how the value is affected by changes in the size of the volume of standing timber and the market price, respectively.

Price statistics and market data		SEKm
Northern Sweden	SEK 10/m ³ growing stock, solid over bark	750
Central Sweden	SEK 10/m ³ growing stock, solid over bark	350
Southern Sweden	SEK 10/m ³ growing stock, solid over bark	150
Holmen's volume of standing timber	1 million m ³ growing stock, solid over bark	380

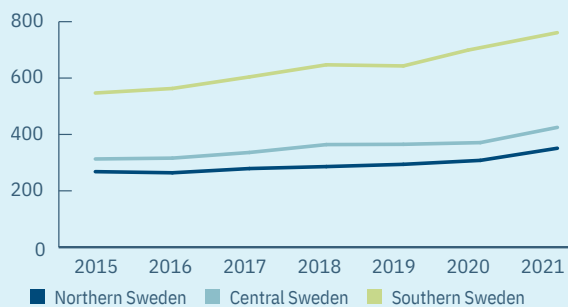
The size of Holmen's volume of standing timber is calculated based on the most recent inventory, updated with the completed harvest and estimated growth after the time of inventory. In the most recent inventory, an external party carried out a random sample inventory with a standard error of 1.4 per cent. The inventory is normally carried out every ten years. The diagram below shows the volume of standing timber measured as m³ growing stock, solid over bark, per hectare in the inventories carried out since 1988 and the estimated volume of standing timber at 31 December 2021.

Volume of standing timber m³ growing stock, solid over bark per hectare productive forest land, average for Holmen's forest assets



The price statistics used in the valuation are public information that comes from market participants. The transaction data that are used come from Lantmäteriet (the Swedish mapping, cadastral and land registration authority) and were processed by an external party. In the areas where Holmen has land about 300 transactions involving forest properties are carried out annually. Transactions between legal entities are not normally included in the calculations for price statistics or transaction data. Holmen has chosen to use three years of price statistics and transaction data in the valuation. If a different time period were used, the book value would be affected. The diagram below shows the price for forest properties measured in SEK per m³ growing stock, solid over bark, based on annual price statistics and transaction data for the regions in the country where Holmen owns land.

Price of forest properties, SEK/m³ growing stock, solid over bark



To verify Holmen's own valuation of the forest assets, an external independent valuation of parts of the forest holdings is carried out every year, with the aim of having a reference valuation of the entire forest holdings over five years. Since Holmen began to recognise forest assets at fair value in 2019, the company Forum Fastighetsekonomi has carried out external valuations each year. At the end of 2021, forest properties corresponding to two thirds of the book value were valued by Forum Fastighetsekonomi. The external valuations exceed the internal valuations by 1 per cent.

Note 9. Forest assets, cont.

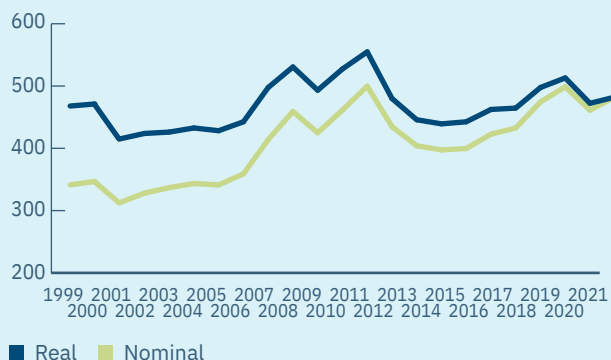
The value of the forest assets is allocated in the balance sheet to growing trees, SEK 29 204 million, recognised as a biological asset, and forest land, SEK 17 876 million.

Biological assets

The value allocated to the biological assets is established by calculating the present value of expected future cash flows, less selling costs but before tax, from harvesting those trees currently growing. The trees that are currently growing are expected to be harvested when they reach an age of 85 years. The volumes are based on the long-term harvest plan that was updated in 2020. Income and costs are calculated based on long-term trend levels. The trend price that was used for 2021 was SEK 466 (457)/m³sub, which is somewhat lower than current prices. The costs are based on the current level adjusted for temporary effects. Prices and costs are revised up by 2 per cent each year. A discount rate before tax of 4.5 per cent (4.5) has been used. Costs for replanting after harvest have not been included.

The change in value of biological assets, calculated as the net of the change as a result of harvesting and the unrealised change in fair value is stated in the income statement and in 2021 totalled SEK 464 million (579).

Wood prices, SEK/m³sub



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

		SEKm
Annual change	+0.1% per year	
Harvest rate		1 060
Price inflation		1 530
Cost inflation		-630
Change in level	+1%	
Harvesting		340
Prices		510
Costs		-220
Discount rate	+0.1%	-830

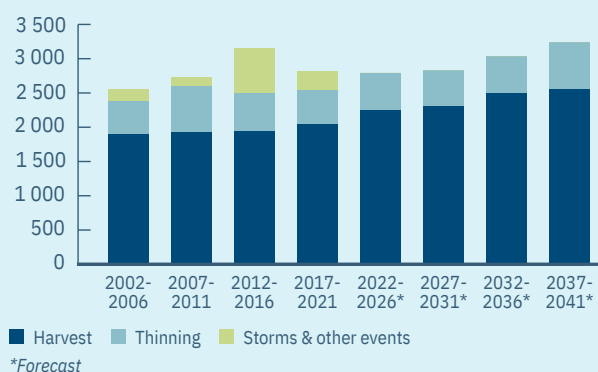
Annual change refers to the annual rate of change used in the valuation of each parameter. For example, an increase of 0.1 per cent means that the annual price inflation will be increased from 2.0 per cent to 2.1 per cent in the calculations. Change in level means that the level for each parameter and 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 of level).

Forest land

The book value of the forest land is calculated as the difference between the total value of the forest assets and the biological assets. This value reflects future income from sources other than the harvest of currently standing trees, such as leasing of land for wind power, quarrying, hunting leases, licence income and harvesting future generations of trees.

The change in fair value for forest land is recognised in other comprehensive income and totalled SEK 3 345 million (1 173). No value is assigned to land that is not productive forest land.

Planned harvest, '000 m³sub/year



Group	Forest assets		Biological assets		Forest land	
	2021	2020	2021	2020	2021	2020
Book value at start of year	43 202	41 345	28 663	27 979	14 538	13 366
Acquisitions	42	9	24	0	18	9
Disposal	-120	-22	-93	-16	-27	-6
Investment in reforestation	142	128	142	128	-	-
Change due to harvesting	-695	-691	-695	-691	-	-
Unrealised change in fair value	4 503	2 444	1 158	1 271	3 345	1 173
Other changes	7	-12	5	-8	2	-4
Book value at end of year	47 080	43 202	29 204	28 663	17 876	14 538

The acquisition cost of forest land amounted to SEK 303 million at 31 December 2021.

Note 10. Non-current intangible assets

	Group						Parent company	
	Goodwill		Other intangible assets		Total		Non-current intangible assets	
	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated acquisition costs								
Opening balance	355	-	370	225	725	225	68	68
Business combinations	4	355	-	140	4	495	-	-
Investments	-	-	13	7	13	7	-	-
Disposal and retirement of assets	-	-	-	-2	-	-2	-	-
Translation differences	-	-	1	0	1	0	-	-
Total	358	355	384	370	742	725	68	68
Accumulated amortisation, depreciation and impairment losses								
Opening balance	-	-	170	155	170	155	50	44
Depreciation and amortisation for the year	-	-	32	17	32	17	5	6
Disposal and retirement of assets	-	-	0	-2	0	-2	-	-
Translation differences	-	-	1	0	1	0	-	-
Total	-	-	203	170	203	170	55	50
Residual value according to plan at end of year	358	355	181	200	539	555	13	17

The goodwill recognised is attributable to the Wood Products business area, see Note 26 for more information. Goodwill is tested for impairment annually by calculating the value in use of the cash-flow generating unit to which goodwill has been allocated. The calculations are made by assessing future cash flows. The future cash flows are based on current levels of sales prices, costs and volumes for the coming year. When calculating cash flows for subsequent periods, prices and costs are used based on historical data. The future cash flows have been discounted by 8 per cent interest before tax. The discount rate has been determined by calculating the weighted average cost of capital (WACC). Based on these calculations, there is no need for impairment.

Other intangible assets consist primarily of the value of the wood supply business included in the 2020 acquisition of Martinsons SEK 111 million (134), right-of-use relating to certain energy assets SEK 57 million (49) and IT systems SEK 5 million (10).

The assets are mainly externally acquired and all assets, with the exception of goodwill, have a definable useful life.

Note 11

Note 11. Property, plant and equipment

Group	Buildings, other land* and land installations		Machinery and equipment		Work in progress and advance payments to suppliers		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated acquisition costs								
Opening balance	6 441	5 934	29 739	29 050	676	244	36 858	35 229
Business combinations	-	475	-	866	-	134	-	1 475
Investments	54	79	657	549	782	397	1 493	1 025
Reclassifications	37	7	1 061	89	-1 098	-96	-	-
Disposal and retirement of assets	-72	-1	-492	-416	-	-	-564	-417
Translation differences	52	-53	387	-399	3	-2	442	-454
Total	6 512	6 441	31 352	29 739	363	676	38 227	36 858
Accumulated amortisation, depreciation and impairment losses								
Opening balance	3 971	3 549	23 660	22 773	-	-	27 632	26 323
Business combinations	-	348	-	646	-	-	-	994
Depreciation and amortisation according to plan for the year	122	110	995	949	-	-	1 117	1 059
Disposal and retirement of assets	-70	0	-487	-414	-	-	-557	-414
Translation differences	36	-36	288	-294	-	-	324	-330
Total	4 059	3 971	24 456	23 660	-	-	28 515	27 632
Residual value according to plan at end of year	2 454	2 471	6 895	6 078	363	676	9 711	9 226

*Other land refers to land other than forest land.

Parent company	Forest land		Buildings, other land* and land installations		Machinery and equipment		Work in progress and advance payments to suppliers		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated acquisition costs										
Opening balance	478	474	190	177	303	260	10	17	982	928
Investments	21	4	5	9	45	52	13	7	84	72
Reclassifications	-	-	8	4	-	9	-8	-13	-	-
Disposal and retirement of assets	-	-	-	-	-42	-18	-	-	-42	-18
Total	499	478	203	190	306	303	15	10	1 024	982
Accumulated depreciation and amortisation according to plan										
Opening balance	-	-	139	136	193	173	-	-	333	309
Depreciation and amortisation according to plan for the year	-	-	4	4	43	38	-	-	44	42
Disposal and retirement of assets	-	-	-	-	-42	-18	-	-	-42	-18
Total	-	-	143	139	194	193	-	-	336	333
Accumulated revaluations										
Opening balance	2 388	2 388	1	1	-	-	-	-	2 388	2 389
Disposal and retirement of assets	-	-	-	-	-	-	-	-	-	-
Total	2 388	2 388	1	1	-	-	-	-	2 388	2 389
Residual value according to plan at end of year	2 887	2 866	60	51	113	111	15	10	3 075	3 038

*Other land refers to land other than forest land.

For forest assets in the Group see Note 9. In 2021, capitalised borrowing costs totalled SEK 6 million (2). An interest rate of 1.2 per cent (1.2) was used to determine the amount.

Note 12. Right-of-use assets (leases)

Group	Buildings		Machinery and equipment		Total	
	2021	2020	2021	2020	2021	2020
Accumulated acquisition costs						
Opening balance	235	167	188	113	424	281
Business combinations	-	3	-	32	-	35
Additional agreements	57	82	11	80	68	162
Completed leases	-32	-17	-8	-36	-40	-53
Total	261	235	191	188	452	424
Accumulated depreciation and amortisation						
Opening balance	63	42	78	56	141	98
Depreciation and amortisation for the year	46	38	66	58	111	96
Completed leases	-32	-17	-8	-36	-40	-53
Total	77	63	135	78	212	141
Value at end of year	184	172	56	111	240	284

Buildings

The Group's rental of buildings refers to office and warehouse premises. The leases usually have a term of between 5 and 10 years.

Machinery and equipment

The Group's leasing of machinery and equipment mainly relates to cargo ships, forklifts and cars. The leases usually have a term of between 2 and 5 years.

Amounts recognised in profit/loss

	2021	2020
Depreciation and amortisation	111	96
Interest expense	5	5
Costs related to current lease liabilities	4	2
Costs related to low-value leases	3	0
Costs related to variable lease payments	0	0
	122	102

In 2021 the Group's payments attributable to leases amounted to SEK 122 million (102). These payments include both amounts for leases that are recognised as lease liabilities and amounts paid for variable lease payments, short-term leases and low-value leases. No right-of-use asset is recognised for leases with a term of 12 months or less or with underlying assets of low value.

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

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

	Group	
	2021	2020
Profit/loss from associates and joint ventures		
Recognised in profit/loss for the year	0	-6
Stated in other comprehensive income	3	16
Total comprehensive income	3	10

Associates and joint ventures

	Associates				Joint ventures				Total			
	Group		Parent company		Group		Parent company		Group		Parent company	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Book value at beginning of year	1 642	1 620	87	87	75	0	64	0	1 717	1 620	151	87
Business combinations	-	13	-	-	-	-	-	-	-	13	-	-
Investments	33	10	5	-	3	64	3	64	36	74	8	64
Share of earnings	0	-1	-	-	3	11	-	-	3	10	-	-
Translation difference	-	-	-	-	0	0	-	-	0	0	-	-
Other	-	-	-	-	0	0	-	-	0	0	-	-
Book value at end of year	1 675	1 642	92	87	81	75	67	64	1 756	1 717	159	151

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**		Holding %*	Value of holding in consolidated accounts**	
					2021	2020		2021	2020
Associates					2021			2020	
Harrsele AB	556036-9398	Vännäs	9 886	49.4	1 518	-	49.4	1 493	-
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.8	90	90	6.8	85	85
Brännälvens Kraft AB	556017-6678	Arbrå	5 556	13.9	36	-	13.9	36	-
Gidekraft AB	556016-0953	Örnsköldsvik	990	9.9	0	0	9.9	0	0
Uni4 Marketing AB	556594-6984	Stockholm	2 300	46.0	20	2	46.0	16	2
Rebio AB	556594-3015	Umeå	2 014	40.3	10	-	40.3	10	-
Other associates					1	0		1	0
					1 675	92		1 642	87
Joint venture									
Varsvik AB	556914-9833	Stockholm	250	50.0	81	67	50.0	75	64
Total					1 756	159		1 717	151

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

**The proportion of equity is recognised in the Renewable Energy and Wood Products business areas, at SEK 1 725 million (1 690) and SEK 31 million (27), respectively.

The holdings in Brännälvens Kraft AB, Gidekraft AB, Harrsele AB and Vattenfall Tuggen AB refer to hydro power assets. The holdings entitle the Group to buy electricity produced at cost price, so the associates only earn 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 1 518 million (1 493). Holmen purchased 515 GWh (568) of electrical power from Harrsele AB in 2021, giving Holmen an operating profit of SEK 180 million (112) 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 155 million (140). The company's shareholders made a shareholders contribution during the year of SEK 52 million (20).

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

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

Ownership in the joint venture, Varsvik AB, relates to wind power operations.

Other shares and participations	Group		Parent company	
	2021	2020	2021	2020
Book value at beginning of year	2	1	0	0
Investments	0	0	-	-
Disposals	0	0	-	0
Translation difference	0	0	-	-
Book value at end of year	2	2	0	0

Note 14. Financial instruments

Non-current financial receivables consist of interest-bearing financial receivables from other companies, prepayments for credit facilities and the fair value of non-current derivatives.

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.

Loans, accrued interest expense, unrealised exchange losses and fair values of derivatives are stated as **financial liabilities**. Financial liabilities are largely interest-bearing.

In addition to the financial assets and liabilities identified above, liabilities relating to right-of-use assets (see Note 12) and a pension commitment (see Note 18) are also included in net financial debt. The maturity structure and average interest for the Group's liabilities are stated in the section on Risk on pages 46–47. SEK 736 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 946 million (489). Assets and liabilities are not offset in the report. Recognised derivatives totalled SEK 1 097 million (577) on the asset side and SEK 151 million (-88) on the liability side.

The ongoing Interest Rate Benchmark Reform only has a marginal impact on Holmen, since interest derivatives are almost exclusively denominated at the Swedish reference rate. For such currencies where the Interest Rate Benchmark Reform is underway, continued hedge accounting will apply while the reform is in progress. Nevertheless, these hedges are expected to be effective in the future.

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

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

Fair value in the tables is calculated on the basis of discounted cash flows and all variables, such as discount rates and exchange rates, are taken from market listings. 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 46–47 and Note 6.

Group Maturity structure, undiscounted amounts	2022	2023	2024	2025	2026–
Financial liabilities					
Derivatives	-23	-4	-2	-1	-1
Derivatives attributable to working capital	-91	-17	-11	-4	-4
Trade payables	-2 836	-	-	-	-
Liabilities relating to right-of-use assets*	-73	-59	-51	-36	-39
Other financial liabilities	-743	-1 028	-1 025	-915	-1 017

Financial receivables					
Derivatives	7	4	5	6	4
Derivatives attributable to working capital	885	133	32	23	4
Trade receivables	2 393	-	-	-	-
Other financial receivables	547	36	38	37	166

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

Parent company Maturity structure, undiscounted amounts	2022	2023	2024	2025	2026–
Financial liabilities					
Derivatives	-23	-4	-2	-1	-1
Derivatives attributable to working capital	-91	-17	-11	-4	-4
Trade payables	-2 540	-	-	-	-
Other financial liabilities	-741	-1 635	-1 025	-915	-1 012

Financial receivables					
Derivatives	7	4	5	6	4
Derivatives attributable to working capital	882	133	32	23	4
Trade receivables	2 068	-	-	-	-
Other financial receivables	475	3 947	38	37	164

Note 14. Financial instruments, cont.

Group	Recognised at fair value through profit/loss*		Hedging instruments		Recognised at amortised cost		Total book value		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Financial instruments included in net financial debt										
Non-current financial receivables										
Derivatives	-	-	19	12	-	-	19	12	19	12
Other financial receivables	-	-	-	-	248	278	248	278	248	278
	-	-	19	12	248	278	268	290	268	290
Current financial receivables										
Accrued interest	-	-	-	-	0	0	0	0	0	0
Derivatives	6	16	-	-	-	-	6	16	6	16
Other financial receivables	-	-	-	-	33	27	33	27	33	27
	6	16	-	-	33	27	39	43	39	43
Cash and cash equivalents										
Bank balances	-	-	-	-	507	346	507	346	507	346
	-	-	-	-	507	346	507	346	507	346
Non-current liabilities										
Bonds	-	-	-	-	-3 900	-3 900	-3 900	-3 900	-3 900	-3 900
Derivatives	-	-	-6	-14	-	-	-6	-14	-6	-14
Other non-current liabilities	-	-	-	-	-5	-5	-5	-5	-5	-5
	-	-	-6	-14	-3 905	-3 905	-3 911	-3 919	-3 911	-3 919
Current liabilities										
Commercial paper programme	-	-	-	-	-200	-500	-200	-500	-200	-500
Derivatives	-11	-5	-12	-	-	-	-23	-5	-23	-5
Accrued interest	-	-	-	-	-10	-9	-10	-9	-10	-9
Other current liabilities	-	-	-	-	-503	-92	-503	-92	-503	-92
	-11	-5	-12	-	-713	-601	-736	-605	-736	-605
Financial instruments not included in net financial debt										
Other shares and participations	2	2	-	-	-	-	2	2	2	2
Trade receivables	-	-	-	-	2 393	2 015	2 393	2 015	2 393	2 015
Derivatives (recognised among operating receivables)	34	36	1 037	513	-	-	1 072	550	1 072	550
Trade payables	-	-	-	-	-2 836	-2 496	-2 836	-2 496	-2 836	-2 496
Derivatives (recognised among operating liabilities)	-22	-2	-99	-68	-	-	-122	-70	-122	-70
	14	36	938	445	-443	-481	508	1	508	1
Total financial instruments	-9	48	939	443	-4 273	-4 336	-3 325	-3 845	-3 325	-3 845

*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 amortised cost		Total book value		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Non-current financial receivables										
Derivatives	-	-	19	12	-	-	19	12	19	12
Receivables from Group companies	-	-	-	-	3 910	3 180	3 910	3 180	3 910	3 180
Other financial receivables	-	-	-	-	246	275	246	275	246	275
	-	-	19	12	4 157	3 455	4 176	3 467	4 176	3 467
Current financial receivables										
Accrued interest	-	-	-	-	0	0	0	0	0	0
Derivatives	6	16	-	-	-	-	6	16	6	16
Other financial receivables	-	-	-	-	33	27	33	27	33	27
	6	16	-	-	33	27	39	43	39	43
Cash and cash equivalents										
Bank balances	-	-	-	-	445	236	445	236	445	236
	-	-	-	-	445	236	445	236	445	236
Non-current liabilities										
Bonds	-	-	-	-	-3 900	-3 900	-3 900	-3 900	-3 900	-3 900
Liabilities to Group companies	-	-	-	-	-607	-169	-607	-169	-607	-169
Derivatives	-	-	-6	-14	-	-	-6	-14	-6	-14
	-	-	-6	-14	-4 507	-4 069	-4 513	-4 083	-4 513	-4 083
Current liabilities										
Commercial paper programme	-	-	-	-	-200	-500	-200	-500	-200	-500
Derivatives	-23	-5	-	-	-	-	-23	-5	-23	-5
Accrued interest	-	-	-	-	-10	-9	-10	-9	-10	-9
Liabilities to Group companies	-	-	-	-	0	-	0	-	0	-
Other current liabilities	-	-	-	-	-503	0	-503	0	-503	0
	-23	-5	-	-	-713	-509	-736	-514	-736	-514
Financial instruments not included in net financial debt										
Other shares and participations	0	0	-	-	-	-	0	0	0	0
Trade receivables	-	-	-	-	2 068	1 487	2 068	1 487	2 068	1 487
Derivatives (recognised among operating receivables)	34	38	1 037	515	-	-	1 072	553	1 072	553
Trade payables	-	-	-	-	-2 540	-1 970	-2 540	-1 970	-2 540	-1 970
Derivatives (recognised among operating liabilities)	-24	-3	-101	-68	-	-	-125	-71	-125	-71
	10	35	936	447	-472	-483	475	-1	475	-1
Total financial instruments	-6	46	950	444	-1 057	-1 344	-114	-853	-114	-853

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

Note 15. Inventories

	Group		Parent company	
	2021	2020	2021	2020
Felling rights	664	558	664	450
Logs and pulpwood	355	369	307	331
Raw materials and consumables	975	916	674	689
Finished products and work in progress	1 778	1 728	1 218	1 176
Electricity certificates and emission allowances	45	23	22	14
Total	3 818	3 594	2 886	2 659

During the year impairment losses and reversal of previous impairment losses for finished stock had an effect of SEK 7 million (12) on Group profit, while impairment losses on other stock had an effect of SEK -5 million (-6). Impairment losses and reversal of previous impairment losses for finished stock had an effect of SEK 7 million (5) on the parent company, with impairment losses on other stock of SEK -3 million (-3).

Note 16. Operating receivables

	Group		Parent company	
	2021	2020	2021	2020
Trade receivables				
Group companies	-	-	108	14
Associates	50	33	50	33
Other	2 343	1 982	1 910	1 440
Total trade receivables	2 393	2 015	2 068	1 487
Current receivables	425	446	320	298
Derivatives	1 072	550	1 072	553
Prepayments and accrued income	179	266	157	104
Total other operating receivables	1 676	1 262	1 548	955
Total operating receivables	4 069	3 278	3 616	2 442

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 20 million (36). The provision for expected credit losses was SEK 28 million (45). During the year, the provision decreased by SEK 26 million (16) as a result of actual credit losses, and increased by SEK 8 million (31) as a result of changes in the provision for anticipated or expected credit losses. At 31 December 2021, SEK 19 million (58) of trade receivables were past due for more than 30 days. The credit quality of trade receivables that are neither past due nor impaired is deemed to be good and on a par with previous years.

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

Note 17. Equity, parent company

Registered share capital	31 Dec 2021		
	Number	Quotient value	SEKm
Class A	45 246 468	26	1 180
Class B	117 265 856	26	3 058
Total no. of shares	162 512 324		4 238
Holding of repurchased class B shares	-586 639		
Total number of shares outstanding	161 925 685		

Registered share capital	31 Dec 2020		
	Number	Quotient value	SEKm
Class A	45 246 468	26	1 180
Class B	117 265 856	26	3 058
Total no. of shares	162 512 324		4 238
Holding of repurchased class B shares	-586 639		
Total number of shares outstanding	161 925 685		

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.

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK 944 million (490) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK 930 million (491) on equity.

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

The AGM has at its disposal the company's earnings amounting to SEK 7 075 629 940. The Board proposes that the AGM to be held on 30 March 2022 approve a dividend of SEK 7.50 per share and an extra dividend of SEK 4.00 per share. The proposed dividend totals SEK 1 862 million. The Board also proposes that the remaining amount of SEK 5 213 484 562 be carried forward.

In 2021, an ordinary dividend of SEK 7.25 per share (SEK 1 174 million) and an extra dividend of SEK 3.50 per share (SEK 567 million) were paid.

Net financial debt as a percentage of equity was 9 per cent (10).

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 43–47.

Note 18. Pension obligations

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

	Group		Parent company	
	2021	2020	2021	2020
Cost recognised in profit/loss for the year				
Defined benefit plans				
Personnel costs*	-9	-11	21	-15
Financial income and costs	2	2	0	0
Indexation change**	65	-	-	-
Total defined benefit plans stated in profit/loss for the year	59	-9	21	-15
Defined contribution plans				
Personnel costs	-173	-136	-135	-101
Total recognised in profit/loss for the year	-115	-146	-114	-116

*SEK 27 million (-9) is included in the parent company relating to an item that is recognised in the Group as an actuarial revaluation in other comprehensive income.

**Change in the index-based price of defined benefit plans in the UK.

	Group	
	2021	2020
Cost recognised in other comprehensive income		
Return on plan assets excl. recognised interest income	210	77
Actuarial gains and losses from changes in demographic assumptions	4	30
Actuarial gains and losses from changes in financial assumptions	142	-208
Actuarial gains and losses from experiential adjustments	5	88
Payroll tax	6	-1
Effect of asset ceiling	-380	-1
Total recognised in other comprehensive income	-12	-15

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. In both trusts, the assets exceed the commitment, but no surplus may be included in the accounts. This adjustment is referred to as an asset ceiling in tables.

	Group		Parent company	
	2021	2020	2021	2020
Obligations				
Obligations at 1 January	-2 161	-2 305	-182	-176
Current service cost	-9	-11	-3	-15
Payroll tax	0	1	-	-
Interest expense	-28	-42	-2	-2
Actuarial gains/losses	151	-90	-	-
Benefits paid	92	93	12	12
Indexation change	65	-	-	-
Exchange differences	-179	192	-	-
Obligations at 31 December	-2 070	-2 161	-175	-182

The weighted average duration is 15 years.

Of the Group's total obligations, SEK 10 million (8) refers to those that are not funded, while the rest are wholly or partially funded obligations. Of the parent company's obligations, SEK 0 million (4) are secured under the Swedish Pension Obligations Vesting Act.

	Group		Parent company	
	2021	2020	2021	2020
Plan assets				
Fair value of assets at 1 January	2 231	2 388	178	176
Recognised interest income	30	44	-	-
Expected return excl. recognised interest income	210	77	-	-
Real return (parent company)	-	-	25	2
Administrative expenses	-2	-1	-	-
Receipts and outgoings from employer	-12	6	-29	-
Benefits paid	-92	-81	-	-
Exchange differences	202	-201	-	-
Fair value of assets at 31 December	2 568	2 231	174	178
Effect of asset ceiling	-522	-118	-	-
Pension obligations, net	-24	-48	0	-4

Plan assets by type are as shown below:

	Group		Parent company	
	2021	2020	2021	2020
Plan assets				
Equities	1 052	1 119	93	81
Bonds and bank account balances	1 516	1 112	82	96
	2 568	2 231	174	178

The plan assets do not include any financial instruments issued by Group companies or assets used by the Group. All instruments are traded on an active market. Of equities, 34 per cent relate to the UK, 60 per cent to the rest of Europe and the US and 6 per cent to the rest of the world. Of bonds, 57 per cent relate to government bonds and 43 per cent to corporate bonds.

	UK	
	31 Dec 2021	31 Dec 2020
Key actuarial assumptions, Group (weighted average), %		
Discount rate	2.0	1.3
Rate of salary increase	-	-
Rate of price inflation	2.7	3.1
	Sweden	
Key actuarial assumptions, Group, %	31 Dec 2021	31 Dec 2020
Discount rate	1.2	0.9
Rate of salary increase	3.0	2.8
Rate of price inflation	2.0	1.8

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 -0.1 per cent (0.3) 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 2021	31 Dec 2020
Sensitivity analysis		
Discount rate (+ 0.5%)	-133	-151
Rate of salary increase (+ 0.5%)	2	2
Rate of price inflation (+ 0.5%)	98	112
Mortality (+ 1 year in life expectancy)	110	113

The Group's payments into the funded defined benefit plans in 2022 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 36 million (27) and are included among personnel costs in the income statement. Holmen's active members in the plan amounted to 658 people, which corresponds to 0.17 per cent of the plan's active members. 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 2021, Alecta's collective consolidation level was 172 (148) per cent and Alecta decided to introduce a premium reduction for 2022. Expected premium to Alecta in 2022 amount to SEK 29 million, taking the premium reduction into account.

Note 19. Provisions

Group	2021	2020
	Book value at beginning of year	654
Business combinations	-	75
Provisions during the year	6	53
Utilised during the year	-169	-158
Unutilised amount reversed during the year	-50	-55
Reclassification	-32	-55
Translation differences	0	-1
Book value at end of year	409	654
Of which non-current portion of the provisions	409	491
Of which current portion of the provisions	-	163
Parent company		
Book value at beginning of year	744	839
Provisions during the year	120	194
Utilised during the year	-261	-231
Unutilised amount reversed during the year	-5	-58
Book value at end of year	599	744
Of which non-current portion of the provisions	467	489
Of which current portion of the provisions	132	255

Provisions mainly relate to obligations to restore the environment at discontinued factory sites. SEK 100 million of these provisions are expected to be settled within three years, while the remainder is expected to be settled over a longer time horizon.

Note 20. Operating liabilities

	Group		Parent company	
	2021	2020	2021	2020
Trade payables				
Group companies	-	-	70	22
Other	2 836	2 496	2 470	1 948
Total trade payables	2 836	2 496	2 540	1 970
Current liabilities				
Associates	2	4	2	3
Other	257	242	192	208
Derivatives	122	70	125	71
Accruals and deferred income	878	920	587	516
Total other operating liabilities	1 259	1 235	906	799
Total operating liabilities	4 095	3 732	3 446	2 769

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 231 million (218), discounts of SEK 84 million (82) and goods and services delivered but not yet invoiced of SEK 68 million (38).

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

Note 21. Collateral and contingent liabilities

Contingent liabilities	Group		Parent company	
	2021	2020	2021	2020
Guarantees on behalf of Group companies	-	-	60	210
Other contingent liabilities	64	67	62	55
Total	64	67	122	265

Other contingent liabilities for the Group largely comprise guarantee undertakings for third parties. Holmen has environmentally related contingent liabilities that cannot currently be quantified but that could result in future costs.

Note 22. Related parties

Of the parent company's net sales of SEK 18 186 million (14 187), SEK 964 million (182) relates to deliveries of goods to Group companies. The parent company's purchases of goods from Group companies amounted to SEK 1 722 million (134). Parent company net sales also include income from the sale of silviculture services to subsidiaries for an amount of SEK 459 million (427). SEK 2 183 million (2 178) of expenses for leasing of non-current assets from subsidiaries are recognised in the parent company.

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

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

L E Lundbergföretagen AB is a major shareholder in Holmen (see pages 48–49). Holmen rents office premises for SEK 8 million (6) from Fastighets AB L E Lundberg,

which is a group company within L E Lundbergföretagen AB. In 2021, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 740 000 (710 000) as Board chairman of Holmen. Louise Lindh, who is the CEO of Fastighets AB L E Lundberg and who is also a party related to Fredrik Lundberg, received a Board fee of SEK 370 000 (355 000).

Partly owned wind power company Varsvik AB has loans amounting to SEK 254 million (275).

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.

Transactions with related parties

Group	Sale of goods to related parties		Purchase of goods from related parties		Other (e.g. interest, dividend)		Liability to related parties		Receivable due from related parties	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Associates	265	261	54	56	0	0	2	4	60	43
Joint venture	1	14	-	-	10	11	2	3	254	275
Parent company										
Subsidiaries	964	182	1 722	134	399	296	680	192	4 018	3 197
Associates	265	261	54	56	0	0	2	3	60	43
Joint venture	1	13	-	-	10	11	-	-	254	275

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

Note 23

Note 23. Investments in Group companies

	Parent company	
	2021	2020
Accumulated acquisition costs		
Value at start of year	13 112	17 335
Shareholder contributions and investments	31	853
Liquidations	-312	-5 077
Total	12 831	13 112
Accumulated impairment losses		
Value at start of year	1 666	6 648
Impairment losses for the year	2	95
Liquidations	-312	-5 077
Total	1 357	1 666
Book value at end of year	11 474	11 445

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'.

	Corporate ID No.	Registered office	Number of holdings	Holding %*	Book value in the parent company	
					Holding %*	Book value in the parent company
					2021	2020
Parent company's direct holdings of investments in subsidiaries						
Holmen Skog AB	556220-0658	Örnsköldsvik	1 000	100	0	0
Iggesund Paperboard AB	556088-5294	Hudiksvall	1 000	100	0	0
Holmen Paper AB	556005-6383	Norrköping	100	100	0	0
Holmen Wood Products AB	556099-0672	Hudiksvall	1 000	100	0	0
Holmen Energi AB	556524-8456	Örnsköldsvik	1 000	100	0	0
Holmens Bruk AB	559165-6615	Stockholm	1 000	100	383	383
Holmen Skog Mitt AB	559165-6623	Stockholm	1 000	100	2 856	2 856
Holmen Skog Syd AB	559165-6631	Stockholm	1 000	100	1 527	1 527
Holmen Sågverk AB	559165-6672	Stockholm	1 000	100	422	422
Martinsons Såg AB	556218-2856	Skellefteå	50 000	100	858	830
Holmen Vattenkraft AB	559165-6664	Stockholm	1 000	100	2 663	2 663
Iggesunds Bruk AB	559165-6656	Stockholm	1 000	100	740	740
Ljusnan Vattenkraft AB	559165-6680	Stockholm	1 000	100	276	276
Blåbergsliden Vind AB	559138-5181	Stockholm	500	100	200	200
Other Swedish Group companies					2	2
Total Swedish holdings					9 929	9 901
Holmen UK Ltd, UK		Workington	1 197 100	100	1 519	1 519
Holmen Paper Ltd**		London	-	100	-	-
Iggesund Paperboard (Workington) Ltd**		Workington	-	100	-	-
Holmen France S.A.S., France		Paris	10 000	100	0	0
Holmen GmbH, Germany		Hamburg	-	100	1	1
Holmen Paper S.A Spain		Madrid	60 000	100	1	-
Iggesund Paperboard Asia Pte Ltd, Singapore		Singapore	800 000	100	4	4
Holmen B.V., Netherlands		Amsterdam	35	100	7	7
AS Holmen Mets, Estonia		Tallinn	500	100	0	0
Iggesund Paperboard Inc, US		Lyndhurst	1 000	100	7	7
Iggesund Paperboard Asia (HK) Ltd, China		Hong Kong	4 000 000	100	5	5
Other non-Swedish Group companies					2	2
Total non-Swedish holdings					1 545	1 545
Total					11 474	11 445

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

**Indirect holdings.

Note 24. Untaxed reserves

Parent company

Untaxed reserves	31 Dec 2020	Appropriations	31 Dec 2021
Accumulated depreciation and amortisation in excess of plan			
Non-current intangible assets	-13	5	-9
Property, plant and equipment	17	4	20
	3	8	12

Group contributions received amounted to SEK 1 495 million (2 513) and Group contributions paid amounted to SEK -230 million (-1). Total appropriations of profit amounted to SEK 768 million (1 804).

Parent company

Untaxed reserves	31 Dec 2020	Appropriations	31 Dec 2021
Tax allocation reserves			
2015 fiscal year	191	-191	-
2016 fiscal year	290	-	290
2017 fiscal year	470	-	470
2019 fiscal year	700	-	700
2020 fiscal year	700	-	700
2021 fiscal year	-	680	680
	2 351	489	2 840
Total	2 354	497	2 852

Note 25. Cash flow statement

Interest paid and dividends received	Group		Parent company	
	2021	2020	2021	2020
Dividends received	1	-	382	284
Interest received	8	11	26	24
Interest paid	-39	-40	-36	-35
Total	-30	-29	371	273

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2021, a number of different short-term loans totalling SEK 2 300 million (3 528) were raised within the Group's commercial paper programme, and SEK 2 600 million (5 478) was repaid. See Note 14 for a breakdown of cash and cash equivalents.

Group	2019	Business combination	New leases	Cash flow	Currency and market revaluation	2020	New leases	Cash flow	Currency and market revaluation	2021
										2021
Bonds	2 000	-	-	1 900	-	3 900	-	500	-	4 400
Commercial paper	2 450	-	-	-1 950	-	500	-	-300	-	200
Other financial liabilities	52	173	-	-106	7	126	-	-89	11	47
Liabilities relating to right-of-use assets	184	34	163	-99	5	287	67	-115	5	244
Pension obligations	46	-	-	-13	15	48	-	-8	-16	24
Financial liabilities*	4 733	207	163	-268	27	4 860	67	-12	0	4 915

*Including liabilities relating to right-of-use assets and pension commitments.

Parent company	2019	Cash flow	Currency and market revaluation	2020	Cash flow	Currency and market revaluation	2021
							2021
Bonds	2 000	1 900	-	3 900	500	-	4 400
Commercial paper	2 450	-1 950	-	500	-300	-	200
Liabilities to Group companies	476	-307	-	169	428	10	607
Other financial liabilities	47	-26	7	28	-	14	42
Pension obligations	0	-1	4	4	-5	2	0
Financial liabilities*	4 973	-384	11	4 601	623	26	5 250

*Including pension obligations.

Note 26. Business combinations

On 1 October 2020 Holmen completed the acquisition of Martinsons, one of Sweden's leading players in sawn and engineered wood products. In 2021, the final purchase price, for 100 per cent of the shares, was determined to be SEK 858 million. The acquired assets and assumed liabilities are presented in the table below. Goodwill of SEK 358 million is recognised in conjunction with the acquisition.

Acquired net assets	SEKm
Non-current intangible assets	140
Other non-current assets	531
Net deferred tax	-55
Working capital	6
Net financial debt	-122
Identifiable assets, net	499
Goodwill	358
Total purchase price	858

Goodwill relates to the value of integrating Holmen's own forest with its own industry and other intangible assets relate to the value of the wood supply business included in the acquisition. Recognised goodwill is not tax deductible. The fair value of intangible assets other than goodwill are amortised over seven years.

Note 27. Critical accounting estimates and judgements

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

Forest assets

The book value of the Group's forest assets at 31 December 2021 was SEK 47 080 million (43 202), divided between SEK 29 204 million (28 663) for forest land and SEK 17 876 million (14 538) for biological assets. A deferred tax liability of SEK 9 664 million (8 840) has been recognised relating to the forest assets. The valuation of the forest assets is based on detailed data about transactions and pricing statistics published by different market operators. The valuation takes account of where in the country the forest land is located and differences in the forest in terms of the volume of standing timber and site quality. The book value of the forest assets will be affected by changes in transaction prices for forest properties and by how the volume of standing timber develops. The value of the forest assets is allocated in the balance sheet to growing trees, which are recognised as a biological asset, and forest land. How much of the value is allocated to biological assets is established by calculating the present value of expected future cash flows from growing trees based on estimates of future harvest volumes, price and cost development and discount rate. See Note 7 and Note 9 for further information.

Impairment testing of non-current assets and goodwill

Non-current assets and goodwill are tested for impairment annually. The calculations are based on current market conditions. Changes in conditions may have an effect on the estimated recoverable amount applied in connection with future impairment tests.

Pension obligations

The Group has benefit-based pension obligations measured at SEK 2 070 million (2 161) and SEK 2 568 million (2 231) in plan assets set aside to cover such obligations. The value of pension obligations is estimated on the basis of assumptions regarding discount rates, inflation and demographic factors. These commitments are usually updated annually, which affects the Group's comprehensive income and the recognised pension provision. See Note 18.

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. See Note 19.

Taxes

Holmen has claimed group relief in the parent company related to tax losses in Spanish subsidiaries that was liquidated. The deductions correspond to SEK 389 million in tax, but no tax receivable has been recognised.

PROPOSED APPROPRIATION OF PROFITS

	SEK
The following earnings of the parent company are at the disposal of the AGM:	
Net profit for the 2021 financial year	2 089 791 594
Retained earnings	4 985 838 346
	7 075 629 940
The Board of Directors proposes that the shareholders be paid	
in part, an ordinary dividend of SEK 7.50 per share (161 925 685 shares),	1 214 442 638
and in part, an extra dividend of SEK 4.00 per share (161 925 685 shares)	647 702 740
	1 862 145 378
and that the remaining amount be carried forward	5 213 484 562

The Board of Holmen AB has proposed that the 2022 AGM resolve in favour of paying an ordinary dividend of SEK 7.50 per share, and an extra dividend of SEK 4.00 per share, for a total of SEK 1 862 million. In 2021, an ordinary dividend of SEK 7.25 per share and an extra dividend of SEK 3.50 per share were paid. 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 62 per cent of net profit for 2021 for the Group and means that 4.0 per cent of equity in the Group at 31 December 2021 will be paid out by way of dividend.

The Board has established that the Group should have a strong financial position, with net financial debt not exceeding 25 per cent of equity. At 31 December 2021 it amounted to 9 per cent. The proposed dividend would increase net debt to equity by 4 percentage points.

Holmen AB's equity at 31 December 2021 amounted to SEK 12 990 million, of which non-restricted equity was SEK 7 076 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 944 million on equity. The Group's equity at 31 December 2021 amounted to SEK 46 992 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 Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on 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.

Signatures

The annual accounts and the consolidated accounts were approved for publication by the Board in its decision of 18 February 2022. The Group's consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the AGM to be held on 30 March 2022.

Stockholm, 18 February 2022

Fredrik Lundberg
Chairman

Carl Bennet
Board member

Lars G Josefsson
Board member

Lars Josefsson
Board member

Alice Kempe
Board member

Louise Lindh
Board member

Ulf Lundahl
Board member

Henriette Zeuchner
Board member

Henrik Sjölund
Board member and
Chief Executive Officer

Steewe Björklundh
Board member,
employee representative

Kenneth Johansson
Board member,
employee representative

Tommy Åsenbrygg
Board member,
employee representative

Our audit report was submitted on 22 February 2022.
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in Charge

Robert Söderlund
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of 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 2021, except for the corporate governance statement and the sustainability report on pages 38–42 and 31 and 34–47, respectively. The annual accounts and consolidated accounts of the company are included on pages 2, 6–9, 14–15, 34–84 and 88–89 of 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 2021 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 2021 and its 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 corporate governance statement and the sustainability report on pages 36–47 and 29–35, respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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 annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Board of the parent company and the Group in accordance with the Audit Regulation (537/2014) Article 11.

Basis of opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these 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, based on the best of our knowledge and belief, that 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 adequate as a basis for our opinion.

Other matters

The audit of the annual accounts and consolidated accounts for the 2020 financial year was performed by another auditor who submitted an auditor's report dated 1 March 2021, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Our audit approach

Audit scope

We have designed our audit by determining the materiality level and assessing the risk of material misstatement in the financial statements. We have considered where the Managing Director and the Board of Directors have made significant accounting estimates about future events or outcomes that are inherently uncertain. In the audit, we have also addressed the risk that the Board of Directors and the Managing Director may have overridden internal controls, including considering whether there is evidence of systematic deviations that could indicate irregularities.

We have designed our audit to enable us to provide an opinion on the financial statements as a whole, taking into account how the Group is organised, the processes for financial reporting and the industry in which the operations are active.

Materiality

The scope of our audit has been influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we have determined quantitative thresholds for materiality concerning the financial statements as a whole. With the help of these and qualitative considerations, we have established the audit orientation and scope and the character and point in time for our audit procedures. Quantitative thresholds for materiality have also been used to assess the effect of potential misstatements, individual and aggregated, in the financial statements as a whole.

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 for 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.

Revenue recognition

Net sales amount to SEK 19 479 million and are a material item in the income statement.

The Group has various types of revenue, which largely consist of goods such as paper, paperboard, timber, wood products and pulpwood that are sold to customers. Sales of goods are transaction-rich, put requirements on bookkeeping, monitoring and internal controls.

The services provided are limited and primarily relate to forest management services and within construction, such as installation work.

The various revenue streams have different characteristics, leading to separate processes for revenue recognition, which have been examined individually.

Valuation of forest assets

The Group's forest assets amount to SEK 47 080 million and constitute a significant item in the consolidated and the parent company's balance sheets.

The assets are divided into biological assets that are recognised in accordance with IAS 41 Agriculture, and properties that are recognised in accordance with IAS 16 Property, Plant and Equipment.

A description of the measurement of value of forest assets and important assumptions is presented in Note 9.

The measurement process is complex since it requires assessments and assumptions in respect of, inter alia, market statistics, and the breakdown of the total value of land and biological assets.

Significant areas judgment include the scope and completeness of market statistics, local market prices and discount rates as well as timber prices and felling costs. The measurement is classified as a Level 3 measurement in accordance with IFRS 13. In view of the above, we consider that measurement of the Group's forest assets constitutes a key audit matter.

How our audit addressed the key audit matter

Our audit procedures have included, but were not limited to, the activities listed below. We have:

- Evaluated the Group's processes for the recognition of the various revenue streams.
- Performed tests of a sample of controls in the processes for revenue recognition.
- Tested a selection of transactions against supporting underlying agreements and payments, as well as performed accounts receivable confirmation.
- Tested a sample of transactions to assess whether revenue has been recognised in the appropriate period.
- Reviewed the information presented in the annual accounts and assessed whether it provides sufficient information according to the regulatory requirements.

How our audit addressed the key audit matter

Our audit procedures have included, but were not limited to, the activities listed below. We have:

- Evaluated and checked the Group's process and methods for measuring value of forest assets.
- Checked the allocation of value between biological assets and land assets.
- Evaluated material assumptions that form the basis of the measurement of forest assets and biological assets.
- Verified the measurement model's mathematical correctness and the company's process for preparing input data.
- Checked the Group's calculation of the cost of capital and evaluated the measurement model's sensitivity to changes in the cost of capital.
- Compared outcomes in the measurement with external observable data points and over time.
- Checked that the disclosures in Note 9 match the input data and the assumptions used in the measurement model.

Other information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, which is found on pages 3–5, 10–13, 16–33, 85–87 and 90–98 (“other information”). The remuneration report that we obtained prior to the date of this auditor’s report also constitutes other information. The Board of Directors and the Managing Director are responsible for other information.

Our opinion on the annual accounts and consolidated accounts does not cover 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 other 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 Other information otherwise appears to be materially misstated.

If we, based on the work performed concerning this Other information, conclude that the Other information contains a material misstatement, we are required to report this. We have nothing to report in this regard.

The Board of Directors’ and Managing Director’s responsibilities

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 assessing 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 assumption applies unless the Board and the Managing Director intend to liquidate the company or cease to operate, or have no realistic alternative to doing so.

The 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 aggregated, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor’s report.

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 2021 as well as 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 of opinion

We have conducted our 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 adequate as a basis for our opinion.

The Board of Directors’ and Managing Director’s responsibilities

Responsibility for the proposed appropriation of the company’s profit or loss rests with the Board of Directors. In conjunction with 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’ equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the organisation and administration of the company’s affairs. This includes continuous assessment of the company’s and the Group’s financial situation and ensuring that the company’s organisation 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 is responsible for day-to-day management in accordance with the guidelines and instructions issued by the Board, and is required to take such actions as may be necessary to ensure compliance with the company’s statutory accounting obligations and satisfactory management of funds.

The auditor’s responsibility

Our objective for the management audit, and thus for our opinion on release from liability, is to obtain audit evidence which enables us to assess with reasonable assurance whether any member of the Board or the Managing Director has in any material respect:

taken any action or been guilty of any neglect that could give rise to a liability to indemnify the company

otherwise acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective in respect of our audit of the proposed appropriation of the company’s profit or loss, and thus for our opinion on the same, is to obtain reasonable assurance that the proposed appropriation is consistent 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.

A further description of our responsibility for the audit of the administration is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the statutory annual report.

The auditor’s opinion on the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined whether the Board of Directors and the Managing Director have prepared the annual accounts and the consolidated accounts in a format that facilitates uniform electronic reporting (the ESEF report) according to Chapter 16, Section 4 a of the Securities Market Act (2007:528) for Holmen AB for the year 2021.

Our examination and our opinion refer only to the statutory requirement.

In our opinion, the ESEF report has been prepared in a format that in all significant respects facilitates uniform electronic reporting.

Basis of opinion

We have conducted our examination in accordance with FAR’s recommendation, RevR 18 *Review of the ESEF report*. Our responsibilities under this recommendation are further described in the Auditor’s Responsibilities section. We are independent of Holmen AB 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the ESEF report has been prepared in accordance with Chapter 16, Section 4 a of the Securities Market Act (2007:528) and for ensuring that there is such internal control as the Board of Directors and the Managing Director regard as necessary to prepare the ESEF report in a manner that is free from material misstatement, whether due to fraud or error.

The auditor’s responsibility

Our responsibility is to express an opinion with reasonable assurance on whether, based on our examination, the ESEF report, in all significant respects, has been prepared in a format that satisfies the requirements of Chapter 16, Section 4 a of the Securities Market Act (2007:528).

RevR 18 requires that we plan and implement our audit procedures to achieve reasonable assurance that the ESEF report has been prepared in a format that satisfies these requirements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or when aggregated, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The auditing firm applies ISQC 1 (International Standard on Quality Control) *Quality Control for audit firms that audit and review financial reports and perform other assurance engagements, as well as related services and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.*

The review involves performing various procedures to obtain evidence that the ESEF report has been prepared in a format that facilitates uniform electronic reporting of the annual accounts and consolidated accounts. The auditor selects which procedures are to be performed, including assessing the risks of material misstatement in the reporting, whether due to fraud or error. In making these risk assessments, the auditor considers the parts of the internal control relevant to how the Board of Directors and the Managing Director prepare the basis for designing audit procedures that are appropriate in view of the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. The review also includes an evaluation of the appropriateness and reasonableness of the Board of Directors' and the Managing Director's assumptions.

The audit procedures primarily comprise a technical validation of the ESEF report; i.e. whether the ESEF report fulfils the technical specifications stated in the European Commission's delegated regulation (EU) 2019/815 and checking that the ESEF report complies with the audited annual accounts and consolidated accounts.

The review also includes an assessment of whether the ESEF report has been marked with iXBRL, which enables a fair and complete machine-readable version of the consolidated income statements, balance sheets and statements of equity, as well as the cash flow statement.

Auditor's opinion regarding the corporate governance statement

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 38–42 has been prepared in accordance with the Annual Accounts Act.

Focus and scope of the examination

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The Auditor's Examination of the Corporate Governance Statement. This

means that our examination of the corporate governance statement 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 this examination has provided us with sufficient basis for our opinions.

Opinion

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same law are consistent with the other parts of the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Auditor's opinion regarding the statutory sustainability report

Assignment and division of responsibilities

The Board of Directors is responsible for ensuring that the sustainability report on pages 8–9, 31, 34–47, 40–42 and 44–45 has been prepared in accordance with the Annual Accounts Act.

Focus and scope of the examination

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 sustainability report is different and substantially more limited in scope compared with the focus and scope of 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.

Opinion

A statutory sustainability report has been prepared.

PricewaterhouseCoopers AB, Torsgatan 21, SE-113 97 Stockholm,
was appointed auditor of Holmen AB by the general meeting
of the shareholders on 22 April 2021 and has been the company's auditor from that date.

Stockholm, 22 February 2022

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in Charge

Robert Söderlund
Authorised Public Accountant

REVIEW OF SUSTAINABILITY REPORT

Holmen's Sustainability Report, as defined on page 2 of Holmen's Annual Report 2021, 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, 22 February 2022

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in Charge

Isabelle Hammarström
Expert member of FAR

BOARD OF DIRECTORS

1. 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.

Shareholding: 1 679 448 shares.

Shareholding of L E Lundbergföretagen: 55 244 000 shares.

2. Henrik Sjölund

Norrköping. Born in 1966. Member since 2014. M.Sc. in International Economics. President and CEO.

Other significant appointments:

Chairman of The Swedish Forest Industries Federation and SKGS. Board member of The Confederation of Swedish Enterprise.

Shareholding: 52 155 shares.

3. Carl Bennet

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

Other significant appointments:

Deputy Chairman of Arjo AB and Getinge AB. Board member of L E Lundbergföretagen AB.

Shareholding: 200 000 shares.

4. Lars G Josefsson

Stockholm. Born in 1950. Member since 2011. M.Sc. in Engineering. Former President and CEO of Vattenfall.

Other significant appointments:

Chairman of Watts 2 You AB. Member of Robert Bosch International Advisory Committee, Hand in Hand International, ARC Power Ltd. Board member of Royal Swedish Academy of Engineering Sciences (IVA).

Shareholding: 10 000 shares.

5. Lars Josefsson

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

Other significant appointments:

Chairman of TimeZynk. Board member of Vestas, Ouman and Nevel.

Shareholding: 7 000 shares.

6. Alice Kempe

Torshälla. Born in 1967. Member since 2019. M.Sc. in Forestry.

Other significant appointments:

Chairwoman of the Kempe Foundations. Board member of MoRe Research Örnsköldsvik AB, SweTree Technologies AB and Arevo AB.

Shareholding: 218 792 shares.

7. Louise Lindh

Stockholm. Born in 1979. Member since 2010. M.Sc. in Economics. CEO and Board member 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.

8. Ulf Lundahl

Lidingö. Born in 1952. Member since 2004. B.A. in Legal Science and B.Sc. (Econ).

Other significant appointments:

Chairman of Attendo AB, Fidelio Capital AB, and Nordstjernan Kredit AB. Board member of Indutrade AB.

Shareholding: 8 000 shares.

9. Henriette Zeuchner

Stockholm. Born in 1972. Member since 2015. M.Sc. in Economics and Bachelor of Laws.

Other significant appointments:

Board member of the NTM Group.

Shareholding: 1 600 shares.

Employee representatives

10. Steewe Björklundh

Hudiksvall. Born in 1958. Member since 1998. Employee representative, LO. Chairman of the GS union, Iggesund Sawmill.

11. Kenneth Johansson

Söderköping. Born in 1958. Member since 2004. Employee representative, LO.

12. Tommy Åsenbrygg

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

13. Martin Nyman

Ölsund. Born in 1978. Deputy member since 2021. Employee representative, PTK. Chairman of Unionen Club, Holmen Iggesund. **Shareholding:** 760 shares.

14. Daniel Hägglund

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

15. Christer Johansson

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

Auditors: PricewaterhouseCoopers AB

Principal Auditor:

Magnus Svensson Henryrson
Authorised public accountant.

The information relates to personal and related party shareholdings at 31 December 2021.



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GROUP MANAGEMENT



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1. Henrik Sjölund

President and CEO
Born in 1966.
Joined Holmen in 1993.
Shareholding: 52 155 shares. Henrik Sjölund has no significant shareholdings or ownership in companies with which the Group has important business relations. Further information is provided on page 88.

2. Anders Jernhall

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

3. Sören Petersson

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

4. Johan Nellbeck

Senior Vice President Paperboard
Born in 1964.
Joined Holmen in 2019.
Shareholding: 4 000 shares.

5. Lars Lundin

Senior Vice President Paper
Born in 1966.
Joined Holmen in 2018.
Shareholding: 2 250 shares.

6. Johan Padel

Senior Vice President Wood Products
Born in 1966.
Joined Holmen in 2014.
Shareholding: 1 200 shares.

7. Fredrik Nordqvist

Senior Vice President Renewable Energy
Born in 1971.
Joined Holmen in 2011.
Shareholding: 820 shares.

8. Stina Sandell

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

9. Nils Ringborg

Senior Vice President International Affairs
Born in 1958.
Joined Holmen in 1988.
Shareholding: 7 400 shares.

10. Gunilla Rolander

Senior Vice President Human Resources
Born in 1966.
Joined Holmen in 2013.
Shareholding: 4 398 shares.

11. Ola Schultz-Eklund

Senior Vice President Technology
Born in 1961.
Joined Holmen in 1994.
Shareholding: 2 740 shares.

12. Henrik Andersson

Senior Vice President Legal Affairs
Secretary of the Board of Directors.
Born in 1971.
Joined Holmen in 2008.
Shareholding: 3 782 shares.

The information relates to personal and related party shareholdings at 31 December 2021.

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	2021	2020	2019	2018	2017
Operating profit, EBITDA and items affecting comparability					
EBITDA	5 321	3 651	3 486	3 488	3 157
Depreciation and amortisation according to plan	-1 261	-1 172	-1 141	-1 012	-991
Operating profit/loss excluding items affecting comparability	4 061	2 479	2 345	2 476	2 166
Items affecting comparability*	-330	-	8 770	-94	-
Operating profit	3 731	2 479	11 115	2 382	2 166
Operating margin					
Operating profit/loss excluding items affecting comparability	4 061	2 479	2 345	2 476	2 166
Net sales	19 479	16 327	16 959	16 055	16 133
Operating margin, %	20.8	15.2	13.8	15.4	13.4
Capital employed					
Equity	46 992	42 516	40 111	23 453	22 035
Net financial debt	4 101	4 181	3 784	2 807	2 936
Capital employed	51 093	46 697	43 895	26 261	24 972
Return on capital employed					
Operating profit/loss excluding items affecting comparability	4 061	2 479	2 345	2 476	2 166
Average capital employed	47 557	44 128	26 391	25 469	24 874
Return, %	8.5	5.6	8.9	9.7	8.7
Return on equity					
Profit after tax	3 004	1 979	8 731	2 268	1 668
Average equity	43 326	40 718	25 233	22 546	21 297
Return, %	6.9	4.8	34.6	10.1	7.8
Net financial debt					
Non-current financial liabilities	3 911	3 919	2 018	1 033	552
Non-current liabilities relating to right-of-use assets	173	175	171	-	-
Current financial liabilities	736	605	2 485	2 494	2 775
Current liabilities relating to right-of-use assets	71	112	13	-	-
Pension obligations	24	48	46	61	39
Non-current financial receivables	-268	-290	-451	-468	-42
Current financial receivables	-39	-43	-14	-35	-32
Cash and cash equivalents	-507	-346	-483	-278	-356
Net financial debt	4 101	4 181	3 784	2 807	2 936
Debt/equity ratio					
Net financial debt	4 101	4 181	3 784	2 807	2 936
Equity	46 992	42 516	40 111	23 453	22 035
Net debt as % of equity	9	10	9	12	13
Equity/assets ratio					
Equity	46 992	42 516	40 111	23 453	22 035
Assets	68 101	62 543	59 340	36 912	34 891
Equity/assets ratio, %	69	68	68	64	63

*See page 92 for what items affecting comparability refers to.

TEN-YEAR REVIEW, FINANCE

SEKm	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Income statement										
Net sales	19 479	16 327	16 959	16 055	16 133	15 513	16 014	15 994	16 231	17 852
Operating costs	-14 622	-13 250	-13 961	-12 984	-13 379	-12 626	-13 348	-13 270	-13 919	-15 224
Change in value of biological assets	464	579	487	425	415	315	267	282	264	350
Profit from investments in associates and joint ventures	0	-6	0	-9	-12	-22	7	-7	3	47
EBITDA	5 321	3 651	3 486	3 488	3 157	3 179	2 940	2 999	2 579	3 026
Depreciation and amortisation according to plan	-1 261	-1 172	-1 141	-1 012	-991	-1 018	-1 240	-1 265	-1 370	-1 313
Operating profit/loss excluding items affecting comparability	4 061	2 479	2 345	2 476	2 166	2 162	1 700	1 734	1 209	1 713
Items affecting comparability*	-330	-	8 770	-94	-	-232	-931	-450	-140	-193
Operating profit	3 731	2 479	11 115	2 382	2 166	1 930	769	1 284	1 069	1 520
Net financial items	-39	-42	-34	-25	-53	-71	-90	-147	-198	-227
Earnings before tax	3 691	2 437	11 081	2 356	2 113	1 859	679	1 137	871	1 294
Tax	-688	-458	-2 351	-89	-445	-436	-120	-230	-160	559
Profit/loss for the year	3 004	1 979	8 731	2 268	1 668	1 424	559	907	711	1 853
Diluted earnings per share, SEK**	18.5	12.2	52.6	13.5	9.9	8.5	3.4	5.4	4.3	11.1
Net sales										
Forest	6 509	5 883	6 286	5 944	5 535	5 302	5 481	5 641	5 694	6 061
Paperboard	6 261	6 187	6 229	5 785	5 526	5 252	5 472	5 113	4 618	4 967
Paper	5 441	4 879	5 757	5 571	5 408	5 431	6 148	6 247	7 148	8 144
Wood Products	4 872	2 222	1 695	1 747	1 562	1 342	1 314	1 352	1 175	1 129
Renewable Energy	488	378	378	319	315	314	359	389	450	522
Group-wide costs and eliminations	-4 092	-3 222	-3 385	-3 311	-2 214	-2 128	-2 760	-2 748	-2 853	-2 972
Group	19 479	16 327	16 959	16 055	16 133	15 513	16 014	15 994	16 231	17 852
Operating profit										
Forest	1 495	1 367	1 172	1 185	1 069	1 001	905	817	924	931
Paperboard	673	812	435	689	764	903	847	674	433	596
Paper	70	73	509	329	288	289	-74	141	-309	94
Wood Products	1 668	185	62	246	80	-3	9	37	-75	-130
Renewable Energy	347	215	336	181	135	120	176	212	371	355
Group-wide costs and eliminations	-193	-174	-168	-154	-170	-148	-163	-146	-136	-132
Group	4 061	2 479	2 345	2 476	2 166	2 162	1 700	1 734	1 209	1 713
Items affecting comparability*	-330	-	8 770	-94	-	-232	-931	-450	-140	-193
Group	3 731	2 479	11 115	2 382	2 166	1 930	769	1 284	1 069	1 520
Cash flow										
Earnings before tax	3 691	2 437	11 081	2 356	2 113	1 859	679	1 137	871	1 294
Adjustment items	346	544	-8 208	540	418	965	1 802	1 448	1 056	1 057
Income tax paid	-662	-569	-147	-396	-221	-504	-398	-191	210	-434
Changes in working capital	-145	46	158	-214	199	-360	443	-217	-127	338
Cash flow from operating activities	3 229	2 457	2 884	2 286	2 509	1 961	2 526	2 176	2 011	2 254
Cash flow from investing activities***	-1 332	-1 924	-1 050	-1 005	-644	-123	-824	-815	-872	-1 957
Cash flow after investments	1 897	533	1 834	1 281	1 865	1 838	1 702	1 361	1 139	297
Dividend paid	-1 741	-567	-1 134	-1 092	-1 008	-882	-840	-756	-756	-672
Share buy-backs	-	-	-1 430	-	-	-	-	-	-	-

*Items affecting comparability;

2021: Increased energy costs of SEK -330 million due to turbine breakdown in Workington.

2019: Revaluation of biological assets amounting to SEK 9 079 million, impairment loss by associates of SEK -109 million and provisions of SEK -200 million.

2018: Restructuring costs of SEK -94 million.

2016: Sale of the mill in Spain and insurance compensation of SEK -232 million for the reconstruction of Hallsta Paper Mill following a fire.

2015: Impairment loss on non-current assets, provision for costs and the effects of a fire totalling SEK -931 million.

2014: Impairment loss on non-current assets of SEK -450 million.

2013: Impairment loss on non-current assets and restructuring costs of SEK -140 million.

2012: Impairment loss on non-current assets and restructuring costs of SEK -193 million.

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

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

For a ten-year review of data per share, see page 49.

SEKm	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Balance sheet										
Forest assets	47 080	43 202	41 345	18 701	17 971	17 595	17 340	17 032	16 654	16 344
Other non-current assets*	12 251	11 784	10 781	10 586	10 780	11 106	12 184	13 189	13 998	14 320
Current assets	7 956	6 878	6 264	6 845	5 710	5 852	5 607	5 964	5 774	6 005
Financial receivables	814	679	950	781	430	338	325	249	327	377
Total assets	68 101	62 543	59 340	36 912	34 891	34 891	35 456	36 434	36 753	37 046
Equity	46 992	42 516	40 111	23 453	22 035	21 243	20 853	20 969	20 854	20 813
Deferred tax liabilities	11 610	10 570	10 299	5 839	5 650	5 613	5 508	5 480	5 804	5 504
Financial liabilities and interest-bearing provisions	4 915	4 860	4 733	3 587	3 366	4 283	5 124	6 156	6 443	6 967
Operating liabilities	4 584	4 597	4 196	4 033	3 840	3 752	3 971	3 829	3 653	3 762
Total equity and liabilities	68 101	62 543	59 340	36 912	34 891	34 891	35 456	36 434	36 753	37 046
Capital employed										
Forest	37 300	34 230	32 718	14 830	13 824	13 536	13 401	13 212	12 688	12 657
Paperboard	5 169	5 276	5 589	5 316	5 433	5 546	5 698	5 841	5 686	5 489
Paper	1 637	1 969	1 903	2 072	2 193	2 507	3 266	4 366	4 438	4 920
Wood Products	2 278	1 846	1 000	927	862	859	897	874	1 327	1 385
Renewable Energy	4 069	3 351	3 058	3 082	3 115	3 153	3 075	3 118	3 005	2 947
Group-wide and other**	640	24	-372	34	-455	-410	-684	-535	-173	5
Capital employed	51 093	46 697	43 895	26 261	24 972	25 190	25 653	26 876	26 970	27 403
Key figures										
Operating margin, %**										
Paperboard	11	13	7	12	14	17	15	13	9	12
Paper	1	2	9	6	5	5	-1	2	-4	1
Wood Products	34	8	4	14	5	0	1	3	-6	-12
Group	21	15	14	15	13	14	11	11	7	10
Return, capital employed, %**										
Forest	4	4	8	8	8	7	7	6	7	8
Paperboard	13	15	8	12	14	16	15	12	8	12
Paper	4	4	24	15	12	10	neg	3	neg	2
Wood Products	82	17	6	27	9	0	1	3	neg	neg
Renewable Energy	10	7	11	6	4	4	6	7	13	12
Group	9	6	9	10	9	9	6	6	4	7
Return on equity, %	7	5	35	10	8	7	3	4	3	9
Net debt as % of equity	9	10	9	12	13	19	23	28	29	32
Deliveries										
Volume from own forest, '000 m ³	2 833	2 841	2 699	2 816	2 883	2 945	3 132	3 207	3 361	3 085
Paperboard, '000 tonnes	544	544	538	525	526	497	499	493	469	485
Paper, '000 tonnes	1 029	883	996	1 036	1 117	1 134	1 325	1 305	1 574	1 651
Wood products, '000 m ³	1 373	1 052	879	828	852	776	730	725	686	660
Own production of hydro and wind power, GWh	1 230	1 352	1 109	1 145	1 169	1 080	1 441	1 113	1 041	1 353

*Excluding non-current financial receivables.

**Excluding items affecting comparability.

FIVE-YEAR REVIEW, SUSTAINABILITY

The environmental and employee data provided is the most relevant information with regard to regulatory requirements and internal monitoring. The key performance indicators provided are widely used in the industry.

Data from all parts of the Group is collected, quality-assured and evaluated. Martinsons was acquired in the fourth quarter of 2020 and its operations are included in the accounts from this point. No material changes have otherwise been made to the principles of reporting. 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 Statistics Sweden guidelines. 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.

	2021	2020	2019	2018	2017	
Production						
Paperboard, '000 tonnes	529	551	532	538	530	
Market pulp, '000 tonnes	80	84	79	66	54	
Paper, '000 tonnes	998	891	975	1 069	1 268	
Wood products, '000 m ³	1 465	1 021	877	873	827	
Own production of hydro and wind power, GWh	1 230	1 352	1 109	1 145	1 169	
Electricity production at the mills, GWh	445 ¹⁾	621	669	679	621	1) Bio-based electricity production accounted for 442 GWh.
Raw materials						
Wood, million m ³ sub ²⁾	6.34 ³⁾	5.62	5.49	5.62	5.63	2) At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the sawmills to the nearby mills.
Purchased pulp, '000 tonnes	77	78	78	78	79	3) Harvest of Holmen's own forests amounted to 2 833 000 m ³ sub.
Thermal energy, GWh	5 291 ⁴⁾	5 885	5 992	6 238	6 099	4) Of which 3 885 GWh is renewable from recovered liquor, bark, wood residues, pitch oil and forest fuel, as well as 1 032 GWh recovered from the TMP process. 368 GWh comes from natural gas and oil and 6 GWh from purchased renewable thermal energy.
Electrical energy, GWh	3 872 ⁵⁾	3 508	3 720	3 996	3 987	5) 2 384 GWh renewable electricity, 1 425 GWh fossil-free electricity and 63 GWh fossil electricity. Direct emissions of fossil carbon dioxide from production of purchased electricity totalled 28 982 tonnes.
Water use, million m ³ , ⁶⁾	69	69	70	73	73	6) Almost 100 per cent use of surface water from lakes and watercourses, i.e. renewable raw material.
Plastic granules/foiling material, '000 tonnes	3.3	2.8	3.2	2.9	2.9	7) Non-renewable raw material stated as 100 per cent active substance, equivalent to 220 000 tonnes of commodities for chemicals and 226 000 tonnes of commodities for filler and pigment. Additionally, 288 tonnes of commodities for chemicals for the protective treatment of wood were used for wood products at three of the sawmills.
Chemicals, '000 tonnes ⁷⁾	147	147	181	165	147	8) Relates to emissions at facilities. Emissions of methane and nitrous oxide at the facilities amounted to 14 600 tonnes of carbon dioxide equivalents.
Filler, pigment, '000 tonnes ⁷⁾	162	156	160	164	146	9) By-products used, for example, as filling material, construction material or for the production of soil products.
Emissions to air, tonnes⁸⁾						10) Delivered to the fuel and chemicals industry.
Sulphur dioxide (counted as sulphur, S)	50	64	59	56	48	11) Hazardous waste is dealt with by authorised collection and recovery contractors. Certain fractions of the waste are recovered. In 2021, Holmen dealt with 281 tonnes of oil-containing waste from vessels that docked at two of its own ports, which is included in hazardous waste.
Nitrogen oxides	811	902	888	986	907	12) Branches and treetops (35 GWh) and peat (68 GWh) delivered from Holmen's land and 188 GWh of branches and treetops from felling rights to external energy producers. Felling rights are included from 2021 onwards.
Particulates	52	33	28	45	30	13) 44 GWh of electrical energy supplied from Workington Mill to the local community. 251 GWh of thermal energy from Iggesund Mill and Braviken Paper Mill to Iggesund Sawmill and Braviken Sawmill. A total of 23 GWh thermal energy from Hallsta Paper Mill and Iggesund Mill was supplied to the district heating network of the local communities.
Fossil carbon dioxide, '000 tonnes	81	63	68	75	73	14) The stated amount includes costs for internal process measures and water treatment measures, plus the cost of erecting wind turbines, which is mainly the cause of this year's increase.
Bio-genic carbon dioxide, '000 tonnes	1 424	1 545	1 585	1 660	1 545	15) 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. One environmental incident led to corporate fines totalling SEK 0.5 million.
Emissions to water, tonnes⁸⁾						16) 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.
AOX (chlorinated organic matter)	39	38	44	48	48	17) The environmental cost of forestry is calculated as the value of the wood that is not harvested for environmental reasons. The annual loss of income in 2021 is evaluated at approximately SEK 79 million and is due to general considerations and nature conservation.
Nitrogen	187	210	174	216	177	
Phosphorus	16	19	14	16	14	
COD (organic matter), '000 tonnes	19	20	21	22	20	
Suspended solids (SS), '000 tonnes	3.2	3.5	2.9	3.5	2.8	
By-products, '000 tonnes						
To energy production, internally/externally	1 067	937	949	977	995	
To material production ⁹⁾	412	252	208	166	202	
Tall oil ¹⁰⁾	16	16	10	13	14	
Waste, '000 tonnes						
Hazardous ¹¹⁾	2.0	2.3	2.5	1.6	1.8	
Sent to landfill (wet)	3.7	4.9	0.9	7.6	1.8	
Energy supplies						
Branches, treetops and peat, GWh ¹²⁾	291	115	101	137	116	
Electrical and thermal energy, GWh ¹³⁾	317	351	372	370	366	
Environmental protection expenditure, SEKm						
Investments (remedial and preventive) ¹⁴⁾	815	428	310	84	44	
Electricity and heat-saving investments	35	18	20	10	20	
Environmental taxes and charges ¹⁵⁾	15	10	14	12	12	
Internal and external environmental expenses ¹⁶⁾	159	174	182	165	137	
Environmental cost of forestry ¹⁷⁾	79	80	65	91	62	

	2021	2020	2019	2018	2017
Employees					
<i>Employees</i>					
Average no. of employees (FTE) ¹⁾	3 474	2 974	2 915	2 955	2 976
of whom women, %	20.6	20.0	20.0	20.3	19.3
of whom men, %	79.4	80.0	80.0	79.7	80.7
of whom temporary employees, %	9.3	8.4	11.1	10.7	7.4
Average age ²⁾	43.5	44.3	44.4	44.9	46.0
<i>Sickness absence, %</i>					
Total	4.1	4.3	3.8	4.1	4.2
of which longer than 60 days	1.4	1.7	1.6	1.6	2.0
<i>Gender equality, %²⁾</i>					
Proportion of female managers out of total no. of managers	23.1	22.7	22.9	19.8	20.7
Proportion of male managers out of total no. of managers	76.9	77.3	77.1	80.2	79.3
Women joining the company out of total new employees	30.3	35.5	39.5	40.1	25.0
Men joining the company out of total new employees	69.7	64.5	60.5	59.9	75.0
<i>Personnel turnover, %²⁾</i>					
Personnel turnover	8.9	7.3	7.9	7.9	8.0
of which given notice	0.3	0.6	0.9	0.4	0.9
of which retiring	3.0	3.1	2.2	2.6	2.6
of which leaving at own request	4.3	3.0	4.4	3.9	4.4
New employees	5.1	2.6	2.5	2.7	5.9
<i>Number of industrial accidents³⁾</i>					
Industrial accidents, more than 8 hours of absence, per million hours worked	5.6	4.3	5.7	4.9	5.1
<i>Union cooperation, %⁴⁾</i>					
Percentage of employees that work at a unit with a collective agreement ⁵⁾	95	94	93	94	94
Income statement per stakeholder category, SEKm					
<i>Customers</i> Sales of products, wood and electricity	21 169	17 666	18 329	17 339	17 269
<i>Suppliers</i> Purchases of products, services, along with depreciation, etc.	-14 675	-12 734	-4 817	-12 539	-12 719
<i>Employees</i> Wages and social security costs	-2 121	-1 891	-1 819	-1 792	-1 767
<i>Lenders</i> Interest	-43	-42	-34	-25	-53
<i>Society⁶⁾</i> Property tax	-43	-42	-55	-82	-101
Excise tax	-37	-31	-27	-30	-31
Social security costs	-558	-481	-472	-479	-449
Payroll tax	-39	-39	-25	-35	-36
Corporation tax	-651	-427	-2 351	-89	-445
<i>Shareholders</i> Net profit	3 004	1 979	8 731	2 268	1 668
Dividend	1 862 ⁷⁾	1 741	567	1 134	1 092

- 1) See page 64, Note 4.
- 2) Relates to permanent employees.
- 3) Relates to employees. No industrial accidents with a fatal outcome occurred during the year.
- 4) Relates to permanent and temporary employees.
- 5) Relates to Swedish and UK units, all of which have collective agreements. At other foreign units, Holmen supports different forms of collective employee engagement in line with local standards, e.g. Works Councils.
- 6) Holmen accepts its responsibility to society and pays its taxes in line with the legislation and rules in force in all the countries in which we operate. Holmen's financial policy and guidelines state that Holmen must be transparent in its tax-related deliberations, with a focus on commercial considerations and no transactions whose main purpose is tax planning. Holmen must also not accept, support or facilitate any tax violations by third parties.
- 7) Board's dividend proposal.
- 8) The increase compared with the previous year's reporting is mainly due to the turbine breakdown at Workington Mill. Emissions from the production facilities are included in the EU's system for emissions trading.
- 9) Purchasing of electricity increased in 2021 due to the turbine breakdown at Workington Mill. In previous annual accounts, Holmen has only reported emissions from the electricity production phase. For 2021, emissions from production and maintenance of plants generating electricity as well as emissions from downstream distribution of electricity are also reported. In 2021, emissions from the production phase amounted to 29 ktonnes CO₂e, calculated in line with a market-based methodology, with EPDs from Vattenfall AB as the source. Emissions calculated using a location-based methodology, with GOV.UK and the European Environment Agency as the source, are 56 ktonnes CO₂e.
- 10) Including transport to Holmen's units. For 2021, more suppliers and products have been included in the accounts. The data for 2020 and 2021 are thus not comparable.
- 11) Acquisition of property, plant and equipment includes the construction of Blåbergsliden Wind Farm.
- 12) Transport of fuel for the biofuel boiler at Workington Mill and emissions from forestry.
- 13) Transport of woody biomass, Well to Wheel.
- 14) Transport of finished products, Well to Wheel.

Greenhouse gas emissions Scope 1–3, '000 tonnes CO ₂ e	2021	2020
Scope 1: Direct greenhouse gas emissions ⁸⁾	97	79
Scope 2: Indirect greenhouse gas emissions from purchased electrical energy ⁹⁾	60	38
Scope 3: Emissions in the value chain	550	460
of which category 1: Purchased goods and services ¹⁰⁾	136	100
of which category 2: Capital goods ¹¹⁾	120	80
of which category 3: Fuel and energy-related activities ¹²⁾	38	36
of which category 4: Upstream transport ¹³⁾	56	56
of which categories 6 & 7: Travel	4	4
of which category 9: Downstream transport ¹⁴⁾	196	184
Total emissions*	707	578

* Holmen's reported emissions for 2021 increased by 129 ktonnes CO₂e compared with 2020. The actual increase in emissions amounted to 93 ktonnes and the remaining 36 ktonnes is due to updated calculation methods. Emissions from Scope 1 and 2 have increased mainly as a result of the turbine breakdown at Workington Mill which reduced its own fossil-free electricity production. Scope 3 category 2 (Capital goods) has increased as a result of the construction of Blåbergsliden Wind Farm. Scope 3 category 9 (Downstream transport) has increased as a result of higher volumes of wood products, following the acquisition of Martinsons. The reported emissions from Scope 3 category 1 (Purchased goods and services) has increased for 2021 compared with 2020 as we gradually expand the number of suppliers and input goods from which we gather emissions data, which means that reported figures for 2020 and 2021 are not comparable. More information is available at holmen.com.

New calculation principle for greenhouse gas emissions

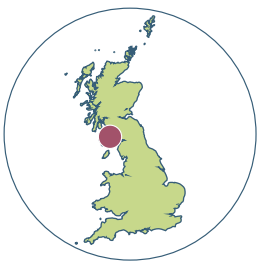
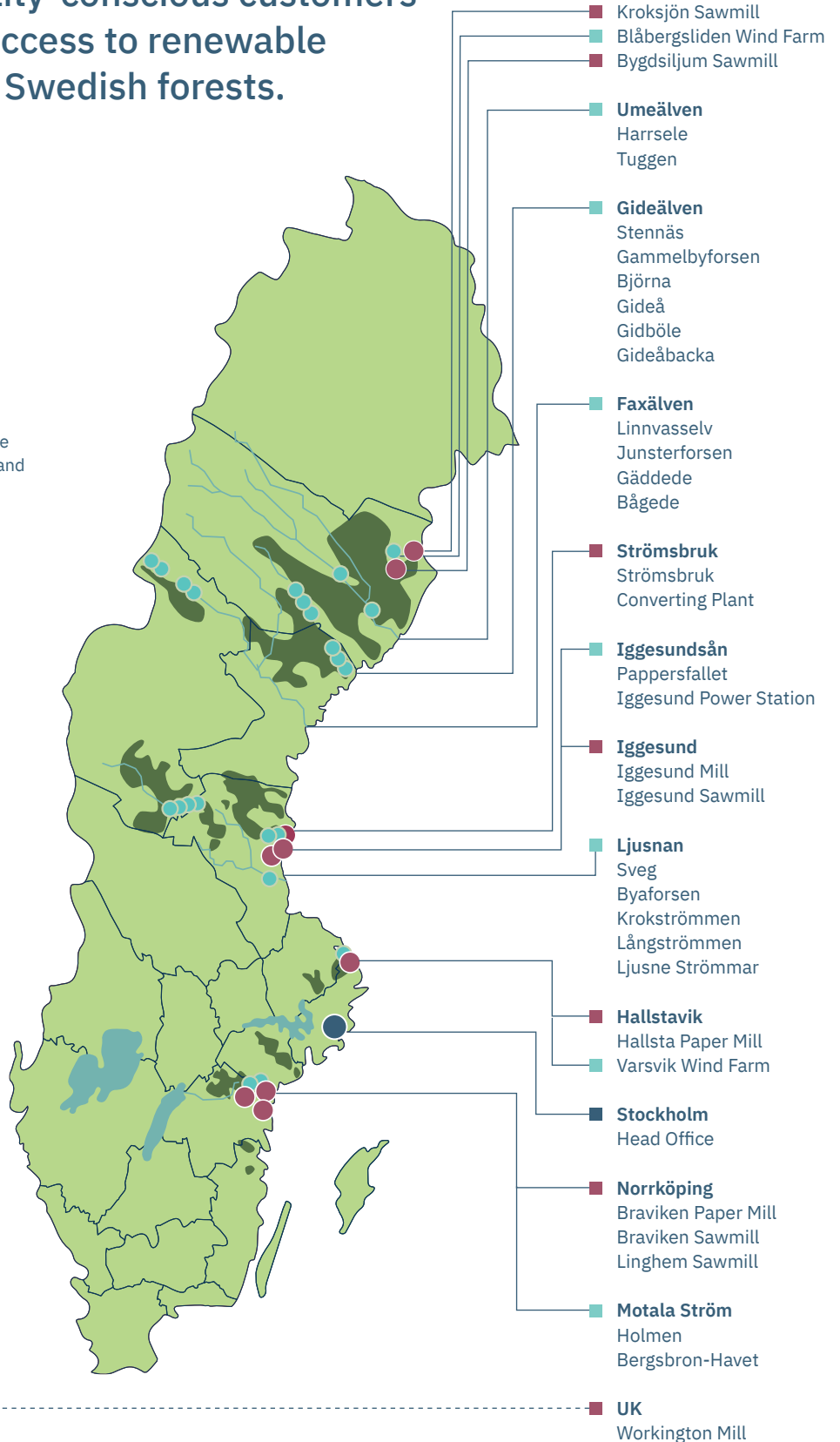
As part of the development of our work on sustainability and in line with the Greenhouse Gas Protocol's methodology for Scope 2 and 3, in 2021 we have refined the methodology for collecting and reporting emissions of greenhouse gases in our value chain. The new accounts are based on larger and more in-depth data and consequently reported reference data for emissions in 2020 has therefore been adjusted from 377 to 578 ktonnes CO₂e. More information is available in footnotes and text below the tables.

HOLMEN 2021

Holmen gives quality-conscious customers across the world access to renewable products from the Swedish forests.

Holmen's forests, power plants & industrial sites

Forest holdings
 1.3 million hectares total land acreage
 1 million hectares productive forest land



Forest holdings

Holmen's forests 2021

Total land acreage	1 304 000 ha
Total forest land acreage*	1 159 000 ha
– of which nature conservation areas	201 000 ha
Productive forest land**	1 044 000 ha

Total volume of standing timber on productive forest land **125 million m³ growing stock, solid over bark**

*Calculated based on Holmen's stand catalogue and data from the National Forest Inventory in line with the international definition of forest land: Land area > 0.5 hectares with a tree canopy cover of more than 10 per cent for trees capable of reaching a height of at least 5 metres at maturity.

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

Power plants

River	Hydro power plant	% ¹⁾	GWh ²⁾	Built in
Umeälven	Harrsele	49	489	1957–58
	Tuggen	22	98	1962
Gideälven	Stennäs	10	3	1985–96
	Gammelbyforsen	10	1	"
	Björna	10	8	"
	Gideå	10	9	"
	Gidböle	10	6	"
Gideåbacka	Gideåbacka	10	8	"
Faxälven	Linnvasselv	7	16	1961–74
	Junsterforsen	100	130	"
	Gäddede	30	22	"
	Bågede	100	71	"
Iggesundsån	Pappersfallet	100	6	1915
	Iggesund Power Station	100	22	2009
Ljusnan	Sveg	20	22	1949–75
	Byaforsen	20	21	"
	Krokströmmen	9	42	"
	Långströmmen	11	32	"
	Ljusne Strömmar	7	17	"
Motala Ström	Holmen	100	106	1990
	Bergsbron-Havet	100	8	1927
Wind power	Varsvik Wind Farm	50	75	2014
	Blåbergsliden Wind Farm	100	430	2020–22

1) Holmen's share of production. 2) Normal production.

Customers and market

Business area	Products	Customer segment	Competitors
Forest	Logs, pulpwood and biofuel	Sawmills, pulp mills, paperboard and paper mills	SCA, Sveaskog plus a number of large forest owners' associations
Paperboard	Premium paperboard for consumer packaging	Brand owners, converters and wholesalers	Metsä Board, Stora Enso
Paper	Paper for books, magazines, advertising and packaging	Publishers, printing firms and retailers	Norske Skog, Stora Enso, UPM
Wood Products	Construction and joinery timber, CLT and glulam, plus wood for pallets and packaging	Construction industry, joinery industry, builders' merchants, and packaging industry	Moelven, SCA, Setra, Södra, Vida and a large number of foreign companies
Renewable Energy	Renewable energy from hydro and wind power	Nordic electricity market	Fortum, Statkraft, Vattenfall, Uniper

Production facilities

Iggesund Mill

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

Brand: Invercote and Inverform.

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.

Strömsbruk Converting Plant

Products: Converted paperboard products for the packaging of cosmetics, confectionery, food, etc.

Braviken Paper Mill

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

Raw material: Spruce pulpwood.

Hallsta Paper Mill

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

Raw material: Spruce pulpwood.

Braviken Sawmill

Products: Spruce and pine construction products.

Raw material: Spruce and pine saw logs.

Iggesund Sawmill

Products: Pine joinery products.

Raw material: Pine saw logs.

Linghem Sawmill

Products: Spruce and pine construction products.

Raw material: Spruce and pine saw logs.

Bygdsiljum Sawmill

Products: Spruce and pine products for joinery and construction plus glulam and CLT for the construction market.

Raw material: Spruce and pine saw logs.

Kroksjön Sawmill

Products: Spruce and pine products for joinery and construction plus planed and painted construction products.

Raw material: Spruce and pine saw logs.

Definitions

Capital employed

Net financial debt plus equity, which corresponds to fixed assets (excluding non-current financial receivables) plus working capital less the net sum of deferred tax liabilities and deferred tax assets. Average values are calculated on the basis of quarterly data.

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 (EPS)

Profit for the year divided by the weighted average number of shares outstanding, adjusted for buy-back of shares, if any, during the year. Diluted EPS means that any diluting effect from outstanding call options has been taken into account.

EBITDA

Earnings before interest, taxes, depreciation and amortisation, excl. items affecting comparability.

Equity/assets ratio

Equity expressed as a percentage of total assets.

Financial assets

Non-current and current financial receivables and cash and cash equivalents.

Items affecting comparability

Used to clarify how the earnings measures are affected by matters outside normal business operations, such as impairment, disposal, closure and major restructuring measures, plus alterations to assumptions in the valuation of biological assets. The effects of maintenance and rebuilding shutdowns are not treated as an item affecting comparability. Page 92 states which items have been treated as items affecting comparability over the past 10 years.

Net financial debt

Non-current and current financial liabilities, non-current and current liabilities regarding right-of-use assets, and pension provisions, less financial assets.

Operating margin

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

Operating profit

Profit before net financial items and tax.

Return on capital employed

Operating profit/loss (excluding items affecting comparability) expressed as a percentage of average capital employed, based on quarterly data.

Return on equity

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

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.

Carbon dioxide equivalents (CO₂e)

Carbon dioxide equivalents include the effects from greenhouse gases other than just carbon dioxide, such as methane and nitrous oxide.

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 9001

An international standard for quality management systems. Primarily aimed at companies and organisations that wish to improve two aspects of their operations, i.e. to ensure more satisfied customers and lower costs.

ISO 14001

An international standard for environmental management. Important principles in ISO 14001 include regular environmental audits and a gradual increase in the requirements.

ISO 45001

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.

ISO 50001

An international energy management systems standard that provides a framework for energy efficiency measures.

m³ growing stock, solid over bark

The volume of tree stems, incl. bark, from stump to top. Generally used as a measure for growing forest.

m³sub

Cubic metre solid volume under bark. The actual volume (no gaps between the logs) of whole stems or stemwood excl. bark and treetops. Generally used as a measure for harvested wood.

Nitrogen (N)

An element contained in wood. Nitrogen emissions to water may cause eutrophication.

Nitrogen oxides (NO_x)

Gases that consist of nitrogen and oxygen that are formed in combustion. In moist air, nitrogen oxides are converted into nitric acid, which creates acid rain. Nitrogen oxides also have a fertilising effect.

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 eutrophication and oxygen consumption.

Precautionary principle

Persons who pursue an activity or take a measure, or intend to do so, shall implement protective measures, comply with restrictions and take any other precautions that are necessary in order to prevent, hinder or combat damage or detriment to human health or the environment as a result of the activity or measure. For the same reason, the best available technology shall be used in connection with professional activities.

SBB

Solid Bleached Board. Multi-layered paperboard made from bleached chemical pulp.

Sulphate pulp

Chemical pulp that is produced by cooking wood under high pressure and at a high temperature together with white liquor (sodium hydroxide and sodium sulphide).

Sulphur dioxide (SO₂)

A gas consisting of sulphur and oxygen that is formed in combustion of sulphur-containing fuels, such as oil. In contact with moist air, sulphur dioxide is converted into sulphuric acid, which creates acid rain.

Suspended solids

Waterborne substances consisting of fibres and particles that can largely be removed using a fine mesh filter.

Tall oil

By-product of the sulphate pulp process used for making soft soap, paints, biodiesel and other products.

TMP

Thermo-mechanical pulp. Obtained by heating spruce chips and then grinding them in refiners.

Calculation of Holmen's climate benefit

Comments to calculations on page 32

Carbon dioxide storage in Holmen's forests is based on the annual increase in the volume of standing timber based on the company inventory carried out in 2019 minus harvested volumes.

Net storage in land, wood products, paperboard and paper is calculated in line with Sweden's official climate reporting to the UN, conducted by the Swedish Environmental Protection Agency using the IPCC's methodology. The methodology is constantly under development and for 2021 calculated storage in land has been lowered, meaning that the reported amount of stored CO₂ in Holmen's forests has decreased compared with 2020. The methodology also takes into account the fact that a certain amount of old wood and fibre products rotted or was incinerated in 2021 and thus stopped binding carbon dioxide. According to the IPCC, fibre products have a half-life of 2 years and wood products 30 years.

The substitution effect of wood products is based on European and Canadian research. Holmen's calculations of the substitution effect of wood products also make the assumption that 100 per cent of older fibre products and old wood products that ceased binding carbon dioxide in 2021 were used for bioenergy which substituted for fossil fuel. The substitution effect from paper and paperboard is calculated based on the assumption that 100 per cent of paper and paperboard becomes biofuel at the end of its lifecycle, and thus replaces fossil fuels. The substitution effect from our production of renewable electricity is calculated by biobased electricity production and hydro power replacing fossil-based controllable electricity from coal power, wind power replacing fossil-based electricity from coal and gas power, and bioenergy (comprising branches and treetops and residual products from Holmen's operations delivered externally) replacing fossil fuels. Details of Holmen's biogenic and fossil emissions are reported on pages 94–95.

More information on calculations and sources is provided in Holmen's sustainability report at holmen.com.

Information

The interim and year-end reports are presented at an online conference for press and analysts. The conference is held in English and is broadcast live on holmen.com. The annual report, together with year-end and interim reports, is published in Swedish and English and the reports are sent automatically to the shareholders who have indicated their wish to receive them. They are also available at holmen.com.

How to order printed material:

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or go to holmen.com

Calendar

For 2022, Holmen will publish the following financial reports:

Interim report Jan–Mar: 28 April 2022
Interim report Jan–Jun: 19 August 2022
Interim report Jan–Sep: 20 October 2022
Year-end report: 31 January 2023

AGM 2022: 30 March 2022

Dates of trading and dividend

The final date for trading, including right to dividend: 30 March 2022

Record date for dividend:
1 April 2022

Payment date for dividend:
6 April 2022

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