



Dear Shareholders,

Before I comment on 2019, I would like to begin by saying a few words about the current circumstances. We find ourselves in an unprecedented situation where communities more or less have shut down to prevent the spread of coronavirus, bringing an abrupt slowdown to the global economy. This naturally also affects Holmen.

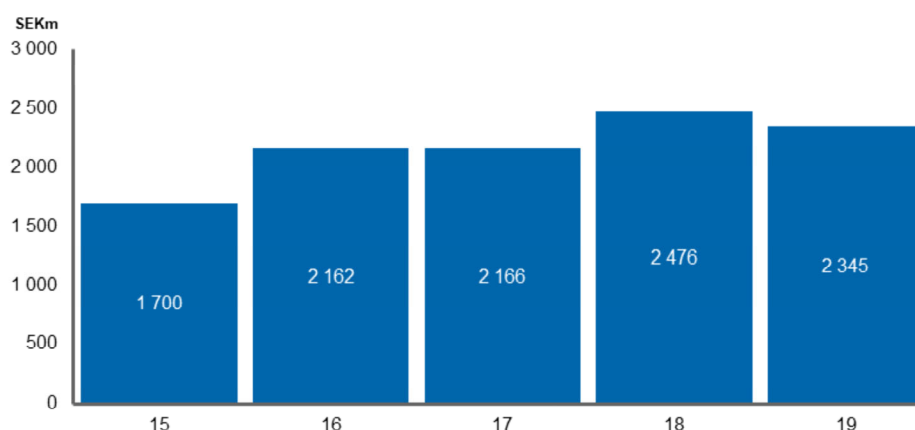
The long-term consequences are difficult to overlook, the impact on the economy and demand in both Europe and overseas is obviously great and we now hope for a quick and vigorous recovery as more and more countries open up. Holmen has so far been able to produce and deliver at a relatively normal rate. During the spring, however, we noted a reduction in order intake for certain customer segments, primarily Paper and Wood Products, which will have a negative impact on sales during the second quarter.

The corona pandemic and its consequences are not over and what was unthinkable a few months ago is now our new reality. We follow the development closely and focus on constantly managing what we have in our own hands in order to maintain the business in the best possible way. Our cash flow is good, the financial position is strong and we have very good access to long-term financing. However, the Board of Directors does not, in the current uncertain situation, find it justifiable to propose the AGM to decide on a dividend, which we have communicated earlier. However, the issue will be evaluated during the autumn.



Holmen's business concept is to own and add value to the forest. Our extensive forest holdings are thus the foundation of our business. We take care of the assets of both the forest and the land, refining them into much sought-after products. We are a partner for sustainable business, helping our customers to switch to renewable solutions that create value for shareholders and customers alike.

Operating profit, Group



Excl. items affecting comparability

The Group's operating profit excluding items affecting comparability amounted to SEK 2 345 million in 2019, which is good in historical terms – although the figure is slightly down on the previous year, due to lower profits in Paperboard and Wood Products. We are pleased to see a strong performance from our Paper business area, but the major news of the year was the change in the market's view of the value of the forest.

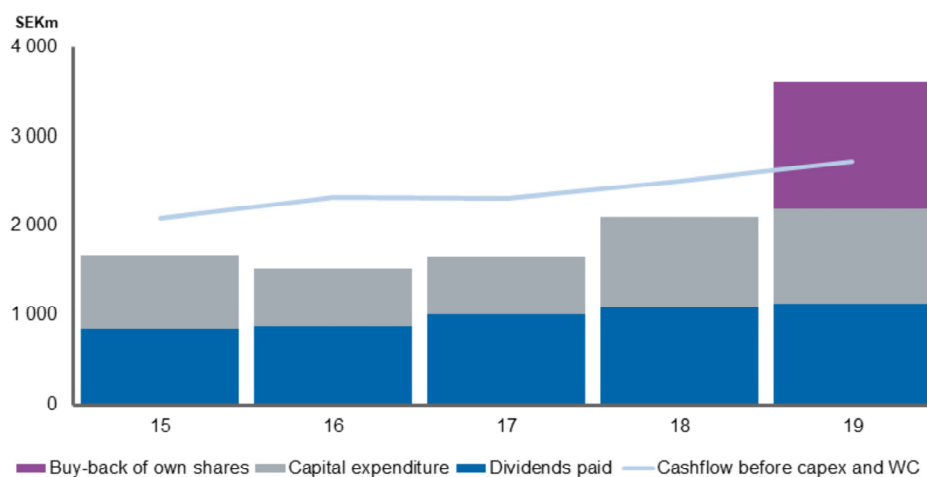
Holmen's financial position needs to be strong in order to secure enough room for manoeuvre when making long-term commercial decisions. Net financial debt in relation to equity amounted to 9 per cent in 2019. Good cash flow in recent years has enabled a higher dividend and the buy-back of shares, while at the same time strengthening our financial position.



Forest is a unique asset. Through advanced methods of sustainable management, growth is getting better and better, enabling us to increase harvests over time while still retaining more wood in the forest. Every morning when we wake up, we have more raw material than the day before.

It is becoming increasingly clear that the forest and its products have an essential role to play in driving the transition to a more sustainable society. The interest in forest investment has been confirmed by a series of major forest property sales. It was therefore a natural step at year-end 2019 for Holmen to switch to recognising our forests based on transaction prices for comparable areas of land, which more than doubled the book value of our forest holdings to SEK 41 billion.

Cash flow, Group



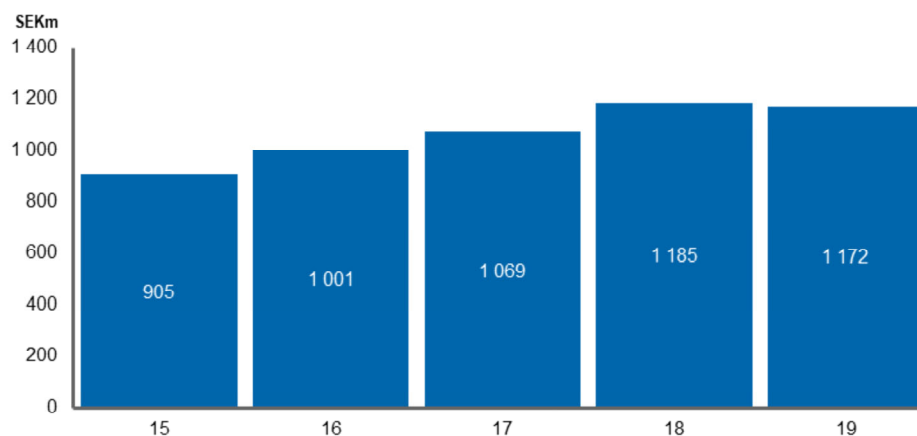
Our strong financial position also allowed us to buy back shares over the year. Thanks to a strong balance sheet, the decision was taken during the year to buy back shares, so increasing forest ownership per share. A total of 6.2 million shares were repurchased for SEK 1.4 billion.

Cash flow from the business was good and, despite the share buy-back and dividend appropriation totalling SEK 2.6 billion, net debt rose by only SEK 1.0 billion.



Holmen's forests cover 1.3 million hectares, of which a little over a million hectares comprise productive forest land. Forest growth and future harvests are set to increase through active and sustainable forest management. At the same time, a strong position in the wood market will help to boost the competitiveness of Holmen's industries. As well as being a stable source of revenue for Holmen, the forest brings major climate benefits by capturing and storing carbon dioxide and providing our other business areas of Paper, Paperboard and Wood Products with renewable and fossil-free raw material.

Operating profit, Forest



Excl. items affecting comparability

The market for logs and pulpwood was affected in 2019 by a major European spruce bark beetle outbreak in southern Sweden. To limit the spread of the insects, more wood than normal was harvested temporarily during the second half of the year, which drove up supply, with a consequent impact on prices.

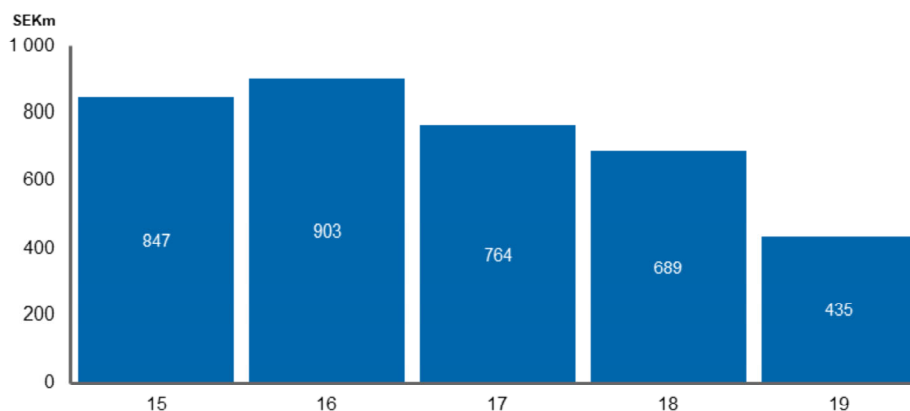
The price drops had a limited effect on profits from our Forest business area, which remained good at SEK 1 172 million.

Looking ahead and beyond the immediate bark beetle situation, there is no doubt that a growing forest industry is consuming significantly more than can be sustainably harvested from Swedish forests, which is likely to cause a rise in wood prices over time.



Holmen is a market leader in the manufacture of paperboard for consumer packaging in the premium segment. Our paperboard business will grow by combining efficient production with quality, service and custom products.

Operating profit, Paperboard

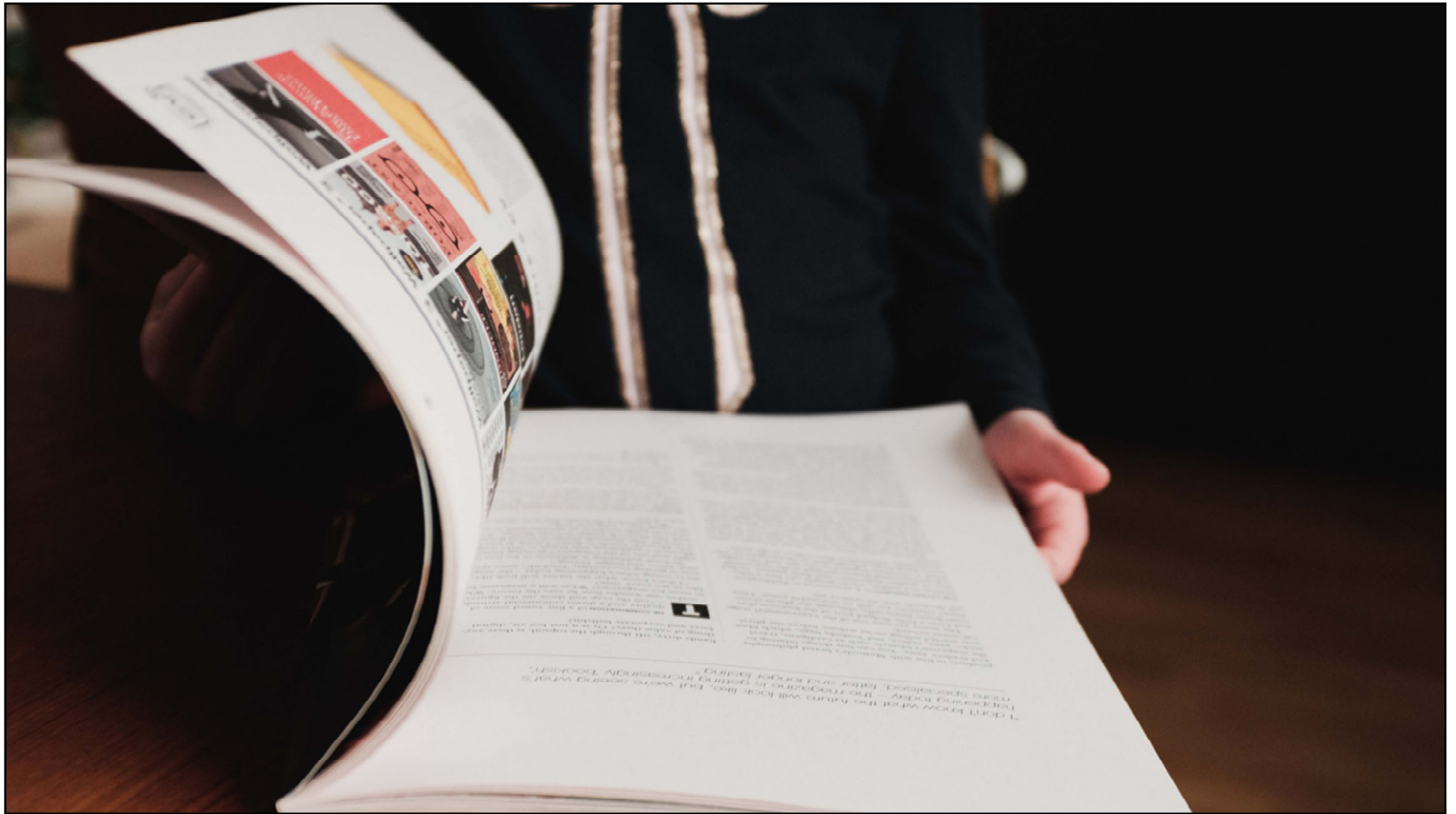


Excl. items affecting comparability

Following a couple of years of solid growth, demand for paperboard dropped during the year due to a weakening of the global economy. Prices remained stable despite tough competition for new business.

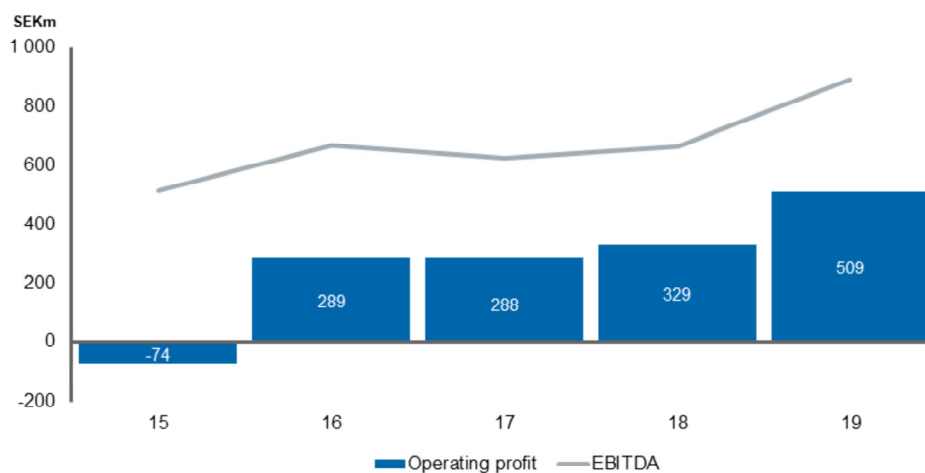
Major planned maintenance shutdowns and certain disruptions to production cut Paperboard's profits by a little over SEK 250 million to SEK 435 million. The situation improved in the second half of the year and this, coupled with investments to remove bottlenecks in production, makes us well placed to gradually increase sales and drive up profits.

It is also gratifying to be receiving increasing numbers of enquiries from brand owners about working together to develop alternative packaging solutions – yet another important initiative for a more fossil-free world.



Holmen develops innovative and sustainable paper products using fresh fibre. Our papers are a light option compared with traditional papers. Holmen's paper business will continue to be developed by offering innovative and resource-efficient solutions for books, magazines, advertising and other paper applications.

Operating profit, Paper



Excl. items affecting comparability

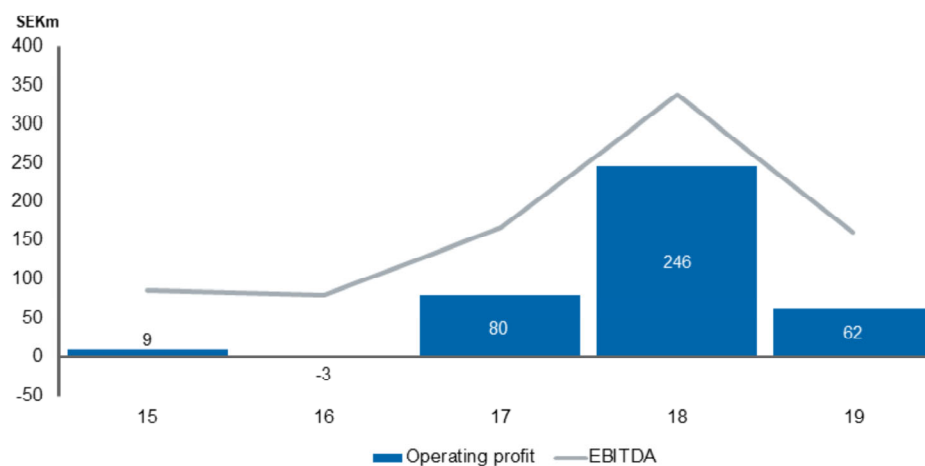
As a consequence of earlier reductions in capacity, paper prices were raised at the beginning of the year. However, the market balance deteriorated in the second half of the year, putting downward pressure on prices. At Holmen, we prioritised price stability over production volume, which, together with good production efficiency, boosted Paper's profits by SEK 180 million to SEK 509 million.

The market for paper is set to remain challenging, but we believe in our fresh fibre-based concept, which helps our customers to cut down on materials and costs.



Holmen supplies wood products to the joinery and construction industry and to builders' merchants and wood product importers. Our modern sawmills with their advanced technologies offer a strong product range, and sales will increase through refinement at large-scale production plants with good control over the raw material.

Operating profit, Wood Products



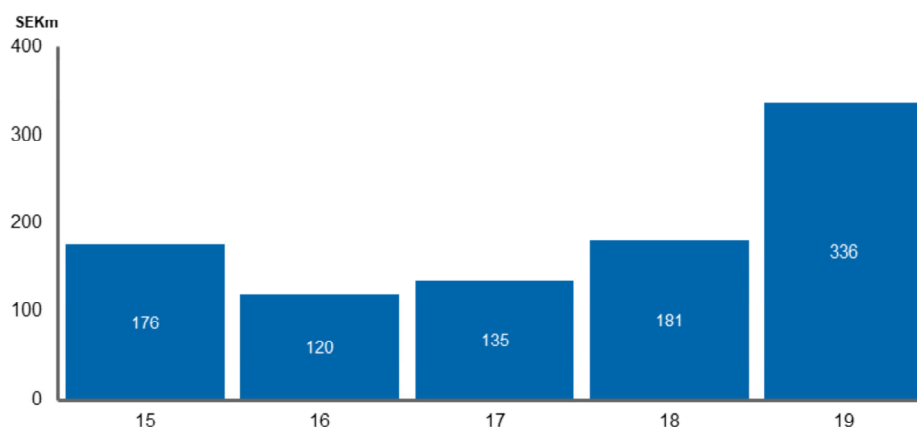
The challenges of fighting back against the spruce bark beetle in Central Europe in 2019 led to a steep increase in the supply of raw materials and wood products, which prompted tumbling prices. The price drop drove the profits of Wood Products down from a high level to SEK 62 million. Although the market situation for wood products remains weak at this time, we have excellent potential for profitable growth, thanks to cost-effective sawmills and good control over the raw material.

An investment in additional capacity at Braviken Sawmill will be completed in 2020 and production will gradually be stepped up as market conditions allow.



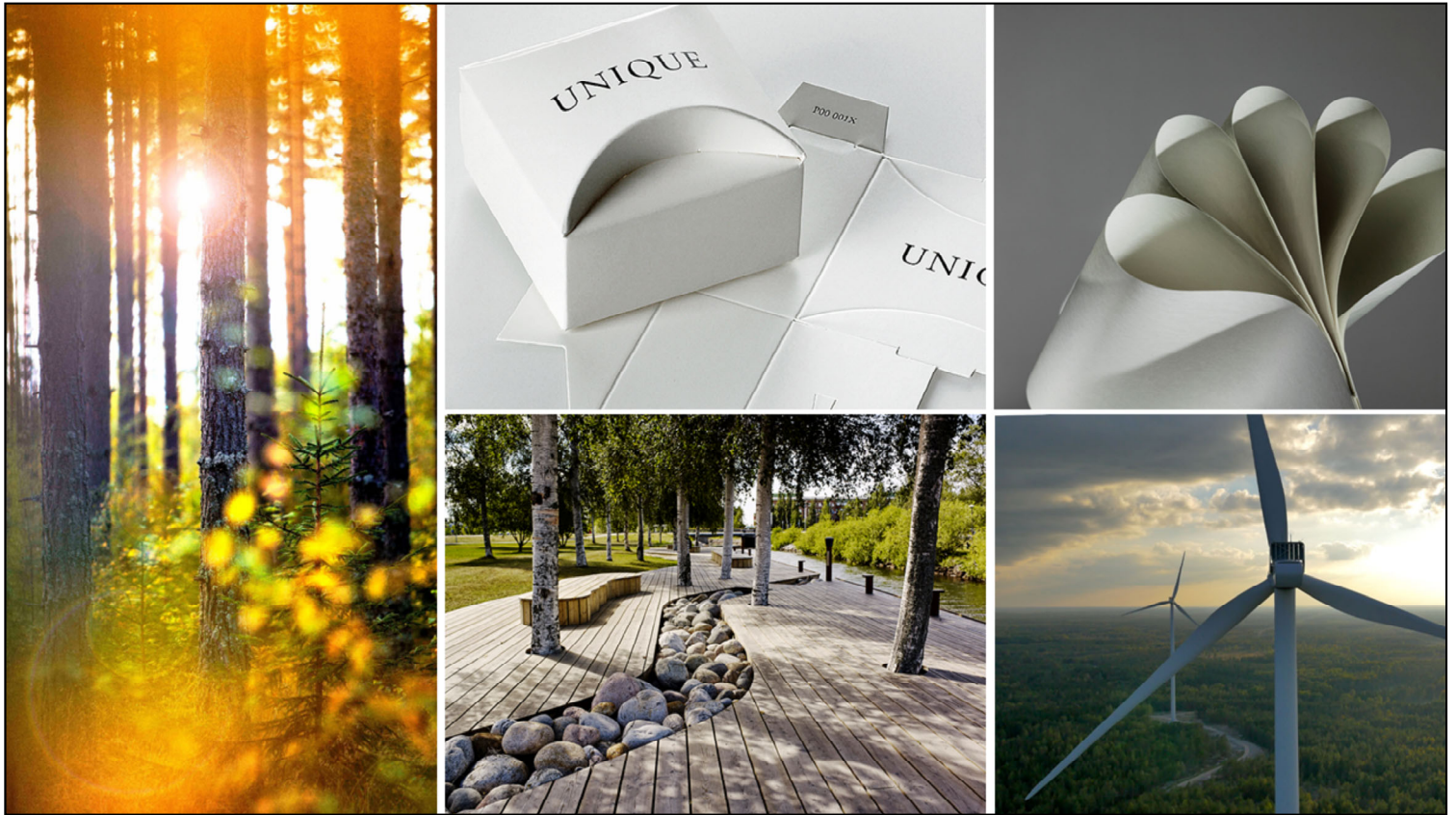
Holmen's production of renewable hydro and wind power contributes to a sustainable energy supply and provides the Group with a good, stable revenue stream over time. Production will increase by developing large-scale wind power on the company's own land, added to our existing hydro power. As a first step, we are therefore investing SEK 1.3 billion in building Blåbergsliden wind farm, which will form a valuable complement to our controllable hydro power.

Operating profit, Renewable Energy



Excl. items affecting comparability

Profits from Renewable Energy rose by SEK 155 million to SEK 336 million. The figures were boosted by higher electricity prices for our own hydro power. The profit also includes SEK 80 million from the sale of a permit to build a wind farm on Holmen property. As Europe progresses towards a fossil-free energy system and rapid technical advances cut the cost of wind power, we see good opportunities to develop more wind power on our own land.



As one of the greatest challenges of our age, climate change is going to continue to impact on the global economy. Demand for raw materials and products that are renewable, recyclable and fossil free is on the rise, accelerated by political decisions and growing awareness among consumers around the world. The planet's growing population, a rise in urbanisation and digitalisation and a rapidly expanding middle class are strong global trends that present opportunities for Holmen.

Holmen's goal is to create lasting value over time that also contributes towards a better climate. Climate benefit will be enhanced as a growing volume of standing timber binds increasing amounts of carbon dioxide and our products are used to replace fossil-based alternatives. At the same time, we are also reducing the fossil emissions in our own value chain. Furthermore, expanding wind power will play its part in the transition to a fossil-free energy system in Europe.

As one of Sweden's largest forest owners, we have a huge capacity to continue helping in the drive for sustainable development. In 2019, our business helped to cut the amount of carbon dioxide in the atmosphere by almost 3 billion tonnes, as a result of growth in the forest and the way our wood products replace fossil-based building materials.



To keep managing the forest over the long term, we need the natural environment to be healthy and thriving. The issue of biodiversity is high on the agenda. A simplistic solution often put forward is to limit management of the forest. This clearly contradicts the ambition to stop climate change in its tracks, since healthy, managed forests have a central role to play – for both the climate and the preservation of biodiversity. We are convinced that the right approach is for more forest management, not less. Our forest management combines increasing harvests with biodiversity preservation by taking meticulous care during harvesting, and implementing active measures in areas already set aside for conservation purposes.

We are constantly working to become even better and we can see that biodiversity is mainly benefitted by the way we manage our forests, not by the amount of forest we refrain from managing. Our aim is to ensure that all naturally occurring species are able to thrive in Sweden's forest landscape and that important natural assets are encouraged and preserved.



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

The amount of forest in Sweden is constantly increasing, but the potential is limited to the areas that are accessible for forestry. The fact that Holmen owns 1.3 million hectares of land provides fantastic opportunities to create value over time. Because the annual growth is greater than the amount harvested, the volume 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 addition to earnings from the forest that is harvested and sold as logs, pulpwood and biofuel, owning forest land also opens up opportunities for other revenue streams, for example by developing wind power. There are currently 152 wind turbines in use or under construction on our land. Where parts of our land holdings are located near centres of population, particularly in southern and central Sweden, and in tourist areas close to the mountains, the potential also exists to develop the land for housing and holiday accommodation. Our first such site is under development outside Uppsala.

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



As a Swedish forest company with a smart and responsible business, we have a fantastic opportunity, even in difficult times, to be a positive force and create value for shareholders, customers and society.

We are proud that Holmen is able to contribute and deliver practical solutions to some of society's major challenges and that our business has a positive impact on the climate. Holmen is an exceedingly stable company with a strong balance sheet, secure financing and major tangible assets in the form of forest and land. These are factors that, especially in times like these, set us apart and ensure even more long-term perspectives for our business.

And with that, I would like to thank you for your attention. I sincerely hope that all our collective efforts will help to slow the spread of the virus and that business and the economy can soon return to something that in any case is approaching normal activity.