

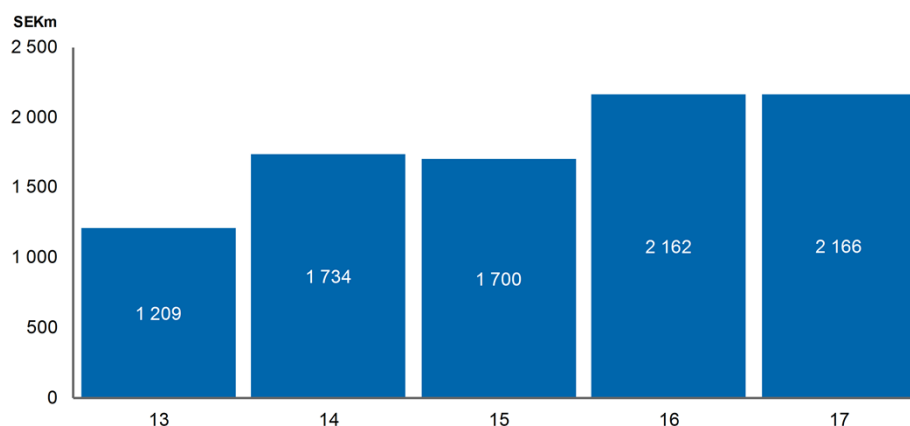


Mr Chairman, esteemed shareholders,

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

With our own forest holdings and renewable energy assets in the form of hydro and wind power, we have a stable basis for our business. And with well-invested production facilities and strong market positions, we aim to continue developing our business with good returns and stable value growth.

Operating profit, Group



Excl. items affecting comparability

Operating profit for 2017 amounted to SEK 2 166 million. During the year, we successfully increased production and deliveries of paperboard, paper and wood products, and our product and market mix also showed positive development. In short, we sold more of the right things to the right customers. This is the fruit of both long-term investments and focused internal work.

Progress on sales, however, was partly offset by increased costs and large maintenance shutdowns in our paperboard business. This resulted in full-year earnings being largely unchanged compared with 2016.

Now I would like to look more specifically at our five business areas. First, the Forest business area.



Holmen's forests cover 1.3 million hectares, of which a little over a million hectares consist of productive forest land. That's about the same size as the Swedish region of Skåne. Efficient and sustainable management of the forest boosts its growth and opportunities for larger harvests in future. As well as being a stable source of revenue, the forest brings major climate benefits by capturing and storing carbon dioxide and providing our industry with renewable and fossil-free raw material. In 2017, forest harvesting was at a normal level, amounting to 2.9 million cubic metres.

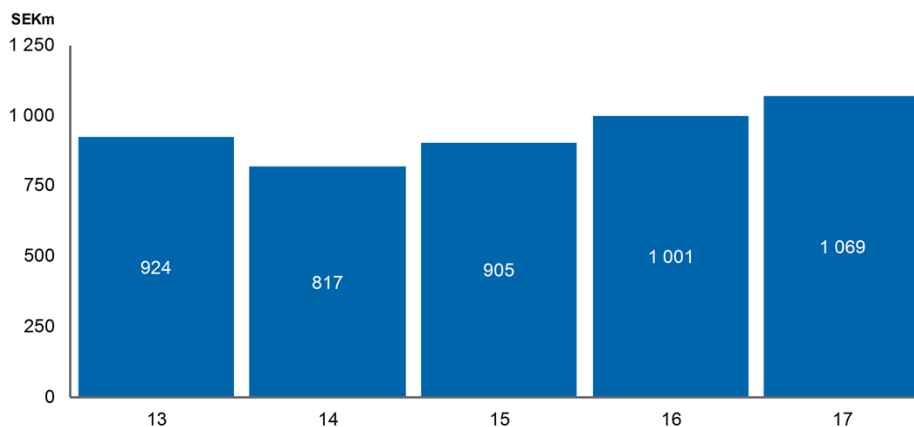


The growth of the forest and its value are dependent to a large extent on how it is managed. Under Holmen's active forestry, trees are allowed to grow over a period of 70–90 years. At that point, growth decreases and the forest is ready to be harvested. About 80 per cent of the annual growth is harvested. This means that the amount of wood in our forests increases by approximately 1 per cent every year.

Demand for forest raw material is strong, both for logs and pulpwood. Growing interest in wood construction has led to greater demand for logs and significant investments in pulp mills in recent years has increased the need for pulpwood. With our own large forest holdings and own sawmills, we have a strong position on the wood market. Together with economies of scale and efficient logistics, this helps make our production facilities highly competitive.

Increased competition for both logs and, in particular, pulpwood, is positive for a forest owner like Holmen, and I believe that raw material from our Nordic forests will be increasingly in demand in future. So owning our own forests is a strength.

Operating profit, forest



Excl. items affecting comparability

The operating profit from the Forest business area amounted to SEK 1 069 million, which breaks down as SEK 415 million in value growth and SEK 654 million in earnings from operations. The earnings from operations represent the cash flow from the forest business and equate to a yield of 3.7 per cent in relation to the book value of the forest, which stands at SEK 17.8 billion.

We now move on to our paperboard operations.



Holmen produces paperboard for consumer packaging in the premium segment. The strategy is to grow globally through two of the market's strongest brands, Invercote and Incada, high quality and custom solutions. Production at our two mills, Iggesund in Sweden and Workington in the UK, amounts to over half a million tonnes a year.

Following investments in a new press section at Workington and increased pulp capacity at Iggesund, we have increased production by around 10 per cent. So, despite maintenance shutdowns, we beat the production record at both mills during the year.

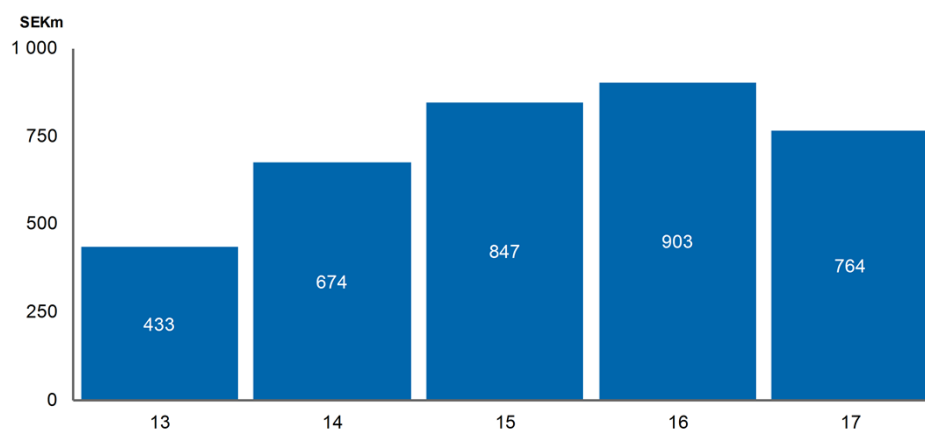


With its high and consistent quality, paperboard from Holmen ensures stable results in our customer's production processes. Products are constantly being developed, and this is done in close cooperation with our customers. Our longstanding cooperation with Apple, one of the world's largest companies, is one such example. The collaboration began in 2005 and has developed into a partnership for innovation and sustainable packaging.

It's no coincidence that Tim Cook, Apple's CEO, chose to visit Holmen. Like many of our other customers, Apple is very selective in working with companies that have a sustainable business model and Holmen has a great sustainability story to tell. We control our entire supply chain, from the forests that capture carbon dioxide to the sawmills that produce planks for buildings and homes. The Iggesund co-location handles all our raw materials efficiently and sustainably. And we also make the world's best paperboard, of course.

All of this gives us good opportunities to develop our paperboard business. The global market for packaging board is growing, and we are well positioned for growth.

Operating profit, paperboard



In 2017, deliveries increased by 6 per cent through higher sales in the premium segment, both within and outside Europe. However, operating profit in the Paperboard business area decreased by SEK 139 million to SEK 764 million as a result of increased costs and lost revenue relating to two major maintenance shutdowns and rising costs for input goods and freight.

Next we take a look at the Paper business area.



With a paper business fully focused on fresh fibre-based paper for magazines, books and advertising, we have a concept that has proven to work well. We utilise the properties of fresh fibre to offer cost-effective alternatives to traditional paper products. Put simply, you might say we make paper that saves our customers money. Our two Swedish mills produce a combined total of 1.1 million tonnes a year.

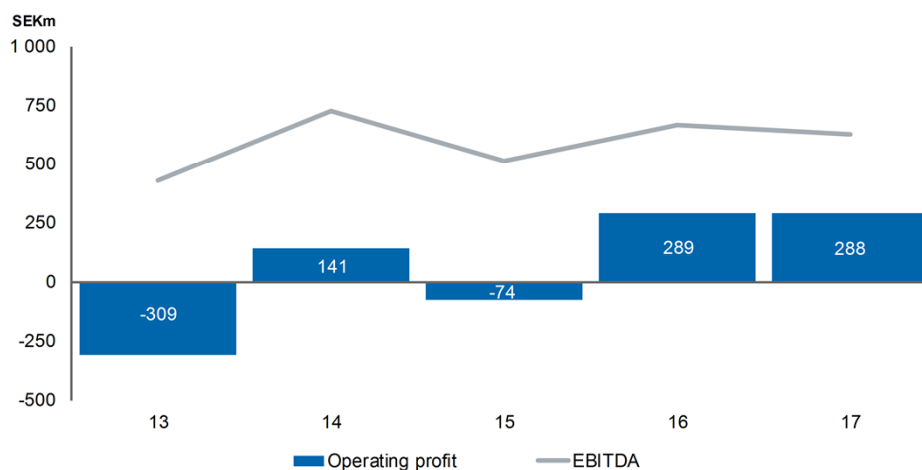
Production has been streamlined and the operations have been upgraded in line with the strategy to transition to magazine and book paper. Fresh fibre makes it possible to develop paper grades with high bulk, i.e. paper that is thick but light. This is the type of paper used for our annual report. This means our customers get more paper for their money. A lighter paper also leads to lower distribution costs.



Pulp, paper and paperboard made from fresh fibre from our Nordic forests play an important role in the European recovered fibre ecocycle. Forest resources are limited in the rest of Europe and paper manufacture is based on recovered paper to a considerably higher extent. But recovered fibre cannot be recycled again and again forever. After 5–7 times the fibres are exhausted. So the cycle has to continually be topped up with fresh fibre, and this is best done with products from our sustainably managed forests here in northern Europe.

A strong economy and closures of paper machines have led to a temporary shortage of paper. Our deliveries increased in 2017 and the transition from newsprint to magazine and book paper, which now accounts for over 85 per cent of deliveries, has made us more competitive. We also see good opportunities for developing our paper business in selected areas.

Operating profit, paper



Excl. items affecting comparability

Operating profit for the Paper business area was SEK 288 million. This was largely unchanged from 2016 and corresponds to a return of 12 per cent. Deliveries rose by 6 per cent but the earnings contribution from the sale increase was offset by higher wood prices.

And now let's look at the Wood Products business area.



Holmen supplies wood products to the joinery and construction industries and direct to builders' merchants. The business is being developed by increasing the value added and making better use of the wood raw material in combination with large-scale production. With three sawmills, two of which are integrated with our paperboard and paper mills, we produce over 800 000 cubic metres a year.

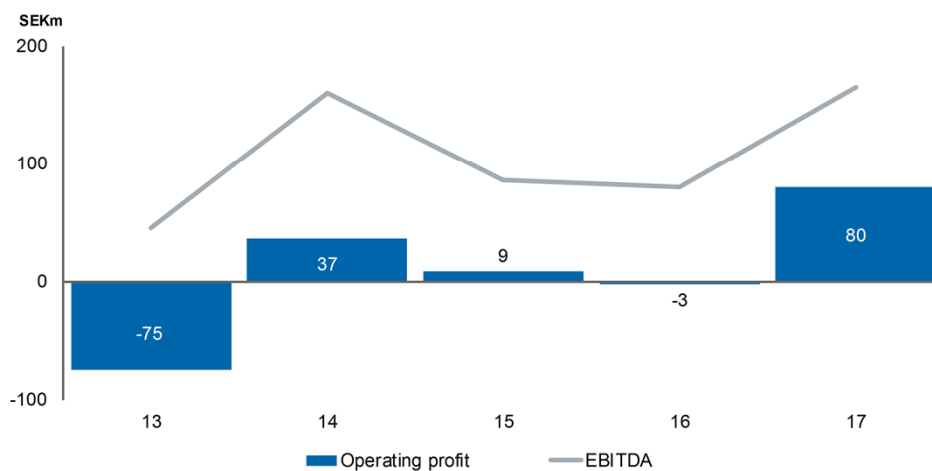


This image shows Braviken Sawmill with the construction of a wood treatment plant visible in the foreground. It's here that soon almost 20 per cent of production will be treated and sold for outdoor use such as verandas, fences and jetties. The plant is integrated with the sawmill, keeping transportation and transshipment costs down and strengthening our offering to builders' merchants.

The acquisition of nearby Lingham Sawmill is an example of the measures we are taking to handle wood more efficiently. Larger logs go to Braviken, while smaller logs go to Lingham, improving our use of raw material. Sawmill profitability largely relates to the ability to handle and process the raw material that accounts for a significant proportion of production costs. We have made significant progress in this respect and we aim to continue towards greater value-added production and more efficient management of wood.

The wood products market is strong, both in the Nordic region and globally. Demand is good and has been for a long period, and it will be interesting to see how wood products can compete with other construction materials in future. More sustainable construction is needed and new wood construction techniques are creating opportunities for this. Our modern large-scale sawmills provide a good basis for continued development, and where the raw materials market allows, we also have the potential to increase production.

Operating profit, wood products



Excl. items affecting comparability

Sales of wood products climbed steeply in 2017 as a result of a 10 per cent increase in deliveries and rising market prices, which improved operating profit for Wood Products to SEK 80 million, equating to a return of 9 per cent. In other words, it was a good year for our sawmills.

Finally, let's turn to the Renewable Energy business area.

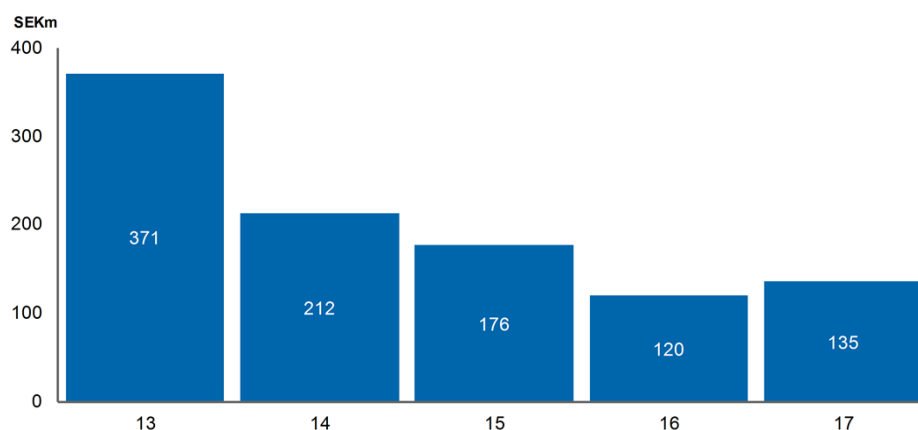


Holmen's renewable energy assets in the form of hydro and wind power contribute to a sustainable energy supply and provide a good revenue stream over time.

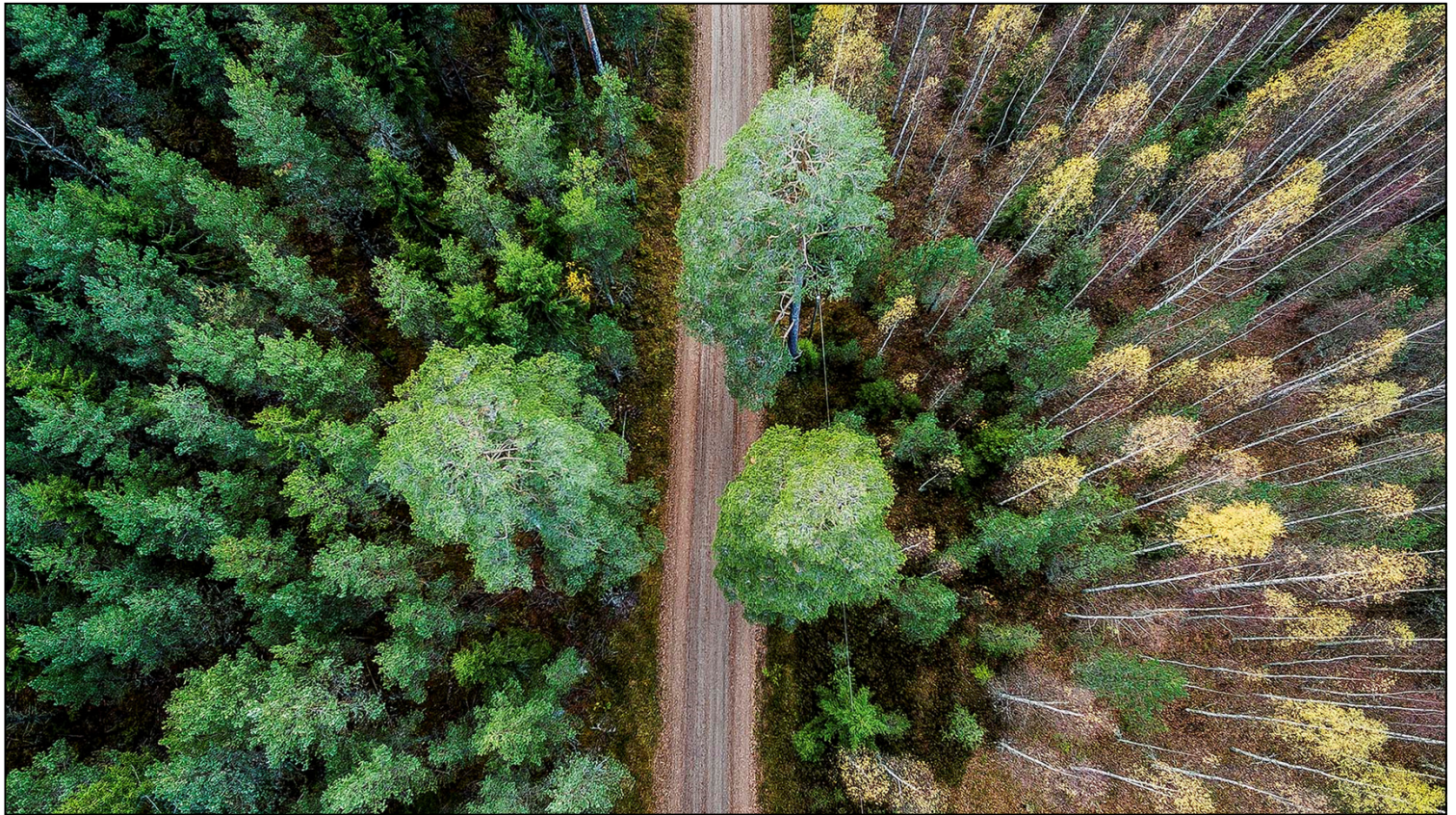
We are a large producer of hydro power, the sixth largest in Sweden. Hydro power not only generates carbon-free power, it also generates energy when it is needed most. Electricity cannot be stored to any great extent, but the water that is used to generate electricity can be stored in reservoirs, lakes and rivers. Hydro power will therefore form the core component as Sweden gains more weather-dependent energy in its system.

For Holmen, these energy assets provide good annual cash flow and contribute to a secure supply of electricity. Together with the renewable electrical energy that is produced at the Group's mills, this equates to almost half of Holmen's overall energy consumption.

Operating profit, renewable energy



Low rainfall caused production to be 5 per cent lower than in a normal year. However, operating profit for Renewable Energy increased by SEK 15 million to SEK 135 million due to a SEK 20 million reduction in property tax on hydro power. The reduced tax is welcome and will continue for the next three years at an additional SEK 20 million a year. This is positive as it enables necessary investments in our power stations.



As you've heard, it was a fairly good year for Holmen. Production and deliveries increased and the strong economy has provided good conditions. But there are also challenges that we face. Raw material costs have increased and the debate about how we manage forests has grown, both in the media and the political arena.

Our forests are an amazing asset, which actively managed contributes both to a better climate and to a thriving countryside where people can live and earn a living outside the cities. We believe it's positive that more and more people are gaining an understanding of forests and how they contribute to the environment, the economy and people's lives. But we are also aware that ownership rights are being challenged, which could have an adverse effect on our ability to use our forests and, in the long term, on Sweden's growth, its strength as an exporter and employment.

It's important to take a broad view. So it's pleasing that the majority of Sweden's parliamentary parties are now indicating this by tomorrow proposing a number of notifications to the government that share our view that ownership rights must be defended.

Holmen has many years' experience of long-term and successful sustainability work that combines efficient and rational forestry with the preservation of biodiversity. It's possible to do both of these things and our view is clear – the goal must be to make greater and more intelligent use the forest, not less.



The forest is the basis of our business. We use all harvested raw material and convert trees into climate-smart products. Large trunks, which make up approximately half of the harvest, go to sawmills where they become building materials in the form of construction timber and joinery products. The thinner parts of the tree, chips from our sawmills and wood from thinning become pulp from which we produce paperboard and paper.

The key to a successful and sustainable forest products business is to make the right things from our Swedish forests, products that make the best use of its long, strong fibre.

Building with wood helps reduce climate change, as wood stores carbon dioxide and is able to replace other construction materials that have a greater carbon footprint, such as steel and concrete. Since we use all the harvested raw material, we also ensure that by-products such as branches, tops, bark and wood shavings are turned into recyclable products or converted into useful bioenergy.

Our development work encompasses the entire supply chain, from seed to harvest, and our two nurseries produce more than 30 million seedlings each year, the majority of which are planted on the Group's land.



Från frö till träd - arbetet på en plantskola

I want to now show a short film describing Holmen's forestry, from seedling to plank, starting at our two nurseries.

<https://www.youtube.com/watch?v=vU7DqmjPhps>

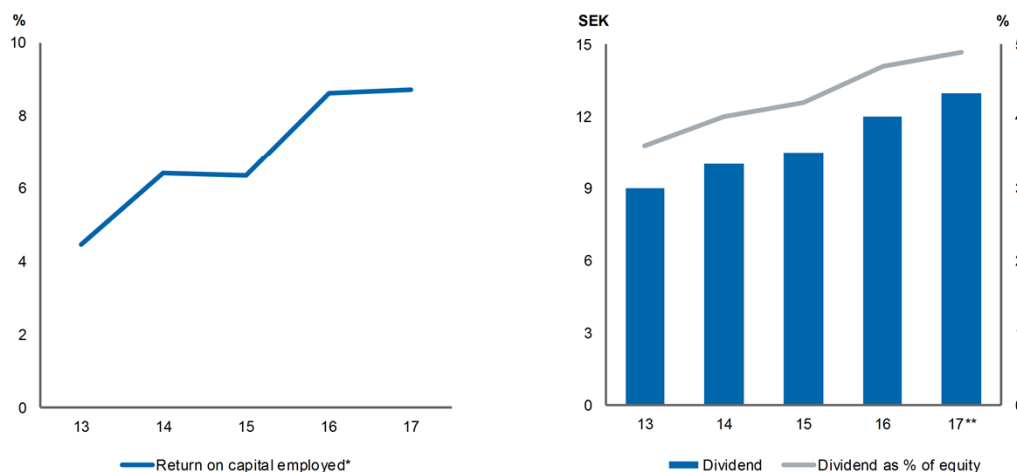


We have two overall goals for Holmen. The first is to ensure that the value of the forest and our operations grows. The second is to contribute to a better climate. These are two ambitious goals, but they are entirely reasonable.

The forest is managed to provide a good annual return and stable value growth while our production business is run with a focus on profitability and greater value added. This lays the foundations for sustainable development that generates value for shareholders, society and the environment.

Holmen's financial position is strong, with low net debt. This provides us with stability but also with flexibility and opportunities to develop the company to make use of the potential that exists in Swedish forests.

Profitability and dividend

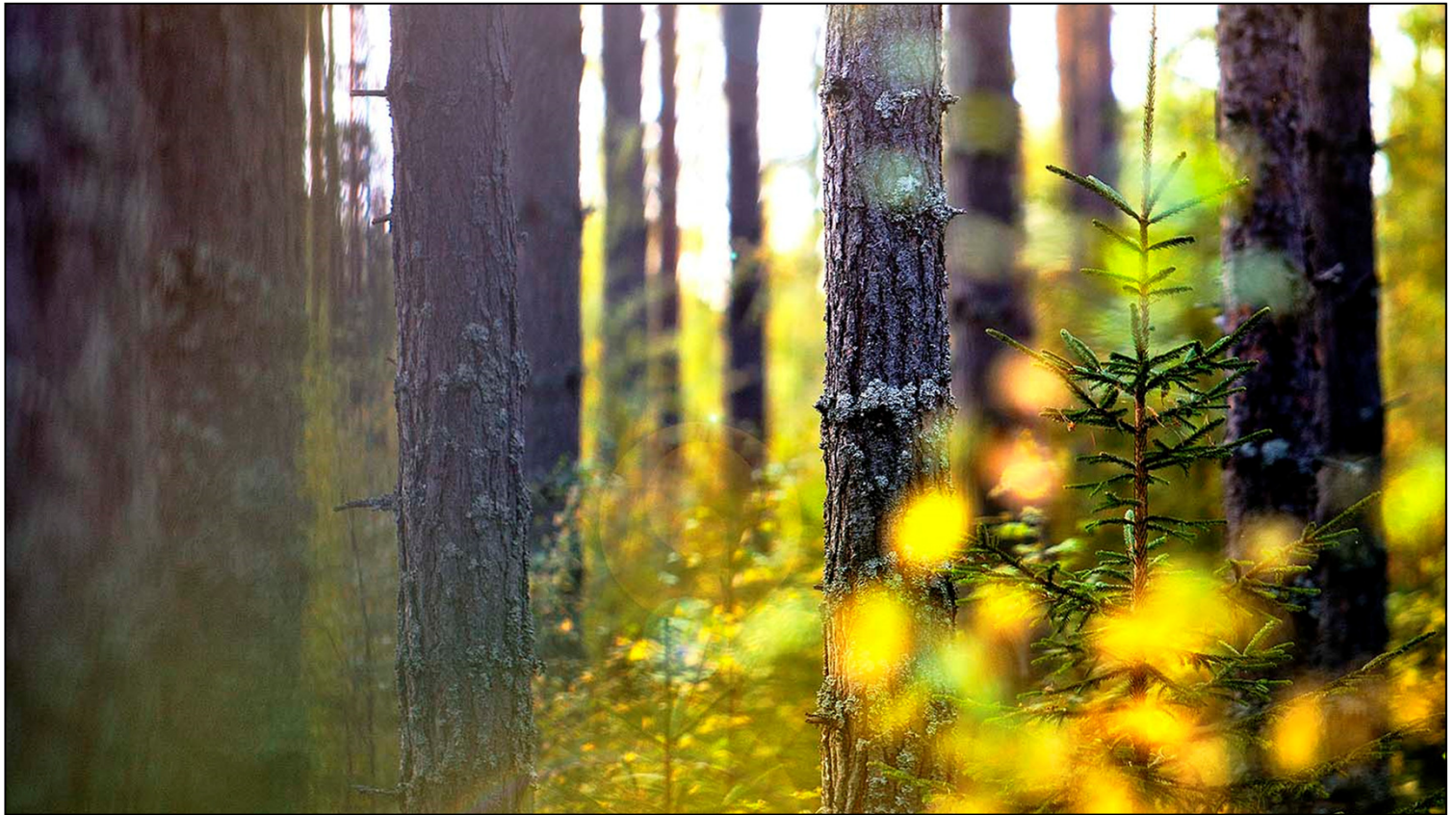


* Excl. items affecting comparability
 ** Proposed dividend

Holmen's aim is for forests and energy to provide a stable return on capital employed of at least 5 per cent, while industrial operations should consistently return more than 10 per cent. Taken together, this means that the Group's return should exceed 7 per cent.

In 2017, the return on capital employed was 8.7 per cent, which is largely unchanged compared with 2016 but significantly above the Group's target level. The fact that the return is now almost 9 per cent is reinforced by the fact that forest and energy account for two thirds of the balance sheet. The good earnings performance and strong cash flow have allowed us to increase the dividend over the past three years, while also investing in our mills and halving our debt. The financial position remains strong and, in view of this, the Board has proposed that the dividend be raised from SEK 12 to SEK 13 per share.

As a measure to facilitate trade in the company's shares and thereby improve the liquidity of the company, a share split is also proposed, in which each share regardless of series is divided into two shares of the same series.



Ladies and gentlemen,

I believe that long-term sustainable solutions are the basis for the continued development of both Holmen and the whole of society. And the fact is that Holmen contributes to creating a better future. Our forests capture carbon dioxide and provide our society with renewable and sustainable products. We enable a thriving countryside and generate value for our shareholders. And that is going to continue.

And all of this stems from the growing forest. Because it is in the forest that the future can be found.

And with that I will hand you over to the Chairman.