



Mr Chairman, esteemed shareholders,

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

Overall, 2018 was a good year for Holmen. Demand for raw material from forests was strong and prices gradually rose over the year. This is obviously good news for us as forest owners, but it also brings increased costs for our industrial production. Thanks to price rises for our end products, we have nevertheless managed to improve the Group's profits by over SEK 300 million and increase the return on capital employed to 10 per cent.

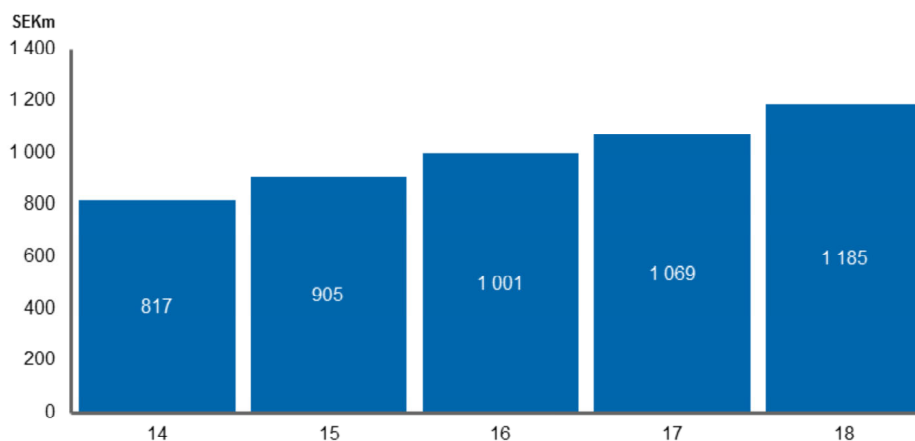
With our own forest holdings and renewable energy assets, we have a stable foundation for our business. And with well-invested production facilities and strong market positions, we aim to continue developing our business with good returns and stable value growth.

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



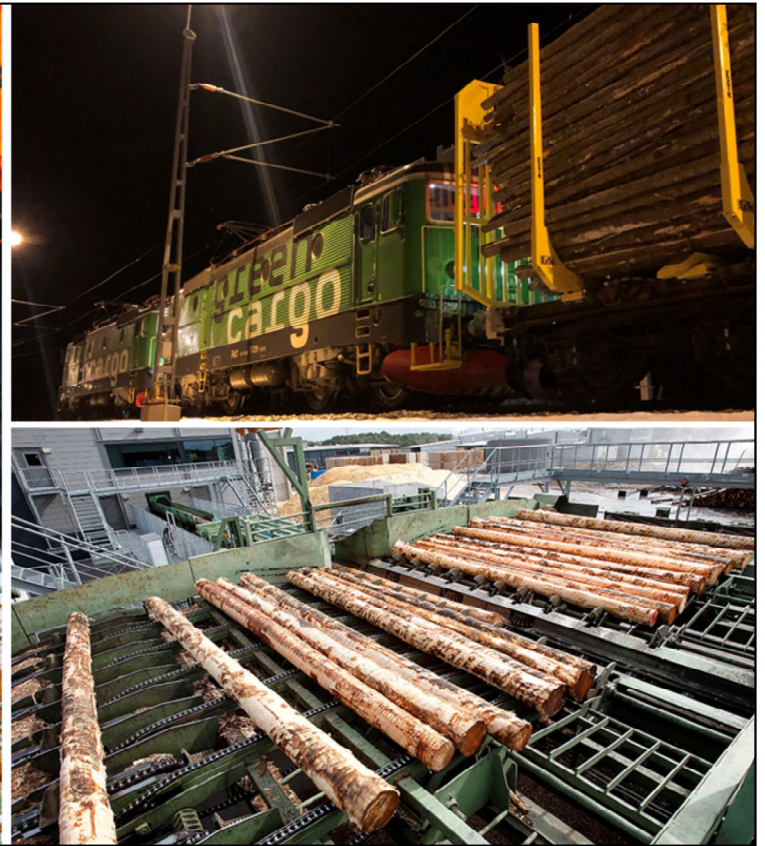
Holmen's forests cover 1.3 million hectares, of which a little over a million hectares consist of productive forest land. As one of Sweden's biggest landowners, we are largely able to supply Holmen's Swedish production units with renewable raw material from our own sources. Active and sustainable management of the forest boosts its growth and opportunities for larger harvests in the future. The more our forests grow, the greater the climate benefit, since the growing forest captures carbon dioxide.

Operating profit, Forest



The operating profit from the Forest business area is our best ever, amounting to SEK 1 185 million. This breaks down as SEK 425 million in value growth and SEK 760 million in earnings from operations. This is a fantastic result, considering the terrible winter weather that interrupted harvests and the summer's wildfires.

The earnings from operations represent the cash flow from the forest business and equate to a yield of 4.1 per cent in relation to the book value of the forest, which stands at SEK 18.4 billion.



The large-scale investments that have been made in pulp production in the Nordic region have shifted the balance in the wood market. Competition for local raw material in Sweden has grown, making pulpwood imports an increasingly important part of the raw material supply. In such a situation, our extensive forest holdings are a formidable strength. We are currently self-sufficient in logs and half of all the pulpwood we use comes from our own forests.

We also work constantly to improve our forest holdings. A good example is last autumn's acquisition of Långvind, a large, contiguous forest property located 30 km south of our sawmill and paperboard mill in Iggesund. In 2018, the decision was also taken to establish a transport solution that uses rail to carry logs from our own forests in northern Sweden to our manufacturing sites in the south. As well as cutting our dependence on expensive imported wood, having our own train is also the key to developing our manufacturing while retaining control over raw material costs.

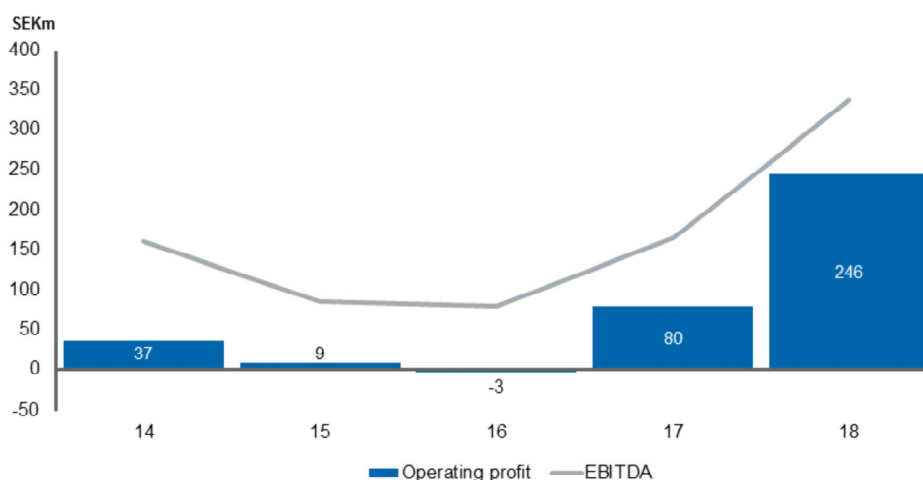
With our own large forest holdings and own sawmills, we have a strong position in the wood market. Together with economies of scale and efficient logistics, this helps make our production facilities highly competitive. All in all, Holmen's strength in being an industrial company with its own forest is becoming increasingly clear.

And so we can move on to the Wood Products business area.



Holmen supplies wood products to the joinery and construction industries and directly to builders' merchants. The business is constantly being developed by increasing the value added and making better use of the wood raw material at our large-scale production plants. Our three sawmills, two of which are integrated with our paperboard and paper mills, produce almost 1 million cubic metres a year.

Operating profit, Wood Products



Excl. items affecting comparability

2018 was a record year for the Wood Products business area. The wood products market has been strong for a few years now and prices have risen significantly. This year's profit from wood products is also historically high, increasing by just over SEK 160 million and providing a return on capital employed of 27 per cent. Sales to builders' merchants are also up thanks to the integration of Lingham Sawmill and the completion of the new wood treatment plant at Braviken Sawmill, which became operational during the year.

Wood construction has made great strides over the past few years and we are extremely positive about the increased interest in building in wood. Wooden buildings offer many benefits and the climate and environmental gains are clear. With a strong cost position and good control over the raw material, we have an opportunity to continue developing our wood products business even in a weaker market.



Having control over the raw material is also the key to the ongoing expansion of Braviken Sawmill. Thanks to the new rail-based transport solution, which allows us to move logs from north to south, we will be able to step up production by 30 per cent without affecting the local raw material market. Braviken Sawmill opened in 2011 and, after a couple of tough years of running in and weak profitability, it has developed into one of the best and most profitable sawmills in Sweden. The agreed investment will bring a capacity increase of 150 000 cubic metres at a very low cost. A side effect of the sawmill's capacity growth is that we will generate more raw material for the co-located paper mill, since the wood chips from the sawmill are used in the pulp production. The investment in Braviken is therefore a good example of how closely integrated our business areas are, from the growing forest to the climate-smart products.

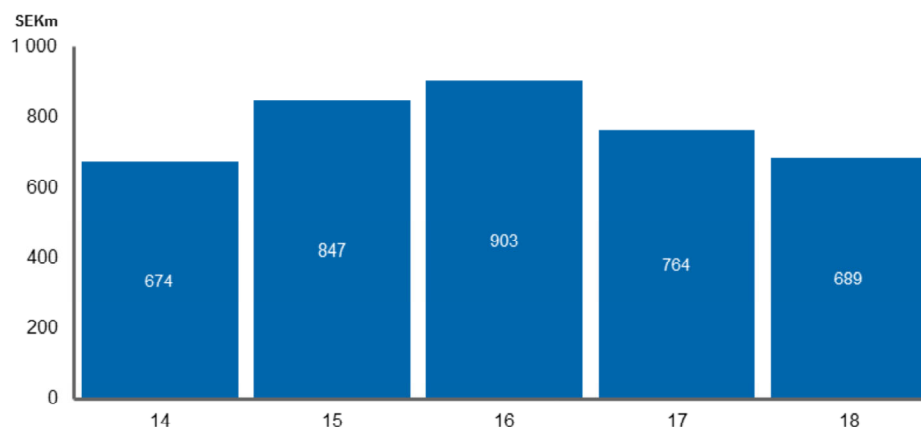
Smaller-scale investments in final sorting at Iggesund and Lingham Sawmills have also enabled us to improve precision, efficiency and volumes at these plants. Overall, we have made significant progress in this respect and we aim to continue towards greater value-added production and more efficient management of wood.

Now over to the Paperboard business area.



Holmen is a market leader in the manufacture of paperboard for consumer packaging in the premium segment. Our strategy is to grow globally with two of the market's strongest brands – Invercote and Incada, custom products of high quality. Production at our two mills amounts to over half a million tonnes a year.

Operating profit, Paperboard



Excl. items affecting comparability

Profit for the Paperboard business area fell SEK 75 million in 2018 on the back of rising prices for wood and chemicals. Operating profit amounted to SEK 689 million.

Production has been established at a higher level and demand for paperboard grew solidly over the year, but new capacity in the market has driven up competition, making it difficult to pass on higher raw material costs to our customers. Alongside our structured cost-cutting work, our ambition is to gradually step up production through small-scale investments, as we develop sales in the premium segment.



Switching out plastic in favour of renewable materials is a clear trend, not least in the packaging industry. Replacing fossil packaging materials with paperboard cuts our customers' carbon footprint while also reducing the amount of plastic that can end up polluting the natural environment.

70 per cent of all litter in the oceans is plastic. To reduce quantities of plastic waste, politicians in the EU have decided to restrict the use of plastic for disposable products. The associated Directive concerns products that have realistic alternatives on the market – with packaging in paper and paperboard an obvious sustainable alternative.

Although the EU Directive is primarily aimed at more basic products, it also opens up opportunities for us. In addition, we are investing in the development of fossil-free barriers, which could lead to fully bio-based packaging that can be used in contact with food and liquids. Plastic currently accounts for a huge proportion of all packaging – a situation that is unsustainable over the long term.

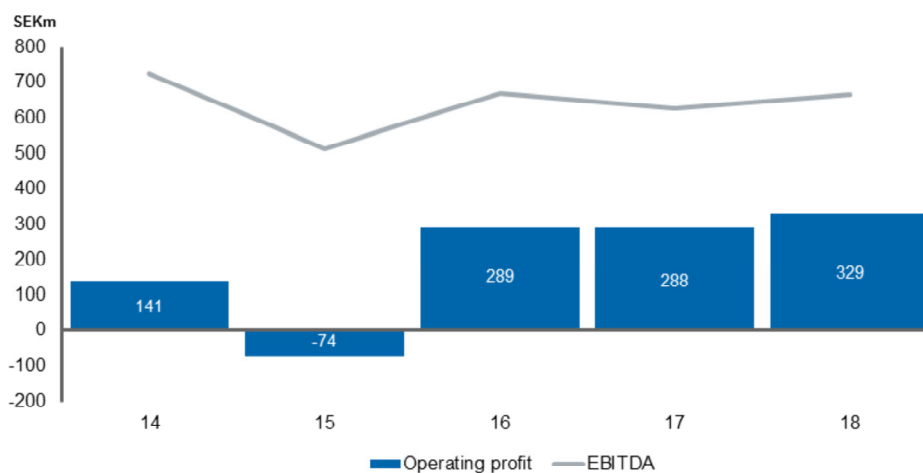
The global market for packaging board is expanding and, despite the rising competition as paper machines are converted to produce paperboard, we see good opportunities to grow in the premium segment.

Next we take a look at the Paper business area.



Holmen produces paper that utilises the properties of fresh fibre and offers cost-effective alternatives to traditional paper products for books, magazines and advertising. Our two Swedish mills produce a combined total of a little over 1 million tonnes per year. Our successful transition from newsprint to book and magazine paper has reinforced Holmen's competitiveness and generated high demand for our products.

Operating profit, Paper



Excl. items affecting comparability

Market conditions for magazine and book paper in Europe were good in 2018. Over the year, we were also able to implement substantial price increases, which more than compensated for rising raw material costs. Operating profit for the Paper business area increased by just over SEK 40 million to SEK 329 million and the return on capital employed rose to 15 per cent.

Although demand for printing paper is generally falling, the segments that we have focused on remain comparatively stable. The focus is now on ensuring good profitability for the long term by advancing our position in book and magazine paper towards products that make the best use of fresh fibre.



Holmen is an industry leader in the development of new paper products based entirely on fresh fibre, and our product development operates at a rapid pace. During the winter, we launched two new papers – Holmen EPIC and Holmen Book Fine. Both of these offer unique whiteness and high bulk, which means they are thick but still light, making it possible to reduce the grammage without losing the feeling that the paper conveys. The combination of high bulk and a whiteness and brightness that are unique for a wood-containing paper make these products a cost-effective choice with unparalleled image reproduction.

We have customers all over the world – publishers, printing firms and retailers seeking cost-effective paper solutions. Efficient production units, continued specialisation and a strong marketing organisation will see us strengthen our position in existing and new markets.

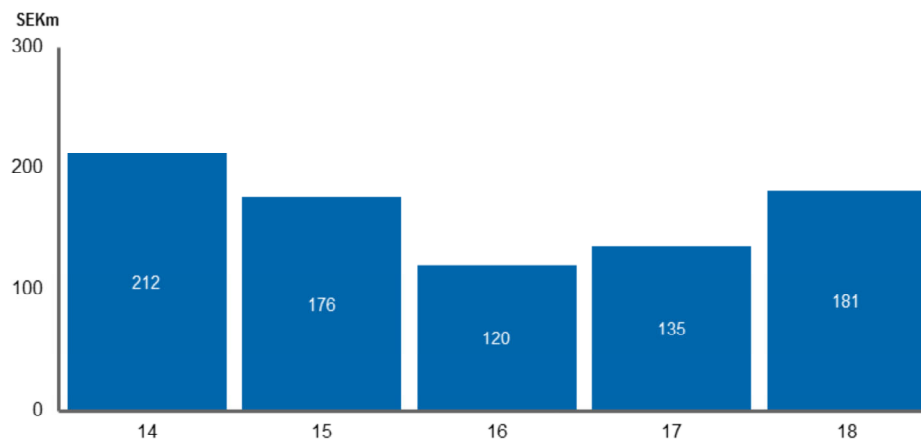
Targeted investments have opened up increased capacity in selected product areas and we are continuing to develop our position in a challenging market.

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



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

Operating profit, Renewable Energy



In 2018, low precipitation plus higher prices for emission allowances and imported coal-based power combined to drive electricity prices in Sweden to significantly higher levels than we have seen for many years. Thanks to higher electricity prices and a gradual reduction in property tax down to the same level as for other energy types operating profit rose by almost SEK 50 million to SEK 181 million, despite that production was lower than in a normal year.



Holmen is a major producer of hydro power. In contrast to other renewable energy sources, hydro power is unique in being partially controllable. 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.

Our extensive land holdings are a valuable asset, not only thanks to the trees on the productive forest land, but also due to the other opportunities that our land has to offer. Our hydro power delivers renewable energy that can be steered towards times when it can be of most use. This is an excellent asset that we have built up over a long time, making full use of our land holdings.

The expansion of wind power is another opportunity that is now really gathering pace in Sweden. Rapid advances are being made and production costs are falling sharply. We will be actively working to get wind turbines built on our land, as they provide a good return and help with society's transition to a renewable energy system.



Issues concerning the planet's climate and environment are more topical than ever. Emissions of fossil carbon dioxide and the pollution of our oceans are high on the agenda and demand far-reaching change. More and more people are also realising that managed forests and the renewable products that the forest provides form a vital part of the solution to these challenges.

The transition to a carbon neutral economy offers major opportunities, both for the forest industry and for Sweden as a whole. Increased demand for forest products with high added value creates not only climate benefits but also jobs and tax revenue for the whole country, not least rural areas.

Holmen has a genuinely sustainable business. With considerable forest holdings, our own production of renewable energy and resource-efficient mills, we make climate-smart and renewable products that meet the needs of the future. With an annual net absorption of almost 3 million tonnes of carbon dioxide, we are part of a sustainable bioeconomy, with our business bringing benefits both locally and globally.



The forest is the basis of our business. We make full use of the whole tree, turning the parts that do not become planks and boards into paperboard and paper – products that are able to replace plastic and that provide a necessary top-up to the recovered fibre ecocycle.

Under Holmen's active forestry, trees are allowed to grow over a period of 70–90 years. At that point, growth and the absorption of carbon dioxide tail off. The goal is for both the volume of standing timber and harvests in our forests to be 50 per cent higher in 2050 than they were in 2000. So far, the volume of standing timber has risen by 15 per cent and harvests are up 25 per cent.

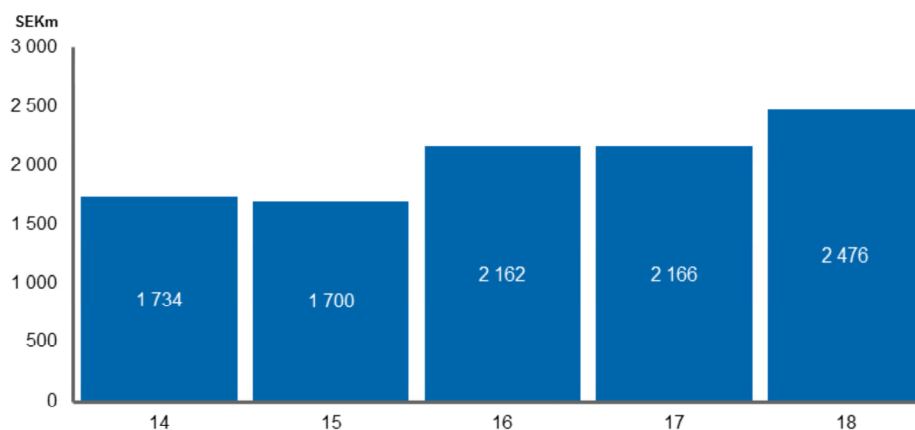
Our development work encompasses the whole chain – from seed to harvest – with refined seedlings that grow faster and better as the most important measure in increasing growth. Holmen's two nurseries produce over 35 million seedlings each year, with the majority planted on our own land.

Our forestry includes actively working on nature conservation initiatives that encourage biodiversity. Our aim is to ensure that all naturally occurring species are able to thrive in the forest landscape, and around a fifth of our total land holding is used for nature conservation purposes.

I thought I would now show a short film about how we work to preserve and develop the natural assets of our forests.



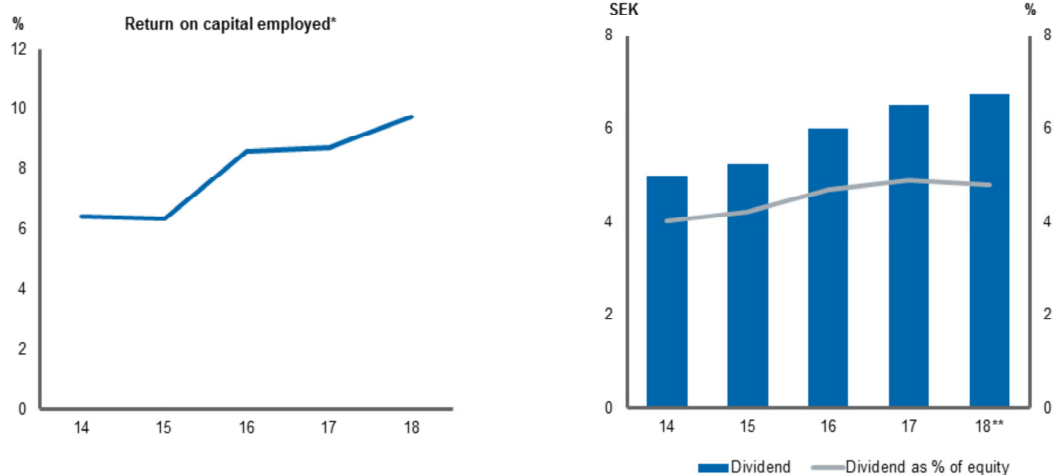
Operating profit, Group



Excl. items affecting comparability

So the future is growing in the forest, and we manage the forest 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. Together, this lays the foundations for sustainable development that generates value for shareholders, society and the environment. Operating profit increased in 2018 by over SEK 300 million to SEK 2 476 million, largely due to higher profits from Forest and Wood Products.

Profitability and dividend



* Excl. items affecting comparability
 ** Proposed dividend

Growing, healthy forests, efficient management of raw materials and circular ecosystems are vital to our profitability.

In 2018, return on capital employed amounted to 9.7 per cent. The fact that the return is now almost 10 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 four years, while also reducing our debt. The financial position was further strengthened during the year and, in view of this, the Board has proposed that the dividend be raised from SEK 6.50 to SEK 6.75 per share.



Ladies and gentlemen,

As a Swedish forest company with a smart and responsible business, we have a fantastic opportunity to be a positive force and create value for shareholders, customers and society – not least from a climate perspective. Together, we are helping to grow a sustainable future.

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