

## Henrik Sjölund's AGM speech 2021

Dear Shareholders,

2020 turned out to be a memorable and eventful year in so many ways, dominated by the coronavirus pandemic and its effects on both society and the economy. Although the pandemic has been a significant feature of our lives, we can report that our business has stood firm and operating profit for 2020 was good. We are pleased to have added Martinsons to the Group, thus advancing our positions in sustainable wood construction and expanding our opportunities to add value to our own raw material.

Putting the pandemic to one side, 2020 was the year that the climate firmly established itself on the global stage. The EU raised its ambition to phase out fossil carbon dioxide, while China tightened its national climate goals and in early 2021 the USA rejoined the Paris Agreement. The world is now embarking on a journey that will have a major effect on all manufacturing industry, where energy systems that are currently almost exclusively fossil-based will have to change. It will not be enough just to make the electricity renewable – all transport and industrial processes will need to be electrified, as will the construction and heating of buildings. Achieving this transition will require major investment and all products will have to carry the cost of their climate impact.

This transition will dramatically increase demand for electricity, both in Sweden and across the rest of Europe. Holmen has long produced hydro power, a renewable and controllable means of electricity generation that can be regulated to the times when it is most needed. This is now being complemented by wind power, which we are establishing cost-effectively on our own land. Our extensive land holdings offer huge potential, but the expansion of wind power will take time due to the complex permit processes.

As the focus on climate issues intensifies, it is also becoming increasingly clear that the forest and its products have an important role to play in a sustainable, fossil-free future. This is especially true of wood products, which store carbon dioxide when they are used in buildings and reduce demand for products with a high carbon footprint. Over the year, the acquisition of Martinsons and the investment in Braviken Sawmill have almost doubled our wood products business, while at the same time broadening our product portfolio. We now have an excellent platform from which to continue growing.

Our manufacture of paperboard and paper also fits in well with a sustainable society, since the production is practically fossil-free, unlike that of many of our competitors on the continent. Products from the forest can replace plastics and when recycling is no longer possible, they provide a benefit as bioenergy. With well-invested production facilities and fresh fibre as our base, we are in an excellent position to develop products that add value in the climate transition.



Interest in owning forest is rising steadily, and this is hardly surprising, since the transition to a fossil-free world has only just begun. The value to society is reflected in the overall climate benefit that our forest and our products delivered in 2020, totalling more than 6 million tonnes of CO<sub>2</sub>e, which can be compared with Sweden's total emissions of a little over 50 million tonnes. And contrary to what many might think, the main contribution comes not from the carbon sequestration in the forest; in fact the greatest benefit comes from the ability of our products to replace alternatives that place a heavy burden on the climate, such as concrete, steel, plastic, oil and coal.

The pandemic initially threw up significant challenges in keeping the whole business going, and created enormous uncertainty about how demand for our products would pan out. We quickly adopted measures to make the work environment safe for our employees, increased our non-current financing, postponed investment decisions and halved the dividend. Looking back on 2020, we can report that the paper market was hit hard, but we managed to compensate for this through increased efficiency in the paperboard business and with the help of rising wood product prices. At the same time, the continued strong interest in owning forests has impacted market prices for forest properties, raising the value of the Group's forest assets by 5 per cent to SEK 43 billion.

Despite the pandemic, Holmen achieved good profit for the full year, SEK 2 479 million. The year saw us acquire wood products company Martinsons, doubling our wood products business, and we have also begun erecting a new wind farm that is expected to increase our production of renewable energy by over 400 GWh.

In light of the good results in 2020, the Board proposes an increased dividend of SEK 7.25 plus an extra dividend of SEK 3.50. Holmen's financial position remains strong, even after distribution of the dividend and the acquisition of Martinsons, and the Group's net debt at year end amounted to a little over SEK 4 billion, equating to 10 per cent of equity. Having a strong financial position gives Holmen room for manoeuvre when making long-term commercial decisions and enables us to reward our shareholders with a good annual dividend, as demonstrated so well over the years.

Holmen's business, where we refine our forest raw material into everything from wood for climate-smart building to renewable packaging, magazines and books, while at the same time generating hydro and wind power on our own land, is fully in tune with the times. Our development opportunities are being strengthened as politicians in Europe accelerate the pace of the transition towards a fossil-free society, and we are positive about the future.

And with that, I would like to thank you for your attention. I hope with all my heart that all our joint efforts and the ongoing vaccination roll-out will bring an end to the spread of infection, so that we can soon return to a more normal existence.