

HOLMEN

2020

Annual Report

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2020

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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 2020 financial year. The annual report comprises the administration report (pages 2, 6–9, 14–15, 32–47, 79, 84) and the financial statements, together with the notes and supplementary information (pages 48–78). The statutory sustainability report in accordance with the Annual Accounts Act is included in the annual report (pages 8–9, 32–35, 38–40, 42–43). 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, 4–7, 15–43, 46–47, 49, 59, 61–64, 73, 76, 83–86, 90–93 and the GRI index on the website 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: Jake Fagan, Fredrik Schlyter, Ulla-Carin Ekblom and others. Print: Åtta.45.

HOLMEN IN BRIEF

The growing trees, the water rushing down the mighty rivers and the wind blowing through the treetops. This is the heart of Holmen, a business that is all about owning and refining forest. From seedling to plank, paper and paperboard.

We make maximum use of the raw material from the forest. In fact, thanks to our efforts nothing goes to waste. The most valuable parts of the log are used to make wood products. The smaller parts of the tree – wood from thinning and chips from the sawmills – are turned into paperboard and paper at our mills. What's more, residual products such as bark and wood shavings are used to produce bioenergy. But what about the water and the wind? They are used to make renewable energy. The fact is that, combined with the renewable energy produced in our mills, hydro power and wind power equate to an increasing proportion of our electricity use.

And so it continues. We plant new seedlings and manage the growing trees responsibly, creating productive forests that give us more raw material to refine.

The value of the forest takes many forms

Holmen creates long-term value and has fantastic potential for the future. Our way of managing the forest ensures that it provides 80 beneficial years before harvest. Alongside the economic value that we create, our way of managing the forest brings significant climate benefits, along with preserving biodiversity, jobs, thriving rural communities and recreation in Sweden's natural heritage.

Our customers are able to embrace climate-smart building in wood, replace less environmentally friendly packaging with the world's best paperboard, and print on paper with the unique properties of fresh fibre. And with green electricity from water and wind, we also contribute to a sustainable energy supply.

We are proud that Holmen delivers concrete solutions to some of society's major challenges and that our business contributes to a better climate.

2020 IN FIGURES

Net sales

16 327 SEKm

Operating profit

2 479 SEKm

Cash flow

2 411 SEKm

No. of employees

2 974

Total shareholder return Holmen B and OMX Stockholm



DEAR SHAREHOLDER

Although the coronavirus 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, at SEK 2 479 million. We are pleased to have added Martinsons to the Group, thus advancing our position 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 revolutionary effect on all manufacturing industry, where energy systems that are currently almost exclusively fossil-based will have to change. It is not enough just to make the electricity renewable – all industrial processes need to be electrified and the way that buildings are constructed must be reformed. Achieving this transition will require major investment and all products will have to carry the cost of their climate impact.

The transition will dramatically increase demand for electricity, both in Sweden and across the rest of Europe. We have 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 progress will take time due to the long permit processes.

Products for the future

It is also becoming increasingly clear that the forest and its products fit naturally into a sustainable, fossil-free future. This is true not least of wood products, which store carbon dioxide when they are used in buildings and reduce demand for products with a high carbon footprint. During 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, and when the products can no longer be used, they provide the benefit of 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.

Overall climate benefit of the forest

The 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 CO₂e, which can be compared with Sweden's total emissions of a little over 50 million tonnes. 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 put a heavy burden on the climate.

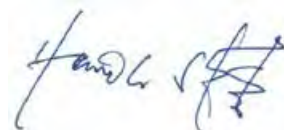
Strong result despite a tumultuous year

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.

In view of the good results for 2020, despite the coronavirus pandemic, and our strong financial position even after the acquisition of Martinsons, the Board proposes that the ordinary dividend be raised to SEK 7.25 per share, with an extra dividend of SEK 3.50 per share.

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 we generate hydro and wind power on our own land, is fully in tune with the times. Our development opportunities are also being strengthened as politicians in Europe accelerate the pace of the transition towards a fossil-free society. We look to the future with confidence.

Stockholm, 26 February 2021



Henrik Sjölund
President and CEO

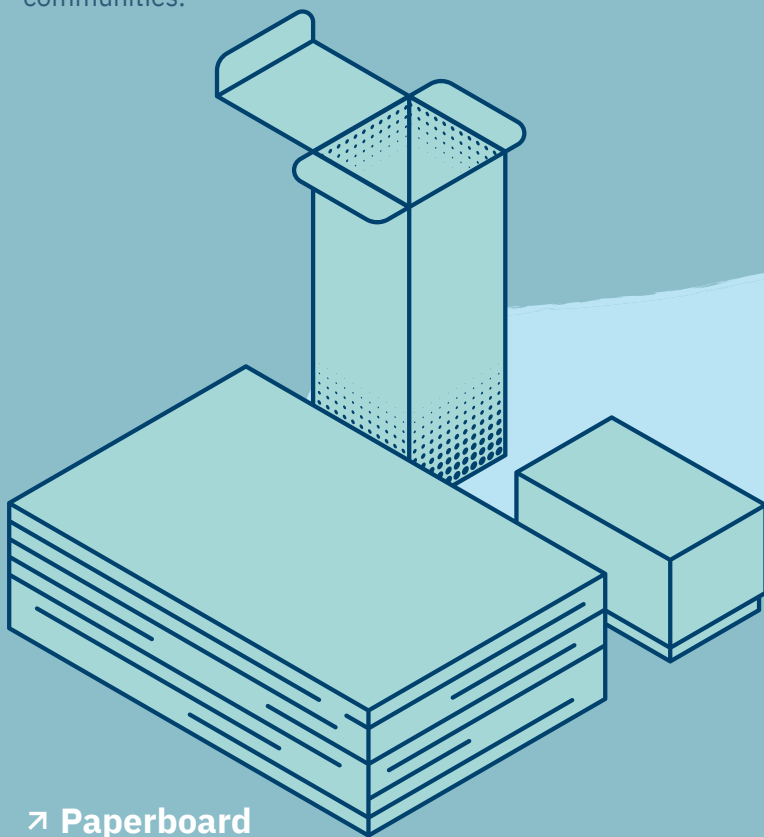


“Our development opportunities are being strengthened as politicians in Europe accelerate the pace of the transition towards a fossil-free society.”

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.

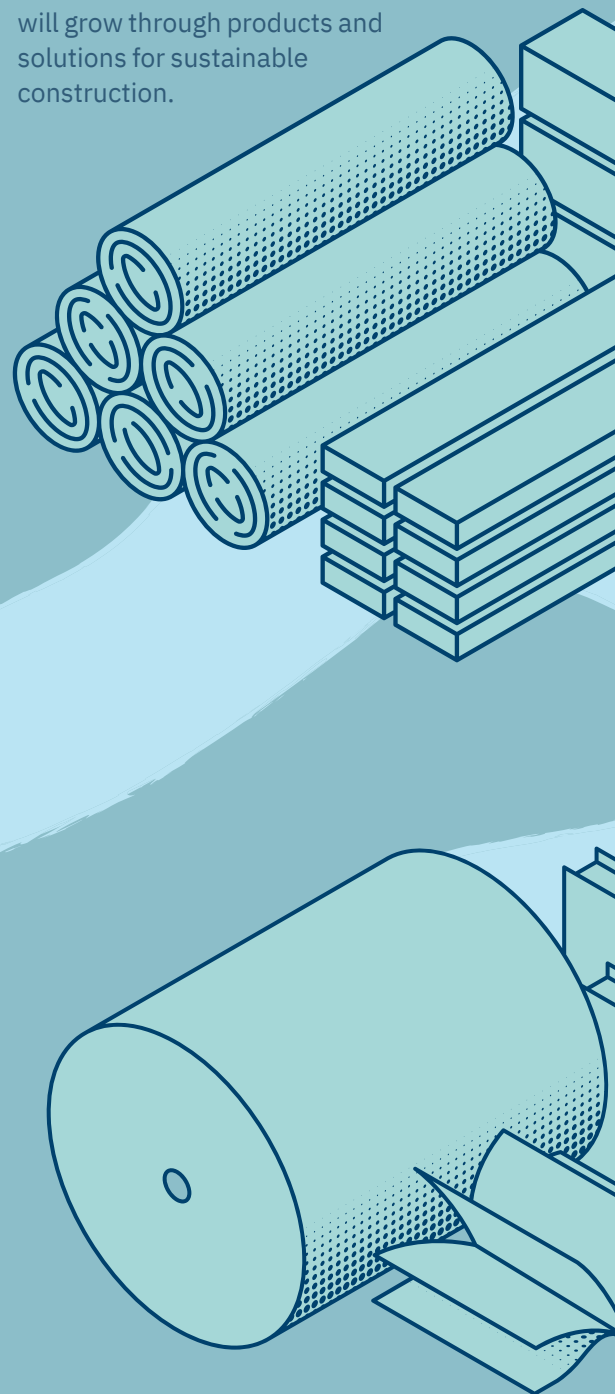


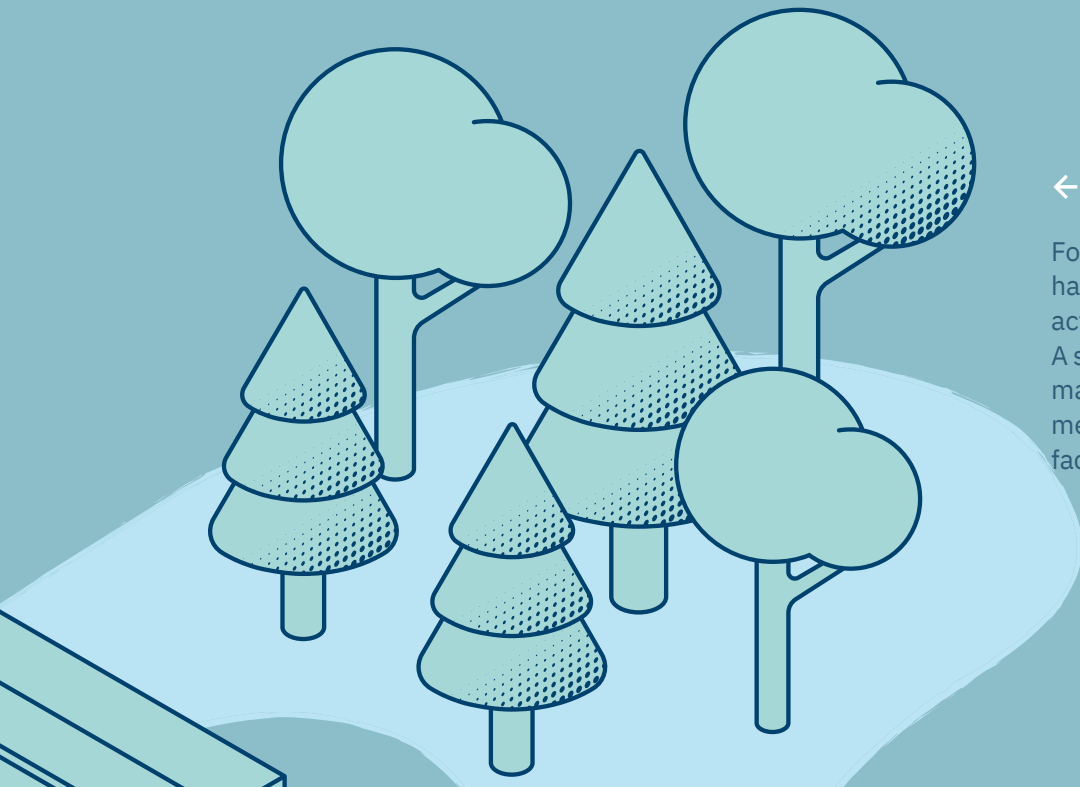
➤ Paperboard

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

➤ Wood Products

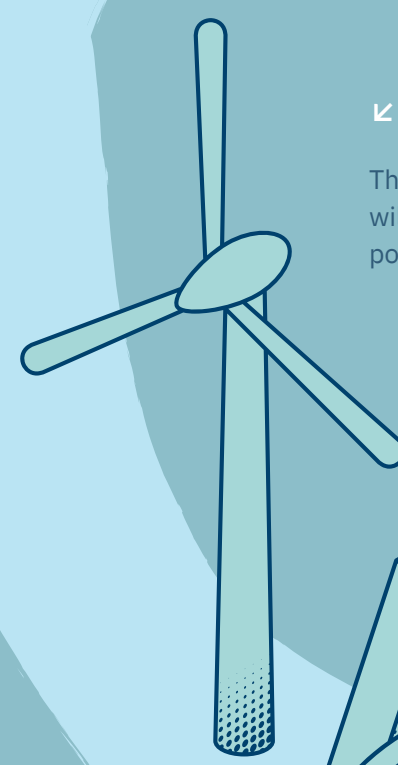
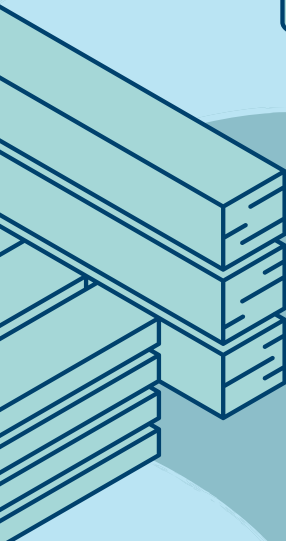
The Wood Products business will grow through products and solutions for sustainable construction.





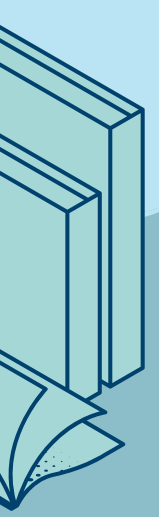
← Forest

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.



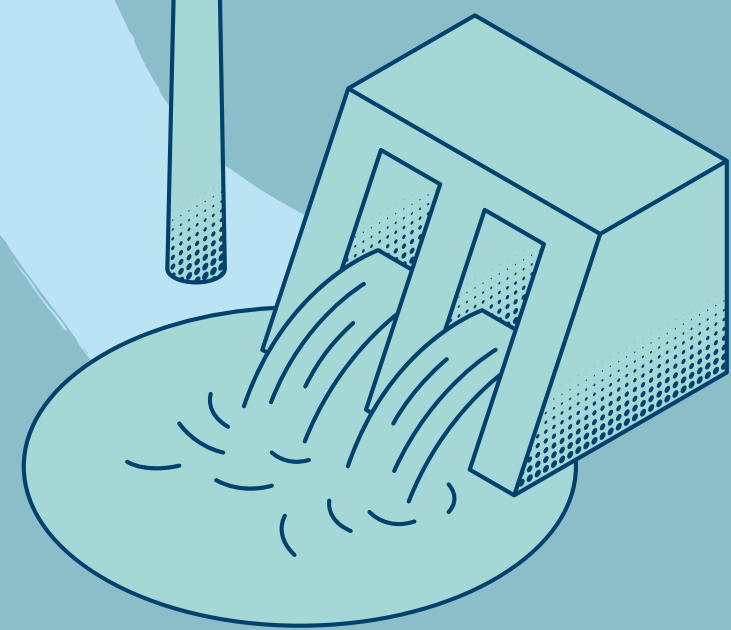
↙ Renewable Energy

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



← Paper

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



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 2020, a new harvesting plan was drawn up for 2021–2030, under which the annual harvest will increase by 0.1 million m³ compared with 2016–2020, while keeping the amount of thinning unchanged.

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.

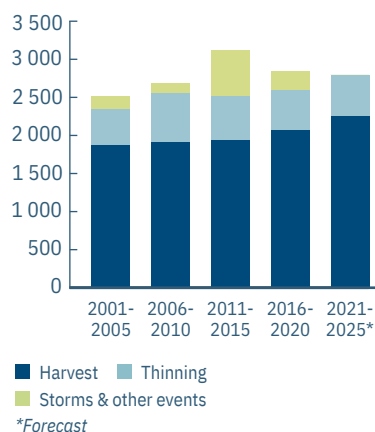
The return for industrial operations amounted to 12 per cent, with Paperboard and Wood Products exceeding the target by a good margin, while the return for Paper was weak.

Renewable energy

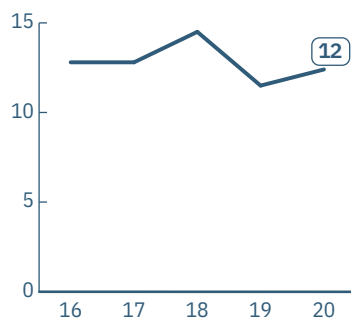
The production of renewable energy will increase by complementing our existing hydro power with wind power on our own land.

Due to a good supply of water, the production of hydro and wind power was higher than normal, reaching almost 1.4 TWh. 2021 will see the wind farm in Blåbergsliden become operational, which is expected to boost the Group's annual production of renewable energy by a little over 400 GWh.

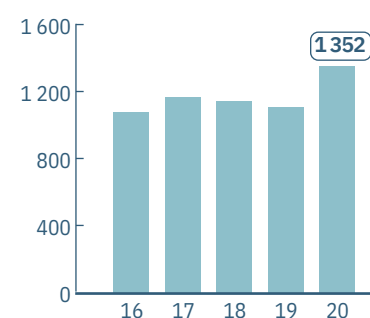
Annual harvest, '000 m³sub/year



Industry's return on capital employed, %



Production of hydro and wind power, GWh



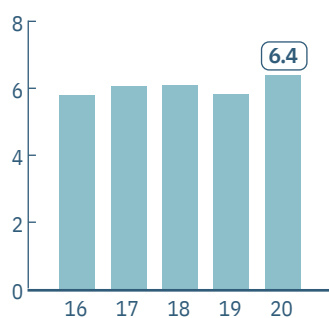


Climate benefit

We will contribute positively to the climate through higher growth in our forests, products that replace fossil-based alternatives and reductions in the fossil emissions along our value chain. Furthermore, expanding wind power will play its part in the transition to a fossil-free energy system in Europe.

In 2020, Holmen's operations helped to generate a climate benefit of over 6 million tonnes of CO₂e, with positive contributions from all the business areas. For further information, see page 30.

Climate benefit, million tonnes CO₂e

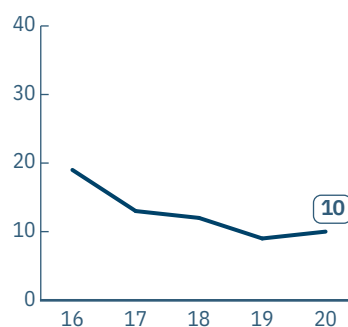


Capital structure

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 10 per cent.

Net debt as % of equity

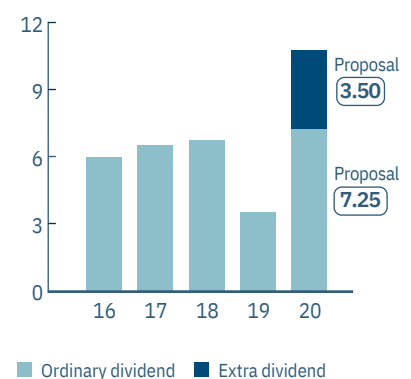


Dividend

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.

Based on a weighted assessment of the effects of the coronavirus pandemic, the decision was taken to pay a dividend of SEK 3.50 per share in autumn 2020. The Board proposes that the 2021 AGM approve a dividend of SEK 7.25 per share and an extra dividend of SEK 3.50 per share.

Dividend per share, SEK





WE LET THE FOREST GROW AND GIVE

**Holmen provides solutions to some of society's biggest challenges
– meeting the needs of a growing population while at the same time
reducing climate change.**

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

behavioural changes and increased digitalisation. The desire to reduce climate impacts and avoid plastic packaging is a strong driving force promoting greater use of paperboard. Digitalisation has led to a drop in demand for printing paper, but certain segments are standing up well to the competition from digital media, including the traditional book market.

Electricity consumption is expected to rise due to electrification of transport and industrial processes. As fossil energy is phased out, renewable electricity production will take on even greater significance in the future.

Sustainable value creation

As a Swedish forest company, we have a fantastic opportunity to help bring about solutions to some of the world's major challenges – climate change in particular. Our growing forests reduce the amount of carbon dioxide in the atmosphere, 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 a partner for sustainable business, and our investments in higher production of wood products and wind power are strengthening our position in areas with considerable development potential, while at the same time our contribution to a better climate is increasing.

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.

Advanced forestry is increasing the growth in the forests 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 2020, Holmen's total volume of standing timber amounted to 124 million m³ growing stock, solid over bark, which is 5 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 timber for buildings and furniture, for example. 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 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 identify and develop areas that are favourable for wind power.

As we continue to initiate projects on our own land, the ongoing investment in the Blåbergsliden Wind Farm, due on stream in late 2021, is set to boost our production of hydro and wind power to approximately 1.6 GWh per year. There are currently 157 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.

Housing and quarrying. 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.

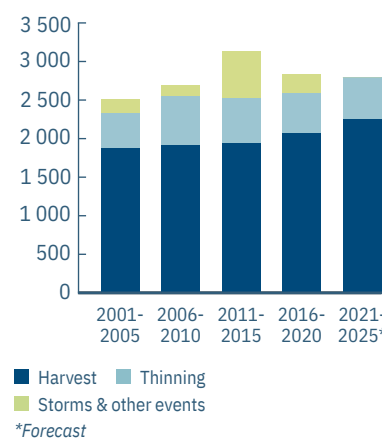
The value of the forest is confirmed by current transactions

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 2020, the book value stands at SEK 43 202 (41 345) million, which averages out at SEK 41 420 per hectare of productive forest land. The value varies across the country, with forest properties in southern Sweden being valued much

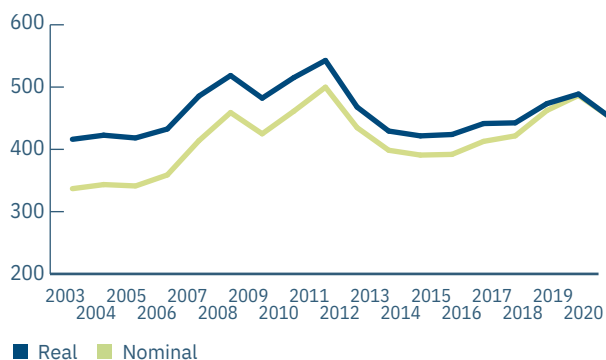
higher per hectare as a result of a greater volume of standing timber, higher wood producing capacity, a shorter harvesting cycle and greater demand for forest land.

In 2020, a new harvesting plan was drawn up for the period 2021–2030 in which the annual harvest is planned to be 2.3 million m³ per year and thinning will be 0.5 million m³ per year. During the period 2016–2020 an average of 2.2 million m³ was harvested annually and 0.5 million m³ was thinned. In addition, an average of 0.1 million m³ per year was taken out due to events such as storms and spruce bark beetle outbreaks. The new plan is not expected to affect cash flow from the Forest business area.

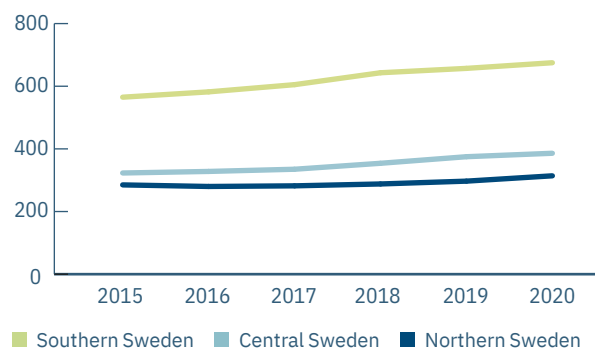
Planned harvest, '000 m³sub/year



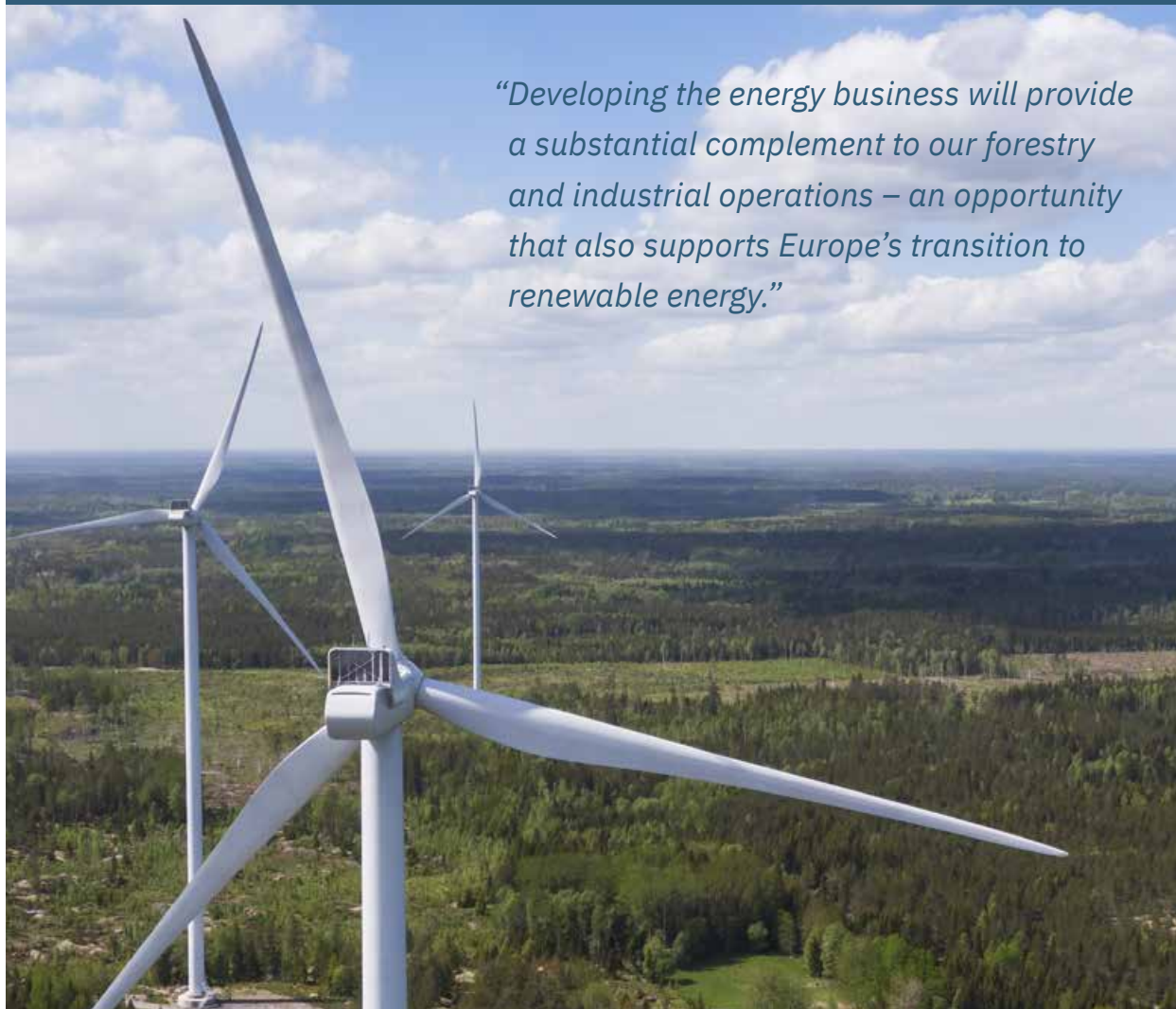
Wood prices, SEK/m³sub



Price of forest properties, SEK/m³sub



Source: Infotrader and Holmen's calculations. Average prices based on market transactions per county weighted together based on Holmen's holdings in each region. Rolling 3-year average.



“Developing the energy business will provide a substantial complement to our forestry and industrial operations – an opportunity that also supports Europe’s transition to renewable energy.”

INVESTING IN WIND POWER STRENGTHENS OUR BUSINESS

Blåbergsliden Wind Farm is currently being built on Holmen’s land outside Skellefteå. The investment, amounting to an estimated SEK 1.3 billion, will increase our production of renewable energy by 35 per cent to 1.6 TWh, representing a significant step in the development of Holmen’s renewable energy business.

For Holmen, the establishment of large-scale wind power provides a logical complement to our controllable hydro power. It is also an effective way of obtaining added value from our forest ownership, and additional renewable electricity is positive for both Sweden and the climate. Once the wind farm is fully up and running in late 2021, the 26 wind turbines, with their combined capacity of 143 MW, will generate renewable domestic electricity for the equivalent of 100 000 homes each year.

According to a report by the Confederation of Swedish Enterprise (reference page 95), Sweden’s demand for electricity is set

to rise by at least 60 per cent by the year 2045. This substantial increase is due to the electrification of society and industry, in part as a consequence of more rechargeable cars and larger vehicles, the establishment of energy-intensive data centres and the electrification of industrial processes.

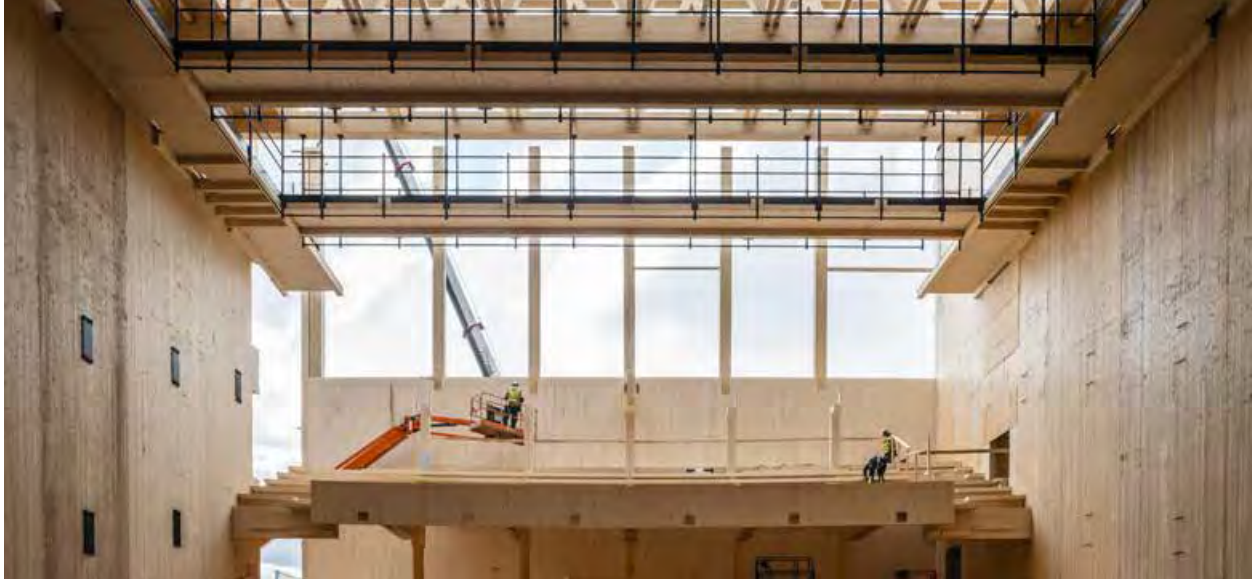
As a major landowner, Holmen has great potential to play its part in the expansion of wind power. In recent years we have conducted a survey and wind analysis of the Group’s land holdings to identify favourable areas for future installations. The analysis showed that a number of sites are suitable for wind power and the development of large-scale wind power on our own land is judged to have good potential and provide a good complement to our controllable hydro power. In addition to Blåbergsliden, a permit application for another wind farm in Västerbotten has been submitted, and the ambition is to apply for environmental permits for wind farms in Östergötland under 2021.

The investment in wind power will provide Holmen with a stable cash flow that will strengthen the company and provide opportunities to continue developing the business. As a major consumer of electricity, the expansion in wind power will also help to reduce our exposure to the vagaries of energy supply and electricity prices.

Blåbergsliden Wind Farm comprises 26 wind turbines. The overall height of the turbines is 200 metres, measured from the ground to the top of the blade.

Installed capacity per turbine is 5.5 MW, giving a total figure of 143 MW for the whole wind farm.

Production capacity is affected by the amount of wind, but the forecast for a normal year is just over 400 GWh.



Skelefteå's new cultural centre will stand at around 80 metres tall once all 20 floors have been completed. The structural frame will use a total of around 10 000 cubic metres of CLT and 2 200 cubic metres of glulam from Martinsons.

ACQUISITION ADVANCES HOLMEN'S POSITION IN WOOD CONSTRUCTION

In 2020, Holmen acquired Martinsons, one of Sweden's biggest names in sawn and engineered wood products. The acquisition almost doubles the sales of wood products to a little over SEK 3 billion.

Martinsons comprises two well-invested sawmills in northern Sweden providing a comprehensive range of products for Scandinavian wood construction, as well as a project business for construction of complete frames made of cross-laminated timber (CLT) and glulam beams for purposes such as offices, sports halls, schools and apartment buildings. The Bygdsiljum and Kroksjön Sawmills are ideally located near our forest holdings in northern Sweden, allowing us to maximise the value of our forest. Adding in the raw material flows from Martinsons' wood buying, we are strengthening supplies to the whole of our industrial operation.

In recent years, Holmen has been building up its position with Swedish builders' merchants, supplying quality products with high value added. Martinsons has a broader product portfolio and some different builders' merchants as customers. By combining our existing offering with Martinsons' products, we can drive up sales to nationwide chains of builders' merchants.

Holmen's production of wood products has become an increasingly vital part of our business, and the acquisition of Martinsons has caused the Wood Products business area to grow significantly. 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. The acquisition advances Holmen's position in wood construction and gives us the ability to process the majority of the raw material from our own forests at our own production facilities.

Martinsons comprises two sawmills with wood processing plus a project business for timber-framed structures. Annual wood consumption is 1 million m³, which corresponds to Holmen's annual harvest in northern Sweden.

Bygdsiljum is a large-scale sawmill with annual production of 450 000 m³, of which 100 000 m³ is processed into CLT and glulam for industrial construction and for builders' merchants.

Kroksjön produces 110 000 m³ wood products, of which 90 000 m³ is refined for builders' merchants through processes such as planing, painting, cutting and pressure treatment.

STRONG RESULTS AND INVESTMENTS FOR THE FUTURE

2020 was a year defined by the coronavirus pandemic and its far-reaching effects on both society and the economy. Despite the pandemic, Holmen saw good profit for the full year of SEK 2 479 million, with higher production efficiency in Paperboard and price increases for wood products offsetting the weak paper market. The year saw Holmen 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.

Demand for logs gradually rose over the year, but was lower than normal for pulpwood due to low capacity utilisation in parts of the industry, and this led to slightly lower pulpwood prices. Forest's profits climbed to SEK 1 367 million, due to a change in accounting policy and the sale of forest assets. The continued strong interest in owning forests has impacted market prices for forest properties, which raised the value of the Group's forest assets by almost SEK 2 billion to over SEK 43 billion.

Despite the effects of the pandemic, consumption of paperboard for consumer packaging increased during the year and prices were stable. The annual maintenance shutdown at Iggesund Mill was completed successfully. Good production stability

and a solid product mix drove up profits for Paperboard to SEK 812 million. The pandemic had a considerable impact on demand for paper, which fell by over 20 per cent during the year. Although our niche products performed slightly better than the market as a whole, we were forced to impose significant production curtailments. Coupled with lower sales prices, this reduced Paper's profit to SEK 73 million. The market for wood products saw positive development over the year, driven by a strong US housing market and a pickup in home renovation projects, combined with a production slowdown in several countries due to the pandemic. Construction timber prices increased sharply in the second half of the year which, together with increased production at Braviken Sawmill and the acquisition of Martinsons, boosted profit for Wood Products to SEK 185 million.

Electricity prices were low during the year, due to a good supply of hydro power and lower consumption than usual. Despite increased production, profit for Renewable Energy therefore fell to SEK 215 million.

Holmen's financial position remains strong, even after distribution of the dividend and the acquisition of Martinsons. The Group's net debt at year end amounted to SEK 4 181 million, equating to 10 per cent of equity.

Outlook

The strong wood products market is driving demand for logs from the forest. After a

year of weaker demand for pulpwood due to production curtailments, primarily in the paper industry, there are signs that demand is beginning to rise again. Holmen has worked tirelessly to prevent the spread of the European spruce bark beetle in southern Sweden, but the development of the situation over the year depends largely on external factors such as temperature and precipitation.

The paperboard market rode out the effects of the pandemic well. Holmen continues working to gradually increase sales to the most ambitious packaging customers, as paperboard production becomes even more efficient. The pandemic has added extra momentum to the underlying structural decline for paper. Although announced shutdowns will improve the market balance, the situation in the market is expected to remain challenging, with falling prices. Holmen remains committed to its strategy of developing paper products that make best use of fresh fibre and are competitive over time. The acquisition of Martinsons has doubled Holmen's wood products business. The focus in 2021 will be on leveraging the broader product range that has come from the acquisition and building up sales to builders' merchants and large-scale construction projects, while at the same time continuing the development of existing production facilities.

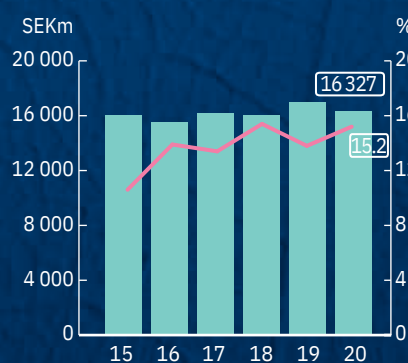
With the energy market in Europe undergoing a major transformation, increasing electrification of both transport and industry is set to drive up demand for more renewable electricity. Blåbergsliden Wind Farm is expected to become operational in autumn 2021, increasing the Group's electricity production.

Europe's politicians have upped the pace of the transition to a fossil-free society. 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 we generate hydro and wind power on our own land, is fully in tune with the times. In all, this brought a climate benefit equating to over 6 million tonnes of greenhouse gases in 2020.

Key figures	2020	2019
Net sales, SEKm	16 327	16 959
Operating profit/loss, SEKm	2 479	11 115
Operating profit/loss excl. items affecting comparability, SEKm	2 479	2 345
Profit for the year, SEKm	1 979	8 731
Diluted earnings per share, SEK	12.2	52.6
Ordinary dividend per share, SEK	7.25*	3.5
Extra dividend per share, SEK	3.5*	-
Return on capital employed, %	5.6	8.9
Cash flow before investments and changes in working capital, SEKm	2 411	2 727
Cash flow from investments, SEKm**	1 924	1 050
Equity, SEKm	42 516	40 111
Net financial debt, SEKm	4 181	3 784
Net debt as % of equity	10	9
Average no. of employees (FTE)	2 974	2 915

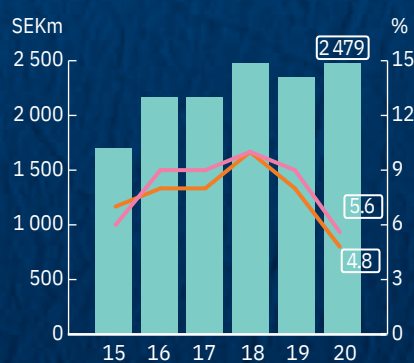
*Board proposal. **Net including company acquisitions but excluding changes in non-current financial receivables.

Net sales and operating margin



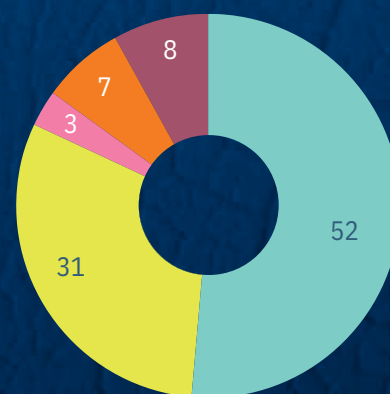
■ Net sales
■ Operating margin*
*Excl. items affecting comparability

Operating profit/loss and return



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

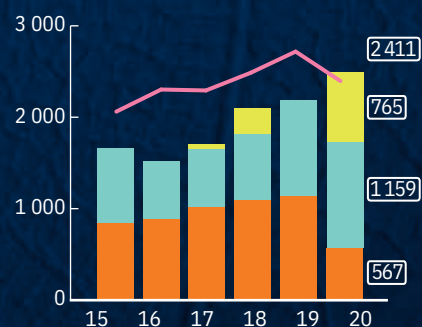
Operating profit* Business area, %



Total: 2 479 SEKm
 Forest 1 367 SEKm
 Paperboard 812 SEKm
 Paper 73 SEKm
 Wood Products 185 SEKm
 Renewable Energy 215 SEKm

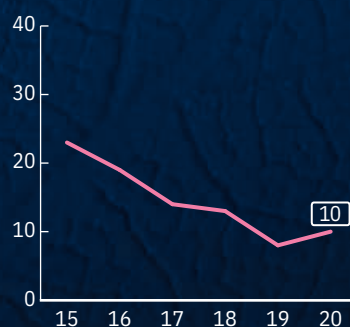
*Excl. Group-wide

Cash flow, SEKm

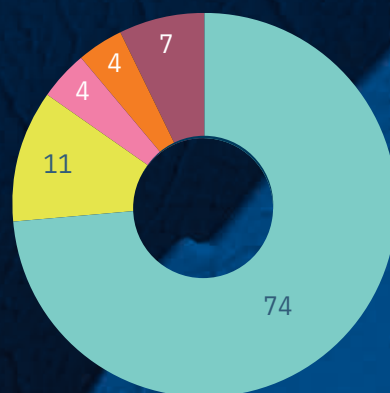


■ Dividend ■ Investments
■ Acquisitions
■ Cash flow before investments and changes in working capital

Net debt as % of equity



Capital employed* Business area, %



Total: 46 697 SEKm
 Forest 34 230 SEKm
 Paperboard 5 276 SEKm
 Paper 1 969 SEKm
 Wood Products 1 846 SEKm
 Renewable Energy 3 351 SEKm

*Excl. Group-wide

FUTURE-SMART FORESTS

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.

Holmen's forests cover 1.3 million hectares, of which a little over a million hectares comprise productive forest land. The strategy is to increase the revenue from and future value of the forest holdings through active and sustainable forestry. 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

By managing the forest, we are contributing to a sustainable society. As the trees grow, they absorb carbon dioxide, which is good for the climate. What is more, the renewable forest raw material replaces fossil alternatives, doubling the climate effect. 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 reduction in the substitution of products that are harmful for the climate.

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 160 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.

Fossil-free seedlings. Holmen's two nurseries – one in Gideå and one in Friggessund – produce a little over 40 million seedlings each year, the majority of which are planted on our own land. During the year, Gideå Nursery has switched to a bio-based heating system. In using wood chips from local suppliers for the heating, we have taken a major step towards making production at our nurseries fully fossil-free. The nursery in Friggessund uses a district heating system, and over the year the plastic foam balls previously used to protect seedlings from weeds and drying out during the growing phase have been replaced with wood shavings.

Together with innovation and technology development company SweTree Technologies, Holmen is taking part in an initiative to automate the production of improved seedlings, based on the method of somatic embryogenesis. This technology will allow us to produce seedlings with higher growth, better wood quality and greater disease resistance.

Active forestry and 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 8 000 sites that we do not harvest. These are either left to their own devices or we carry out measures to protect and improve habitat diversity. The aim is to ensure that all naturally occurring species are able to thrive in the Swedish forest landscape.

Learning more about Swedish forests

Forestry is of major national, regional and local significance. It creates employment in rural areas and enables many people to live

and work outside the major urban regions. The significance of forestry for both the climate and the Swedish economy makes it an issue that matters to many people. Holmen and other industry players have 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. These forests are specifically intended to be places to explore, gather and pass on knowledge about the forest, and each section of the landscape has been selected for its specific biological conditions. It is also our way of showing that sustainable forestry can promote growth while at the same time increasing biodiversity in the forest. Our first forest is Kunnådal, situated west of Örnsköldsvik.

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 prices over several years. With the imminent expansion of pulp capacity in the Nordic region, competition for raw material from the forest is expected to remain high. However, production curtailments, primarily in the paper industry, due to the pandemic plus bark beetle outbreaks in southern Sweden created a surplus of pulpwood and chips during the year.

The acquisition of Martinsons has strengthened our position in the wood market in the north. With control over larger volumes than we need for our own production facilities, we hold a strong position in the market.

“We combine active forestry focused on high growth with protecting the diversity of natural habitats and species in our forests.”

Key figures

	2020	2019
Net sales, SEKm	5 883	6 286
Operating profit/loss excl. items affecting comparability, SEKm	1 367	1 172
Investments, SEKm	207	77
Book value, forest assets, SEKm	43 202	41 345
Average no. of employees (FTE)	384	376
Volume from own forest, '000 m ³ sub	2 841	2 699

Operating profit

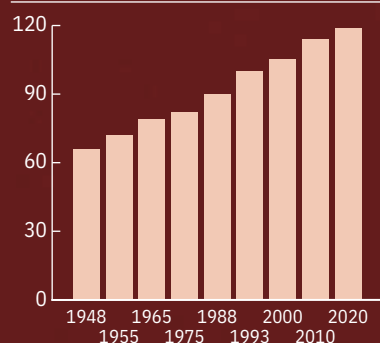


■ Operating profit/loss excluding items affecting comparability

↓ Comment on results

Demand for logs was good during the year, but it was lower than normal for pulpwood because of production curtailments in the industry. Operating profit for 2020 amounted to SEK 1 367 million. A change of accounting policy for forest assets and the sale of forest properties had a positive effect on the year's results, compensating for lower wood prices. Harvesting and thinning of Holmen's own forest stood at a normal level and in line with the new harvesting plan for 2021–2030.

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



■ Assessment of tax

Holmen's forests 2020

Total land acreage	1 303 000 ha
Total forest land acreage*	1 153 000 ha
– of which nature conservation areas	195 000 ha
Productive forest land**	1 043 000 ha

Total volume of standing timber on productive forest land 124 million m³ growing stock, solid over bark

*Analysis performed by the Swedish National Forest Inventory, according to 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.

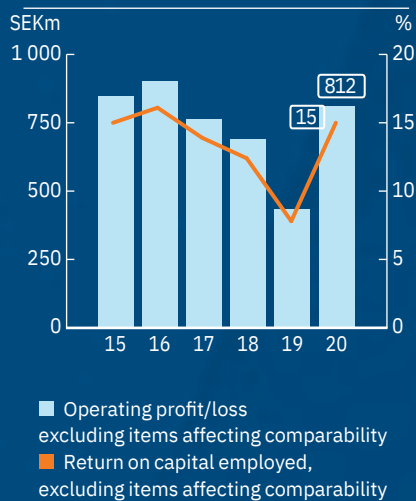
**Forest land that can produce 1 m³ growing stock, solid over bark per hectare and year (on average during the growth period of the forest stand).

“Our customers are reducing their carbon footprint by replacing fossil plastic materials with paperboard.”

Key figures

	2020	2019
Net sales, SEKm	6 187	6 229
Operating profit/loss excl. items affecting comparability, SEKm	812	435
Investments, SEKm	275	421
Capital employed, SEKm	5 276	5 589
Average no. of employees (FTE)	1 228	1 286
Deliveries, '000 tonnes	544	538

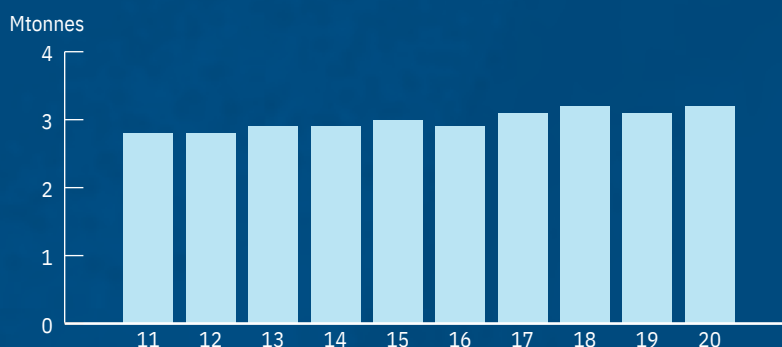
Operating profit/loss and return



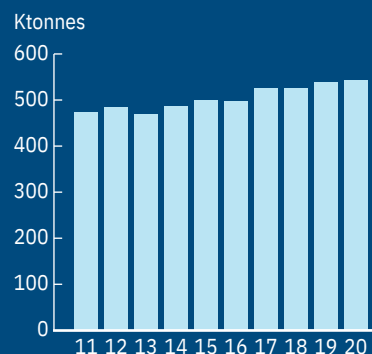
↓ Comment on results

European demand for paperboard increased slightly over the year and selling prices were stable. Profit for 2020 rose by almost SEK 400 million to SEK 812 million. This improvement in profits is due to a better product mix and lower production costs, along with higher production after completed investments in pulp production at Iggesund Mill. Major maintenance shut-downs negatively impacted earnings by SEK 110 million, compared with SEK 210 million in 2019.

European demand for SBB and FBB



Holmen's deliveries of paperboard



PREMIUM PAPERBOARD FOR CONSCIOUS BRANDS

Holmen Iggesund is a market leader in the manufacture of high-quality paperboard for conscious customers and brands with high ambitions. The strategy is to grow globally with two of the market's strongest brands by combining high quality and custom products with efficient production 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 global market 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.

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 covers 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.

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 use of fresh fibre and a multi-tiered structure, with layers of different fibre types forming the basis for the paperboard's outstanding performance. Fresh fibre products are also essential to keep the recycled fibre industry going.

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.

A smarter 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.

New product for food packaging.

The launch of Inverform, a new paperboard product specifically developed to replace plastic and aluminium food packaging, gained pace over the year. Inverform has been designed for press-moulded and

folded trays for packaging ready meals. A barrier gives the paperboard resistance to both moisture and grease. 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 2021 we will also be launching a degradable bioplastic that can be used as a barrier in our products, as a complement to our standard PE barrier.

These innovations are prime examples of how we continue to develop purposeful packaging solutions in collaboration with our customers and partners.

A 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.

Greater demand for pharmaceutical packaging. Demand for paperboard was good over the year, particularly in food, electronics and pharmaceuticals. The pandemic did suppress demand for tax-free products such as confectionery and alcoholic drinks.

However, we are proud to have delivered our Incada paperboard for use in various parts of the packaging for COVID-19 vaccines. An effective partnership, based on well-established relationships between the paperboard factory in Workington and the British pharmaceuticals industry, has made it possible to adapt production and deliveries to manage the need for packaging material at short notice.

INNOVATIVE PAPER PRODUCTS FROM FRESH FIBRE

Holmen develops paper made from fresh fibre for a number of end-uses. 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. With their unique properties, our papers challenge more traditional alternatives for books, magazines, printed advertising and packaging. 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.

Paper with the power to communicate

The 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 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.

Magazine paper. Holmen offers a wide range of magazine papers. The combination of high bulk, whiteness and brightness makes these products competitive alternatives, with a focus on the overall impression.

Printed advertising. Direct mail is still considered an important communications channel for driving customers to both physical and digital stores. Holmen's paper creates opportunities for retailers, in the form of pure savings on both paper and distribution, or in the potential to increase the format or the number of pages or copies, without adding to the cost.

Paper products of the future

With a focus on processes and unique product properties, we are continuing to develop our position in a changing market. Investments have boosted capacity in selected product areas and our development of new paper products, including flexible packaging such as bags and wrapping paper, involves close collaboration with customers and partners.

Recycled paper grows in the forest

Our paper 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 limited number of times, the wood fibre is exhausted. The ecocycle therefore needs a constant injection of fresh fibre. Environmental and chain-of-custody certification enables Holmen to ensure that the raw material for our products always comes from sustainably managed forests.

Production in circular ecocycles

Our paper is produced at two Swedish mills, Braviken and Hallsta. Favourable locations in terms of logistics mean short distances for wood transport, and the mills are close to ports with good capacity and efficient handling.

Uniquely, Hallsta Paper Mill has practically zero emissions of fossil carbon dioxide. 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.

Focus on climate impact. Customer interest in the climate impact of the products continues to increase. We are also seeing growing interest in lifecycle analyses, where fresh fibre-based paper is compared with recycled fibre equivalents, for example. Holmen's paper performs strongly in these comparisons and this trend is fully in line with our strategy of helping our customers to make their business more sustainable. With our climate-smart products from responsibly managed forests, this development is a welcome one.

The pandemic's effects on a challenging market

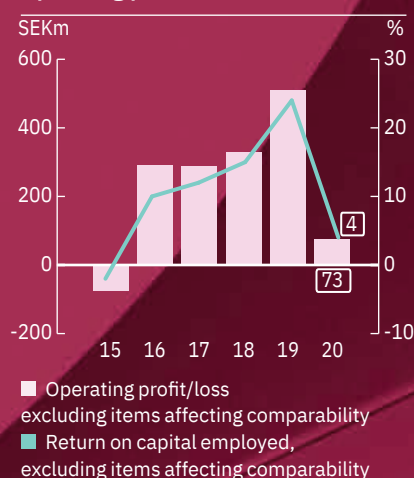
The coronavirus pandemic has caused a marked drop in demand for printing paper over the year. The pandemic has also accelerated the underlying structural decline and a number of paper manufacturers have decided to permanently close parts of their business. This has reduced the available capacity and balanced out the market. The decline varies, however, between the different segments. Book paper has recovered best and by the end of 2020 was back to pre-pandemic levels, while the demand in paper for magazines and printed advertising remained subdued.

“With a focus on processes and unique product properties, we are continuing to develop our position in a changing market.”

Key figures

	2020	2019
Net sales, SEKm	4 879	5 757
Operating profit/loss, SEKm	73	509
Investments, SEKm	280	187
Capital employed, SEKm	1 969	1 903
Average no. of employees (FTE)	832	855
Deliveries, '000 tonnes	883	996

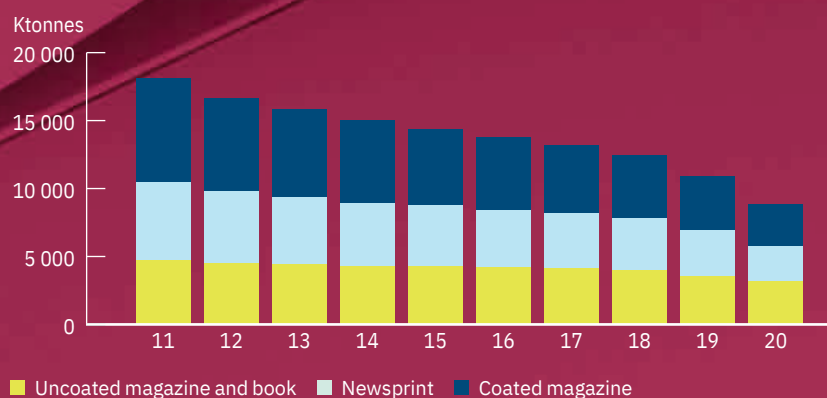
Operating profit/loss and return



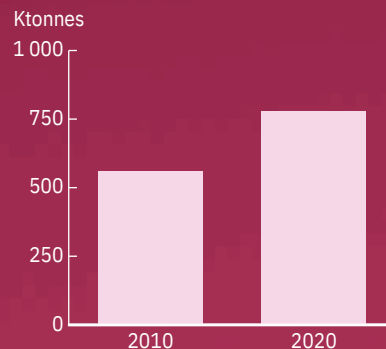
↓ Comment on results

Demand for paper in Europe was hit heavily by the pandemic, falling a little over 20 per cent during the year. Profit for 2020 decreased to SEK 73 million due to lower selling prices and extensive production curtailments. Although it was possible to step up production slightly by the end of the year and announced closures are expected to improve the market balance, the situation remains challenging for the paper industry.

European demand for paper



Holmen's production of magazine and book paper

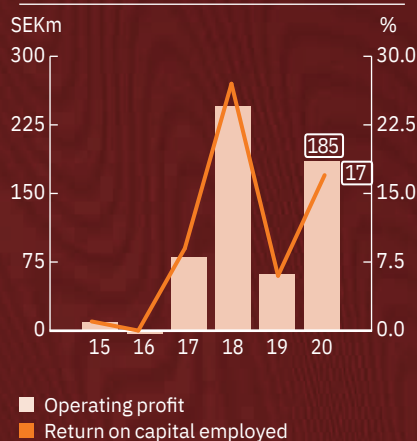


“We offer everything from joinery timber, via refined products for builders’ merchants to advanced construction components, glulam and complete structural frames.”

Key figures

	2020	2019
Net sales, SEKm	2 222	1 695
Operating profit/loss, SEKm	185	62
Investments, SEKm	107	162
Capital employed, SEKm	1 846	1 000
Average no. of employees (FTE)	387	266
Deliveries, '000 m ³	1 052	879

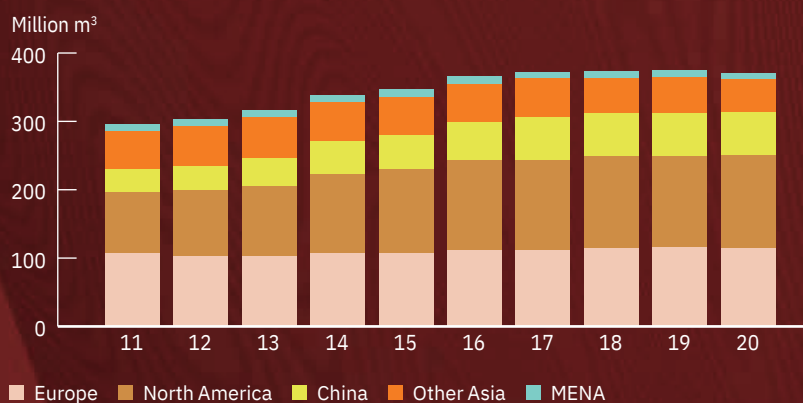
Operating profit/loss and return



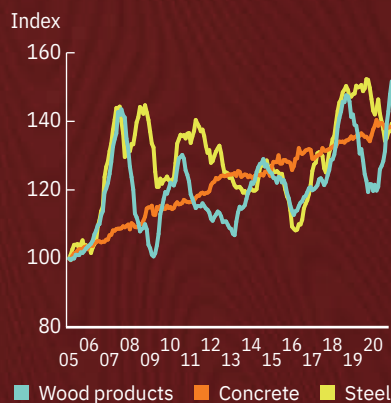
↓ Comment on results

The market balance for wood products was good in 2020 because of robust consumption in many countries, at the same time that production curtailments limited supply. Prices for spruce products increased sharply in the second half of the year, helping to boost profit to SEK 185 million in 2020. The rise in profit was underpinned by lower raw material costs, as well as the additional profits from the acquisition of Martinsons and higher production at Braviken Sawmill.

Consumption of wood products



Price trend



BUILDING THE FUTURE IN WOOD

Holmen produces sawn and refined wood products for joinery, construction and builders' merchants. Following the acquisition of Martinsons, we are now also able to offer custom solutions for climate-smart and 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.

Sustainable building

As trees grow, they capture carbon dioxide, which then remains stored in the wood products that 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.

Several independent studies (references page 95) have shown that the use of wood in the structure of buildings has major climate benefits compared with other construction materials. A study by Linköping University presented calculations showing that an apartment building in wood has 40 per cent lower carbon emissions than a concrete building. The study took into account raw material extraction, transport and production of construction materials. If the effect of the carbon that is stored in the building is included in the calculation, the climate benefit of building in wood doubles.

Large-scale production adds greater value

Holmen's high-tech sawmills deliver a strong product range, and the advanced technology allows us to maximise the output from every log. Applying customer-centric

working methods, we are building a platform for long-term and profitable customer relations with the capacity to meet demand in different wood product markets. 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.

Broader range of refined products.

The acquisition of Martinsons strengthens our portfolio of sawn and engineered wood products. We now offer everything from joinery timber, via refined products for builders' merchants to advanced construction components, glulam and complete structural frames.

Investments to boost capacity. Two of the Group's sawmills, Iggesund and Braviken, form collective 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.

Since becoming operational in 2011, Braviken Sawmill has undergone several rounds of technical upgrades. The recent investment in dryers and a new trimming saw for the sorting line has increased production capacity by 150 000 m³ to 600 000 m³ per year. Iggesund Sawmill is also being modernised through an investment in a new drying plant to be ready for an increase in production.

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 all 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 saw-

mill. With a total of five sawmills strategically located in different parts of the country, we are increasing our control over the raw material.

Strong trend in the 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 20 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. A sharper focus on sustainability within the construction sector is good news for wood construction, 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. 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.

Pandemic prompts more home renovation projects.

A strong house 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 rising prices for wood products in 2020. Today's wood products market is somewhat split, with high demand and major price rises for construction timber in spruce, while demand for pine joinery timber has seen rather weaker growth, since it is not driven to the same extent by home renovation projects.

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.

We produce 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 life-time and minimal climate impact. With Uppland's largest wind farm, Varsvik, up and running and new projects in the pipeline, we see interesting opportunities for more wind power to advance our renewable energy business.

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. Several countries, including Italy, the Netherlands and Germany, have also introduced legislation to phase out coal power, while many countries are scaling back their nuclear power production.

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, and with electrification of both transport and industry on the rise, it is clear that electricity consumption is set to increase, creating additional demand for 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.

Strength in own energy assets

Holmen produced almost 1.4 TWh of renewable hydro and wind power in 2020. However, we are also a major consumer of electricity, so the expansion in wind power will help to reduce our exposure to the vagaries of energy supply and electricity prices. 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 55 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 base-load 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.

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.

Expansion is being driven by rapid developments in the wind power industry and a new generation of larger and more efficient

wind turbines. As a large-scale land owner, Holmen is well placed to establish wind power at a competitive cost.

Investing in wind power. At the end of 2019, Holmen decided to build the second of its own wind farms, Blåbergsliden, outside Skellefteå. The investment is worth an estimated SEK 1.3 billion and the facility is expected to produce a little over 400 GWh of electricity when it becomes operational in autumn 2021. An application for an additional wind farm with a similar production capacity at Blisterliden in Västerbotten is currently being reviewed by the authorities. The ambition for 2021 is to also submit environmental permit applications for wind farms in Östergötland with a total potential of over 1 TWh.

Greater electricity production in the Nordics

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.

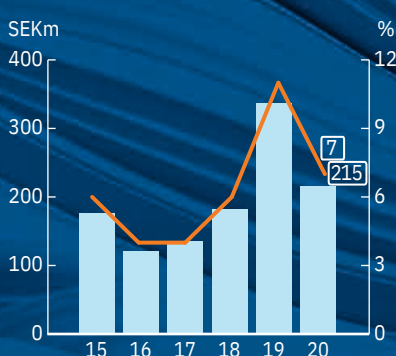
Electricity was in plentiful supply over the past year, due to wet and windy weather and high hydro power production, coupled with new wind power coming on stream. Together with limits to transmission capacity and a fall in demand for electricity due to the pandemic, this created an imbalance in the energy market, resulting in low electricity prices.

“As a large-scale land owner, Holmen is well placed to establish wind power at a competitive cost.”

Key figures

	2020	2019
Net sales, SEKm	378	378
Operating profit/loss excl. items affecting comparability, SEKm	215	336
Investments, SEKm	291	203
Capital employed, SEKm	3 351	3 058
Average no. of employees (FTE)	16	13
Own production of hydro and wind power, GWh	1 352	1 109

Operating profit/loss and return

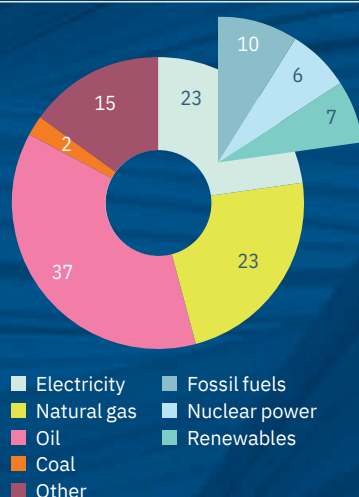


■ Operating profit/loss excluding items affecting comparability
 ■ Return on capital employed, excluding items affecting comparability

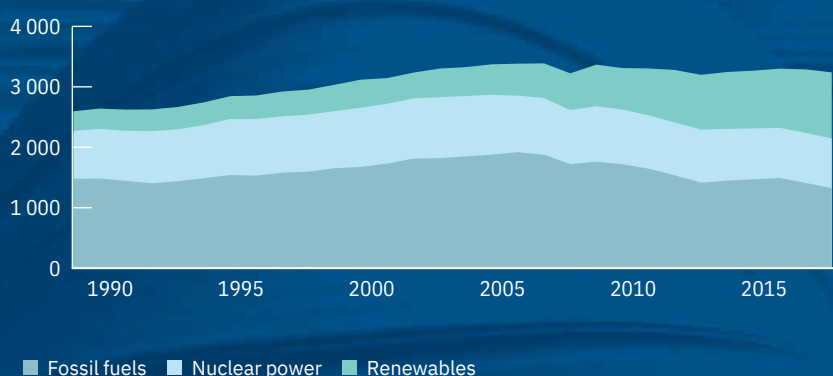
↓ Comment on results

Electricity prices were low during the year, due to a good supply of hydro power and lower consumption than usual. Profit for 2020 therefore dropped to SEK 215 million, despite Holmen's production being 10 per cent higher than in a normal year. Profit for 2019 included SEK 80 million from the sale of a permit to build a wind farm on Holmen property.

European energy consumption, %



European electricity consumption, TWh



TOGETHER WE ARE CIRCULAR

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.

Our customers, partners, employees and, not least, the users of our products are all part of Holmen's circular business. Every new relationship is an opportunity to expand the positive ripple effect of our actions. 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.

Smart use of constantly growing forests

Holmen's two nurseries produce more than 40 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. 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 represents

about half of the harvest and is used with residual wood chips from the sawmills to manufacture paperboard and paper. The remainder comprises branches, tops, bark and wood shavings, which are used to produce bioenergy. We use 100 per cent of the raw material. Nothing goes to waste.

Recycled paper grows in the forest. When our paperboard and paper made using fresh fibre from sustainably managed forests is recycled, it feeds into the recycled paper system, which needs an injection of fresh fibre to function.

Residual products become new resources

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 sawmill 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.

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.

Renewable raw materials from flourishing ecosystems

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.

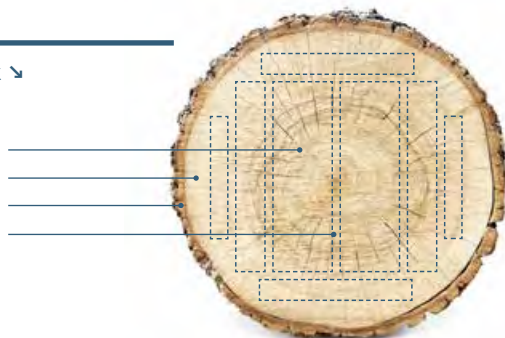
We are convinced that it is through research and collaboration that we can continue to develop forestry and find new ways to encourage both growth and biodiversity. Environmental conservation is part of all our activities as we manage and harvest our forest, and protect and improve habitat diversity.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

Forever learning

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.

Using all of the tree trunk ▾

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



5%

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

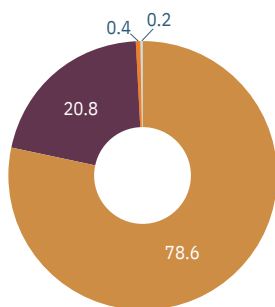
45%

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

50%

The large logs that make up approximately half of the harvest go to sawmills for the production of building materials in the form of construction timber and joinery products.

Distribution of by-products and waste, %



To energy production, internal/external	78.6
Utilised or sent for material recovery	20.8
Waste sent to landfill	0.4
Hazardous waste	0.2



HOW WE ARE CONTRIBUTING TO A SUSTAINABLE FUTURE

As a Swedish forest industry company, we have excellent opportunities to drive sustainable development together with our customers. This especially applies to the climate challenge.

Holmen's business is genuinely sustainable. With growing, healthy forests, renewable energy production, resource and energy-efficient production of climate-smart products and a values-driven company culture, we have major opportunities to do our part in creating sustainable development in line

with the UN's Sustainable Development Goals. Our single greatest contribution is that we promote a better climate, both through our own operations and together with our customers. We also contribute social benefit by being actively engaged in our employees and in the local communities in which we work. This was made clear in the materiality analysis conducted in 2018. In it we identified the areas where we consider Holmen has the greatest opportunity to contribute to sustainable development. The analysis included interviews and work-

shops 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.

As a result of the materiality analysis, we formulated Holmen's three focus areas that encapsulate our most important contributions. Objectives, targets and activities linked to our focus areas are followed up on a quarterly basis.

“Holmen's production, business and organisation contributes to the UN's Sustainable Development Goals and thus also to the 2030 Agenda.”

The UN's SDGs

We have been building our own experience and finding long-term solutions for 400 years. Thanks to sustainable use of our forests' ecosystems, today we are able to operate a circular, renewable and bio-based business that contributes to the UN's Sustainable Development Goals and benefits our customers, shareholders, employees and local communities.



↓ Focus areas

↓ Objectives

1. We contribute to a better climate

Our growing forests and our products bind carbon dioxide. Through active and sustainable forestry we increase forest growth and capacity to absorb carbon. We make wood products from the forest which store carbon dioxide. Residual products from the sawmills and wood from thinning are made into paperboard and paper, which also store carbon throughout their shorter lifecycle. At Holmen we work actively to cut our own carbon dioxide emissions and since 2005 we have reduced the use of fossil fuels at our mills by 88 per cent. This means that Holmen's direct emissions of carbon dioxide are already lower than the emission limits set in the Paris Agreement.

Increase our climate benefit

Our climate benefit is to increase through forest growth which binds carbon dioxide and by increasing our production of wood products. At the same time, we are to have low fossil emissions in our value chain and we have undertaken to ensure that the Group's combined emission levels of fossil greenhouse gases continue to lie below the level defined by the Science Based Targets initiative (SBTi)* for the paper, pulp and paperboard industry in 2030. Our fossil emissions from transport are to fall by 2 per cent per tonne-kilometre and emissions from the majority of our suppliers of input goods are to fall by 1.2 per cent. In 2021, Holmen will apply to have a new climate target approved by SBTi.

2. We help our customers in their sustainable business

We reduce our customers' need for fossil materials and energy. Wood construction, products made from paperboard and paper, and energy from hydro and wind power on our own land mean we are reducing our customers' need for fossil-based materials and fossil energy. This leads to lower fossil carbon dioxide emissions from our customers' businesses. At the same time, we are injecting a sustainably produced raw material into the recycled fibre industry and contributing towards the transition to a fossil-free energy system.

Enable our clients to reduce their carbon footprint

We seek to increase our contribution to our customers' climate efforts. We will achieve this by increasing our sales of wood products and construction products, which replace fossil-based materials. We also aim to increase our sales of paperboard, enabling our customers to replace fossil-based packaging, and continue to develop paper products manufactured with one of the lowest carbon footprints in the world. Our production of paper and paperboard also contributes a sustainable raw material to the recycled fibre industry and when the products can no longer be recycled, they are put to use as biofuel, which replaces fossil fuels. Expanding wind power on our own land will enable us to increase our sales of renewable electricity from hydro and wind power, reducing the need for fossil-based energy. In this way, Holmen plays an important role in the transition to a fossil-free society and to a fossil-free energy system in Europe.

3. We are committed to our employees and our local communities

With courageous, committed and responsible employees and thriving local communities, we can achieve more. At Holmen, the focus is very much on innovation and development, and we want our employees to develop and grow with us. In our work towards a sustainable future, this means investing in employees' skills, active leadership, a positive corporate culture and a healthy workplace. Naturally, we therefore work actively to encourage health and prevent injury, promote diversity and combat discrimination. Holmen plays a significant role as an employer in several locations and the business has considerable regional significance. It creates employment in rural areas and helps enable people to live and work outside the big cities.

An organisation focused on its objectives and thriving local communities

Holmen's management by objectives process is to contribute towards our strategy and foster courage, commitment and responsibility in our employees. We are to attract and develop a diverse staff of competent employees and work for a culture that is inclusive and dynamic. Aware and mature leadership and employee-ship is to drive the business forward and contribute to a positive culture, in which we focus on our own tasks and simultaneously help each other in every respect. Our work environment is to be safe and healthy. Therefore we have a zero vision for work-related accidents, repetitive strain injury and work-related illness. As an important employer in many locations, we are to actively contribute to thriving local communities by providing employment for our workers and other companies in our value chain.

*The Science Based Targets initiative (SBTi) is an international framework for calculating the target of 1.5°C set by the Intergovernmental Panel on Climate Change (IPCC), a UN body. Holmen has already attained the emissions target for paper and pulp companies for 2045. The threshold values are formulated by the IPCC and published by SBTi.

CLIMATE BENEFIT THROUGHOUT THE VALUE CHAIN

The forest delivers the most benefit when it is put to use. It 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 just over 6 million tonnes of carbon dioxide per year. This is equivalent to 12 per cent of total emissions within Sweden's borders. This is how Holmen created real climate benefit in 2020.

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 2020 it is calculated that the increase in the volume of standing timber in Holmen's forests has absorbed and bound 1.4 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, enabling the carbon to stay in the ground.

The production of wood products increased global storage of carbon dioxide by more than 0.3 million tonnes, while at the same time replacing construction materials that would have caused greenhouse gas emissions of 1.4 million tonnes. It also replaced fossil energy equivalent to emissions of 0.4 million tonnes. Holmen's paperboard and paper production has a carbon storage effect equating to just under 0.1 million tonnes of carbon dioxide. When the products can no longer be recycled, they provide benefits as bioenergy, so replacing fossil energy equivalent to emissions of 1.5 million tonnes of greenhouse gases.

Renewable energy production that replaces fossil alternatives

Our production of renewable electricity from hydro and wind power replaces power from coal and gas equivalent to 1.2 million tonnes of greenhouse gas emissions. 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 emissions of 0.5 million tonnes.

Holmen's climate footprint meets the target of 1.5°C

To meet the target of the Paris Agreement that global warming is not to exceed 1.5°C, we have to make the necessary transition and keep within the limits our ecosystem can cope with.

Holmen's own operations generate greenhouse gas emissions that already meet the Paris Agreement's threshold values for 2045. We have achieved this through energy efficiency measures and investments in renewable energy at our facilities.

Our fossil-free energy production in the form of hydro and wind power, forest-based bioenergy and purchasing of fossil-free electricity are important contributions to the climate. Because we manage the forest sustainably, the world gains access to more sustainable raw materials, and with investments in wind power we enable more people to contribute to the Paris Agreement.

Just like the UN's Sustainable Development Goal 17, Partnerships for the Goals, it is through partnership and collaboration with new and existing customers and suppliers that we create the greatest climate benefit, and through several different activities and value chains working in concert.

Climate benefit created in Holmen's value chains 2020¹⁾ Million tonnes CO₂e

Uptake in the annual increase in volume of standing timber in Holmen's forests²⁾	1.4
Storage in and substitution through the products Holmen sells³⁾	3.7
Wood products	2.2
Paperboard and paper	1.5
Substitution through renewable energy production	1.7
Hydro and wind power ⁴⁾	1.2
Bioenergy ⁵⁾	0.5
Holmen's fossil emissions (Scope 1, 2 and 3)⁶⁾	-0.4
Total climate benefit	6.4

↓ Climate benefit in several value chains

In addition to the uptake, storage and substitution that take place in Holmen's main value chains, we are also a link in creating climate benefit in other value chains, partly through our external sales of roundwood. The raw material often comes from private forest owners and is then refined by our customers. This creates climate benefit through cooperation between several different actors.

1) Climate benefit in Holmen's value chains in 2020 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 has had the calculations carried out by Peter Holmgren of Futurevistas AB. For further information, visit holmen.com. Operations at the Bygdsiljum and Kroksjön Sawmills (formerly Martinsons) have been included from the date of acquisition, 1 October 2020.

2) The calculation is based on the annual increase in the volume of standing timber, using data from the company forest inventory minus harvested volume.

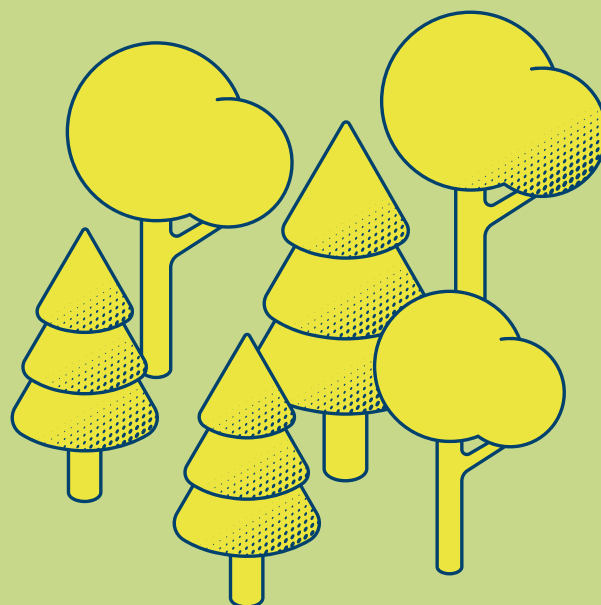
3) Carbon storage is calculated in line with Sweden's official climate reporting to the UN conducted by the Swedish Environmental Protection Agency using the IPCC's methodology. Under this methodology, what is reported is the increased storage of carbon dioxide from Holmen's production of wood products, paperboard and paper in 2020. This means that the methodology takes into account the fact that a certain amount of old wood and fibre products rot or are incinerated in 2020 and thus stop binding carbon dioxide. According to the IPCC, fibre products have a half-life of 2 years and wood products 30 years. Holmen's calculation makes the assumption that climate benefit is equivalent to 100 per cent of the fibre products, and the old wood products that ceased binding carbon dioxide in 2020 were used for bioenergy which substituted for fossil fuel.

4) Calculated based on our production of renewable electricity from hydro power replacing fossil-based electricity from coal power, and our production of renewable electricity from wind power replacing fossil-based electricity from coal and gas power.

5) Bioenergy comprises branches and treetops and residual products from Holmen's operations delivered externally.

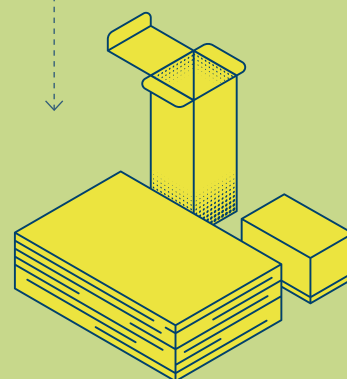
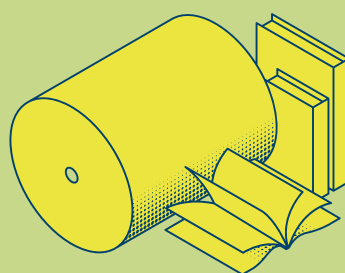
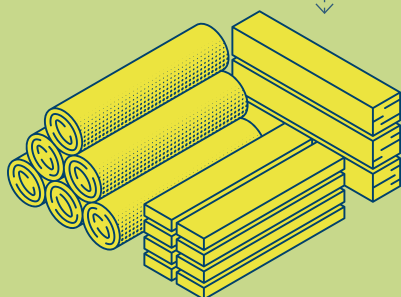
6) Details of Holmen's fossil and biogenic emissions are reported on pages 90–91.

In 2020 Holmen's operations contributed towards a climate benefit of **6.4** million tonnes CO₂e, equivalent to 12 per cent of emissions in Sweden.

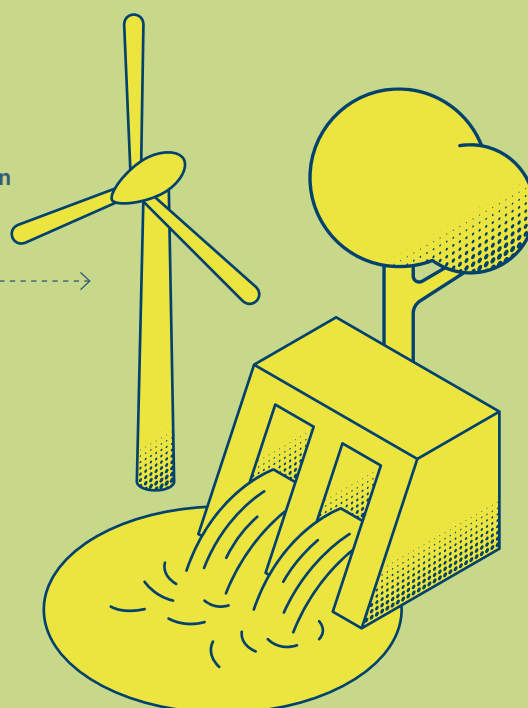
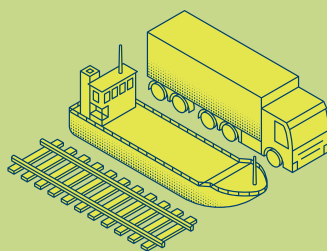
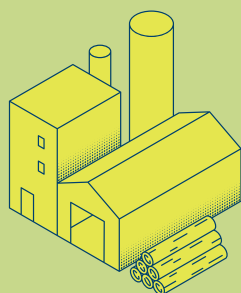


1.4 million tonnes of CO₂e were absorbed in the growing volume of standing timber in our forests


3.7 million tonnes of CO₂e were stored in and replaced by wood products (2.2) and by paper and paperboard (1.5)



1.7 million tonnes CO₂e were replaced by our renewable production of electricity from wind and water (1.2) and from bioenergy (0.5)



Emissions equivalent to **0.4** million tonnes CO₂e come from Holmen's production and transport



The picture shows the biological treatment facility at Hallsta Paper Mill.

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 43 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 90.

Holmen's environmental work is characterised by constant improvement measures within the framework of certified environmental and energy management systems (see page 33), 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 2020, Holmen was running production operations that require environmental permits at nine facilities. 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 81 per cent of the Group's net sales in 2020.

The environmental status of Holmen's Swedish mills is good and the mills meet the tougher emissions criteria that apply from October 2018 under the EU's Industrial Emissions Directive (IED). Workington Mill has a derogation whereby the mill is to invest in measures to ensure that the emission requirements for water are met. The schedule for this will be determined in consultation with the Environment Agency.

At Braviken Paper Mill the production of bright products will gradually be stepped up. An application for a new environmental permit for operations was submitted in late 2020.

In 2020 Holmen acquired Martinsons' two sawmills at Bygdsiljum and Kroksjön. Bygdsiljum Sawmill gained a new environ-

mental permit under the Environmental Code in 2018. Kroksjön Sawmill obtained a new environmental permit in late 2020. It will be applied in 2021.

In Västerbotten, Holmen is constructing Blåbergsliden Wind Farm, which will have annual electricity production of just over 400 GWh. The wind farm will be fully operational in late 2021. A permit application has been put in for another wind farm on the same scale in Västerbotten. In autumn 2020, consultation began on a permit application for wind power projects on Holmen's land in Östergötland. Electricity production from these projects has a potential of more than 1 TWh.

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. The permit will be applied in 2021.

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. 37 (35) environment-related incidents were reported to the supervisory authorities during the year. The nonconformities were not of a significant nature in terms of environmental impact or impact on profits. Corrective measures were taken to deal with these cases, in line with the environmental management system of the operations concerned.

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 2020, studies were in progress at different stages regarding the former sawmills Håstaholmen, Stocka and Länholm, the sulphite mills at Strömsbruk, Domsjö and Loddby, the former groundwood mill in Bureå and at the Hulfts Bruk landfill site.

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 work will continue in dealing with the polluted sediment mass. The land and the buildings at the former surface treatment site at Iggesund have been remediated and the work of treating the polluted groundwater was completed in 2020. This concludes the remediation work at this former industrial site. The remediation work at the Hulfts Bruk landfill site was completed in 2020.

Emission allowances and electricity certificates

Holmen has been awarded emission allowances within the EU Emissions Trading Scheme. As a result of investments 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 for allocation of emission allowances for the period 2021–2030. The process of allocating emission allowances in the EU has been delayed and notification is expected in summer 2021.

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 2020.

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 the ten principles and set out the progress made. Information on how Holmen complies with and works in line with the principles is available 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

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 ⁴⁾	1999	2006	1997	2017
Braviken Sawmill ⁴⁾	2011	2011	2011	2017

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. Certifications can be viewed at holmen.com/certificates.

- 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.
- 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.
- 4) From 2011 the certification is a joint certification for the two sawmills. Linghem Sawmill, which was acquired in 2017, was certified under ISO 45001 in 2020. Martinsons' sawmills were acquired in 2020 and both the Bygdsiljum and Kroksjön production facilities are certified under ISO 14001. Work is in progress to include Linghem, Bygdsiljum and Kroksjön in the certificates of the other sawmills.



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. Using Holmen's model for management by objectives, the strategy, business plans and expectations are communicated across the organisation, which sets step-by-step targets to meet the expectations. Ultimately, the managers communicate expectations to the individual employee, who in turn suggests objectives that steer towards the expectations. 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 we 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, as a complement to the management by objectives model, and as a basis for our internal leadership and management programme.

Recruitment and development

To maintain competitiveness over time, attracting and retaining the right employees is of the utmost importance. This way, we ensure that Holmen continues to be a business with a focus on innovation and development. 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 and 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 33) and all our production units are certified, apart from Bygdsiljum and Kroksjón 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.

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



↓ Examples of adaptations as a result of the coronavirus pandemic:

- Conducted risk analyses at all workplaces.
- Identified critical operational employees to safeguard production.
- Promoted working from home to reduce the risk of transmission based on risk analyses.
- Introduced strict health checks for external staff in production operations.
- Stepped up cleaning and introduced rules on hygiene and distancing.
- Minimised travel and face-to-face meetings.
- Modified working hours to avoid crowded public transport.
- Supported managers in remote leadership.
- Issued recommendations on health and safety when working from home.

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 and have 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.

Monitoring the Code of Conduct

During the year we have conducted extensive internal training on Holmen's Code of Conduct with all employees who work as managers or in sales, marketing, purchasing, finance, HR, information, market communication, projects or in Group staffs. The training was provided online and the completion rate was 89 per cent by the end of the year. We have also continued to work in line with our process for supplier follow-up, which was updated last year. We have identified which suppliers pose risks linked to 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.

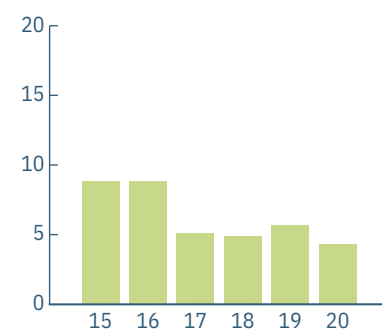
Dynamic workplace

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 make everyone to feel welcome.

As part of our work to be 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. We also use appraisal talks and employee surveys as tools to improve our work on equality and actively combat discrimination.

Industrial accidents

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



➤ A zero vision for accidents

The number of accidents per million hours worked fell to 4.3 in 2020 from 5.7 in 2019. The dominant causes of accidents are slipping, tripping, pinching and cutting. During the year we have successfully managed to reduce the number of accidents from 27 to 21 incidents, which is our best result ever. This shows that our work is paying off and how important it is for us to continue taking a farsighted approach, focused on our vision of zero accidents. It is worthy of note that our paperboard mill in Workington in the UK had no accidents resulting in sickness absence in 2019 or in 2020.

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 48 104 shareholders at year-end 2020. Private individuals with Swedish citizenship accounted for the largest category of owners with 45 749 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 number 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.

There is no restriction on how many votes each shareholder may cast at the Annual General Meeting (AGM).

At the 2020 AGM, the Board's authorisation to purchase up to 10 per cent of the company's shares was renewed. No shares were repurchased in 2020, but 7 000 000 of the class B treasury shares that were previously repurchased by the company were cancelled in 2020. After the cancellation Holmen AB holds 586 639 shares in treasury.

See pages 46–47 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 25 September 2020 that the 2021 AGM would take place in Stockholm on 22 April 2021.

↓ AGM 2020

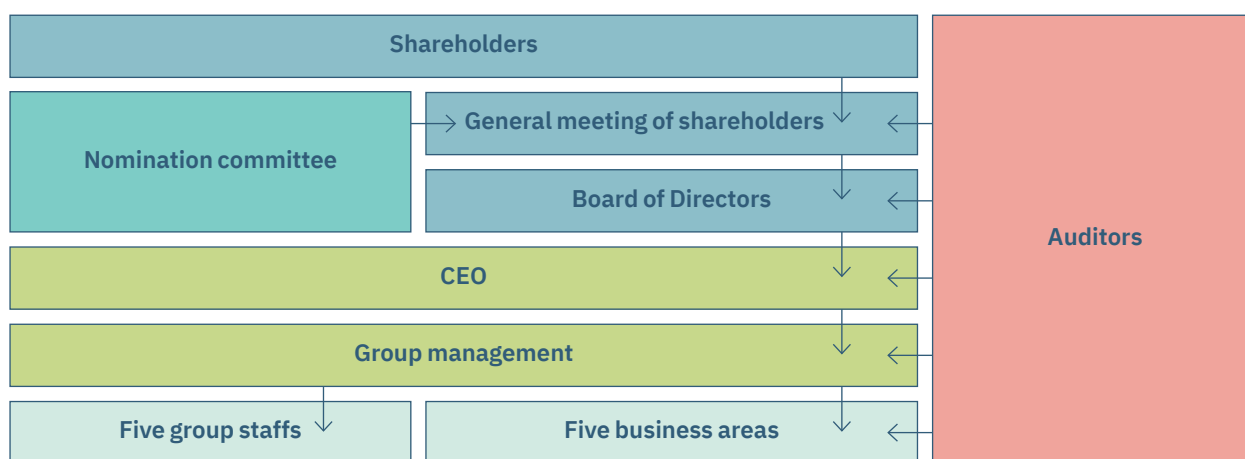
The 2020 AGM and the material presented was in Swedish. The notice convening the meeting, the agenda and the minutes are available at holmen.com. According to item 1.2 of the Swedish Corporate Governance Code, the Chairman of the Board and as many members of the Board as are required for a quorum are to be present at meetings. In light of the risk of spreading the coronavirus, however, the Board resolved to conduct the AGM 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. During the AGM, the shareholders had the opportunity to ask and obtain answers to questions. 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 and Hans Hedström, Carnegie Funds, checked and approved the minutes. It was not possible to follow or participate in the meeting from other locations using communication technology. No changes in this regard are planned for the 2021 AGM.

↓ Extraordinary General Meeting

At an Extraordinary General Meeting (EGM) on 16 September 2020 the shareholders resolved to pay a dividend of SEK 3.50 per share. In light of the risk of the spread of coronavirus, the EGM was conducted without physical presence, by shareholders exercising their voting rights only by postal voting pursuant to the Act (2020:198) on temporary exemptions to facilitate the conduct of general and association meetings. Shareholders were given the opportunity to submit questions in writing to the Board and the CEO prior to the EGM.

↓ Board meetings

The Board held twelve meetings in 2020, 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 2021. Two meetings were 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, acquisition of the sawmill group Martinsons and other significant investment matters. On two occasions the company's auditor reported directly to the Board, providing a presentation about their audit of the accounts and internal control.



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 2020 and 2021 AGMs is shown in the table on page 39.

The nomination committee's mandate is to submit proposals for the election of 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 2021 AGM.

For the 2021 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, Lars G Josefsson, Louise Lindh, Ulf Lundahl, Henrik Sjölund and Henriette Zeuchner.

The audit committee conducted a procurement process for a new auditing company in 2020. For the 2021 AGM, the nomination committee proposes, in line with the recommendation of the audit committee, that PWC, PricewaterhouseCoopers AB, is the first choice and Ernst & Young AB is the

second choice to serve as the company's auditor for a period of one year until the adjournment of the 2022 AGM.

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 2020 AGM re-elected Fredrik Lundberg, Carl Bennet, Lars G Josefsson, Lars Josefsson, Alice Kempe, Louise Lindh, Ulf Lundahl, Henriette Zeuchner and Henrik Sjölund to the Board. Fredrik Lundberg was re-elected Chairman of the Board. At the statutory first meeting of the new Board in 2020, Henrik Andersson, Senior Vice President Legal Affairs, was appointed company secretary.

↓ Members of the Board of Directors

Board members	Elected	Role on the Board	Audit committee	Remuneration committee	Attendance at meetings in 2020:			
					Board of Directors	Audit committee ¹⁾	Remuneration committee ²⁾	Fee (SEK '000)
Fredrik Lundberg	1988	Chairman	Member	Chairman	12/12	6/6	2/2	710
Carl Bennet	2009	Member	–	Member	12/12	2/6	2/2	355
Lars O Josefsson	2016	Member	Member	–	11/12	6/6	–	355
Lars G Josefsson	2011	Member	–	–	12/12	2/6	–	355
Alice Kempe	2019	Member	–	Member	12/12	2/6	1/2	355
Louise Lindh	2010	Member	–	–	11/12	2/6	–	355
Ulf Lundahl	2004	Member	Chairman	–	10/12	5/6	–	355
Henriette Zeuchner	2015	Member	–	–	12/12	2/6	–	355
Henrik Sjölund	2014	Member, President & CEO	–	–	12/12	–	–	–

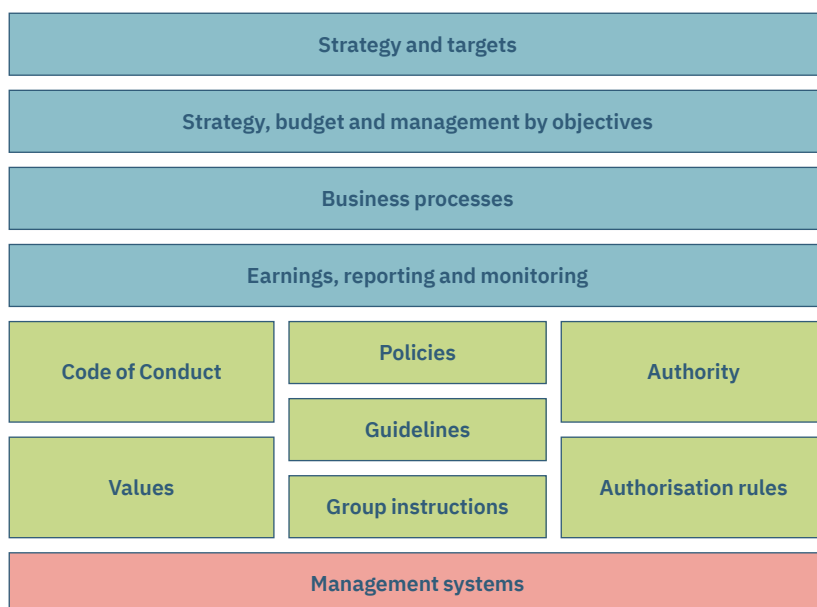
1) As of the 2020 AGM the audit committee consists of Ulf Lundahl (Chair), Fredrik Lundberg and Lars O Josefsson. Before that time, the audit committee consisted of the external Board members.

2) As of the 2020 AGM, the remuneration committee consists of Fredrik Lundberg (Chair), Carl Bennet and Alice Kempe. Before that time the remuneration committee consisted of Fredrik Lundberg and Carl Bennet.

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

Employee representatives

Steewe Björklundh, member, elected 1998/Kenneth Johansson, member, elected 2004/Tommy Åsenbrygg, member, elected 2009/Per-Arne Berg, deputy member, elected 2015/Daniel Hägglund, deputy member, elected 2014/Christer Johansson, deputy member, elected 2017.



Internal management processes and guideline documents.

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 84–85.

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.

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 2020 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.

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.

At the 2020 AGM the Board set out its proposals regarding 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. 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 61.

The 2020 AGM approved the Board fee and payment of the auditors' fee as invoiced.

The 2020 AGM resolved to adjust the performance terms of the share savings programme adopted by the 2019 AGM, which covers 54 members of senior management in the company. The adjustment was made because of a change of accounting policy for the company's forest assets. The programme will expire upon publication of the interim report for January–March 2022. The company's commitment to provide shares under the programme will be met by means of free transfers of treasury shares. The effects on key ratios and profit per share are marginal. See Note 4 on page 61 for further information about the share savings programme.

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 86.

Group management met on nine occasions in 2020. The meetings dealt with matters such as earnings performance and reports before and after Board meetings, strategic issues, budgets, investments, acquisition 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, possible consequences of Brexit 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.

Audit

KPMG, which has been Holmen's auditor since 1995, was re-elected by the 2020 AGM as auditor for a period of one year. Authorised Public Accountant Joakim Thilstedt was appointed as the principal auditor. KPMG audits Holmen AB and almost all of its 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.

Up until the 2020 AGM, the audit committee consisted of the external Board members, who met two times. After that date, the committee consisted of Ulf Lundahl, Chairman, Fredrik Lundberg and Lars Josefsson who met four times. 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 2020 to the audit committee at three meetings and to the Board of Directors on two occasions. In addition to the audit assignment, Holmen has consulted KPMG on matters pertaining to taxation, accounting and for various investigations. The remuneration paid to KPMG for 2020 is stated in Note 5 on page 62.

KPMG 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. A review is conducted annually of each business area's strategy, including the business' goals. The strategy, which is presented to and adopted by the Board, forms the basis of the expectations applied to the units in each respective business area. 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 sustainability data is integrated with financial reporting.

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 uses policies, guidelines and Group instructions to clarify how employees should act within key and critical areas. The Group's 11 policies cover matters

materials should be used efficiently, pollution should be prevented and that we should aspire to make continuous improvements. 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

"Holmen is a forest-owning company whose business is to create lasting value over time and mitigate global warming. The climate benefit is created by capture and storage of carbon dioxide, as well as the production of renewable energy and products that replace fossil materials."

Louise Lindh, Holmen Board member

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, 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

employee's induction programme, and are reiterated by managers at employee meetings. Compliance is monitored partly through employee surveys and appraisal talks, pay surveys, safety statistics and audits of the organisational and social work environment. Where non-compliance or failings are found in terms of the corporate culture, the issue is addressed on a case-by-case basis. A few events linked to Holmen's Code of Conduct were reported during the year, which were handled according to internal procedures.

↓ Composition of the nomination committee

Name	Representing	Before AGM:		Independent of the:	
		2021	2020	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 2020, L E Lundbergföretagen controlled 62.3 per cent of the votes, the Kempe Foundations controlled 17.5 per cent and Carnegie Funds (Sweden) controlled 1.5 per cent.

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 concern at the company. No complaints about deficiencies were reported through this channel in 2020.

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 provisions, other provisions and to financial transactions. The risk assessment also involves identifying and assessing operational risks. For further information, see the Risk Management section on pages 41–45.

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.

"Climate benefit is fundamental in Holmen's business and sustainability is naturally integrated into our corporate governance. We were among the first to integrate the sustainability report into our annual report and have done so since 2010."

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. Risks are addressed using the business areas' management systems.

Purchasing and 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
Production and deliveries Demand for Holmen's products is affected by many factors, both political and macroeconomic, including production among 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.	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.	In 2020, Holmen acquired the wood products company Martinsons, which strengthens Holmen's market position for wood products. In addition, much of the company's own forests are refined by its own industry as a result of the acquisition. The work to expand production capacity by 150 000 cubic metres at Braviken Sawmill was completed in 2020. The work to construct Blåbergsliden Wind Farm with a 143 MW capacity is underway and is expected to increase Holmen's electricity generation from hydro and wind power by 35 per cent in late 2021. Production of paper was limited during the year because of weak demand in the wake of the pandemic. For information about how changes in deliveries would affect Holmen's operating profit, given the circumstances on 31 December 2020, see the sensitivity analysis on page 45.
Selling prices The market balance in each product segment governs the selling price and affects income.	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.	The price of paperboard was stable during the year, while the price of wood products rose as a result of home renovation projects in several markets, at the same time that production was limited in certain regions. Paper prices fell as a result of weak demand. The large supply of hydro power caused the price of electricity to fall compared with 2019. For information about how changes in prices would affect Holmen's operating profit, given the circumstances on 31 December 2020, see the sensitivity analysis on page 45.
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.	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 purchases. The Group also sells electricity from its hydro power and wind power assets, as well as from bioenergy, to the electricity grid. In net terms, the Group's own electricity generation corresponds to about 50 per cent of its total electricity consumption. The price risk in this consumption is managed through physical fixed price contracts and financial hedging. 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 being reduced since used chemicals are recycled at the mills.	On average, the price of wood and chemicals was somewhat lower in 2020 than in 2019. The price of net electricity consumption is 65 per cent hedged for 2021, 65 per cent for 2022, and 15–35 per cent hedged for 2023–2025. The Group's net exposure to the price of electricity will decrease once Blåbergsliden Wind Farm is operational at the end of 2021. The nominal amount for financial hedging is SEK 625 million. For information about how changes in commodity prices would affect Holmen's operating profit, given the circumstances on 31 December 2020, see the sensitivity analysis on page 45.

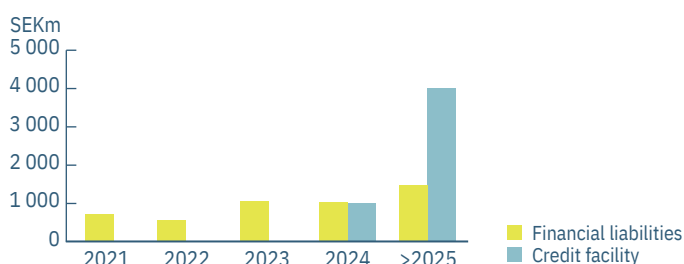
Risk	Risk management	Comment
Suppliers Deficiencies in the supply chain for inputs in terms of security of supply and quality can lead to production disruptions. Suppliers that do not meet Holmen's requirements can also have a negative effect on operations. There is also a risk that essential raw materials 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.	In 2020, 1 (0) case regarding breach of the Supplier Code of Conduct was reported. There is an active dialogue with an action plan in place in accordance with Holmen's procedures. Suppliers associated with 90 per cent (90) of the Group's purchasing volumes have signed the Code. Supply chain risks relating to the environment, labour legislation, human rights, business ethics and a sustainable purchasing have been mapped and an action plan has been formulated. 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, internal 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 2020, the Group's trade receivables totalled SEK 2 015 million, of which 32 per cent (35) were insured against credit losses. During the year, credit losses on trade receivables had a SEK -14 million (-7) impact on earnings. Sales to the five largest customers accounted for 15 per cent (15) of the Group's total sales in 2020.
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 against damage to property and interruption of business. The insurance excess varies from one facility to another, but the maximum is SEK 35 million for a single claim. The Group has liability insurance that also covers sudden and unforeseen environmental damage affecting third parties.	No event causing significant damage occurred in 2020. During the year one major maintenance shutdown was carried out at Iggesund Mill, which went smoothly. The ongoing investment in the Blåbergsliden wind farm is progressing according to plan.
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 2020. Disruptions in IT support were avoided despite the heavy workload caused by the increase in remote work as a result of the pandemic. The 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.	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.	Of Holmen's total land area of 1 303 000 hectares, 195 000 hectares are set aside for nature conservation purposes.
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.	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 2020. To prevent spread, Holmen prioritised harvesting spruce bark beetle infested forests and the percentage of spruce sawn at Braviken Sawmill increased to take care of the damaged logs.
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 biological diversity and raise the risk of wind and snow damage, fungal attack, insect damage and forest fires. Climate change could also impact the ability to carry out harvesting.	Holmen is developing seedlings and processes for planting, clearing and thinning to adapt our forests to a changed climate. Seeds from Holmen's cultivation of seedlings are selected to grow and flourish in a changing climate and 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. 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.	Ongoing climate risk analyses are conducted to create healthy, resilient forests suited to a changing climate. Climate change is leading to greater demand for Holmen's products as our customers want renewable alternatives to fossil-based products.

Risk	Risk management	Comment
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.	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.	In 2020, 37 (35) environmentally related incidents were reported to the supervisory authorities. The nonconformities were not of a significant nature in terms of environmental impact or impact on profits.
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.	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.	The figure in 2020 was 4.3 (5.7) industrial accidents per 1 million hours worked. See also page 35. The most common accidents were slips, trips, cuts and pinch point accidents. The most significant areas of risk involve work with overhead cranes and vehicles with people in movement. As a result of the coronavirus pandemic, we implemented a large number of adaptations and measures to ensure a safe work environment for employees and others present in our operations.
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.	With Holmen's employer brand, we are marketing Holmen as an employer in digital channels and physical meetings. We have a strong Employer Value Proposition (EVP) with our sustainable business and the small big company as the prominent message.	Our 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. Holmen has not furloughed personnel as a result of the pandemic during the year.
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.	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.	In 2020, 0 (0) cases concerning deviations from the business ethics policy or the parts of the Code of Conduct regarding business ethics issues were reported. During the year, 89 per cent of the designated functions completed the training on the Code of Conduct. See also page 35.
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. Since Holmen's business is based on our sustainable use of the forest and land, it is important that laws and regulations, such as the Environmental Code, the Forest Inquiry and the EU taxonomy promote the development of green growth.	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.	The outbreak of the coronavirus pandemic has had a negative impact on profitability within the Paper business area, while impact on other business areas has been limited. The Group worked continually in 2020 to take action to minimise the impact of the coronavirus outbreak, with a focus on the health and safety of our employees. To mitigate the effects of the UK's exit from the EU, Holmen took a number of measures during the year; for example, logistics solutions and warehouses were adapted to ensure deliveries to customers and from suppliers. Holmen has also been active through dialogue, responses to reports, preparedness and advocacy work along with industry organisations to promote the development of green growth.

↓ Financial risks

Risk	Risk management	Comment																																																
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>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 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> <table><caption>Net flow 12 months and Hedged amounts (SEKm)</caption><thead><tr><th>Currency Pair</th><th>Net flow 12 months</th><th>Hedged</th></tr></thead><tbody><tr><td>EUR/SEK</td><td>~3,500</td><td>~8,500</td></tr><tr><td>GBP/SEK</td><td>~1,000</td><td>~500</td></tr><tr><td>USD/SEK</td><td>~1,500</td><td>~500</td></tr><tr><td>EUR/GBP</td><td>~1,000</td><td>~500</td></tr><tr><td>CNH/SEK</td><td>~500</td><td>~500</td></tr></tbody></table>	Currency Pair	Net flow 12 months	Hedged	EUR/SEK	~3,500	~8,500	GBP/SEK	~1,000	~500	USD/SEK	~1,500	~500	EUR/GBP	~1,000	~500	CNH/SEK	~500	~500	<p>For just over the next two years, expected flows in EUR/SEK are hedged at an average of 10.64. For other currencies, 4–7 months of flows are hedged.</p> <p>Hedging of exposure to pounds sterling amounted to GBP 33 million at year-end. Net assets in other currencies are limited and are not usually hedged.</p>																														
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Interest rates Risks that arise when changes in the market interest rate affect the Group's interest income and cost.	<p>The fixed rate period for the Group's financial assets and liabilities is normally short. The Board can decide to lengthen these periods in order to limit the effect of a rise in interest rates. Derivatives in the form of interest rate swaps may be used to manage fixed interest rate periods without altering underlying loans.</p>	<p>The Group's average borrowing rate in 2020 was 1.2 per cent.</p> <p>In 2020 interest on loans of SEK 900 million was fixed for 5 years. The table below shows the Group's fixed interest rate period by currency.</p> <table><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 provisions</th><th>Right-of-use agreements</th><th>Total</th></tr></thead><tbody><tr><td>SEK</td><td>-1 773</td><td>-500</td><td>-1 400</td><td>-</td><td>-18</td><td>-192</td><td>-3 883</td></tr><tr><td>EUR</td><td>24</td><td>-</td><td>-</td><td>-</td><td>-6</td><td>-78</td><td>-61</td></tr><tr><td>GBP</td><td>-213</td><td>-</td><td>-</td><td>-</td><td>-24</td><td>-7</td><td>-244</td></tr><tr><td>Other items</td><td>16</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-10</td><td>6</td></tr><tr><td></td><td>-1 946</td><td>-500</td><td>-1 400</td><td>-</td><td>-48</td><td>-287</td><td>-4 181</td></tr></tbody></table>	SEKm	<1 year	1–3 years	3–5 years	>5 years	Pension provisions	Right-of-use agreements	Total	SEK	-1 773	-500	-1 400	-	-18	-192	-3 883	EUR	24	-	-	-	-6	-78	-61	GBP	-213	-	-	-	-24	-7	-244	Other items	16	-	-	-	-	-10	6		-1 946	-500	-1 400	-	-48	-287	-4 181
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Credit risk from financial counterparties The risk of financial transactions giving rise to credit risks in relation to financial counterparties.	<p>A maximum credit risk and settlement risk are established for each financial counterparty and are monitored continually. Holmen's financial counterparties are assessed using reputable credit rating agencies or, where a counterparty has no credit rating, the company's own analyses. This calculation is based on the maturity and historical volatility of different types of derivative. The maximum credit risk for other financial assets is estimated to correspond to their nominal amount.</p>	<p>At 31 December 2020, the Group had outstanding derivative contracts with a nominal amount of SEK 15 billion and a net fair value of SEK +477 million.</p>																																																

Risk	Risk management	Comment
Liquidity and refinancing The risk of the need for future funding and refinancing of maturing loans being required at a high cost.	<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 2020 amounting to SEK 4 181 million. Of these financial liabilities, SEK 605 million falls due in 2021.</p> <p>The Group has unutilised committed credit facilities of SEK 5 billion, of which SEK 4 billion matures in 2026 and SEK 1 billion in 2024. 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 10 per cent.</p>



↓ Sensitivity analysis

Operational risks

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.

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.

Impact on operating profit, SEKm	Change	Price	Deliveries
Paperboard	+/-1%	60	31
Paper	+/-1%	49	16
Wood products	+/-1%	22	8
Wood from company forests	+/-1%	13	9
Hydro and wind power	+/-1%	3	2

Input goods	Change	Price
Wood*	+/-1%	31
Electricity*	+/-1%	11
Chemicals	+/-1%	13
Other variable costs	+/-1%	8
Delivery costs	+/-1%	14
Employees	+/-1%	24
Other fixed costs	+/-1%	15

**Taking account of harvesting of company forests and generation of own electricity, net earnings sensitivity for the Group was SEK 18 million for wood and SEK 8 million for electricity.*

Financial risks

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 380 million a year. In addition, a 40 per cent change in the price of electricity would affect earnings before tax by SEK 190 million a year, excluding hedging.

Earnings before tax*	Change	SEKm
Exchange rates	+/-5%	126
EUR/SEK	+/-5%	8
USD/SEK	+/-5%	36
GBP/SEK	+/-5%	33
other currencies/SEK	+/-5%	48
Electricity price	+/-40%	56
Borrowing rate	+/-0.5% unit	10

Equity	Change	SEKm
Transaction hedging	+/-5%	535
Investment hedging	+/-5%	40
Equity hedging	+/-5%	19
Electricity price hedging	+/-40%	256
Interest rate changes	+/-0.5% unit	21

**Estimated effect for 2021 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 248 per cent, compared with 54 per cent for OMX Stockholm 30. For Holmen, this corresponds to an annual return of 28 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 listed on Nasdaq Stockholm, Large Cap. At the end of 2020 Holmen A was trading at SEK 415 (295) and Holmen B at SEK 394 (285), corresponding to a market capitalisation of SEK 64.7 billion (46.6). The highest closing price for Holmen's class B shares was SEK 396, on 18 December. The lowest closing price was SEK 228, on 12 March. The daily average number of class B shares traded was 715 000, which corresponds to a value of SEK 221 million. The daily average number of class A shares traded was 2 500. Almost 45 per cent of trading took place on Nasdaq Stockholm. Holmen shares have also been traded on other trading platforms, such as Cboe BXE, Aquis and Turquoise.

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 22 April 2021 approve a dividend of SEK 7.25 per share and an extra dividend of SEK 3.50 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.

Cancellation of shares and share buy-back

The 2020 AGM resolved to cancel 7 000 000 class B treasury shares that were previously repurchased by the company. After cancellation Holmen holds 586 639 class B shares in treasury. The 2020 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 Board proposes that the 2021 AGM approve corresponding authorisation for the Board.

Ownership structure

Holmen had a total of 48 104 shareholders at year-end 2020. In terms of numbers, Swedish private individuals account for the largest owner category with 45 749 shareholders. Shareholders registered in Sweden own 82 per cent (84) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the US and Finland, accounting for 5 per cent and 2 per

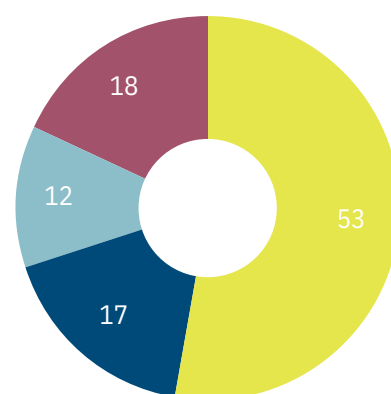
cent of capital, respectively. The largest owner at the turn of 2020/2021, with 62.3 per cent of votes and 34.1 per cent of capital, was L E Lundbergföretagen AB.

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.

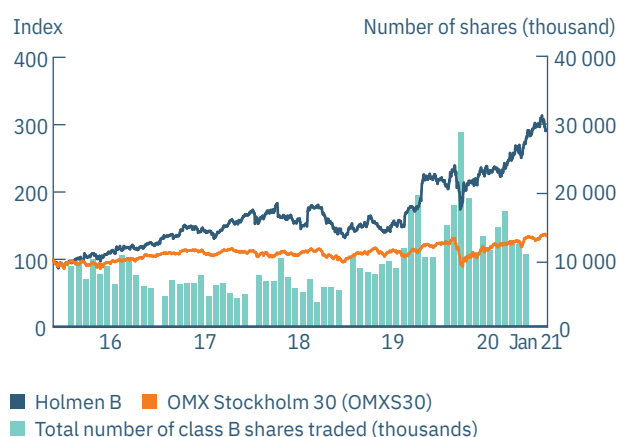
Shareholder categories

Share of capital, %

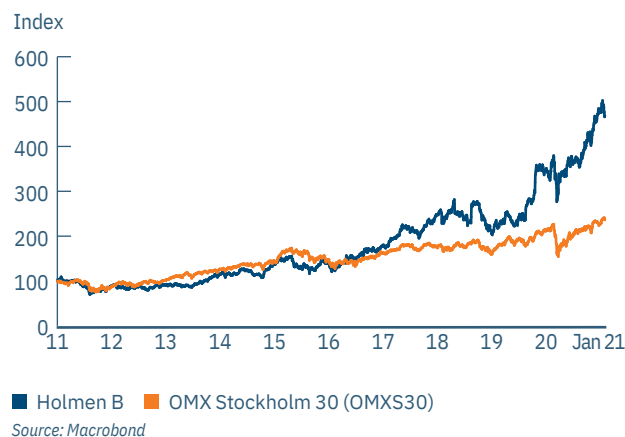


Swedish institutions	53%
Swedish equity funds	17%
Swedish private individuals	12%
Foreign shareholders	18%

Share price performance, Holmen class B and OMX Stockholm



Total shareholder return for Holmen B och OMX Stockholm incl. reinvested dividend but excl. tax



Earnings per share, 2020

SEK **12.2**

Proposed dividend per share, 2020

SEK **7.25** +
SEK **3.50**

Annual return at 31 Dec 2020*, %	1 year	3 years	5 years	10 years
Holmen B	39	25	28	17
OMX Stockholm 30	7	9	9	9

*Including reinvested dividend.

Holmen's total shareholder return has averaged 17 per cent a year over the past 10 years, which is 8 percentage points better than the OMX Stockholm 30.

Share capital structure

Shares	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 number of shares outstanding 161 925 685 569 143 897

Based on the decision of the general meeting, 7 000 000 class B shares were cancelled during the year. The quotient value increased in conjunction with this cancellation from SEK 25 to SEK 26.

Changes in share capital 2000–2020	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 2020

	% of capital	% of votes
L E Lundbergföretagen	34.1	62.3
Kempe Foundations	7.4	17.5
Carnegie Funds (Sweden)	5.3	1.5
SEB Funds	4.3	1.2
Alecta	2.8	0.8
Nordea Funds	2.3	0.7
Swedbank Robur Funds	2.3	0.6
Vanguard (US)	1.5	0.4
Norges Bank	1.3	0.4
Länsförsäkringar	1.3	0.4
Total	62.6	85.8
Other	37.4	14.2
Total	100.0	100.0
Of which non-Swedish shareholders	17.7	5.3

*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 2020

Holding classes, no. of shares	No. of share-holders	Share of capital, %
1–1 000	44 143	4
1 001–100 000	3 882	10
100 001–	79	86
Total	48 104	100

Data per share (adjusted for the 2:1 share split in 2018)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Diluted earnings per share, SEK ¹⁾	12.2	52.6	13.5	9.9	8.5	3.3	5.4	4.3	11.1	23.6
Dividend, SEK										
Ordinary dividend, SEK	7.25²⁾	3.5	6.75	6.5	6	5.5	5	4.5	4.5	4
Extra dividend, SEK	3.5²⁾	-	-	-	-	-	-	-	-	-
Ordinary dividend in % of										
Equity	3	1	5	5	5	4	4	4	4	3
Closing market price	2	1	4	3	4	4	4	4	5	4
Profit/loss for the year	59	6	50	65	71	158	93	106	41	17
Return, equity, % ^{1) 3)}	5	8	10	8	8	7	6	4	6	8
Return, capital employed, % ^{1) 3)}	6	9	10	9	9	6	6	5	7	9
Equity per share, SEK	263	238	140	131	127	124	125	124	124	118
Closing market price, B, SEK	394	285	175	218	164	131	133	117	96	99
Average listed price for year, B, SEK	310	220	213	186	141	132	118	99	93	101
Highest market price for year, B, SEK	396	297	240	218	163	153	136	118	102	126
Lowest market price for year, B, SEK	228	172	175	157	114	110	105	87	85	78
Total closing market capitalisation, '000 SEKm	64.7	46.6	29.5	36.6	27.4	22.3	22.3	19.7	16.2	16.6
P/E ratio ⁴⁾	32	5	13	22	19	39	25	28	9	4
EV/EBITDA ^{3) 5)}	19	14	9	13	10	11	9	10	8	7
Closing beta value (48 months), B, at year-end ⁶⁾	0.77	0.77	0.74	0.74	0.72	0.68	0.71	0.67	0.67	0.67
Number of shareholders at year-end	48 104	38 904	33 573	30 903	28 159	28 176	27 788	27 692	28 440	28 899

1) See page 94: Definitions & 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	2020	2019
Net sales	2	16 327	16 959
Other operating income	3	1 339	1 370
Change in inventories		-88	-220
Raw materials and consumables		-8 781	-9 398
Personnel costs	4	-2 411	-2 316
Other operating costs	5	-3 310	-3 597
Change in value of biological assets	9	579	9 566
Depreciation/amortisation according to plan	10, 11, 12	-1 172	-1 141
Impairment losses	13	-	-109
Profit/loss from investments in associates and joint ventures	13	-6	0
Operating profit		2 479	11 115
Financial income	6	11	13
Financial costs	6	-53	-47
Earnings before tax		2 437	11 081
Tax	7	-458	-2 351
Profit/loss for the year		1 979	8 731
Attributable to:			
Owners of the parent company		1 979	8 731
Earnings per share (SEK)	8		
basic		12.2	52.6
diluted		12.2	52.6
Average number of shares (million)	8		
basic		161.9	166.1
diluted		161.9	166.1

Operating profit for 2020 amounted to SEK 2 479 million (2019: 11 115). Lower production costs in Paperboard and higher wood product prices had a positive impact on earnings, though this effect was offset by price decreases and production curtailments in Paper. In 2019, the operating profit for the year included SEK 8 770 million in items affecting comparability. Operating profit excluding items affecting comparability in 2019 totalled SEK 2 345 million.

Net financial items totalled SEK -42 million (-34). Net debt totalled SEK 4 181 million (3 784) at year-end.

Tax recognised totalled SEK -458 million (-2 351), corresponding to 19 per cent (21) of profit before tax.

Statement of comprehensive income, SEKm	Note	2020	2019
Profit/loss for the year		1 979	8 731
Other comprehensive income			
Revaluation of forest land	9	1 173	13 055
Revaluations of defined benefit pension plans	18	-15	14
Tax attributable to items that will not be reclassified to profit/loss for the year	7	-239	-2 687
Total items that will not be reclassified to profit/loss for the year		920	10 382
Cash flow hedges			
Revaluation		380	-277
Transferred from equity to the income statement		-105	247
Transferred from equity to non-current assets		-2	-7
Translation difference on foreign operations		-187	141
Hedging of currency risk in foreign operations		29	-2
Share in joint ventures' other comprehensive income	13	16	-6
Tax attributable to items that will be reclassified to profit/loss for the year	7	-61	8
Total items that will be reclassified to profit/loss for the year		69	105
Total other comprehensive income after tax		989	10 487
Total comprehensive income		2 968	19 218
Attributable to:			
Owners of the parent company		2 968	19 218

Balance sheet at 31 December, SEKm	Note	2020	2019
Non-current assets			
Forest assets			
Biological assets	9	28 663	27 979
Forest land	9	14 538	13 366
Non-current intangible assets	10	555	70
Property, plant and equipment	11	9 226	8 906
Right-of-use assets	12	284	183
Investments in associates and joint ventures	13	1 717	1 620
Other shares and participations	13	2	1
Non-current financial receivables	14	290	452
Deferred tax assets	7	1	1
Total non-current assets		55 276	52 579
Current assets			
Inventories	15	3 594	3 460
Trade receivables	16	2 015	2 005
Current tax receivable	8	6	0
Other operating receivables	16	1 262	799
Current financial receivables	14	43	14
Cash and cash equivalents	14	346	483
Total current assets		7 267	6 761
Total assets		62 543	59 340
Equity			
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		11 541	10 540
Retained earnings incl. profit/loss for the year		26 457	25 052
Total equity attributable to owners of the parent company		42 516	40 111
Non-current liabilities			
Non-current financial liabilities	14	3 919	2 018
Non-current liabilities relating to right-of-use assets		175	171
Pension provisions	18	48	46
Other provisions	19	491	637
Deferred tax liabilities	7	10 570	10 299
Total non-current liabilities		15 203	13 171
Current liabilities			
Current financial liabilities	14	605	2 485
Current liabilities relating to right-of-use assets		112	13
Trade payables	20	2 496	2 259
Current tax liability	7	211	112
Provisions	19	163	158
Other operating liabilities	20	1 235	1 030
Total current liabilities		4 824	6 058
Total liabilities		20 026	19 229
Total equity and liabilities		62 543	59 340

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 surplus		
Opening equity balance 1 Jan 2019	4 238	281	-48	118	-	18 865	23 453
Profit/loss for the year	-	-	-	-	-	8 731	8 731
Other comprehensive income							
Revaluation of forest land	-	-	-	-	13 055	-	13 055
Revaluation of defined benefit pension plans	-	-	-	-	-	14	14
Cash flow hedges	-	-	-	-37	-	-	-37
Translation difference on foreign operations	-	-	141	-	-	-	141
Hedging of currency risk in foreign operations	-	-	-2	-	-	-	-2
Share in joint ventures' other comprehensive income	-	-	-	-6	-	-	-6
Tax attributable to other comprehensive income	-	-	0	8	-2 689	2	-2 679
Total other comprehensive income	-	-	140	-35	10 366	17	10 487
Total comprehensive income	-	-	140	-35	10 366	8 747	19 218
Dividend paid	-	-	-	-	-	-1 134	-1 134
Buy-backs of treasury shares	-	-	-	-	-	-1 430	-1 430
Share savings programme	-	-	-	-	-	4	4
Closing equity balance 31 Dec 2019	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

Cash flow statement, SEKm	Note	2020	2019
Operating activities			
Earnings before tax	25	2 437	11 081
Adjustments for non-cash items			
Depreciation/amortisation according to plan		1 172	1 141
Impairment losses		-	109
Change in value of biological assets		-579	-9 566
Change in provisions		-95	86
Other*		46	22
Income tax paid		-569	-147
Cash flow from operating activities before changes in working capital		2 411	2 727
Cash flow from changes in working capital			
Change in inventories		195	210
Change in trade receivables and other operating receivables		-44	-135
Change in trade payables and other operating liabilities		-105	83
Cash flow from operating activities		2 457	2 884
Investing activities			
Acquisition of property, plant and equipment		-1 032	-1 024
Disposal of property, plant and equipment		12	21
Acquisition of non-current intangible assets		-7	-14
Investments in and acquisition of biological assets		-128	-9
Disposal of biological assets		69	0
Acquisition of shares and participations		-839	-25
Repayment of non-current financial receivables		141	36
Cash flow from investing activities		-1 783	-1 015
Financing activities			
Raised long-term borrowings		1 900	1 000
Repayments of long-term borrowings**		-	-500
Change in current financial liabilities	25	-2 144	385
Change in current financial receivables		3	13
Buy-backs of treasury shares		-	-1 430
Dividend paid to owners of the parent company		-567	-1 134
Cash flow from financing activities		-808	-1 665
Cash flow for the year		-133	204
Cash and cash equivalents at beginning of year		483	278
Exchange difference on cash and cash equivalents		-4	1
Cash and cash equivalents at end of year		346	483

*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.

**Refers to repayments of loans that were long-term loans when raised.

Change in net financial debt, SEKm	2020	2019
Opening net financial debt	-3 784	-2 807
New IFRS 16 Leases accounting policy	-	-205
Business combination	-187	-
Cash flow		
Operating activities	2 457	2 884
Investing activities (excl. non-current financial receivables)	-1 924	-1 050
Share buy-backs	-	-1 430
Dividend paid	-567	-1 134
Liabilities arising from new right-of-use agreements	-163	-76
Revaluations of defined benefit pension plans	-15	12
Foreign exchange effects and changes in fair value	1	21
Closing net financial debt	-4 181	-3 784

Income statement, SEKm	Note	2020	2019
Net sales	2	14 187	15 004
Other operating income	3	690	706
Change in inventories		-119	-114
Raw materials and consumables		-7 285	-7 834
Personnel costs	4	-1 942	-1 887
Other external costs	5	-5 150	-5 449
Depreciation/amortisation according to plan	10, 11	-48	-44
Operating profit		332	382
Profit/loss from investments in Group companies	6, 23	199	231
Profit/loss from investments in associates	6, 13	-	-185
Interest income and similar income	6	24	30
Interest expense and similar costs	6	-23	-53
Profit/loss after financial items		531	404
Appropriations	24	1 804	1 936
Earnings before tax		2 336	2 340
Tax	7	-417	-493
Profit/loss for the year		1 919	1 847

Statement of comprehensive income, SEKm	Note	2020	2019
Profit/loss for the year		1 919	1 847
Other comprehensive income			
Cash flow hedges			
Revaluation		372	-291
Transferred from equity to the income statement		-97	264
Transferred from equity to non-current assets		-2	-7
Tax attributable to other comprehensive income	7	-55	7
Total items that will be reclassified to profit/loss for the year		218	-27
Total comprehensive income		2 137	1 820

The parent company includes Holmen's Swedish operations, with the exception of the majority of the non-current assets and 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 29 million (-2).

Cash flow statement, SEKm	Note	2020	2019
Operating activities			
Profit/loss after financial items		531	404
Adjustments for non-cash items			
Depreciation/amortisation according to plan		48	44
Impairment losses		95	-
Change in provisions		-50	87
Other*		22	-6
Income tax paid		-440	-74
Cash flow from operating activities before changes in working capital		206	455
Cash flow from changes in working capital			
Change in inventories		187	56
Change in operating receivables		96	-129
Change in operating liabilities		-171	134
Cash flow from operating activities		319	516
Investing activities			
Acquisition of property, plant and equipment		-72	-73
Disposal of property, plant and equipment		6	8
Repayment of non-current financial receivables		141	36
Acquisition of shares and participations		-918	-210
Disposal of shares and participations		-	109
Cash flow from investing activities		-842	-135
Financing activities			
Raised long-term borrowings		1 900	1 000
Repayments of external long-term borrowings**		-	-500
Change in other financial liabilities	25	-1 941	475
Change in other financial receivables		-1 549	-1 190
Dividend paid to owners of the parent company		-567	-1 134
Buy-backs of treasury shares		-	-1 430
Group contributions received		2 513	2 572
Group contributions paid		-1	-2
Cash flow from financing activities		355	-208
Cash flow for the year		-168	173
Cash and cash equivalents at beginning of year		403	230
Cash and cash equivalents at end of year		236	403

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

**Refers to repayments of loans that were long-term loans when raised.

Balance sheet at 31 December, SEKm	Note	2020	2019
Non-current assets			
Non-current intangible assets	10	17	24
Property, plant and equipment	11	3 038	3 008
Non-current financial assets			
Shares and participations	13, 23	11 597	10 774
Non-current financial receivables	14	3 467	2 397
Total non-current assets		18 119	16 203
Current assets			
Inventories	15	2 659	2 867
Operating receivables	16	2 442	2 364
Current tax receivable	7	-	-
Current investments	14	43	14
Cash and cash equivalents	14	236	403
Total current assets		5 379	5 648
Total assets		23 498	21 852

Balance sheet at 31 December, SEKm	Note	2020	2019
Equity	17		
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		4 394	2 894
Profit/loss for the year		1 919	1 847
Total equity		12 228	10 656
Untaxed reserves	24	2 354	1 646
Provisions			
Pension provisions	18	4	0
Other provisions	19	744	839
Deferred tax liabilities	7	657	614
Total provisions		1 405	1 454
Liabilities			
Non-current financial liabilities	14	4 083	2 480
Current financial liabilities	14	514	2 493
Current tax liabilities	7	145	105
Operating liabilities	20	2 769	3 018
Total liabilities		7 511	8 096
Total equity and liabilities		23 498	21 852

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 2019	4 238	1 577	100	162	4 805	514	11 395
Appropriation of profits	-	-	-	-	514	-514	-
Profit/loss for the year	-	-	-	-	-	1 847	1 847
Other comprehensive income							
Cash flow hedges	-	-	-	-34	-	-	-34
Tax on other comprehensive income	-	-	-	7	-	-	7
Total other comprehensive income	-	-	-	-27	-	-	-27
Total comprehensive income	-	-	-	-27	514	1 333	1 820
Dividend paid	-	-	-	-	-1 134	-	-1 134
Buy-backs of treasury shares	-	-	-	-	-1 430	-	-1 430
Share savings programme	-	-	-	-	4	-	4
Closing equity balance 31 Dec 2019	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

NOTES TO THE FINANCIAL STATEMENTS

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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.

A decision has been taken within the EU to allow Member States to defer reporting under the ESEF for one year. An amendment to the law is proposed to enter into force on 15 March 2021 with application from 1 January 2021, stating that the first reporting according to ESEF will take place beginning with the annual report for 2021. Consequently, Holmen AB will not prepare an annual report for 2020 in accordance with ESEF.

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 valued 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. This means that the financial statements are presented in 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 2020

New and amended IFRSs with application from 2020 do not have any material impact on the company's financial statements.

Amendments to IFRS 9 and IFRS 7 were adopted on 15 January 2020 as a result of the Interest Rate Benchmark Reform. The amendments provide temporary exceptions from the application of specific requirements for hedge accounting for hedging relationships that are directly impacted by this reform. The exceptions apply to hedge accounting so that companies should not have to discontinue hedging relationships due to uncertainty concerning the reform. The amendments are to be applied as of 1 January 2020. For such currencies where the reference rate 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. Consequently, the reform is not expected to have any material impact on the Group's financial statements. See also Note 14.

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 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 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 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 Timber 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 rights of return, or volume or cash discounts. All returns relating to defective goods are recognised as they arise. 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.

Through the acquisition of Martinsons on 1 October 2020, the Group's operations also include wood construction solutions. Income from this activity is treated as a commercial construction contract and reported over time, based on hours worked in relation to the total estimated working hours of the project. Projects usually do not extend beyond twelve months. 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.

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 - 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 44–45.

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 recognised 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 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 12 months or less 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 unrecognised costs relating to employment in previous periods 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 the benefits provided by a plan are improved, the proportion of the improvement in the benefit that is attributable to the employees' employment during earlier periods is recognised as a cost in the income statement and is distributed on a straight-line basis over the average period until the benefits have been fully earned. If the benefit has been earned in full, a cost is recognised directly in the income statement. 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.

Note 1

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 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

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/amortisation according to plan	-55	-554	-381	-124	-27	-31	-	-1 172
Share of profits of associates	-	-	-	-	-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
Poland	-	397	321	0	-	-	-	718
Rest of Europe	8	1 352	1 250	411	-	-	-	3 022
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

	Group		Parent company	
	2020	2019	2020	2019
Net sales by market				
Sweden	4 197	4 084	4 382	4 045
Germany	2 115	2 244	1 707	1 849
UK	1 830	1 958	1 253	1 224
France	816	910	647	758
Italy	805	938	716	854
Poland	718	719	488	527
Rest of Europe	3 022	3 050	2 332	2 184
Asia	1 940	1 765	1 841	1 714
Rest of the world	884	1 291	820	1 847
Total	16 327	16 959	14 187	15 004

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

	Group		Parent company	
	2020	2019	2020	2019
Non-current assets per country				
Sweden	53 657	50 532	14 652	13 806
UK	1 321	1 587	-	-
Other	4	5	-	-
Total	54 983	52 124	14 652	13 806

Sales of consumer paperboard and pulp are made within the Paperboard business area, while book and magazine paper and newsprint are attributable to the Paper business area. Spruce and pine products, as well as wood construction solutions, are sold within the Wood Products business area. Wood is sold by the Forest business area and electricity by the Renewable Energy business area.

The Forest business area manages the Group's forests, which cover just over one million hectares. The annual volume in 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. Generation in a normal year amounts to 1.2 TWh of electricity. The business areas are also responsible for the Group's supply of wood and electricity in Sweden.

	Group		Parent company	
	2020	2019	2020	2019
Net sales by product area				
Consumer paperboard	6 001	5 969	3 861	3 596
Pulp	187	260	293	369
Book and magazine paper	4 381	5 058	4 381	4 976
Newsprint	498	699	498	699
Wood products, pine	1 035	904	863	904
Wood products, spruce	1 080	789	948	789
Wood construction solutions	107	-	-	-
Wood	2 664	2 913	2 656	2 909
Electricity	330	350	330	350
Other	45	17	358	411
Total	16 327	16 959	14 187	15 004

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 2020, the Group produced 0.6 million tonnes of paperboard and 0.9 million tonnes of paper. Production of sawn wood products totalled 1.0 million m³, including 0.1 million m³ from the wood products company Martinsons, which was acquired as of 1 October.

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 liabilities, 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 2. Operating segment reporting, cont.

2019	Forest	Paperboard	Paper	Wood Products	Renewable Energy	Group-wide and other	Eliminations	Total Group
Net sales								
External	2 913	6 229	5 757	1 695	367	-	-	16 959
Internal	3 372	-	-	-	11	-	-3 384	-
Other operating income	191	839	185	351	102	224	-521	1 370
Operating costs	-5 747	-6 072	-5 051	-1 887	-118	-562	3 905	-15 531
Change in value of biological assets	9 566	-	-	-	-	-	-	9 566
Depreciation/amortisation according to plan	-45	-562	-382	-97	-26	-29	-	-1 141
Impairment losses	-	-	-	-	-109	-	-	-109
Share of profits of associates	-	-	-	1	0	-	-	0
Operating profit	10 250	435	509	62	227	-368	-	11 115
Operating profit/loss excluding items affecting comparability*	1 172	435	509	62	336	-168	-	2 345
Operating margin excluding items affecting comparability, %	19	7	9	4	89	-	-	14
Return on capital employed, excluding items affecting comparability, %	8	8	24	6	11	-	-	9
Operating assets	43 127	7 403	3 007	1 232	3 521	546	-445	58 390
Operating liabilities	-1 719	-880	-741	-193	-127	-982	445	-4 196
Net deferred tax	-8 690	-935	-363	-39	-335	64	-	-10 298
Capital employed	32 718	5 589	1 903	1 000	3 058	-372	-	43 895
Acquisition of non-current assets	77	421	187	162	203	21	-	1 071
External net sales by market								
Sweden	2 909	79	280	450	367	-	-	4 084
Germany	-	1 356	883	4	-	-	-	2 244
UK	-	872	669	418	-	-	-	1 958
Italy	-	302	634	3	-	-	-	938
France	-	424	486	0	-	-	-	910
Poland	-	351	367	0	-	-	-	719
Rest of Europe	5	1 286	1 421	339	-	-	-	3 050
Asia	-	941	658	166	-	-	-	1 765
Rest of the world	-	618	359	314	-	-	-	1 291
Total	2 913	6 229	5 757	1 695	367	-	-	16 959

*Items affecting comparability refer to the revaluation of biological assets within Forest (SEK 9 079 million), an impairment loss of an associate within Renewable Energy (SEK -109 million) and increased provisions for environmental restoration (SEK -200 million), recognised centrally within the Group.

Note 3. Other operating income

	Group		Parent company	
	2020	2019	2020	2019
Certificates, renewable energy	457	510	12	31
Sales of by-products	411	371	291	272
Rent and land lease income	94	54	49	51
Emission allowances	85	86	83	87
Silviculture contracts	80	70	80	70
Sales of non-current assets	59	15	6	7
Other	153	265	170	187
Total	1 339	1 370	690	706

Of the sales of by-products in the Group, SEK 118 million (111) relates to rejects from production, SEK 186 million (132) to wood shavings, bark and chips, as well as SEK 108 million (127) to external sales of energy.

Income from renewable energy certificates received from the production of renewable energy at the Group's mills amounted to SEK 457 million (510), of which SEK 445 million (479) refers to the UK.

The Group has been allotted emission allowances that have been used partly within its own production. The surplus resulted in a gain of SEK 85 million (86).

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

	Group		Parent company	
	2020	2019	2020	2019
Wages, salaries and social security costs				
Wages, salaries and other remuneration	1 694	1 625	1 326	1 300
Social security costs	679	633	577	543

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 below 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. For each savings share invested, half a matching share will be allocated after the expiry of the vesting period provided that Holmen's total shareholder return is positive over the duration of the programme. In addition, performance shares may be allocated, depending on the level of the Group's return on capital employed. The maximum number of performance shares varies depending on the participant's position and amounts to 3–6 shares per savings share. The assignment of matching and performance shares requires participants to have been full-time employees within the Holmen Group and to have 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 151 000. Total costs for the programme are estimated at SEK 11 million. Costs of SEK 5 million have been recognised for 2020.

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 2020, fees to the Board amounted to SEK 3 195 000 (3 195 000). The chairman of the Board received a fee of SEK 710 000 (710 000), and each of the other seven (seven) members received SEK 355 000 (355 000).

Senior management

Salary and other benefits for the CEO in 2020 amounted to SEK 9 783 332 (16 404 506), of which SEK 0 (7 341 506) relates to the value of shares allocated under the share savings programme. No variable remuneration was paid besides the allocation under the share savings programme. The total pension cost for the CEO, calculated in accordance with IAS 19, amounted to SEK 5 647 641 (5 193 543). Recognised wages and salaries for the share savings programmes for the CEO amounted to SEK 577 836 (809 752).

In 2020, 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 29 066 025 (37 499 766) in 2020, of which SEK 0 (10 964 132) relates to the value of shares allocated under the share savings programme. No variable remuneration was paid besides the allocation under the share savings programme. The total pension cost for this group, calculated in accordance with IAS 19, amounted to SEK 11 795 571 (11 566 102) in 2020. Recognised wages and salaries for the share savings programmes for this group amounted to SEK 1 802 587 (1 446 961).

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 29 million (23) at 31 December 2020 and for other members of senior management to SEK 31 million (26), calculated in accordance with IAS 19. The pension obligations are secured using plan assets managed by an independent pension fund.

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

	Average no. of employees (FTE)	Of which women	Of which men	Average no. of employees (FTE)	Of which women	Of which men
	2020			2019		
Parent company						
Sweden	2 316	462	1 854	2 349	445	1 904
Group companies						
France	12	6	6	12	5	7
Netherlands	76	41	35	73	39	34
UK	377	41	336	409	45	363
Sweden	123	17	106	-	-	-
Germany	22	8	14	23	8	15
US	12	4	8	13	5	8
Other countries	35	15	20	36	15	21
Total Group companies	658	132	526	566	118	448
Total Group	2 974	594	2 380	2 915	562	2 352

	Group		Parent company	
Proportion of women, %	2020	2019	2020	2019
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 KPMG was elected by the 2020 AGM as Holmen's auditors for a period of one year. KPMG audits Holmen AB and almost all of its subsidiaries.

	Group		Parent company	
Remuneration to KPMG	2020	2019	2020	2019
Audit assignments	7	7	4	5
Tax advice	0	1	0	1
Total	7	7	5	5
Other auditors	0	0	-	-
Total	7	7	5	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	
Financial income	2020	2019	2020	2019
Dividend income from Group companies	-	-	284	148
Dividends from associates	0	0	-	-
Gains on sales of Group companies	-	0	10	82
Gains on sales of associates	0	-	0	-
Interest income*	11	13	24	30
Total financial income	11	13	318	261

*SEK 11 million (12) relates to interest income calculated using the effective interest rate method from financial items valued at amortised cost.

	Group		Parent company	
Financial costs	2020	2019	2020	2019
Impairment losses on value of shares in Group companies	-	-	-95	-
Impairment losses on value of shares in associates	-	-	-	-185
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss	15	-28	43	-29
Cash and cash equivalents	6	-3	6	-3
Assets and liabilities measured at amortised cost	-22	29	-21	29
Total net profit/loss	-2	-2	28	-4
Interest expense attributable to right-of-use liabilities	-5	-4	-	-
Interest expense*	-47	-41	-52	-50
Financial costs	-53	-47	-118	-238
Net financial items	-42	-34	199	22

*SEK -7 million (-18) in the Group and parent company relates to interest expense for derivatives valued at fair value through other comprehensive income. SEK -2 million (-4) 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 44–45.

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

	Group		Parent company	
	2020	2019	2020	2019
Exchange gains/losses on trade receivables and trade payables	48	336	45	343
Net gain/loss on derivatives stated in working capital	-98	-250	-80	-265

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 2020 amounted to SEK -16 million (-419), with the remainder being recognised in other comprehensive income as hedge accounting is applied. The fair value of outstanding currency hedges at 31 December 2020 was SEK 466 million (-27).

Gains/losses on financial electricity hedges are recognised in the income statement when they expire; for 2020 they totalled SEK -82 million (172). The fair value of outstanding financial electricity hedges at 31 December 2020 was SEK 14 million (206). 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 -35 million (4) at 31 December 2020. In 2020 there was an impact of SEK -2 million on the cost of hedged items owing to results from hedging.

Results from hedging of foreign net assets amounted to SEK 29 million (-2) in 2020 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 -187 million (141) on consolidated equity. The fair value of outstanding hedges of net assets at 31 December 2020 was SEK 7 million (3) and relates to financial derivatives.

The fair value of the derivatives used to manage the fixed interest periods amounted to SEK -3 million (-6) at 31 December 2020, which was recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement in 2021 and later.

Note 7. Tax

	Group		Parent company	
Taxes stated in income statement	2020	2019	2020	2019
Current tax	-517	-582	-429	-506
Deferred tax	59	-1 769	12	13
Total	-458	-2 351	-417	-493

Tax recognised totalled SEK -458 million, corresponding to 19 per cent of profit before tax. In 2019, tax recognised was affected by SEK -1 870 million from a change in the accounting of forest assets.

	Group				Parent company			
	2020		2019		2020		2019	
Taxes stated in income statement	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit/loss before tax	2 437		11 081		2 336		2 340	
Tax at applicable rate	-521	21.4	-2 371	21.4	-500	21.4	-501	21.4
Difference in tax rate in foreign operations	9	-0.4	2	0.0	0	0.0	0	0.0
Tax-exempt income	7	-0.3	23	-0.2	64	-2.7	70	-3.0
Non-tax-deductible costs	-19	0.8	-29	0.3	-24	1.0	-45	1.9
Standard interest on tax allocation reserve	-2	0.1	-1	0.0	-2	0.1	-1	0.0
Effect of unstated loss carry-forwards and temporary differences	0	0.0	0	0.0	0	0.0	0	0.0
Tax attributable to previous periods	60	-2.4	-6	0.1	45	-1.9	0	0.0
Change to tax rate on deferred tax assets/liabilities	5	-0.2	62	-0.6	0	0.0	0	0.0
Other	4	-0.2	-30	0.3	0	0.0	-16	0.7
Effective tax	-458	18.8	-2 351	21.2	-417	17.9	-493	21.1

	Group						Parent company					
	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
Tax attributable to other comprehensive income	2020			2019			2020			2019		
Cash flow hedges	273	-55	218	-37	8	-29	272	-55	218	-34	7	-27
Share in joint ventures' other comprehensive income	16	-	16	-6	-	-6	-	-	-	-	-	-
Translation difference on foreign operations	-187	-	-187	141	-	141	-	-	-	-	-	-
Hedging of currency risk in foreign operations	29	-6	23	-2	0	-1	-	-	-	-	-	-
Revaluations of forest land	1 173	-242	932	13 055	-2 689	10 366	-	-	-	-	-	-
Revaluations of defined benefit pension plans	-15	3	-12	14	2	16	-	-	-	-	-	-
Other comprehensive income	1 289	-300	989	13 166	-2 679	10 487	272	-55	218	-34	7	-27

	Group		Parent company	
Taxes as stated in balance sheet	2020	2019	2020	2019
Tax receivables				
Deferred tax asset	1	1	-	-
Current tax receivable	6	0	-	-
Total tax receivables	7	2	-	-
Deferred tax liabilities				
Non-current assets				
Biological assets	5 901	5 746	-	-
Forest land	2 939	2 697	595	595
Property, plant and equipment	1 063	1 434	2	2
Tax allocation reserve	509	359	-	-
Transactions subject to hedge accounting	92	37	91	37
Other, including deferred tax assets stated net among deferred tax liabilities	66	27	-32	-19
Deferred tax liabilities	10 570	10 299	657	614
Current tax liability	211	112	145	105
Total tax liabilities	10 780	10 411	802	719

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	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

	Group						Parent company			
	Opening balance	Stated in the income statement	Stated in other comprehensive income	Translation differences and other		Closing balance	Opening balance	Stated in the income statement	Stated in other comprehensive income	Closing balance
2019										
Biological assets	-3 773	-1 973	-	-	-	-5 746	-	-	-	-
Forest land	-8	-	-2 689	-	-	-2 697	-594	-1	-	-595
Property, plant and equipment	-1 746	324	-	-12	-	-1 434	-2	-	-	-2
Tax allocation reserve	-225	-134	-	-	-	-359	-	-	-	-
Transactions subject to hedge accounting	-44	-	8	-	-	-37	-44	-	7	-37
Other	-42	13	2	1	-	-26	6	13	-	19
Deferred net tax liability	-5 838	-1 769	-2 679	-11	-10 298	-635	13	7	-614	

The Group's deferred tax liability for forest assets (biological assets and forest land) amounts to SEK 8 840 million (8 442) and is calculated based on the difference between book value SEK 43 201 million (41 345) and taxable cost SEK 315 million (363). 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 -242 million (-2 689) and hedge reserve of SEK -55 million (8).

In 2020 the Group's Spanish companies were liquidated. Holmen is considering applying group relief in the parent company related to the companies' tax losses. No deferred tax asset has been recognised for these losses. There are no other loss carry-forwards of significance in the Group.

Note 8. Earnings per share

	Group	
	2020	2019
Total number of shares outstanding, 1 January	161 925 685	167 992 324
Buy-back of treasury shares during the year	-	- 6 235 436
Share savings programme allocation	-	168 797
Total number of shares outstanding, 31 December	161 925 685	161 925 685
Shareholders' share of profit/loss for the year, SEKm	1 979	8 731
Basic average number of shares	161 925 685	166 097 996
Basic EPS for the year, SEK	12.2	52.6
Shareholders' share of profit/loss for the year, SEKm	1 979	8 731
Diluted average number of shares	161 925 685	166 097 996
Diluted EPS for the year, SEK	12.2	52.6

The share savings programme approved by the 2019 AGM may entail allocation of up to 151 000 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 owns a total of 1 303 000 hectares of land, of which 1 043 000 hectares are productive forest land. 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 valuation is based on detailed data about transactions and pricing statistics published by different market operators over the past three years. Account is taken 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 volume of standing timber is estimated at 124 million cubic metres growing stock, solid over bark, based on the inventory conducted in 2019 and taking into account subsequent growth and harvest. No value is assigned to land that is not productive forest land.

The book value of forest assets amounted to SEK 43 202 million (41 345) at 31 December 2020. The value corresponds to an average of SEK 41 420 per hectare of productive forest land. 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.

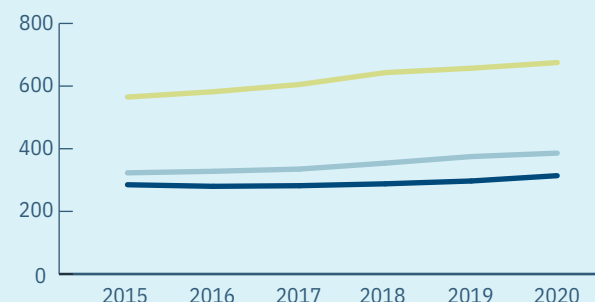
	North	Central	South	Total
Productive forest land, '000 ha	688	264	91	1 043
Volume of standing timber, mil. m ³ solid over bark	74	35	15	124

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 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 is calculated based on a long-term trend price for 2020 of SEK 457 (445)/m³sub, which is in line with currently prevailing market prices. Costs are based on the current level. 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 harvesting have not been taken into account. The book value of forest land is calculated as the difference between the total value of forest assets and 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 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 2020 totalled SEK 579 million (9 566). For 2019 this amounted to SEK 9 079 million, recognised as an item affecting comparability as a result of amended assumptions, primarily an amended discount rate. The change in fair value for forest land is recognised in other comprehensive income and totalled SEK 1 173 million (13 055). In 2019 a new accounting policy was adopted for forest land that affected the size of the change.

The future value of forest assets is governed by changes in market prices for forest properties and growth in Holmen's volume of standing timber. The following graphs show historical market prices for forest properties and the development of Holmen's volume of standing timber according to completed inventories.

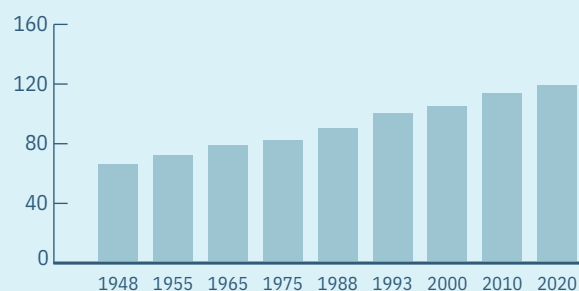
Price of forest properties, SEK/m³



■ Southern Sweden ■ Central Sweden ■ Northern Sweden

Source: Infotrader together with Holmen's calculations. Average prices based on market transactions per county weighted together based on Holmen's holdings in each region. Rolling 3-year average.

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



SEKm	Change in assumption	Change in value, before tax	
		2020	2019
Market price based on market statistics	Price change SEK 5/m ³ growing stock, solid over bark	620	615
Forest stand volume of timber	1 million m ³ growing stock, solid over bark	350	335

In 2019 and 2020, an external independent valuation was carried out for forest properties corresponding to 44 per cent of book value. The external valuation exceeds the book value by an average of 4 per cent.

The inventory conducted in 2019 is a random sample inventory of forest holdings with an estimated standard error of 1.3 per cent.

Group	Forest assets		Biological assets		Of which Forest land	
	2020	2019	2020	2019	2020	2019
Book value at start of year	41 345	18 701	27 979	18 400	13 366	301
Acquisitions	9	16	0	9	9	7
Disposal	-22	-3	-16	-3	-6	-
Investment in reforestation	128	-	128	-	-	-
Change due to harvesting	-691	-665	-691	-665	-	-
Unrealised change in fair value	2 444	23 286	1 271	10 231	1 173	13 055
Other changes	-12	10	-8	7	-4	3
Book value at end of year	43 202	41 345	28 663	27 979	14 538	13 366

The acquisition cost of forest land amounted to SEK 310 million at 31 December 2020.

Note 10. Non-current intangible assets

Group	Group						Parent company	
	Goodwill		Other intangible assets		Total		Non-current intangible assets	
	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated acquisition costs								
Opening balance	-	-	225	231	225	231	68	81
Business combination	355	-	140	-	495	-	-	-
Investments	-	-	7	12	7	12	-	5
Disposal and retirement of assets	-	-	-2	-18	-2	-18	-	-18
Translation differences	-	-	0	1	0	1	-	-
Total	355	-	370	225	725	225	68	68
Accumulated amortisation, depreciation and impairment losses								
Opening balance	-	-	155	163	155	163	44	56
Depreciation/amortisation for the year	-	-	17	10	17	10	6	6
Disposal and retirement of assets	-	-	-2	-18	-2	-18	-	-18
Translation differences	-	-	0	1	0	1	-	-
Total	-	-	170	155	170	155	50	44
Residual value according to plan at end of year	355	-	200	70	555	70	17	24

The goodwill recognised in conjunction with the acquisition of Martinsons in 2020 relates to the Wood Products business area, see Note 26. 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 impairment test performed in 2020 is based on analyses of margin and volume growth made in connection with the acquisition. 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 acquisition of Martinsons SEK 134 million (0), right-of-use relating to certain energy assets SEK 49 million (46) and IT systems SEK 10 million (16).

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

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	
	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated acquisition costs								
Opening balance	5 934	5 695	29 050	28 573	244	80	35 229	34 348
Business combination	475	-	866	-	134	-	1 475	-
Investments	79	195	549	657	397	208	1 025	1 060
Reclassifications	7	10	89	36	-96	-46	-	-
Disposal and retirement of assets	-1	-9	-416	-534	-	-	-417	-543
Translation differences	-53	43	-399	318	-2	3	-454	364
Total	6 441	5 934	29 739	29 050	676	244	36 858	35 229
Accumulated amortisation, depreciation and impairment losses								
Opening balance	3 549	3 418	22 773	22 154	-	-	26 323	25 572
Business combination	348	-	646	-	-	-	994	-
Depreciation and amortisation according to plan for the year	110	100	949	934	-	-	1 059	1 034
Reclassifications	-	13	-	-13	-	-	-	-
Disposal and retirement of assets	0	-9	-414	-528	-	-	-414	-537
Translation differences	-36	27	-294	227	-	-	-330	254
Total	3 971	3 549	23 660	22 773	-	-	27 632	26 323
Residual value according to plan at end of year	2 471	2 385	6 078	6 277	676	244	9 226	8 906

*Other land refers to land other than forest land.

	Forest land		Buildings, other land* and land installations		Machinery and equipment		Work in progress and advance payments to suppliers		Total	
Parent company	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated acquisition costs										
Opening balance	474	469	177	166	260	243	17	8	928	886
Investments	4	5	9	5	52	46	7	17	72	72
Reclassifications	-	-	4	6	9	1	-13	-8	-	-
Disposal and retirement of assets	-	-	-	-	-18	-30	-	-	-18	-30
Total	478	474	190	177	303	260	10	17	982	928
Accumulated depreciation and amortisation according to plan										
Opening balance	-	-	136	133	173	168	-	-	309	301
Depreciation and amortisation according to plan for the year	-	-	4	3	38	35	-	-	42	38
Disposal and retirement of assets	-	-	-	-	-18	-30	-	-	-18	-30
Total	-	-	139	136	193	173	-	-	333	309
Accumulated revaluations										
Opening balance	2 388	2 388	1	1	-	-	-	-	2 389	2 389
Disposal and retirement of assets	-	-	-	-	-	-	-	-	-	-
Total	2 388	2 388	1	1	-	-	-	-	2 389	2 389
Residual value according to plan at end of year	2 866	2 862	51	42	111	87	10	17	3 038	3 008

*Other land refers to land other than forest land.

For forest assets in the Group see Note 9. The Group's investment commitments relating to approved and ongoing projects amounted to SEK 1 304 million (1 841) at 31 December 2020, the majority of which is attributable to the Blåbergsliden Wind Farm. In 2020, capitalised borrowing costs totalled SEK 2 million (3). An interest rate of 1.2 per cent (1.1) was used to determine the amount.

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

	Buildings		Machinery and equipment		Total	
Group	2020	2019	2020	2019	2020	2019
Accumulated acquisition costs						
Value at start of year	167	-	113	-	281	-
Amended accounting policy	-	143	-	62	-	205
Business combination	3	-	32	-	35	-
Additional right-of-use agreements	82	24	80	51	162	75
Completed leases	-17	0	-36	0	-53	0
Total	235	167	188	113	424	281
Accumulated depreciation and amortisation						
Value at start of year	42	-	56	-	98	-
Depreciation/amortisation for the year	38	42	58	56	96	98
Completed leases	-17	0	-36	0	-53	0
Total	63	42	78	56	141	98
Value at end of year	172	126	111	57	284	183

Buildings

The Group leases a number of 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 leasing period for such assets is normally 2 to 5 years.

Amounts recognised in profit/loss

	2020	2019
Depreciation/amortisation	96	98
Interest expense	5	4
Costs related to current lease liabilities	2	2
Costs related to low-value leases	0	0
Costs related to variable leases	0	2
Total	102	106

In 2020 the Group's payments attributable to leases amounted to SEK 102 million (104). 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	
Profit/loss from associates and joint ventures	2020	2019
Recognised in profit/loss for the year	-6	0
Stated in other comprehensive income	16	-6
Total comprehensive income	10	-6

Associates and joint ventures

	Associates				Joint ventures				Total			
	Group		Parent company		Group		Parent company		Group		Parent company	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Book value at start of year	1 620	1 626	87	114	0	113	0	185	1 620	1 740	87	299
Business combination	13	-	-	-	-	-	-	-	13	-	-	-
Investments	10	25	-	-	64	-	64	-	74	25	64	-
Disposals	-	-29	-	-26	-	-	-	-	-	-29	-	-26
Share of earnings	-1	-1	-	-	11	-5	-	-	10	-6	-	-
Translation difference	-	-	-	-	0	0	-	-	0	0	-	-
Impairment losses	-	-	-	-	-	-109	-	-185	-	-109	-	-185
Other	-	-	-	-	0	0	-	-	0	0	-	-
Book value at end of year	1 642	1 620	87	87	75	0	64	0	1 717	1 620	151	87

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	Book value in the parent company	Holding %*	Value of holding in consolidated accounts	Book value in the parent company
Associates					2020			2019	
Harrsele AB	556036-9398	Vännäs	9 886	49.4	1 493	-	49.4	1 484	-
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.8	85	85	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	16	2	36.0	15	2
Rebio AB	556594-3015	Umeå	2 014	40.3	10	-	-	-	-
Other associates					1	0		0	0
					1 642	87		1 620	87
Joint venture									
Varsvik AB	556914-9833	Stockholm	250	50.0	75	64	50.0	0	0
Total					1 717	151		1 620	87

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

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 associate only earns 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 1 493 million (1 484). Holmen purchased 568 GWh (476) of electrical power from Harrsele AB in 2020, giving Holmen an operating profit of SEK 112 million (133) 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 140 million (122). The company's shareholders made a shareholders contribution during the year of SEK 20 million (25).

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.

	Group		Parent company	
Other shares and participations	2020	2019	2020	2019
Book value at start of year	1	1	0	0
Investments	0	-	-	-
Disposals	0	-	0	-
Translation difference	0	0	-	-
Impairment losses	-	-	-	-
Book value at end of year	2	1	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 liability (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 44–45. SEK 514 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 489 million (147). Assets and liabilities are not offset in the report. Recognised derivatives totalled SEK 577 million (326) on the asset side and SEK -88 million (-179) on the liability side.

The ongoing reference rate 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 reference rate 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 44–45 and Note 6 on page 62.

Group

Maturity structure, undiscounted amounts	2021	2022	2023	2024	2025–
Financial liabilities					
Derivatives	-9	-4	-2	-2	-3
Derivatives attributable to working capital	-66	-2	-7	0	-
Trade payables	-2 496	-	-	-	-
Liabilities relating to right-of-use assets*	-113	-50	-36	-29	-80
Other financial liabilities	-630	-529	-1 026	-1 023	-1 428

Financial receivables

Derivatives	18	3	2	2	3
Derivatives attributable to working capital	297	226	29	0	2
Trade receivables	2 015	-	-	-	-
Other financial receivables	380	35	36	37	200

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

Parent company

Maturity structure, undiscounted amounts	2021	2022	2023	2024	2025–
Financial liabilities					
Derivatives	-9	-4	-2	-2	-3
Derivatives attributable to working capital	-66	-2	-7	0	-
Trade payables	-1 970	-	-	-	-
Other financial liabilities	-539	-529	-1 026	-1 023	-1 422

Financial receivables

Derivatives	18	3	2	2	3
Derivatives attributable to working capital	297	226	29	0	2
Trade receivables	1 487	-	-	-	-
Other financial receivables	266	35	36	37	188

Note 14. Financial instruments, cont.

Group	Recognised at fair value through profit/loss*		Hedging instruments		Recognised at amortised cost		Total book value		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Financial instruments included in net financial debt										
Non-current financial receivables										
Derivatives	-	-	12	14	-	-	12	14	12	14
Other financial receivables	-	-	-	-	278	438	278	438	278	438
	-	-	12	14	278	438	290	452	290	452
Current financial receivables										
Accrued interest	-	-	-	-	0	0	0	0	0	0
Derivatives	16	14	-	-	-	-	16	14	16	14
Other financial receivables	-	-	-	-	27	0	27	0	27	0
	16	14	-	-	27	0	43	14	43	14
Cash and cash equivalents										
Bank balances	-	-	-	-	346	483	346	483	346	483
	-	-	-	-	346	483	346	483	346	483
Non-current liabilities										
Bonds	-	-	-	-	-3 900	-2 000	-3 900	-2 000	-3 900	-2 000
Derivatives	-	-	-14	-12	-	-	-14	-12	-14	-12
Other non-current liabilities	-	-	-	-	-5	-6	-5	-6	-5	-6
	-	-	-14	-12	-3 905	-2 006	-3 919	-2 018	-3 919	-2 018
Current liabilities										
Commercial paper programme	-	-	-	-	-500	-2 450	-500	-2 450	-500	-2 450
Derivatives	-5	-13	-	-8	-	-	-5	-21	-5	-21
Accrued interest	-	-	-	-	-9	-14	-9	-14	-9	-14
Other current liabilities	-	-	-	-	-92	0	-92	0	-92	0
	-5	-13	-	-8	-601	-2 464	-605	-2 485	-605	-2 485
Financial instruments not included in net financial debt										
Other shares and participations	2	1	-	-	-	-	2	1	2	1
Trade receivables	-	-	-	-	2 015	2 005	2 015	2 005	2 015	2 005
Derivatives (recognised among operating receivables)	36	8	513	291	-	-	550	299	550	299
Trade payables	-	-	-	-	-2 496	-2 259	-2 496	-2 259	-2 496	-2 259
Derivatives (recognised among operating liabilities)	-2	-32	-68	-115	-	-	-70	-147	-70	-147
	36	-23	445	176	-481	-254	1	-101	1	-101
Total financial instruments	48	-22	443	170	-4 336	-3 803	-3 845	-3 655	-3 845	-3 655

*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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Non-current financial receivables										
Derivatives	-	-	12	14	-	-	12	14	12	14
Receivables from Group companies	-	-	-	-	3 180	1 948	3 180	1 948	3 180	1 948
Other financial receivables	-	-	-	-	275	435	275	435	275	435
	-	-	12	14	3 455	2 384	3 467	2 397	3 467	2 397
Current financial receivables										
Accrued interest	-	-	-	-	0	0	0	0	0	0
Derivatives	16	14	-	-	-	-	16	14	16	14
Other financial receivables	-	-	-	-	27	0	27	0	27	0
	16	14	-	-	27	0	43	14	43	14
Cash and cash equivalents										
Bank balances	-	-	-	-	236	403	236	403	236	403
	-	-	-	-	236	403	236	403	236	403
Non-current liabilities										
Bonds	-	-	-	-	-3 900	-2 000	-3 900	-2 000	-3 900	-2 000
Liabilities to Group companies	-	-	-	-	-169	-468	-169	-468	-169	-468
Derivatives	-	-	-14	-12	-	-	-14	-12	-14	-12
	-	-	-14	-12	-4 069	-2 468	-4 083	-2 480	-4 083	-2 480
Current liabilities										
Commercial paper programme	-	-	-	-	-500	-2 450	-500	-2 450	-500	-2 450
Derivatives	-5	-13	-	-8	-	-	-5	-21	-5	-21
Accrued interest	-	-	-	-	-9	-14	-9	-14	-9	-14
Liabilities to Group companies	-	-	-	-	-	-8	-	-8	-	-8
Other current liabilities	-	-	-	-	0	0	0	0	0	0
	-5	-13	-	-8	-509	-2 472	-514	-2 493	-514	-2 493
Financial instruments not included in net financial debt										
Other shares and participations	0	0	-	-	-	-	0	0	0	0
Trade receivables	-	-	-	-	1 487	1 749	1 487	1 749	1 487	1 749
Derivatives (recognised among operating receivables)	38	8	515	293	-	-	553	301	553	301
Trade payables	-	-	-	-	-1 970	-2 150	-1 970	-2 150	-1 970	-2 150
Derivatives (recognised among operating liabilities)	-3	-32	-68	-118	-	-	-71	-150	-71	-150
	35	-24	447	175	-483	-400	-1	-249	-1	-249
Total financial instruments	46	-23	444	169	-1 344	-2 553	-853	-2 407	-853	-2 407

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

Note 15. Inventories

	Group		Parent company	
	2020	2019	2020	2019
Felling rights	558	600	450	592
Logs and pulpwood	369	306	331	287
Raw materials and consumables	916	890	689	675
Finished products and work in progress	1 728	1 617	1 176	1 266
Electricity certificates and emission allowances	23	47	14	47
Total	3 594	3 460	2 659	2 867

During the year impairment losses and reversal of previous impairment losses for finished stock had an effect of SEK 12 million (-36) on Group profit, while impairment losses on other stock had an effect of SEK -6 million (-13). Impairment losses and reversal of previous impairment losses for finished stock had an effect of SEK 5 million (-24) on the parent company, with impairment losses on other stock of SEK -3 million (-11).

Note 16. Operating receivables

	Group		Parent company	
	2020	2019	2020	2019
Trade receivables				
Group companies	-	-	14	102
Associates	33	44	33	44
Other	1 982	1 961	1 440	1 604
Total trade receivables	2 015	2 005	1 487	1 749
Current receivables	446	267	298	221
Derivatives	550	299	553	301
Prepayments and accrued income	266	232	104	92
Total other operating receivables	1 262	799	955	614
Total operating receivables	3 278	2 804	2 442	2 364

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 36 million (23). The provision for expected credit losses was SEK 45 million (32) at 31 December 2020. During the year, the provision decreased by SEK 16 million (-3) as a result of actual credit losses, and increased by SEK 31 million (-1) as a result of changes in the provision for anticipated or expected credit losses. At 31 December 2020, SEK 58 million (13) 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

	31 Dec 2020		
	Number	Quotient value	SEKm
Registered share capital			
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		

	31 Dec 2019		
	Number	Quotient value	SEKm
Registered share capital			
Class A	45 246 468	25	1 131
Class B	124 265 856	25	3 107
Total no. of shares	169 512 324		4 238
Holding of repurchased class B shares	-7 586 639		
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.

In 2020, 7 000 000 class B treasury shares that the company had previously repurchased were cancelled. After cancellation Holmen holds 586 639 class B shares in treasury. In conjunction with the cancellation of treasury shares a bonus issue was carried out to restore share capital. Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK 490 million (146) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK 491 million (148) 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 6 313 587 411. The Board proposes that the AGM to be held on 22 April 2021 approve a dividend of SEK 7.25 per share and an extra dividend of SEK 3.50 per share. The proposed dividend totals SEK 1 741 million. The Board also proposes that the remaining amount of SEK 4 572 886 297 be carried forward.

In the preceding year, the dividend paid was SEK 3.50 per share (SEK 567 million).

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

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 41–45.

Note 18. Pension provisions

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	
Cost recognised in profit/loss for the year	2020	2019	2020	2019
Defined benefit plans				
Personnel costs*	-11	-7	-15	10
Financial income and costs	2	0	0	0
Total defined benefit plans stated in profit/loss for the year	-9	-7	-15	10
Defined contribution plans				
Personnel costs	-136	-129	-101	-101
Total recognised in profit/loss for the year	-146	-136	-116	-92

*SEK -9 million (17) is included in the parent company relating to an item that is recognised in the Group as an actuarial revaluation in other comprehensive income.

	Group	
Cost recognised in other comprehensive income	2020	2019
Return on plan assets excl. recognised interest income	77	240
Actuarial gains and losses from changes in demographic assumptions	30	45
Actuarial gains and losses from changes in financial assumptions	-208	-205
Actuarial gains and losses from experiential adjustments	88	6
Payroll tax	-1	2
Effect of asset ceiling	-1	-73
Total recognised in other comprehensive income	-15	14

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. The assets in one trust exceed the commitment by SEK 118 million. This surplus has not been recognised as there are no offset rights. This adjustment is referred to as an asset ceiling in tables. The other trust has a deficit of SEK 24 million which will be covered over the next five years.

	Group		Parent company	
Obligations	2020	2019	2020	2019
Obligations at 1 January	-2 305	-2 063	-176	-176
Current service cost	-11	-7	-15	10
Payroll tax	1	-2	-	-
Interest expense	-42	-57	-2	-20
Actuarial gains/losses	-90	-154	-	-
Benefits paid	93	121	12	10
Exchange differences	192	-145	-	-
Obligations at 31 December	-2 161	-2 305	-182	-176

The weighted average duration is 16 years.

Of the Group's total obligations, SEK 8 million (7) refers to those that are not funded, while the rest are wholly or partially funded obligations. Of the parent company's obligations, SEK 4 million (0) are secured under the Swedish Pension Obligations Vesting Act.

	Group		Parent company	
Plan assets	2020	2019	2020	2019
Fair value of assets at 1 January	2 388	2 053	176	156
Interest income	44	57	-	-
Expected return excl. recognised interest income	77	240	-	-
Real return (parent company)	-	-	2	20
Administrative expenses	-1	-2	-	-
Contribution by employer	6	4	-	-
Benefits paid	-81	-111	-	-
Exchange differences	-201	148	-	-
Fair value of assets at 31 December	2 231	2 388	178	176
Effect of asset ceiling	-118	-130	-	-
Pension provisions, net	-48	-46	-4	0

Plan assets by type are as shown below:

	Group		Parent company	
Plan assets	2020	2019	2020	2019
Equities	1 119	1 201	81	82
Bonds	1 093	1 160	92	92
Current fixed income investments	19	27	4	0
Total	2 231	2 388	178	174

The plan assets do not include any financial instruments issued by Group companies or assets used by the Group. Of equities, 38 per cent relate to the UK, 57 per cent to the rest of Europe and the US and 5 per cent to the rest of the world. Of bonds, 42 per cent relate to government bonds and 58 per cent to corporate bonds.

	UK	
Key actuarial assumptions, Group (weighted average), %	31 Dec 2020	31 Dec 2019
Discount rate	1.3	2.0
Rate of salary increase	-	-
Rate of price inflation	3.1	3.0
	Sweden	
Key actuarial assumptions, Group, %	31 Dec 2020	31 Dec 2019
Discount rate	0.9	1.3
Rate of salary increase	2.8	3.0
Rate of price inflation	1.8	2.0

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 0.3 per cent (0.7) 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	
Sensitivity analysis	31 Dec 2020	31 Dec 2019
Discount rate (+ 0.5%)	-151	-167
Rate of salary increase (+ 0.5%)	2	2
Rate of price inflation (+ 0.5%)	112	128
Mortality (+ 1 year in life expectancy)	113	117

The Group's payments into the funded defined benefit plans in 2021 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 27 million (30) and are included among personnel costs in the income statement. Holmen's active members in the plan amounted to 665 people, which corresponds to 0.17 per cent of the plan's active members. Premiums to Alecta are expected to amount to SEK 36 million in 2021. 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 2020, Alecta's collective consolidation level was 148 per cent (148).

Note 19. Other provisions

Group	2020	2019
Book value at start of year	795	680
Business combination	75	-
Provisions during the year	53	251
Utilised during the year	-158	-124
Unutilised amount reversed during the year	-55	-14
Reclassification	-55	-
Translation differences	-1	1
Book value at end of year	654	795
Of which non-current portion of the provisions	491	637
Of which current portion of the provisions	163	158
Parent company		
Book value at start of year	839	753
Provisions during the year	194	328
Utilised during the year	-231	-230
Unutilised amount reversed during the year	-58	-12
Book value at end of year	744	839
Of which non-current portion of the provisions	489	616
Of which current portion of the provisions	255	223

Other provisions mainly relate to uncertainties associated with obligations for environmental restoration, fixed price electricity supply contracts and restructuring costs. SEK 263 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	
	2020	2019	2020	2019
Trade payables				
Group companies	-	-	22	34
Other	2 496	2 259	1 948	2 116
Total trade payables	2 496	2 259	1 970	2 150
Current liabilities				
Associates	4	4	3	3
Other	242	217	208	185
Derivatives	70	147	71	150
Accruals and deferred income	920	663	516	530
Total other operating liabilities	1 235	1 030	799	868
Total operating liabilities	3 732	3 289	2 769	3 018

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 218 million (199), discounts of SEK 82 million (74) and goods and services delivered but not yet invoiced of SEK 38 million (61).

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

Note 21. Collateral and contingent liabilities

	Group		Parent company	
Contingent liabilities	2020	2019	2020	2019
Guarantees on behalf of Group companies	-	-	210	60
Other contingent liabilities	67	96	55	83
Total	67	96	265	143

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 14 187 million (15 004), SEK 182 million (109) relates to deliveries of goods to Group companies. The parent company's purchases of goods from Group companies amounted to SEK 134 million (145). Parent company net sales also include income from the sale of silviculture services to subsidiaries for an amount of SEK 427 million (386). SEK -2 178 million (-2 299) 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 46–47). Holmen rents office premises for SEK 6 million (6) from Fastighets AB L E Lundberg,

which is a group company within L E Lundbergföretagen AB. In 2020, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 710 000 (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 355 000 (355 000).

Partly owned wind power company Varsvik AB has loans amounting to SEK 275 million (425).

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Associates	261	368	56	42	0	0	4	6	43	54
Joint venture	14	3	-	-	11	13	3	-	275	425
Parent company										
Subsidiaries	182	109	134	145	296	160	192	514	3 197	2 053
Associates	261	368	56	42	0	0	3	3	43	54
Joint venture	13	3	-	-	11	12	-	-	275	425

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

Note 23. Investments in Group companies

	Parent company	
Accumulated acquisition costs	2020	2019
Value at start of year	17 335	17 142
Shareholder contributions and investments	853	210
Liquidations	-5 077	-
Sales	-	-17
Total	13 112	17 335
Accumulated impairment losses		
Value at start of year	6 648	6 655
Impairment losses for the year	95	-7
Liquidations	-5 077	-
Total	1 666	6 648
Book value at end of year	11 445	10 687

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'. During the year the Spanish company Holmen Suecia Holding S.L. and its subsidiaries were liquidated.

	Corporate ID No.	Registered office	Number of holdings	Holding %*	Book value in the parent company	Holding %*	Book value in the parent company
Parent company's direct holdings of investments in subsidiaries				2020		2019	
Holmen Skog AB	556220-0658	Örnsköldsvik	1 000	100	0	100	0
Iggesund Paperboard AB	556088-5294	Hudiksvall	1 000	100	0	100	0
Holmen Paper AB	556005-6383	Norrköping	100	100	0	100	0
Holmen Timber AB	556099-0672	Hudiksvall	1 000	100	0	100	0
Holmen Energi AB	556524-8456	Örnsköldsvik	1 000	100	0	100	0
Holmens Bruk AB	559165-6615	Stockholm	1 000	100	383	100	383
Holmen Skog Mitt AB	559165-6623	Stockholm	1 000	100	2 856	100	2 856
Holmen Skog Syd AB	559165-6631	Stockholm	1 000	100	1 527	100	1 527
Holmen Sägverk AB	559165-6672	Stockholm	1 000	100	422	100	422
Holmen Vattenkraft AB	559165-6664	Stockholm	1 000	100	2 663	100	2 633
Iggesunds Bruk AB	559165-6656	Stockholm	1 000	100	740	100	740
Ljusnan Vattenkraft AB	559165-6680	Stockholm	1 000	100	276	100	276
Blåbergsliden Vind AB	559138-5181	Stockholm	500	100	200	100	200
Other Swedish Group companies					832		74
Total Swedish holdings					9 901		9 142
Holmen UK Ltd, UK		Workington	1 197 100	100	1 519	100	1 519
Holmen Paper Ltd**		London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd**		Workington	-	100	-	100	-
Holmen France S.A.S., France		Paris	10 000	100	0	100	0
Holmen GmbH, Germany		Hamburg	-	100	1	100	1
Holmen Suecia Holding S.L., Spain		Madrid	-	-	-	100	0
Holmen Paper Madrid S.L.**		Madrid	-	-	-	100	-
Iggesund Paperboard Asia Pte Ltd, Singapore		Singapore	800 000	100	4	100	4
Holmen B.V., Netherlands		Amsterdam	35	100	7	100	7
AS Holmen Mets, Estonia		Tallinn	500	100	0	100	0
Iggesund Paperboard Inc, USA		Lyndhurst	1 000	100	7	100	7
Iggesund Paperboard Asia (HK) Ltd, China		Hong Kong	4 000 000	100	5	100	5
Other non-Swedish Group companies					2		2
Total non-Swedish holdings					1 545		1 545
Total					11 445		10 687

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

**Indirect holdings.

Note 24. Untaxed reserves

Parent company				Parent company			
Accumulated depreciation and amortisation in excess of plan	31 Dec 2019	Appropriations	31 Dec 2020	Accumulated depreciation and amortisation in excess of plan	31 Dec 2019	Appropriations	31 Dec 2020
Non-current intangible assets	-16	3	-13	Tax allocation reserves			
Property, plant and equipment	11	5	17	2015 fiscal year	191	-	191
	-5	8	3	2016 fiscal year	290	-	290
				2017 fiscal year	470	-	470
				2019 fiscal year	700	-	700
				2020 fiscal year	-	700	700
					1 651	700	2 351
				Total	1 646	708	2 354

Group contributions received amounted to SEK 2 513 million (2 572) and Group contributions paid amounted to SEK -1 million (-2). Total appropriations of profit amounted to SEK 1 804 million (1 936).

Note 25. Cash flow statement

Interest paid and dividends received	Group		Parent company	
	2020	2019	2020	2019
Dividends received	-	-	284	148
Interest received	11	13	24	21
Interest paid	-40	-31	-35	-31
Total	-29	-18	273	139

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2020, a number of different short-term loans totalling SEK 3 528 million (8 250) were raised within the Group's commercial paper programme, and SEK 5 478 million (7 751) was repaid. See Note 14 for a breakdown of cash and cash equivalents.

Group	2018	New leases	Cash flow	Currency and market revaluation	2019	Business combinations	New leases	Cash flow	Currency and market revaluation	2020
Bonds	1 500	-	500	-	2 000	-	-	1 900	-	3 900
Commercial paper	1 951	-	499	-	2 450	-	-	-1 950	-	500
Other financial liabilities	75	-	-41	18	52	173	-	-106	7	126
Liabilities relating to right-of-use assets	-	281**	-100	4	184	34	163	-99	5	287
Pension liability	61	-	-27	12	46	-	-	-13	15	48
Financial liabilities*	3 587	281	831	34	4 733	207	163	-268	27	4 860

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

**SEK 205 million is attributable to the introduction of the new IFRS 16 Leases accounting policy. The remainder relates to liabilities linked to right-of-use agreements entered into in 2019.

Parent company	2018	Cash flow	Currency and market revaluation	2019	Cash flow	Currency and market revaluation	2020
Bonds	1 500	500	-	2 000	1 900	-	3 900
Commercial paper	1 951	499	-	2 450	-1 950	-	500
Liabilities to Group companies	6 791	-6 315	-	476	-307	-	169
Other financial liabilities	68	-39	18	47	-26	7	28
Pension liability	20	-11	-9	0	-1	4	4
Financial liabilities*	10 330	-5 367	9	4 973	-384	11	4 601

*Including pension liability.

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. The preliminary purchase price, which was paid on 1 October, was SEK 960 million for 100 per cent of the shares. The final purchase price will be determined in 2021. Based on the information available at the time of writing of this report, goodwill is recognised at SEK 355 million and other intangible assets at SEK 140 million in conjunction with the acquisition. 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.

From the time of acquisition on 1 October 2020 until 31 December 2020, Martinsons contributed SEK 344 million to the Group's sales and SEK 21 million to the Group's profit after tax.

Martinsons consists of two sawmills in northern Sweden with processing of wood products for Scandinavian wood construction, as well as a project operation for construction of complete frames made of cross-laminated timber (CLT) and glulam beams for purposes such as offices, sports centres and apartment buildings. After current investments are completed, the larger sawmill, Bygdsiljum, will have the capacity to produce 500 000 m³ of wood products annually, while the annual production at Kroksjön is over 100 000 m³. Bygdsiljum also manufactures CLT and glulam beams, while Kroksjön processes wood products through trimming, planing, painting, treatment and finger jointing. Martinsons' annual wood consumption is 1 million m³, which corresponds to Holmen's annual harvest in northern Sweden. The company has 470 employees, most of whom work in processing. The acquisition will nearly double Holmen's sales in Wood Products, while strengthening its position in sustainable wood construction and increasing integration between forest and industry.

Costs for the acquisition are recognised as other operating costs and amount to SEK 14 million.

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 Dec 2020 was SEK 43 202 million (41 345), divided between SEK 14 538 million (13 366) for forest land and SEK 28 663 million (27 979) for biological assets. A deferred tax liability of SEK 8 840 million (8 442) 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

Non-current assets 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 2 161 million and SEK 2 231 million 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.

Other 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.

PROPOSED APPROPRIATION OF PROFITS

	SEK
The following earnings of the parent company are at the disposal of the AGM:	
Net profit for the 2020 financial year	1 919 135 580
Retained earnings	4 394 451 831
	6 313 587 411
The Board of Directors proposes that the shareholders be paid in part, an ordinary dividend of SEK 7.25 per share (161 925 685 shares), and in part, an extra dividend of SEK 3.50 per share (161 925 685 shares)	1 173 961 216 566 739 898
	1 740 701 114
and that the remaining amount be carried forward	4 572 886 297

The Board of Holmen AB has proposed that the 2021 AGM resolve in favour of paying an ordinary dividend of SEK 7.25 per share, and an extra dividend of SEK 3.50 per share, for a total of SEK 1 741 million. In the preceding year, the dividend paid was SEK 3.50 per share. 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 88 per cent of net profit for 2020 for the Group and means that 4.1 per cent of equity in the Group at 31 December 2020 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 2020 it amounted to 10 per cent. The proposed dividend would increase net debt to equity by 5 percentage points.

Holmen AB's equity at 31 December 2020 amounted to SEK 12 228 million, of which non-restricted equity was SEK 6 314 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 490 million on equity. The Group's equity at 31 December 2020 amounted to SEK 42 516 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.

The annual accounts and the consolidated accounts were approved for publication by the Board in its decision of 26 February 2021. 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 22 April 2021.

Stockholm, 26 February 2021

Fredrik Lundberg
Chairman

Lars G Josefsson
Board member

Ulf Lundahl
Board member

Carl Bennet
Board member

Lars Josefsson
Board member

Henriette Zeuchner
Board member

Steewe Björklundh
Board member

Alice Kempe
Board member

Tommy Åsenbrygg
Board member

Kenneth Johansson
Board member

Louise Lindh
Board member

Henrik Sjölund
Board member and
Chief Executive Officer

Our audit report was submitted on 1 March 2021.
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the 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 2020, except for pages 8–9 and 33–35 in the sustainability report. The annual accounts and consolidated accounts of the company are included on pages 2, 6–9, 14–15, 32–79 and 84 in 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 2020 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 2020 and their 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 pages 8–9 and 33–35 in the sustainability report.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and 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. This includes that, based on the best of our knowledge and belief, 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 appropriate to provide a basis for our opinions.

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 of 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.

Valuation of forest assets

See disclosures 9 and 27 and accounting principles on page 56 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Forest assets comprise of forest land and biological assets and have a total carrying value on the Group's balance sheet of SEK 43 201 million as of 31 December 2020. This is made up of SEK 14 538 million forest land and SEK 28 663 million biological assets.

The forest assets are valued at fair value, where the determination of the fair value of the forest assets is based on transaction prices for forest properties in those areas where the Group owns forest land, considering the location of the forest land and differences in the nature of the forest in terms of the volume of standing timber and site quality.

The fair value calculation of forest assets is both complex and comprises judgements. There is a risk that the market transactions that form the basis of the valuation do not accurately mirror the value of the Group's forest assets, which could significantly affect the carrying value.

The total value of forest assets is subsequently allocated between growing trees, which is recognised as a biological asset, and forest land. The value which is allocated to biological assets is determined by discounting estimating future cash flows from the growing trees to present value. The valuation is performed internally and is calculated using a combination of harvesting plans, future sales prices, cost projections, inflation and discount rates.

Response in the audit

We have obtained and assessed the Group's model for determining fair value of forest assets. We have also made an independent calculation of the value of forest assets based on the same model and underlying base data. The frequency and number of transactions in the areas where the Group owns forest land has been assessed. During our audit we have also performed detailed sample testing by agreeing underlying transactions which form the basis of the Group's valuation, regarding price and area to external supporting documentation. In connection with this we have also evaluated the market operators from which the Group uses data on completed transactions. We have moreover inspected the external reference valuation which was carried out on a portion of the Group's forest assets.

Regarding the portion of the total fair value which is allocated to biological assets, we have examined the valuation and underlying documentation in order to assess whether the valuation is carried out in accordance with an established valuation methodology.

Furthermore, we have had discussions with management and, through evaluation of management's written plans and documentation, we have assessed the reasonableness of assumptions regarding volumes, prices, costs and the discount rate used in the valuation model. We have also performed sensitivity analysis to assess how changes in the assumptions can affect the overall valuation.

We have also considered the completeness of the disclosures in the Annual Report and assessed whether they show a true and fair view of the new accounting principle which has been applied and are in line with the assumptions that Group management have applied in their valuation.

Other provisions

See disclosures 19 and 27 and accounting principles on page 58 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of the other provisions as of 31 December 2020 amounts to SEK 654 million (795) in the Group and SEK 744 million (839) in the parent company. The other provisions include among other obligations for environmental restoration, contractual commitments regarding delivery of electricity at a fixed price and restructuring costs. In the parent company there are also provisions for replanting after harvest.

Provisions involve significant levels of judgement regarding uncertain future outcomes, in particular relating to the amount and timing of the final assessments. Changes to the underlying assumptions used to make these provisions could significantly affect the reported result.

Response in the audit

We have inspected the Group's documentation of its provisions. We have assessed management's estimates and have had discussions with management regarding their assumptions in each area to ensure that the provisions are in line with the Group's accounting principles and with IFRS requirements.

We have also considered the completeness of the disclosures in the Annual Report and assessed whether they are, in all material respects, in agreement with IFRS requirements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3–5, 10–13, 16–31 and 85–94. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

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

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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 the assessment of 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 basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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

As part of an audit in accordance with ISAs, we exercise professional

judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important

assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 2020 and 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 for Opinions

We conducted the 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 appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At 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's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization 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 shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of

Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 8–9, 32–35, 38–40 and 42–43, and that it is prepared in accordance with the Annual Accounts Act.

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 statutory sustainability report 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 the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Holmen AB by the general meeting of the shareholders on the 4 June 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1995.

Stockholm 1 March 2021

KPMG AB

Joakim Thilstedt

Authorized Public Accountant

REVIEW OF SUSTAINABILITY REPORT

Holmen's Sustainability Report, as defined on page 2 of Holmen's Annual Report 2020, 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 1 March 2021

KPMG AB

Joakim Thilstedt

Authorized Public Accountant

Torbjörn Westman

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. B.Sc. (Econ.), Ph.D. h.c. (Med.), Ph.D. h.c. (Tech.) 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:

Board member of Prorum AG. Member of Robert Bosch International Advisory Committee and Hand in Hand International. Member of The 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. Deputy Chairman of Vestas. Board member of Ouman.

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 Örensköldsvik 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, SHB Regionbank Stockholm 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. CEO of Clear Channel Scandinavia.

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.

11. Kenneth Johansson

Söderköping. Born in 1958.

Member since 2004.

Employee representative, LO.

Chairman of the Swedish Paper Workers Union branch 53, Holmen Paper Braviken.

12. Tommy Åsenbrygg

Skebobruk. Born in 1968.

Member since 2015.

Employee representative, PTK.

Deputy Chairman of Ledarna, Hallsta Paper Mill.

Shareholding: 100 shares.

13. Per-Arne Berg

Forsa. Born in 1955.

Deputy member since 2015.

Employee representative, PTK.

Chairman of Unionen Club, Holmen Iggesund.

14. Daniel Hägglund

Örensköldsvik. 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: KPMG AB

Principle Auditor:

Joakim Thilstedt.

Authorised Public Accountant.

The information relates to personal and related party shareholdings at 31 December 2020.



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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 84.

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: 800 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: 8 200 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

Company Secretary.

Born in 1971.

Joined Holmen in 2008.

Shareholding: 3 782 shares.

The information relates to personal and related party shareholdings at 31 December 2020.

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	2020	2019	2018	2017	2016
Operating profit, EBITDA and items affecting comparability					
EBITDA	3 651	3 486	3 488	3 157	3 179
Depreciation/amortisation according to plan	-1 172	-1 141	-1 012	-991	-1 018
Operating profit/loss excluding items affecting comparability	2 479	2 345	2 476	2 166	2 162
Items affecting comparability*	-	8 770	-94	-	-232
Operating profit	2 479	11 115	2 382	2 166	1 930
Profit/loss for the year and items affecting comparability					
Profit/loss for the year excluding items affecting comparability	1 979	1 789	2 341	1 668	1 652
Items affecting comparability*	-	6 943	-73	-	-228
Profit/loss for the year	1 979	8 731	2 268	1 668	1 424
Operating margin					
Operating profit/loss excluding items affecting comparability	2 479	2 345	2 476	2 166	1 930
Net sales	16 327	16 959	16 055	16 133	15 513
Operating margin, %	15.2	13.8	15.4	13.4	13.9
Capital employed					
Equity	42 516	40 111	23 453	22 035	21 243
Net financial debt	4 181	3 784	2 807	2 936	3 945
Capital employed	46 697	43 895	26 261	24 972	25 190
Return on capital employed					
Operating profit/loss excluding items affecting comparability	2 479	2 345	2 476	2 166	2 162
Average capital employed	44 128	26 391	25 469	24 874	25 146
Return, %	5.6	8.9	9.7	8.7	8.6
Return on equity					
Profit/loss after tax excluding items affecting comparability	1 979	1 789	2 341	1 668	1 652
Average equity	40 718	23 035	22 546	21 297	20 890
Return, %	4.8	7.8	10.4	7.8	7.9
Net financial debt					
Non-current financial liabilities	3 919	2 018	1 033	552	882
Non-current liabilities relating to right-of-use assets	175	171	-	-	-
Current financial liabilities	605	2 485	2 494	2 775	3 200
Current liabilities relating to right-of-use assets	112	13	-	-	-
Pension provisions	48	46	61	39	201
Non-current financial receivables	-290	-451	-468	-42	-39
Current financial receivables	-43	-14	-35	-32	-89
Cash and cash equivalents	-346	-483	-278	-356	-210
Net financial debt	4 181	3 784	2 807	2 936	3 945
Debt/equity ratio					
Net financial debt	4 181	3 784	2 807	2 936	3 945
Equity	42 516	40 111	23 453	22 035	21 243
Net debt as % of equity	10	9	12	13	19
Equity/assets ratio					
Equity	42 516	40 111	23 453	22 035	21 243
Assets	62 543	59 340	36 912	34 891	34 891
Equity/assets ratio, %	68	68	64	63	61

*See page 88 for what items affecting comparability refers to.

TEN-YEAR REVIEW, FINANCE

SEKm	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Income statement										
Net sales	16 327	16 959	16 055	16 133	15 513	16 014	15 994	16 231	17 852	18 656
Operating costs	-13 250	-13 961	-12 984	-13 379	-12 626	-13 348	-13 270	-13 919	-15 224	-15 501
Change in value of biological assets	579	487	425	415	315	267	282	264	350	-
Profit from investments in associates and joint ventures	-6	0	-9	-12	-22	7	-7	3	47	84
EBITDA	3 651	3 486	3 488	3 157	3 179	2 940	2 999	2 579	3 026	3 239
Depreciation and amortisation according to plan	-1 172	-1 141	-1 012	-991	-1 018	-1 240	-1 265	-1 370	-1 313	-1 260
Operating profit/loss excluding items affecting comparability	2 479	2 345	2 476	2 166	2 162	1 700	1 734	1 209	1 713	1 980
Items affecting comparability*	-	8 770	-94	-	-232	-931	-450	-140	-193	3 593
Operating profit	2 479	11 115	2 382	2 166	1 930	769	1 284	1 069	1 520	5 573
Net financial items	-42	-34	-25	-53	-71	-90	-147	-198	-227	-244
Earnings before tax	2 437	11 081	2 356	2 113	1 859	679	1 137	871	1 294	5 328
Tax	-458	-2 351	-89	-445	-436	-120	-230	-160	559	-1 374
Profit/loss for the year	1 979	8 731	2 268	1 668	1 424	559	907	711	1 853	3 955
Diluted earnings per share, SEK**	12.2	52.6	13.5	9.9	8.5	3.4	5.4	4.3	11.1	23.6
Net sales										
Forest	5 883	6 286	5 944	5 535	5 302	5 481	5 641	5 694	6 061	6 348
Paperboard	6 187	6 229	5 785	5 526	5 252	5 472	5 113	4 618	4 967	5 109
Paper	4 879	5 757	5 571	5 408	5 431	6 148	6 247	7 148	8 144	8 631
Wood Products	2 222	1 695	1 747	1 562	1 342	1 314	1 352	1 175	1 129	875
Renewable Energy	378	378	319	315	314	359	389	450	522	552
Group-wide costs and eliminations	-3 222	-3 385	-3 311	-2 214	-2 128	-2 760	-2 748	-2 853	-2 972	-2 858
Group	16 327	16 959	16 055	16 133	15 513	16 014	15 994	16 231	17 852	18 656
Operating profit										
Forest	1 367	1 172	1 185	1 069	1 001	905	817	924	931	739
Paperboard	812	435	689	764	903	847	674	433	596	863
Paper	73	509	329	288	289	-74	141	-309	94	228
Wood Products	185	62	246	80	-3	9	37	-75	-130	-136
Renewable Energy	215	336	181	135	120	176	212	371	355	406
Group-wide costs and eliminations	-174	-168	-154	-170	-148	-163	-146	-136	-132	-120
	2 479	2 345	2 476	2 166	2 162	1 700	1 734	1 209	1 713	1 980
Items affecting comparability*	-	8 770	-94	-	-232	-931	-450	-140	-193	3 593
Group	2 479	11 115	2 382	2 166	1 930	769	1 284	1 069	1 520	5 573
Cash flow										
Earnings before tax	2 437	11 081	2 356	2 113	1 859	679	1 137	871	1 294	5 328
Adjustment items	544	-8 208	540	418	965	1 802	1 448	1 056	1 057	-2 561
Income tax paid	-569	-147	-396	-221	-504	-398	-191	210	-434	-557
Changes in working capital	46	158	-214	199	-360	443	-217	-127	338	-109
Cash flow from operating activities	2 457	2 884	2 286	2 509	1 961	2 526	2 176	2 011	2 254	2 101
Cash flow from investing activities***	-1 924	-1 050	-1 005	-644	-123	-824	-815	-872	-1 957	-1 791
Cash flow after investments	533	1 834	1 281	1 865	1 838	1 702	1 361	1 139	297	310
Dividend paid	-567	-1 134	-1 092	-1 008	-882	-840	-756	-756	-672	-588
Share buy-backs	-	-1 430	-	-	-	-	-	-	-	-

*Items affecting comparability:

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.

2011: Revaluation of forest amounting to SEK 3 593 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 47.

SEKm	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Balance sheet										
Forest assets	43 202	41 345	18 701	17 971	17 595	17 340	17 032	16 654	16 344	15 871
Other non-current assets*	11 784	10 781	10 586	10 780	11 106	12 184	13 189	13 998	14 320	14 463
Current assets	6 878	6 264	6 845	5 710	5 852	5 607	5 964	5 774	6 005	6 642
Financial receivables	679	950	781	430	338	325	249	327	377	240
Total assets	62 543	59 340	36 912	34 891	34 891	35 456	36 434	36 753	37 046	37 217
Equity	42 516	40 111	23 453	22 035	21 243	20 853	20 969	20 854	20 813	19 773
Deferred tax liabilities	10 570	10 299	5 839	5 650	5 613	5 508	5 480	5 804	5 504	6 630
Financial liabilities and interest-bearing provisions	4 860	4 733	3 587	3 366	4 283	5 124	6 156	6 443	6 967	6 499
Operating liabilities	4 597	4 196	4 033	3 840	3 752	3 971	3 829	3 653	3 762	4 313
Total equity and liabilities	62 543	59 340	36 912	34 891	34 891	35 456	36 434	36 753	37 046	37 217
Capital employed										
Forest	34 230	32 718	14 830	13 824	13 536	13 401	13 212	12 688	12 657	11 599
Paperboard	5 276	5 589	5 316	5 433	5 546	5 698	5 841	5 686	5 489	4 233
Paper	1 969	1 903	2 072	2 193	2 507	3 266	4 366	4 438	4 920	5 798
Wood Products	1 846	1 000	927	862	859	897	874	1 327	1 385	1 471
Renewable Energy	3 351	3 058	3 082	3 115	3 153	3 075	3 118	3 005	2 947	2 884
Group-wide and other**	24	-372	34	-455	-410	-684	-535	-173	5	47
Capital employed	46 697	43 895	26 261	24 972	25 190	25 653	26 876	26 970	27 403	26 032
Key figures										
Operating margin, %**										
Paperboard	13	7	12	14	17	15	13	9	12	17
Paper	2	9	6	5	5	-1	2	-4	1	3
Wood Products	8	4	14	5	0	1	3	-6	-12	-16
Group	15	14	15	13	14	11	11	7	10	11
Return, capital employed, %**										
Forest	4	8	8	8	7	7	6	7	8	8
Paperboard	15	8	12	14	16	15	12	8	12	23
Paper	4	24	15	12	10	neg	3	neg	2	4
Wood Products	17	6	27	9	0	1	3	neg	neg	neg
Renewable Energy	7	11	6	4	4	6	7	13	12	14
Group	6	9	10	9	9	6	6	4	7	9
Return on equity, %**	5	8	10	8	8	7	6	4	6	8
Net debt as % of equity	10	9	12	13	19	23	28	29	32	32
Deliveries										
Volume from own forest, '000 m ³	2 841	2 699	2 816	2 883	2 945	3 132	3 207	3 361	3 085	2 850
Paperboard, '000 tonnes	544	538	525	526	497	499	493	469	485	474
Paper, '000 tonnes	883	996	1 036	1 117	1 134	1 325	1 305	1 574	1 651	1 668
Wood products, '000 m ³	1 052	879	828	852	776	730	725	686	660	487
Own production of hydro and wind power, GWh	1 352	1 109	1 145	1 169	1 080	1 441	1 113	1 041	1 353	1 235

*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. 1 October saw the acquisition of Martinsons with its two sawmills, the figures for which have been included in the report for the fourth quarter of 2020. 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 guidelines from Statistics Sweden. 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.

	2020	2019	2018	2017	2016
Production					
Paperboard, '000 tonnes	551	532	538	530	503
Market pulp, '000 tonnes	84	79	66	54	56
Paper, '000 tonnes	891	975	1 069	1 268	1 317
Wood products, '000 m ³	1 021	877	873	827	776
Own production of hydro and wind power, GWh	1 352	1 109	1 145	1 169	1 080
Electricity production at the mills, GWh	621 ¹⁾	669	679	621	784
Raw materials					
Wood, million m ³ _{sub} ²⁾	5.62	5.49	5.62	5.63	5.36
Purchased pulp, '000 tonnes	78	78	78	79	70
Thermal energy, GWh	5 885 ³⁾	5 992	6 238	6 099	6 375
Electrical energy, GWh	3 508 ⁴⁾	3 720	3 996	3 987	3 949
Water use, million m ³ , ⁵⁾	69	70	73	73	70
Plastic granules/foiling material, '000 tonnes	2.8	3.2	2.9	2.9	2.6
Chemicals, '000 tonnes ⁶⁾	147	181	165	147	151
Filler, pigment, '000 tonnes ⁶⁾	156	160	164	146	148
Emissions to air, tonnes⁷⁾					
Sulphur dioxide (counted as sulphur, S)	64	59	56	48	41
Nitrogen oxides	902	888	986	907	960
Particulates	33	28	45	30	39
Fossil carbon dioxide, '000 tonnes	63	68	75	73	124
Biogenic carbon dioxide, '000 tonnes	1 545	1 585	1 660	1 545	1 540
Emissions to water, tonnes⁷⁾					
AOX (chlorinated organic matter)	38	44	48	48	52
Nitrogen	210	174	216	177	208
Phosphorus	19	14	16	14	14
COD (organic matter), '000 tonnes	20	21	22	20	20
Suspended solids (SS), '000 tonnes	3.5	2.9	3.5	2.8	3.2
By-products, '000 tonnes					
To energy production, internally/externally	937	949	977	995	872
Utilised or for recovery ⁸⁾	252	208	166	202	270
Tall oil ⁹⁾	16	10	13	14	13
Waste, '000 tonnes					
Hazardous ¹⁰⁾	2.3	2.5	1.6	1.8	2.2
Sent to landfill (wet)	4.9	0.9	7.6	1.8	16.0
Energy supplies					
Branches, treetops and peat, GWh ¹¹⁾	115	101	137	116	155
Electrical and thermal energy, GWh ¹²⁾	351	372	370	366	380
Environmental protection expenditure, SEKm					
Investments (remedial and preventive) ¹³⁾	428	310	84	44	55
Electricity and heat-saving investments	18	20	10	20	8
Environmental taxes and charges ¹⁴⁾	10	14	12	12	14
Internal and external environmental expenses ¹⁵⁾	174	182	165	137	182
Environmental cost of forestry ¹⁶⁾	80	65	91	62	71

- 1) Bio-based electricity production accounted for 615 GWh.
- 2) At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the sawmills to the nearby mills.
- 3) Of which 4 644 GWh from production at mills from recovered liquors, bark and wood residues, 949 GWh from the TMP process at Braviken Paper Mill, Hallsta Paper Mill and Workington Mill. The process generates thermal energy that is recovered and used in production. 292 GWh comes from natural gas, oil and purchased thermal energy.
- 4) 1 286 GWh renewable electricity, 2 222 GWh fossil-free electricity. Emissions of fossil carbon dioxide from production of purchased electricity totalled 493 tonnes.
- 5) Almost 100 per cent use of surface water from lakes and watercourses.
- 6) Stated as 100 per cent active substance. Total quantity of commodities was 214 000 tonnes for chemicals and 220 000 tonnes for filler and pigment. In total, 207 tonnes of chemicals were used at three of the sawmills for protective treatment of the wood products.
- 7) Relates to emissions at facilities. Emissions of methane and natural gas at the facilities amounted to 16 000 tonnes of carbon dioxide equivalents.
- 8) By-products used, for example, as filling material, construction material or for the production of soil products.
- 9) For delivery to the chemical industry.
- 10) Hazardous waste is dealt with by authorised collection and recovery contractors. Certain fractions of the waste are recovered. In 2020, Holmen dealt with oil-containing waste from vessels that docked at two of its own ports. Such waste is included in the figures for hazardous waste. The amount of this oil-containing waste totalled 456 tonnes in 2020.
- 11) Branches and treetops (39 GWh) and peat (76 GWh) delivered from Holmen's land to external energy producers.
- 12) For 2020: 114 GWh of electrical energy supplied from Workington Mill to the local community. 226 GWh of thermal energy from Iggesund Mill and Braviken Paper Mill to Iggesund Sawmill and Braviken Sawmill. A total of 11 GWh thermal energy from Hallsta Paper Mill and Iggesund Mill was supplied to the district heating network of the local communities.
- 13) The stated amount includes costs for internal process measures and water treatment measures, plus the cost of erecting wind turbines.
- 14) 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. Two environmental incidents led to corporate fines totalling SEK 0.1 million.
- 15) 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.
- 16) 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 2020 is estimated at around SEK 80 million. The figures for the years 2016–2019 are based on calculations for each year. The figures for 2020 are calculated as an average value for the past three years.

	2020	2019	2018	2017	2016
Employees¹⁾					
<i>Employees</i>					
Average no. of employees (FTE) ²⁾	2 974	2 915	2 955	2 976	2 989
of whom women, %	20.0	20.0	20.3	19.3	19.3
of whom temporary employees, %	8.4	11.1	10.7	7.4	8.8
Average age ³⁾	44.3	44.4	44.9	46.0	46.3
<i>Sickness absence, %</i>					
Total	4.3	3.8	4.1	4.2	4.2
of which longer than 60 days	1.7	1.6	1.6	2.0	2.0
<i>Gender equality, %³⁾</i>					
Women managers out of total number of managers	22.7	22.9	19.8	20.7	19.0
Women joining the company out of total new employees	35.5	39.5	40.1	25.0	27.0
<i>Personnel turnover, %³⁾</i>					
Personnel turnover	7.3	7.9	7.9	8.0	6.9
of which given notice	0.6	0.9	0.4	0.9	1.6
of which retiring	3.1	2.2	2.6	2.6	2.4
of which leaving at own request	3.0	4.4	3.9	4.4	2.9
New employees	2.6	2.5	2.7	5.9	5.4
<i>Number of industrial accidents⁴⁾</i>					
Industrial accidents, more than 8 hours of absence, per million hours worked	4.3	5.7	4.9	5.1	8.8
<i>Union cooperation, %⁵⁾</i>					
Percentage of employees that work at a unit with a collective agreement ⁶⁾	94	93	94	94	94
Income statement per stakeholder category, SEKm					
<i>Customers</i> Sales of products, wood and electricity	17 666	18 329	17 339	17 269	17 072
<i>Suppliers</i> Purchases of products, services, along with depreciation, etc.	-12 734	-4 817	-12 539	-12 719	-12 721
<i>Employees</i> Wages and social security costs	-1 891	-1 819	-1 792	-1 767	-1 786
<i>Lenders</i> Interest	-42	-34	-25	-53	-71
<i>Society⁷⁾</i> Property tax	-42	-55	-82	-101	-126
Excise tax	-31	-27	-30	-31	-26
Social security costs	-481	-472	-479	-449	-448
Payroll tax	-39	-25	-35	-36	-34
Corporation tax	-427	-2 351	-89	-445	-436
<i>Shareholders</i> Net profit	1 979	8 731	2 268	1 668	1 424
Dividend	1 741 ⁸⁾	567	1 134	1 092	1 008

1) Employee data for former Martinsons employees is included for the fourth quarter of 2020.

2) See page 62, Note 4.

3) Relates to permanent employees.

4) No industrial accidents with a fatal outcome occurred during the year.

5) Relates to permanent and temporary employees.

6) All Swedish units have collective agreements. At foreign units, Holmen supports other forms of collective employee engagement in line with local standards.

7) 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.

8) Board's dividend proposal.

Greenhouse gas emissions Scope 1, 2, 3 tonnes CO₂e

<i>Scope 1: From production facilities and nurseries¹⁾</i>	79
<i>Scope 2: From purchased electricity²⁾</i>	0
<i>Scope 3: From Holmen's value chain³⁾</i>	
Forestry ⁴⁾	25
Input goods	67
Transport of fuel to biofuel boiler in Workington	11
Transport of raw materials and products ⁵⁾	195
Total	377

1) Emissions from the production facilities are included in the EU's system for emissions trading.

2) Emissions of greenhouse gases from production of purchased electricity amounted to 493 tonnes CO₂e (rounded down to 0 Ktonnes). This follows a market-based methodology, with EPD from Vattenfall AB as the source. Calculated using a location-based methodology, with the European Environment Agency as the source, the emissions are 27 197 tonnes CO₂e.

3) Emissions from the production of machinery, vehicles, buildings etc, and travel for work and business are not included.

4) Forestry in own forest.

5) Fuel combustion during transport, using calculation method: "Tank-to-wheel".

Ecovadis gives Holmen top sustainability rating

In 2020, all of Holmen's paperboard and paper mills were awarded a Platinum rating by the international analysis firm Ecovadis, putting Holmen's mills in the absolute top flight of rated companies. Ecovadis assesses how companies work on the environment, sustainable purchasing, ethics, workers' rights and human rights.

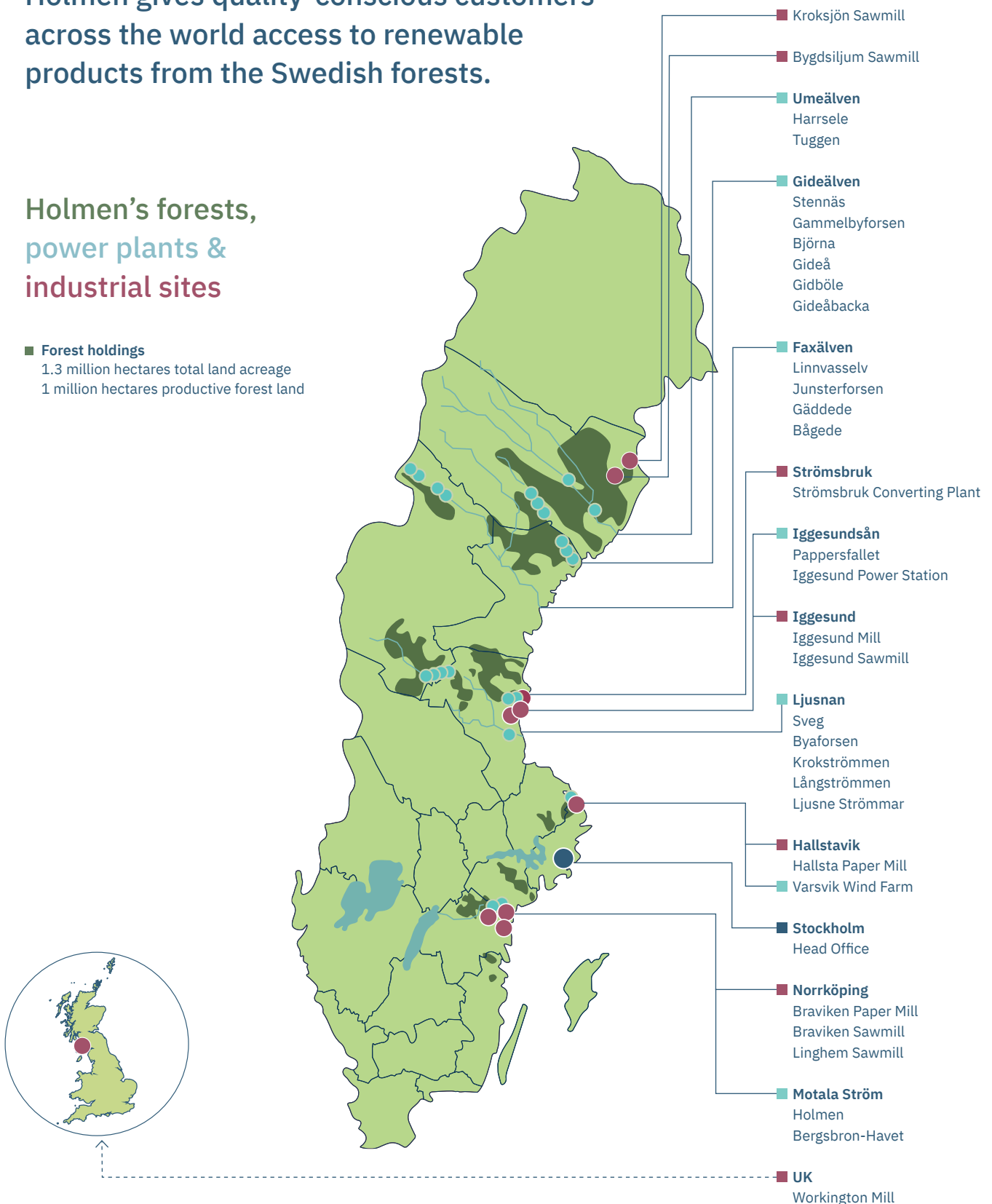


HOLMEN 2020

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 2020

Total land acreage	1 303 000 ha
Total forest land acreage*	1 153 000 ha
– of which nature conservation areas	195 000 ha
Productive forest land**	1 043 000 ha

Total volume of standing timber

on productive forest land **124 million m³ growing stock, solid over bark**

*Analysis performed by the Swedish National Forest Inventory, according to 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).

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	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

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 and printed advertising	Publishers, printing firms and retailers	Norske Skog, Stora Enso, UPM
Wood Products	Construction timber, 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.

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 and newspapers.

Raw material: Spruce pulpwood.

Hallsta Paper Mill

Products: Paper for books, magazines and advertising.

Raw material: Spruce pulpwood.

Braviken Sawmill

Products: Spruce and pine wood products for construction and joinery.

Raw material: Spruce and pine saw logs.

Iggesund Sawmill

Products: Pine joinery products.

Raw material: Pine saw logs.

Linghem Sawmill

Products: Spruce and pine wood products for construction and joinery.

Raw material: Spruce and pine saw logs.

Bygdsiljum Sawmill

Products: CLT, glulam, spruce and pine wood products for construction and joinery.

Raw material: Spruce and pine saw logs.

Kroksjön Sawmill

Products: Spruce and pine wood products for joinery and construction.

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 88 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 excluding items affecting comparability, 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.

Cross-laminated timber (CLT)

Engineered wood product comprising an odd number of layers of planed lamellae glued together, with each layer perpendicular to the previous one. Uses include posts and beams plus surface units for walls and floor systems.

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.

Glulam

Engineered wood product comprising layers of planed lamellae glued together, with the wood grain running parallel with the length. Uses include posts, beams and roof trusses.

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 over-fertilisation (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.

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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e-mail: info@holmen.com
telephone: +46 8 666 21 00
or go to holmen.com

Calendar

For 2021, Holmen will publish the following financial reports:

Interim report Jan–Mar: 29 Apr 2021
Interim report Jan–Jun: 19 Aug 2021
Interim report Jan–Sep: 21 Oct 2021
Year-end report: 28 January 2022

AGM 2021

Holmen's AGM for 2021 will be held on 22 April. The format of the AGM will mean that shareholders will only be able to exercise their voting rights via postal voting. Votes will need to be submitted using a form that is available at holmen.com. The company must receive the signed form by 21 April at the latest. The form can be signed using a BankID or by hand and should then be sent to the company by e-mail (info@computershare.se) or to Holmen via the address Computershare AB, "Årsstämma i Holmen", Box 5267, SE-102 46 Stockholm, Sweden.

Dates of trading and dividend

The final date for trading, including right to dividend:
22 April 2021

Record date for dividend:
26 April 2021

Payment date for dividend:
29 April 2021

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