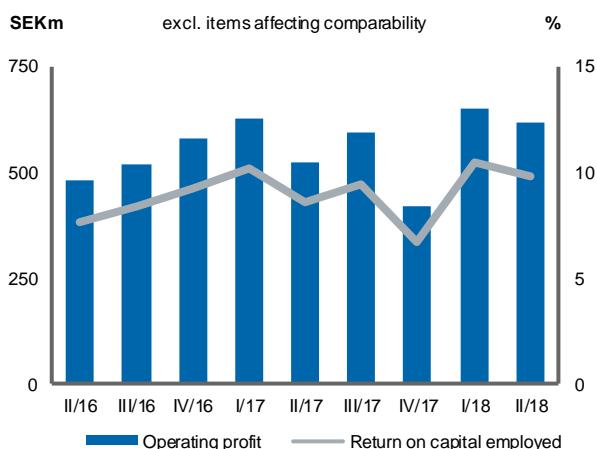
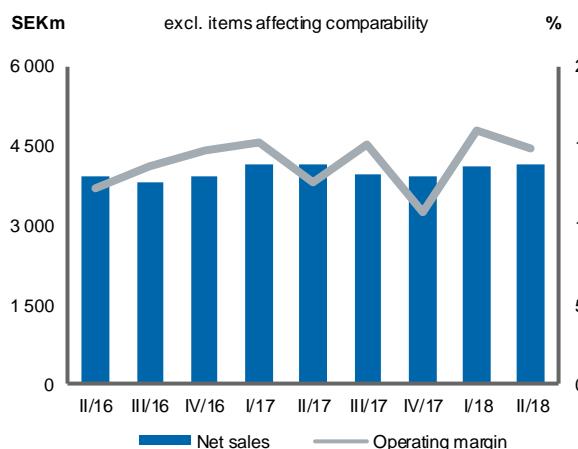


# Holmen's interim report January–June 2018

SEKm	2-18	Quarter		January–June		Full year
		1-18	2-17	2018	2017	2017
Net sales	4 164	4 099	4 148	8 264	8 278	16 133
Operating profit	618	653	525	1 271	1 152	2 166
Profit after tax	759	507	394	1 266	880	1 668
Earnings per share, SEK	4.5	3.0	2.4	7.5	5.2	9.9
Operating margin, %	14.9	15.9	12.7	15.4	13.9	13.4
Return on capital employed, %	9.8	10.5	8.5	10.1	9.4	8.7
Return on equity, %	13.6	9.1	7.5	11.4	8.4	7.8
Cash flow before investments and working capital	662	586	482	1 248	1 224	2 310
Debt/equity ratio	0.15	0.11	0.19	0.15	0.19	0.13

- Operating profit for January–June totalled SEK 1 271 million, an increase of SEK 119 million from the same period last year. The improvement is attributable to higher profit from wood products and energy, and to the sale of a forest property.
- Compared with the first quarter, profit for the second quarter decreased by SEK 35 million to SEK 618 million. Paperboard production was strong and selling prices for wood products increased. Hydro power production decreased seasonally. Income for the first quarter included SEK 70 million from the sale of a forest property.
- Profit after tax for January–June totalled SEK 1 266 million (January–June 2017: SEK 880 million), which corresponds to earnings per share of SEK 7.5 (5.2). Profit includes a positive tax effect of SEK 300 million, arising from the decision by the Swedish Parliament to lower the Swedish rate of corporation tax.
- Return on capital employed increased to 10.1 per cent (9.4).



## CEO comments

The second quarter's operating profit of SEK 618 million was at a good level, with a return on capital of 10 per cent. Highlights include strong paperboard production, further price increases for wood products and the fact that we succeeded, despite a challenging timber market, to supply our mills and sawmills with sufficient volumes of wood raw material.

The Forest business area reported a healthy profit, despite difficult conditions for forestry. In 2018, we have been experiencing major variations in the weather. After a cold, snow-heavy winter, our summer has been record-hot and dry, with many small and some major fires in Sweden. Our forest has also been affected, but thanks to magnificent efforts, the impact has been limited. We estimate that the cost of dealing with the fire damage and replanting the areas affected will amount to SEK 30 million. The fires will, however, not have any effect on future harvests.

Production of paperboard at our two mills increased in the second quarter, and new production records were set. However, profit was at a lower level than in earlier years, mainly as a result of rising costs for timber and chemicals, but also due to high fixed costs. During the quarter, we launched a cost-reduction programme in the business area, including personnel cutbacks at Iggesund Mill. In parallel, the pre-project to examine the possibility of increasing production and sales of solid bleached board by 100,000 tonnes continues. We anticipate being able to take an investment decision in the first quarter of 2019.

The market balance for paper remained favourable. We held back deliveries during the quarter in order to restore stocks to normal levels and profits increased slightly thanks to rising prices. The product mix in paper continues to develop in a positive way.

Demand for wood products is strong and selling prices have now increased steadily for just over two years. Our operating margin has risen to a historically high level, even though timber costs have increased.

The profit from hydro power showed a seasonal decrease but remained at a healthy level. On the other hand, levels in our water storage reservoirs at mid-year were substantially lower than normal, which will limit production during the autumn.

In total we can see for this quarter, as well as during previous quarters, that the rising demand for forest and for forest products continues. The strength of being one of the biggest Swedish forest-owning industrial companies is more evident than ever, and it is with satisfaction I notice good progress in each of Holmen's five business areas.

## Forest

Holmen carries out active and sustainable forestry on over a million hectares of its own productive forest land. The annual harvest amounts to 3 million cubic metres.

SEKm	2-18	Quarter		January–June		Full year 2017
		1-18	2-17	2018	2017	
Net sales	1 543	1 465	1 407	3 009	2 858	5 535
of which from own forests	355	299	336	654	637	1 275
Operating costs	-1 361	-1 216	-1 240	-2 577	-2 466	-4 852
Depreciation and amortisation according to plan	-7	-7	-7	-15	-14	-30
<b>Earnings before change in value of forests</b>	<b>175</b>	<b>242</b>	<b>159</b>	<b>417</b>	<b>378</b>	<b>654</b>
Change in value of forests	95	87	102	182	165	415
<b>Operating profit</b>	<b>271</b>	<b>329</b>	<b>261</b>	<b>599</b>	<b>544</b>	<b>1 069</b>
Investments	32	18	14	50	24	49
Capital employed	14 241	13 974	13 638	14 241	13 638	13 824
Return on capital employed, %	7.7	9.5	7.7	8.6	8.0	7.8
Harvesting own forests, '000 m <sup>3</sup>	761	666	760	1 428	1 473	2 904

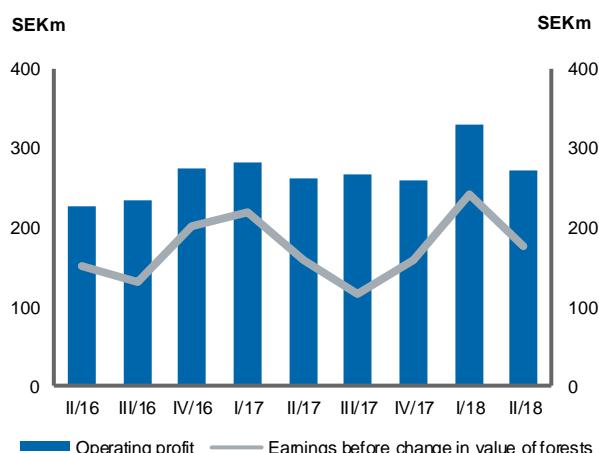
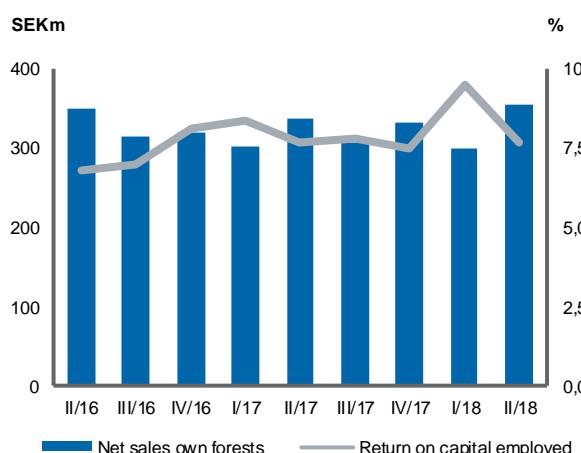
Demand for logs and pulpwood was high in the first half-year and prices increased.

Holmen's harvest from its own forests amounted to 1 428 000 cubic metres in the first half-year, 3 per cent lower than in January–June 2017, as a result of unfavourable weather conditions.

Operating profit for January–June was SEK 599 million (544). Higher wood prices positively impacted profit, but costs were higher than normal as a result of unfavourable weather conditions. The profit includes a SEK 70 million gain from the sale of a forest property, completed in the first quarter.

Compared with the first quarter, profit decreased by SEK 58 million to SEK 271 million. Profit in the preceding quarter was positively impacted by the sale of a forest property.

During the early part of the third quarter, Holmen's forests were affected by fires. The cost of dealing with the fire damage and replanting the areas affected is estimated at SEK 30 million. This will be charged to profit for the third quarter. The fires will, however, not have any effect on future harvests.



## Paperboard

Holmen supplies paperboard to the premium consumer packaging segment. Production, which takes place at one Swedish and one UK mill, amounts to 550 000 tonnes a year.

SEKm	Quarter			January–June		Full year
	2-18	1-18	2-17	2018	2017	2017
Net sales	1 538	1 473	1 408	3 011	2 811	5 526
Operating costs	-1 211	-1 179	-1 100	-2 390	-2 133	-4 270
<b>EBITDA</b>	<b>327</b>	<b>294</b>	<b>309</b>	<b>621</b>	<b>678</b>	<b>1 257</b>
Depreciation and amortisation according to plan	-130	-128	-125	-258	-249	-492
<b>Operating profit</b>	<b>197</b>	<b>166</b>	<b>184</b>	<b>363</b>	<b>429</b>	<b>764</b>
Investments	41	133	74	174	168	375
Capital employed	5 617	5 592	5 550	5 617	5 550	5 433
EBITDA margin, %	21	20	22	21	24	23
Operating margin, %	13	11	13	12	15	14
Return on capital employed, %	14	12	13	13	15	14
Production, paperboard, '000 tonnes	141	137	130	279	264	530
Deliveries, paperboard, '000 tonnes	141	138	133	279	264	526

Demand for paperboard in Europe was good in the first half-year. Prices increased slightly in some market segments.

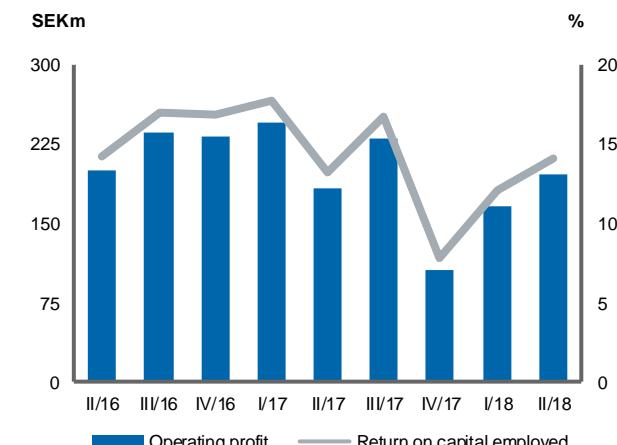
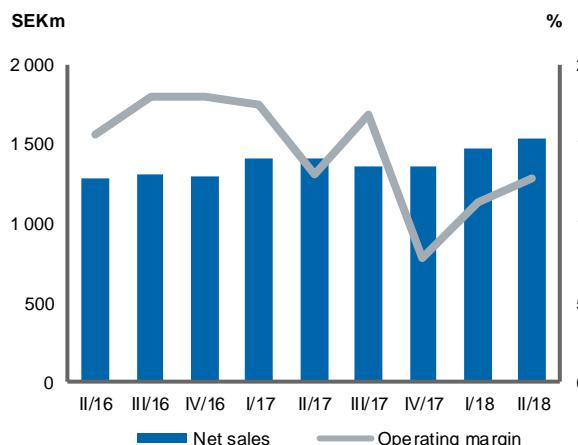
Holmen's paperboard deliveries in January–June amounted to 279 000 tonnes, which is an increase of 6 per cent from the same period last year.

Operating profit for January–June was SEK 363 million (429). Production was established at a higher level, but production costs increased considerably, mainly through price increases for wood and chemicals and higher energy costs. Fixed costs also increased.

Compared with the first quarter, profit increased by SEK 31 million to SEK 197 million as a result of higher production volumes and lower consumption rates.

A maintenance shutdown is planned for the third quarter at Iggesund Mill, with an expected negative earnings impact of around SEK 70 million.

Work is in progress to bring down costs, including a reduction in staffing at Iggesund Mill. Negotiations are under way with the personnel organisations and are expected to be concluded in the fourth quarter. In parallel, a pre-project is being conducted to validate the potential of investing to increase paperboard production at Iggesund Mill by 100 000 tonnes. The aim is to be able to take an investment decision in the first quarter of 2019.



## Paper

Holmen produces paper that utilises the properties of fresh fibre to provide cost-effective alternatives to traditional paper products for advertising, magazines and books. Production amounts to 1.1 million tonnes a year at two Swedish mills.

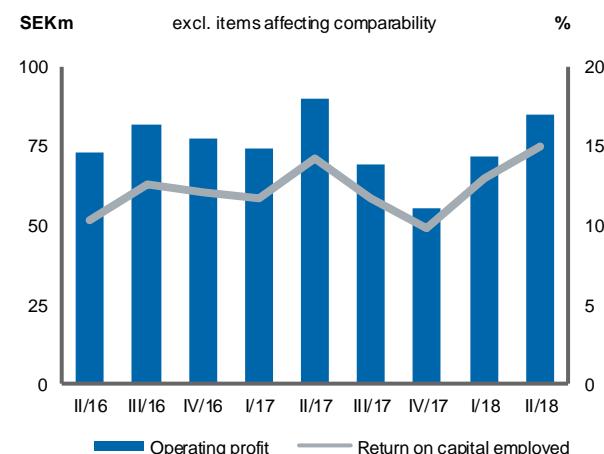
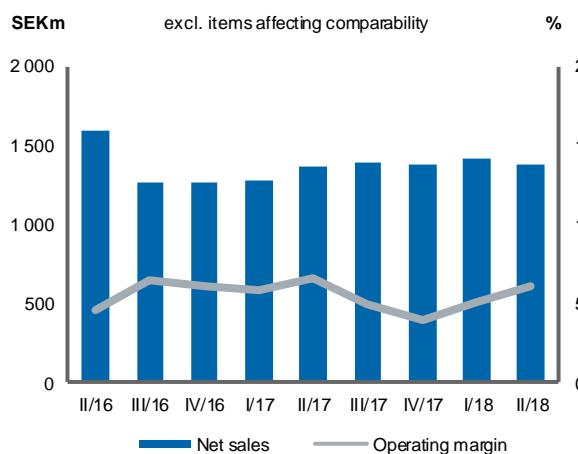
SEKm	2-18	Quarter		January–June		Full year 2017
		1-18	2-17	2018	2017	
Net sales	1 376	1 418	1 369	2 795	2 645	5 408
Operating costs	-1 207	-1 262	-1 194	-2 469	-2 311	-4 781
<b>EBITDA</b>	<b>169</b>	156	175	<b>325</b>	334	627
Depreciation and amortisation according to plan	-85	-84	-85	-169	-170	-339
<b>Operating profit*</b>	<b>85</b>	72	90	<b>156</b>	164	288
Investments	40	13	23	51	41	141
Capital employed	2 285	2 238	2 462	2 285	2 462	2 193
EBITDA margin, %*	12	11	13	12	13	12
Operating margin, %*	6	5	7	6	6	5
Return on capital employed, % *	15	13	14	14	13	12
Production, '000 tonnes	270	271	278	540	547	1 088
Deliveries, '000 tonnes	256	278	283	534	548	1 117

Demand for magazine and book paper in Europe was stable in the first half-year. The market balance was good and price increases were implemented.

Holmen's deliveries for January–June totalled 534 000 tonnes. This is 2 per cent lower than in the same period last year, as a result of rebuilding stocks from a low level. Deliveries of magazine and book paper increased, accounting for 90 per cent of deliveries in the first half-year.

Operating profit for January–June totalled SEK 156 million (164). Selling prices increased but the impact was offset by major cost increases for wood, energy and chemicals.

Compared with the first quarter, profit increased by SEK 13 million to SEK 85 million. Selling prices increased but the impact was offset by lower deliveries and higher maintenance costs.



## Sawn timber

Holmen produces wood products for use in joinery and construction at three sawmills, whose by-products are used at the Group's paper and paperboard mills. Annual production volume is just over 800 000 cubic metres.

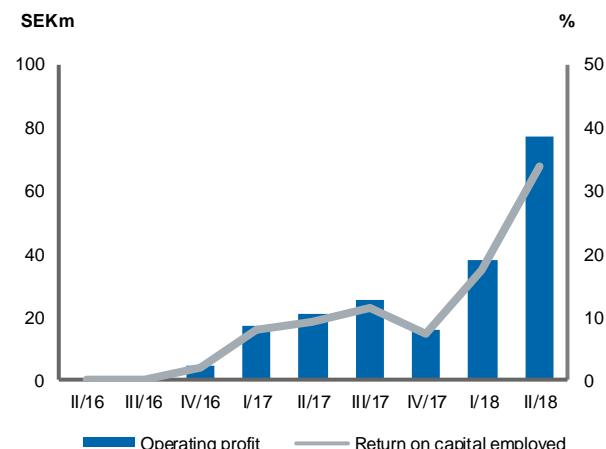
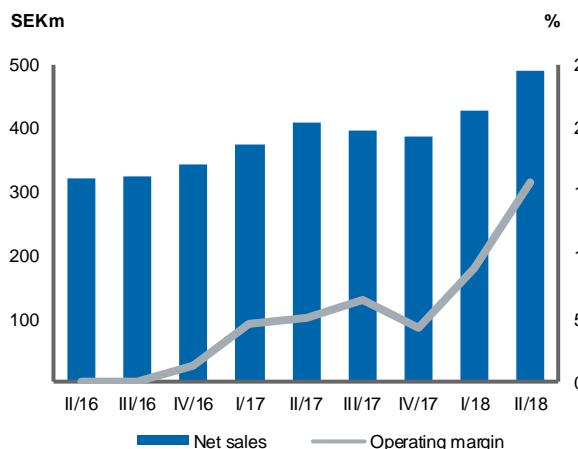
SEKm	Quarter			January–June		Full year 2017
	2-18	1-18	2-17	2018	2017	
Net sales	491	426	407	917	780	1 562
Operating costs	-390	-365	-365	-755	-700	-1 397
<b>EBITDA</b>	<b>101</b>	<b>61</b>	<b>42</b>	<b>162</b>	<b>80</b>	<b>165</b>
Depreciation and amortisation according to plan	-23	-23	-21	-46	-42	-86
<b>Operating profit</b>	<b>77</b>	<b>38</b>	<b>21</b>	<b>115</b>	<b>38</b>	<b>80</b>
Investments	12	40	48	52	55	100
Capital employed	931	900	906	931	906	862
EBITDA margin, %	21	14	10	18	10	11
Operating margin, %	16	9	5	13	5	5
Return on capital employed, %	34	17	9	26	9	9
Production, '000 m <sup>3</sup>	215	212	209	428	411	827
Deliveries, '000 m <sup>3</sup>	230	215	222	445	430	852

Demand for wood products was strong in the first half-year and selling prices increased gradually.

Holmen's deliveries of wood products for January–June totalled 445 000 cubic metres. This was an increase of 3 per cent compared with the same period last year, and was a result of the acquisition of Linghem Sawmill.

Operating profit for January–June was SEK 115 million (38). The improvement in profit was due to higher selling prices, which was partly offset by higher costs for logs.

Compared with the first quarter, profit increased by SEK 39 million to SEK 77 million, as a result of higher selling prices and seasonally higher deliveries.



## Energy

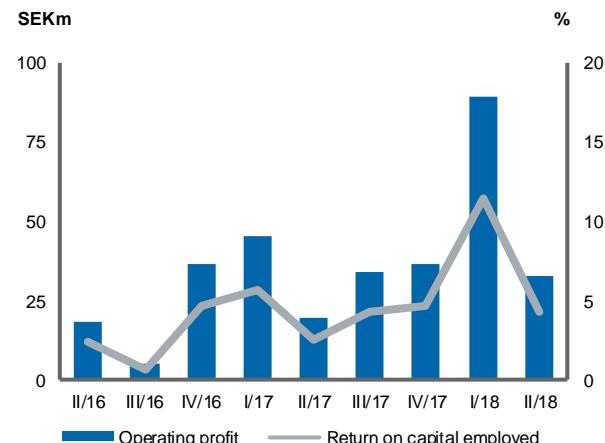
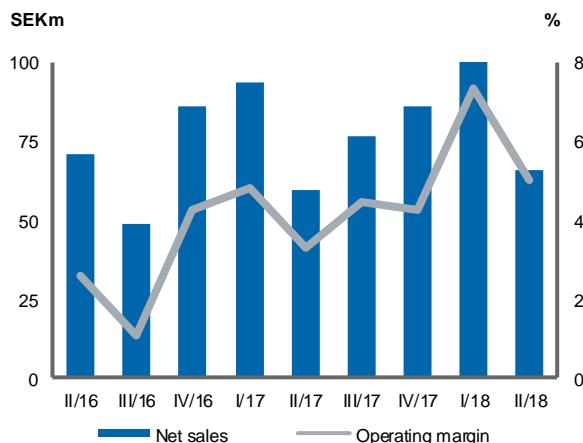
In a normal year Holmen produces 1.2 TWh of renewable hydro and wind power.

SEKm	Quarter			January–June		Full year 2017
	2-18	1-18	2-17	2018	2017	
Net sales	66	122	60	187	153	315
Operating costs	-27	-27	-34	-54	-77	-157
Depreciation and amortisation according to plan	-6	-6	-6	-12	-11	-24
<b>Operating profit</b>	<b>33</b>	<b>89</b>	<b>20</b>	<b>122</b>	<b>65</b>	<b>135</b>
Investments	4	5	3	9	15	26
Capital employed	3 108	3 095	3 122	3 108	3 122	3 115
Operating margin, %	50	73	33	65	42	43
Return on capital employed, %	4	11	3	8	4	4
Production hydro and wind power, GWh	261	385	231	646	566	1 169

Operating profit for January–June was SEK 122 million (65). The reasons for the profit improvement were that production increased from a low level in 2017, electricity prices rose and property tax was lowered.

Compared with the first quarter, profit decreased by SEK 56 million to SEK 33 million, as a result of seasonally lower production.

At the end of the second quarter, the levels in Holmen's water storage reservoirs were low.



## **Cash flow, financing and net financial items**

Cash flow from operating activities for January–June totalled SEK 1 017 million. In the second quarter, capital expenditures totalled SEK 377 million and SEK 1 092 million was paid in dividends.

In January–June, the Group's net financial debt increased by SEK 351 million to SEK 3 286 million. On 30 June, the debt/equity ratio was 0.15. Financial liabilities including pension provisions totalled SEK 4 126 million, SEK 3 039 million of which were current liabilities. Cash and cash equivalents and financial receivables totalled SEK 840 million, of which approximately SEK 450 million consisted of loans to a partly owned wind power company. The Group has unutilised committed credit facilities of SEK 4 180 million, maturing in 2020–2021.

Net financial items for the first half-year were SEK -13 million (-26).

Standard & Poor's long-term credit rating on Holmen is BBB+.

## **Tax**

Recognised tax for January–June amounted to SEK 8 million (-246). The recognised tax expense was positively affected by SEK 300 million, arising from the June 2018 decision by the Swedish Parliament to lower Sweden's corporation tax rate in stages from 22 per cent to 20.6 per cent. The reduction adopted decreases the Group's recognised deferred tax liability and has no impact on cash flow in 2018, but it will lower the Group's future tax payments.

## **Equity**

In January–June, the Group's equity increased by SEK 202 million to SEK 22 237 million. Profit for the period totalled SEK 1 266 million and the dividend paid totalled SEK 1 092 million. Other comprehensive income amounted to SEK 32 million.

## **Hedging of exchange rates and electricity prices**

The Group hedges parts of future estimated net flows in foreign currencies. Operating profit for the first half-year includes currency hedges of SEK -210 million (-30).

Exchange rates had a positive effect of SEK 40 million on the Group's profit in the first half-year, compared with the same period last year. For just over the next two years, expected flows in EUR/SEK are hedged at an average of 9.82. For EUR/GBP, 8 months of expected flows are hedged at 0.90. For other currencies, 4 months of flows are hedged.

Prices for the Group's estimated net consumption of electricity in Sweden are 80–90 per cent hedged for 2018–2020 and 65 per cent for 2021.

## **Personnel**

**The average number of employees (full-time equivalents) in the Group was 2 918 (2 925).**

## **Share buy-backs**

At the 2018 AGM, the Board's authorisation to purchase up to 10 per cent of the company's shares was renewed. No buy-backs took place during the period. The company owns 0.9 per cent of all shares outstanding.

## **Share split**

The 2018 AGM approved a share split, meaning that each share, irrespective of series, is divided into two shares (2:1 split) of the same series. The share split was carried out in the second quarter. In this report, figures regarding dividend and earnings per share have been restated on the basis of the new number of shares.

## **Material risks and uncertainties**

The Group and the parent company's material risks and uncertainties relate primarily to changes in demand and the prices of its products, the cost of key input goods, and changes in exchange rates. For a more detailed description of material risks and uncertainties see Holmen's annual report for 2017, pages 32–35 and note 26.

## **Transactions with related parties**

There were no transactions between Holmen and related parties that had a significant effect on the company's financial position and performance.

## **Accounting policies**

This report has been prepared in accordance with the Swedish Annual Accounts Act and Securities Market Act, and, for the Group, in accordance with IAS 34 Interim Financial Reporting. The parent company and Group's accounting policies are unchanged from the most recently published annual accounts, with the exception of new accounting standards IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers,' which came into force on 1 January 2018. Under IFRS 9, impairments of financial assets should be based on a model based on expected future losses. Hedge accounting rules have changed, with requirements for hedging relations to be the same as the Group's risk management targets. Under IFRS 15, income should be recognised when the customer gains control over the goods in question. Other changes in IFRS 15 include the accounting of rights of return and discounts. The new policies have only a marginal effect on Holmen's accounting and no effects have been recognised in equity as a result of their introduction. The figures in tables are rounded off.

The Board of Directors and the Chief Executive Officer hereby confirm that this interim report provides a true and fair view of the parent company's and Group's operations, position and performance, and describes material risks and uncertainties which affects the parent company and Group companies.

Stockholm, 15 August 2018  
Holmen AB (publ)

**Fredrik Lundberg**

Chairman

**Carl Kempe**

Deputy chairman

**Carl Bennet**

Board member

**Lars G Josefsson**

Board member

**Lars Josefsson**

Board member

**Louise Lindh**

Board member

**Ulf Lundahl**

Board member

**Henrielle Zeuchner**

Board member

**Henrik Sjölund**Board member  
and Chief Executive  
Officer**Steewe Björklundh**Board member,  
employee representative**Kenneth Johansson**Board member,  
employee representative**Tommy Åsenbrygg**Board member,  
employee representative

The report has not been reviewed by the company's auditors.

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Stina Sandell, Senior Vice President Sustainability and Communications, tel. +46 73 986 51 12

## Group

Income statement, SEKm	Quarter			January-June	Full year
	2-18	1-18	2-17	2018	2017
Net sales	<b>4 164</b>	4 099	4 148	<b>8 264</b>	8 278
Other operating income	<b>314</b>	328	282	<b>642</b>	549
Change in inventories	<b>33</b>	-18	-43	<b>15</b>	-23
Raw materials and consumables	<b>-2 255</b>	-2 238	-2 281	<b>-4 493</b>	-4 652
Personnel costs	<b>-609</b>	-574	-589	<b>-1 183</b>	-1 136
Other operating costs	<b>-869</b>	-776	-842	<b>-1 644</b>	-1 524
Profit from investments in associates and joint ventures	<b>0</b>	-2	-3	<b>-1</b>	-9
Depreciation and amortisation according to plan	<b>-256</b>	-254	-249	<b>-511</b>	-497
Change in value of biological assets	<b>95</b>	87	102	<b>182</b>	165
<b>Operating profit</b>	<b>618</b>	653	525	<b>1 271</b>	1 152
Finance income	<b>3</b>	3	2	<b>6</b>	2
Finance costs	<b>-8</b>	-11	-13	<b>-19</b>	-28
<b>Profit before tax</b>	<b>614</b>	644	513	<b>1 258</b>	1 126
Tax	<b>145</b>	-137	-119	<b>8</b>	-246
<b>Profit for the period</b>	<b>759</b>	507	394	<b>1 266</b>	880
Earnings per share, SEK					
basic	<b>4.5</b>	3.0	2.4	<b>7.5</b>	5.2
diluted	<b>4.5</b>	3.0	2.4	<b>7.5</b>	5.2
Operating margin, % *	<b>14.9</b>	15.9	12.7	<b>15.4</b>	13.9
Return on capital employed, % *	<b>9.8</b>	10.5	8.5	<b>10.1</b>	9.4
Return on equity, %	<b>13.6</b>	9.1	7.5	<b>11.4</b>	8.4

\* Excl. items affecting comparability.

Statement of comprehensive income, SEKm	Quarter			January-June	Full year
	2-18	1-18	2-17	2018	2017
<b>Profit for the period</b>	<b>759</b>	507	394	<b>1 266</b>	880
<b>Other comprehensive income</b>					
Revaluations of defined benefit pension plans	<b>34</b>	-57	-1	<b>-23</b>	57
Tax attributable to items that will not be reclassified to profit for the period	<b>-6</b>	10	0	<b>4</b>	-10
<b>Items that will not be reclassified to profit for the period</b>	<b>28</b>	-47	-1	<b>-19</b>	46
Cash flow hedging	<b>182</b>	-262	28	<b>-79</b>	5
Translation difference on foreign operation	<b>16</b>	112	-18	<b>128</b>	-28
Hedging of currency risk in foreign operation	<b>-3</b>	-10	-12	<b>-13</b>	-11
Tax attributable to items that will be reclassified to profit for the period	<b>-43</b>	57	-4	<b>14</b>	2
<b>Items that will be reclassified to profit for the period</b>	<b>153</b>	-103	-7	<b>51</b>	-33
<b>Total other comprehensive income after tax</b>	<b>181</b>	-150	-8	<b>32</b>	14
<b>Total comprehensive income</b>	<b>940</b>	358	386	<b>1 298</b>	893

Change in equity, SEKm	January-June	
	2018	2017
<b>Opening equity</b>	<b>22 035</b>	21 243
Profit for the period	<b>1 266</b>	880
Other comprehensive income	<b>32</b>	14
<b>Total comprehensive income</b>	<b>1 298</b>	893
Dividends paid	<b>-1 092</b>	-1 008
Share saving program	<b>-3</b>	5
<b>Closing equity</b>	<b>22 237</b>	21 134

Share structure	Votes	No. of shares	No. of votes	Quotient value	SEKm
A share	10	45 246 468	452 464 680	25	1 131.2
B share	1	124 265 856	124 265 856	25	3 106.6
<b>Total number of shares</b>	169 512 324	576 730 536		4 237.8	
Holding of own B shares bought back	-1 520 000	-1 520 000			
<b>Total number of shares issued</b>	167 992 324	575 210 536			

## Group

Balance sheet, SEKm	2018 30 June	2018 31 March	2017 31 December
<b>Non-current assets</b>			
Intangible non-current assets	88	88	90
Property, plant and equipment	9 034	9 082	9 078
Biological assets	18 030	17 920	17 831
Investments in associates and joint ventures	1 718	1 731	1 749
Other shares and participating interests	1	2	2
Non-current financial receivables	523	524	42
Deferred tax assets	1	1	1
<b>Total non-current assets</b>	<b>29 396</b>	<b>29 349</b>	<b>28 793</b>
<b>Current assets</b>			
Inventories	3 059	2 941	2 905
Trade receivables	2 259	2 240	2 089
Current tax receivable	41	36	36
Other operating receivables	1 054	739	658
Current financial receivables	27	30	32
Cash and cash equivalents	289	252	356
Asset held for sale	-	-	23
<b>Total current assets</b>	<b>6 730</b>	<b>6 239</b>	<b>6 098</b>
<b>Total assets</b>	<b>36 126</b>	<b>35 588</b>	<b>34 891</b>
<b>Equity</b>	<b>22 237</b>	<b>22 387</b>	<b>22 035</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	1 045	1 049	552
Pension provisions	42	88	39
Other provisions	652	635	662
Deferred tax liabilities	5 413	5 638	5 650
<b>Total non-current liabilities</b>	<b>7 151</b>	<b>7 410</b>	<b>6 903</b>
<b>Current liabilities</b>			
Current financial liabilities	3 039	2 237	2 775
Trade payables	2 079	1 957	1 957
Current tax liability	50	61	21
Provisions	132	143	144
Other operating liabilities	1 437	1 392	1 056
<b>Total current liabilities</b>	<b>6 738</b>	<b>5 790</b>	<b>5 952</b>
<b>Total liabilities</b>	<b>13 889</b>	<b>13 200</b>	<b>12 856</b>
<b>Total equity and liabilities</b>	<b>36 126</b>	<b>35 588</b>	<b>34 891</b>
Debt/equity ratio, times	0.15	0.11	0.13
Equity/assets ratio, %	62	63	63
Net financial debt	25 524	24 956	24 972
	3 286	2 568	2 936

Financial instruments, SEKm	Carrying amount		Fair value	
	2018 30 June	2017 31 December	2018	2017
			30 June	31 December
Assets at fair value	471	200	471	200
Assets at acquisition cost	3 097	2 498	3 097	2 498
Liabilities at fair value	703	351	703	351
Liabilities at acquisition cost	6 126	5 234	6 126	5 234

Holmen measures financial instruments at fair value or acquisition cost in the balance sheet depending on classification. In addition to items in net financial debt, with the exception of the pension liability, financial instruments cover trade receivables and trade payables. Financial instruments measured at fair value in the balance sheet belong to measurement level 2 pursuant to IFRS 13.

## Group

Cash flow statement, SEKm	2-18	Quarter		January-June		Full year 2017
		1-18	2-17	2018	2017	
<b>Operating activities</b>						
Profit before tax	614	644	513	1 258	1 126	2 113
Adjustments for non-cash items *	165	40	94	205	213	418
Paid income taxes	-117	-99	-125	-215	-114	-221
<b>Cash flow from operating activities before changes in working capital</b>	<b>662</b>	586	482	<b>1 248</b>	1 224	2 310
<b>Cash flow from changes in working capital</b>						
Change in inventories	-119	10	29	-109	48	73
Change in trade receivables and other operating receivables	-162	-44	-137	-205	-189	22
Change in trade payables and other operating liabilities	113	-29	69	84	54	104
<b>Cash flow from operating activities</b>	<b>495</b>	523	444	<b>1 017</b>	1 138	2 509
<b>Investing activities</b>						
Acquisition of non-current assets	-169	-208	-162	-377	-306	-702
Disposal of non-current assets	4	121	4	125	41	58
Change in non-current financial receivables	9	-456	-	-447	-	-
<b>Cash flow from investing activities</b>	<b>-156</b>	-543	-158	<b>-699</b>	-265	-644
<b>Financing activities</b>						
Change in financial liabilities and current financial receivables	789	-87	-480	702	17	-710
Dividends paid to the shareholders of the parent company	-1 092	-	-1 008	-1 092	-1 008	-1 008
<b>Cash flow from financing activities</b>	<b>-303</b>	-87	-1 487	<b>-390</b>	-991	-1 718
<b>Cash flow for the period</b>						
Opening cash and cash equivalents	36	-107	-1 201	-72	-119	147
Exchange difference in cash and cash equivalents	252	356	1 292	356	210	210
<b>Closing cash and cash equivalents</b>	<b>289</b>	252	91	<b>289</b>	91	356
<b>Change in net financial debt, SEKm</b>						
	2-18	Quarter		January-June		Full year 2017
		1-18	2-17	2018	2017	
Opening net financial debt	-2 592	-2 936	-3 288	-2 936	-3 945	-3 945
Cash flow from operating activities	495	523	444	1 017	1 138	2 509
Cash flow from investing activities (excl financial receivables)	-165	-87	-158	-252	-265	-644
Dividends paid	-1 092	-	-1 008	-1 092	-1 008	-1 008
Revaluations of defined benefit pension plans	34	-56	-2	-23	56	120
Foreign exchange effects and changes in fair value	34	-35	20	-1	34	32
<b>Closing net financial debt</b>	<b>-3 286</b>	-2 592	-3 991	<b>-3 286</b>	-3 991	-2 936

\* The adjustments consist primarily of depreciation according to plan, impairment losses, change in value of biological assets, change in provisions, interests in earnings of associated companies, currency effects and revaluations of financial instruments as well as capital gains/losses on sale of fixed assets.

## Parent company

Income statement, SEKm	2-18	Quarter		January-June		Full year 2017
		1-18	2-17	2018	2017	
Operating income	3 800	3 728	3 835	7 528	7 649	14 910
Operating costs	-3 416	-3 424	-3 573	-6 840	-7 084	-14 069
<b>Operating profit</b>	<b>385</b>	304	261	<b>689</b>	565	841
Net financial items	2	116	135	119	133	416
<b>Profit after net financial items</b>	<b>387</b>	420	396	<b>807</b>	697	1 257
Appropriations	39	38	189	77	297	787
<b>Profit before tax</b>	<b>426</b>	458	585	<b>884</b>	994	2 044
Tax	-52	-73	-92	-125	-180	-197
<b>Profit for the period</b>	<b>374</b>	385	494	<b>759</b>	814	1 847
Statement of comprehensive income, SEKm		Quarter		January-June		Full year 2017
		2-18	1-18	2-17	2018	2017
<b>Profit for the period</b>	<b>374</b>	385	494	<b>759</b>	813	1 847
<b>Other comprehensive income</b>						
Cash flow hedging	190	-255	32	-64	3	38
Tax attributable to other comprehensive income	-43	56	-7	13	-1	-8
<b>Items that will be reclassified to profit for the period</b>	<b>147</b>	-199	25	<b>-51</b>	2	29
<b>Total comprehensive income</b>	<b>521</b>	187	518	<b>708</b>	816	1 876
Balance sheet, SEKm		2018	2018	2017		
		30 June	31 March	31 December		
Non-current assets	17 131	17 079	16 658			
Current assets	5 385	4 984	4 888			
<b>Total assets</b>	<b>22 516</b>	22 063	21 545			
Restricted equity	5 915	5 915	5 915			
Non-restricted equity	5 415	5 984	5 803			
Untaxed reserves	2 266	2 145	2 032			
Provisions	1 317	1 339	1 392			
Liabilities	7 603	6 681	6 403			
<b>Total equity and liabilities</b>	<b>22 516</b>	22 063	21 545			

Of operating revenue for January–June SEK 75 million (52) relates to sales to Group companies.

Balance sheet appropriations include group contributions of SEK 310 million (300). The change in corporation tax rate adopted resulted in a reduction of SEK 40 million in the deferred tax liability, leading to a corresponding reduction in the tax expense in the second quarter.

The parent company's investments in property, plant and equipment and non-current intangible assets totalled SEK 37 million (21).

## Group

Quarterly figures, SEKm	2018			2017			January-June 2018	Full year 2017
	Q2	Q1	Q4	Q3	Q2	Q1		
<b>Income statement</b>								
Net sales	4 164	4 099	3 908	3 947	4 148	4 131	8 264	8 278 16 133
Operating costs	-3 385	-3 278	-3 342	-3 250	-3 472	-3 315	-6 663	-6 787 -13 379
Profit from investments in associates and joint ventures	0	-2	1	-5	-3	-6	-1	-9 -12
<b>Earnings before depreciation and change in value</b>	<b>780</b>	<b>820</b>	<b>567</b>	<b>692</b>	<b>672</b>	<b>810</b>	<b>1 600</b>	<b>1 483 2 742</b>
Depreciation and amortisation according to plan	-256	-254	-246	-249	-249	-247	-511	-497 -991
Change in value of forests	95	87	100	150	102	64	182	165 415
<b>Operating profit</b>	<b>618</b>	<b>653</b>	<b>421</b>	<b>593</b>	<b>525</b>	<b>627</b>	<b>1 271</b>	<b>1 152 2 166</b>
Net financial items	-5	-8	-15	-13	-12	-14	-13	-26 -53
<b>Profit before tax</b>	<b>614</b>	<b>644</b>	<b>407</b>	<b>580</b>	<b>513</b>	<b>613</b>	<b>1 258</b>	<b>1 126 2 113</b>
Tax	145	-137	-75	-124	-119	-127	8	-246 -445
<b>Profit for the period</b>	<b>759</b>	<b>507</b>	<b>332</b>	<b>456</b>	<b>394</b>	<b>485</b>	<b>1 266</b>	<b>880 1 668</b>
Earnings per share, SEK	4.5	3.0	2.0	2.7	2.4	2.9	7.5	5.2 9.9
<b>Net sales *</b>								
Forest	1 543	1 465	1 391	1 286	1 407	1 451	3 009	2 858 5 535
Paperboard	1 538	1 473	1 354	1 361	1 408	1 403	3 011	2 811 5 526
Paper	1 376	1 418	1 376	1 387	1 369	1 277	2 795	2 645 5 408
Wood Products	491	426	385	397	407	373	917	780 1 562
Renewable Energy	66	122	86	76	60	94	187	153 315
Elimination of intra-group net sales	-849	-805	-684	-560	-503	-467	-1 654	-969 -2 214
<b>Group</b>	<b>4 164</b>	<b>4 099</b>	<b>3 908</b>	<b>3 947</b>	<b>4 148</b>	<b>4 131</b>	<b>8 264</b>	<b>8 278 16 133</b>
<b>EBITDA by business area</b>								
Forest	183	249	167	124	166	226	432	392 683
Paperboard	327	294	226	352	309	370	621	678 1 257
Paper	169	156	138	156	175	159	325	334 627
Wood Products	101	61	38	48	42	38	162	80 165
Renewable Energy	39	95	43	40	25	51	133	76 159
Group-wide	-38	-35	-45	-27	-44	-33	-73	-77 -149
<b>Group</b>	<b>780</b>	<b>820</b>	<b>567</b>	<b>692</b>	<b>672</b>	<b>810</b>	<b>1 600</b>	<b>1 483 2 742</b>
<b>Operating profit/loss by business area</b>								
Forest	271	329	258	267	261	283	599	544 1 069
Paperboard	197	166	106	229	184	246	363	429 764
Paper	85	72	55	69	90	74	156	164 288
Wood Products	77	38	16	26	21	17	115	38 80
Renewable Energy	33	89	36	34	20	45	122	65 135
Group-wide	-44	-41	-50	-32	-50	-38	-85	-88 -170
<b>Group</b>	<b>618</b>	<b>653</b>	<b>421</b>	<b>593</b>	<b>525</b>	<b>627</b>	<b>1 271</b>	<b>1 152 2 166</b>
<b>Operating margin, %</b>								
Paperboard	12.8	11.3	7.8	16.9	13.0	17.5	12.1	15.3 13.8
Paper	6.1	5.1	4.0	5.0	6.5	5.8	5.6	6.2 5.3
Wood Products	15.8	9.0	4.2	6.5	5.1	4.6	12.6	4.9 5.1
Group	14.9	15.9	10.8	15.0	12.7	15.2	15.4	13.9 13.4
<b>Return on capital employed, %</b>								
Forest	7.7	9.5	7.5	7.8	7.7	8.4	8.6	8.0 7.8
Paperboard	14.0	12.1	7.8	16.7	13.2	17.7	13.1	15.4 13.9
Paper	15.0	13.0	9.8	11.6	14.2	11.7	14.0	12.9 11.9
Wood Products	33.8	17.3	7.4	11.4	9.4	8.1	25.7	8.7 9.1
Renewable Energy	4.2	11.5	4.7	4.3	2.5	5.7	7.8	4.1 4.3
Group	9.8	10.5	6.7	9.4	8.5	10.2	10.1	9.4 8.7
<b>Key indicators</b>								
Return on equity, %	13.6	9.1	6.1	8.5	7.5	9.2	11.4	8.4 7.8
<b>Deliveries</b>								
Harvesting own forests, '000 m <sup>3</sup>	761	666	734	697	760	713	1 428	1 473 2 904
Paperboard, '000 tonnes	141	138	129	133	133	131	279	264 526
Paper, '000 tonnes	256	278	282	287	283	265	534	548 1 117
Wood products, '000 m <sup>3</sup>	230	215	206	215	222	208	445	430 852
Own production of hydro and wind power, GWh	261	385	318	285	231	335	646	566 1 169

\*Sales in the Forest and Renewable Energy business areas take place in Sweden only. For the Paperboard business area, 70 per cent of sales in the first half-year were to Europe, while 20 per cent went to Asia and 5 per cent to the rest of the world. For the Paper business area, sales to Europe accounted for 90 per cent while sales to Asia accounted for 10 per cent. For the Wood Products business area, sales to Europe accounted for 70 per cent, while other sales were mainly to North Africa and the Middle East.

## Group

Full year review, SEKm	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Income statement</b>										
Net sales	16 133	15 513	16 014	15 994	16 231	17 852	18 656	17 581	18 071	19 334
Operating costs	-13 379	-12 626	-13 348	-13 270	-13 919	-15 224	-15 501	-15 077	-15 191	-16 614
Profit from investments in associates and joint ventures	-12	-22	7	-7	3	47	84	28	45	50
<b>Earnings before depreciation and change in value</b>	<b>2 742</b>	<b>2 865</b>	<b>2 673</b>	<b>2 717</b>	<b>2 315</b>	<b>2 676</b>	<b>3 240</b>	<b>2 531</b>	<b>2 925</b>	<b>2 771</b>
Depreciation and amortisation according to plan	-991	-1 018	-1 240	-1 265	-1 370	-1 313	-1 260	-1 251	-1 320	-1 343
Change in value of forests	415	315	267	282	264	350	-	52	16	-16
<b>Operating profit excl. items affecting comparability</b>	<b>2 166</b>	<b>2 162</b>	<b>1 700</b>	<b>1 734</b>	<b>1 209</b>	<b>1 713</b>	<b>1 980</b>	<b>1 332</b>	<b>1 620</b>	<b>1 412</b>
Items affecting comparability	-	-232	-931	-450	-140	-193	3 593	264	-	-361
<b>Operating profit</b>	<b>2 166</b>	<b>1 930</b>	<b>769</b>	<b>1 284</b>	<b>1 069</b>	<b>1 520</b>	<b>5 573</b>	<b>1 596</b>	<b>1 620</b>	<b>1 051</b>
Net financial items	-53	-71	-90	-147	-198	-227	-244	-208	-255	-311
<b>Profit before tax</b>	<b>2 113</b>	<b>1 859</b>	<b>679</b>	<b>1 137</b>	<b>871</b>	<b>1 294</b>	<b>5 328</b>	<b>1 388</b>	<b>1 366</b>	<b>740</b>
Tax	-445	-436	-120	-230	-160	559	-1 374	-684	-360	-98
<b>Profit for the year</b>	<b>1 668</b>	<b>1 424</b>	<b>559</b>	<b>907</b>	<b>711</b>	<b>1 853</b>	<b>3 955</b>	<b>704</b>	<b>1 006</b>	<b>642</b>
Diluted earnings per share, SEK	9.9	8.5	3.4	5.4	4.3	11.1	23.6	4.2	6.0	3.8
<b>EBITDA by business area*</b>										
Forest	683	716	668	563	694	614	769	794	616	674
Paperboard	1 257	1 382	1 346	1 161	878	959	1 186	1 141	780	688
Paper	627	669	514	725	429	862	1 002	229	1 218	1 176
Wood Products	165	80	86	160	45	-10	-26	49	52	47
Renewable Energy	159	143	198	233	391	374	425	516	435	346
Group-wide	-149	-124	-138	-126	-121	-123	-116	-198	-176	-160
<b>Group</b>	<b>2 742</b>	<b>2 865</b>	<b>2 673</b>	<b>2 717</b>	<b>2 315</b>	<b>2 676</b>	<b>3 240</b>	<b>2 531</b>	<b>2 925</b>	<b>2 771</b>
<b>Operating profit by business area*</b>										
Forest	1 069	1 001	905	817	924	931	739	818	605	632
Paperboard	764	903	847	674	433	596	863	817	419	320
Paper	288	289	-74	141	-309	94	228	-618	340	280
Wood Products	80	-3	9	37	-75	-130	-136	20	21	13
Renewable Energy	135	120	176	212	371	355	406	495	414	327
Group-wide	-170	-148	-163	-146	-136	-132	-120	-200	-178	-159
<b>Group</b>	<b>2 166</b>	<b>2 162</b>	<b>1 700</b>	<b>1 734</b>	<b>1 209</b>	<b>1 713</b>	<b>1 980</b>	<b>1 332</b>	<b>1 620</b>	<b>1 412</b>
<b>Deliveries</b>										
Harvesting own forests, '000 m <sup>3</sup>	2 904	2 986	3 213	3 297	3 465	3 211	2 988	2 999	2 897	2 649
Paperboard, '000 tonnes	526	497	499	493	469	485	474	464	477	494
Paper, '000 tonnes	1 117	1 134	1 325	1 305	1 574	1 651	1 668	1 732	1 745	2 044
Wood products, '000 m <sup>3</sup>	852	776	730	725	686	660	487	285	313	266
Own production of hydro and wind power, GWh	1 169	1 080	1 441	1 113	1 041	1 353	1 235	1 149	1 090	1 128
<b>Balance sheet</b>										
Non-current assets	28 751	28 701	29 524	30 221	30 652	30 664	30 334	26 028	25 694	26 506
Current assets	5 710	5 852	5 607	5 964	5 774	6 005	6 642	6 950	6 075	7 268
Financial receivables	430	338	325	249	327	377	240	454	407	828
<b>Total assets</b>	<b>34 891</b>	<b>34 891</b>	<b>35 456</b>	<b>36 434</b>	<b>36 753</b>	<b>37 046</b>	<b>37 217</b>	<b>33 432</b>	<b>32 176</b>	<b>34 602</b>
Equity	22 035	21 243	20 853	20 969	20 854	20 813	19 773	16 913	16 504	15 641
Deferred tax liability	5 650	5 613	5 508	5 480	5 804	5 504	6 630	5 910	5 045	4 819
Financial liabilities and interest-bearing provisions	3 366	4 283	5 124	6 156	6 443	6 967	6 499	6 227	6 091	8 332
Operating liabilities	3 840	3 752	3 971	3 829	3 653	3 762	4 313	4 382	4 536	5 809
<b>Total equity and liabilities</b>	<b>34 891</b>	<b>34 891</b>	<b>35 456</b>	<b>36 434</b>	<b>36 753</b>	<b>37 046</b>	<b>37 217</b>	<b>33 432</b>	<b>32 176</b>	<b>34 602</b>
<b>Cash flow</b>										
Operating activities	2 509	1 961	2 526	2 176	2 011	2 254	2 101	1 523	2 873	1 660
Investing activities	-644	-123	-832	-834	-869	-1 920	-1 733	-1 597	-818	-1 124
<b>Cash flow after investments</b>	<b>1 865</b>	<b>1 838</b>	<b>1 693</b>	<b>1 342</b>	<b>1 142</b>	<b>334</b>	<b>368</b>	<b>-74</b>	<b>2 054</b>	<b>536</b>
<b>Key indicators</b>										
Return on capital employed, % *	9	9	6	6	4	7	9	6	7	6
Return on equity, %	8	7	3	4	3	9	23	4	6	4
Return on equity, % *	8	8	7	6	4	6	8	4	6	4
Debt/equity ratio	0.13	0.19	0.23	0.28	0.29	0.32	0.32	0.34	0.34	0.48
<b>Dividend</b>										
Dividend, SEK **	6.5	6	5.25	5	4.5	4.5	4	3.5	3.5	4.5

\* Excl. items affecting comparability.

## Use of performance measures

Holmen uses performance measures to supplement measures defined by IFRS or directly in the income statement and balance sheet in order to clarify the company's financial position and performance.

### Earnings measures

Operating profit is the principal measure of earnings that is used to monitor financial performance. It includes all income and costs, as well as depreciation/amortisation of non-current assets. EBITDA is used as a supplementary measure to illustrate the cash flow that a business area generates before investments and changes in working capital, excluding items affecting comparability. For the Forest business area, the measure 'earnings before change in value of forests' is used, which summarises operating profit/loss excluding changes in the fair value of biological assets. To clarify how these earnings measures are affected by matters outside normal business operations, such as impairment, disposal, closure and fire, the term 'items affecting comparability' is used. The purpose is also to increase comparability between different periods. The effects of maintenance and rebuilding shutdowns are not treated as an item affecting comparability. On page 74 of Holmen's 2017 annual report a description is given of the items that are reported as affecting comparability. No items are reported as affecting comparability in the January–June period 2018.

SEKm	Quarter			January-June		Full year
	2-18	1-18	2-17	2018	2017	
EBITDA	780	820	672	1 600	1 483	2 742
Depreciation and amortisation according to plan	-256	-254	-249	-511	-497	-991
Change in value of forests	95	87	102	182	165	415
Operating profit	618	653	525	1 271	1 152	2 166

SEKm	Quarter			January-June		Full year
	2-18	1-18	2-17	2018	2017	
Earnings before change in value of forests	175	242	159	417	378	654
Change in value of forests	95	87	102	182	165	415
Operating profit of forest	271	329	261	599	544	1 069

### Margin, return and debt measures

Operating profit, excluding items affecting comparability, as a proportion of sales is known as the operating margin. Profit before depreciation/amortisation as a proportion of sales is known as the EBITDA margin. The performance measure of return on capital employed is used to measure operating profit, excluding items affecting comparability, as a proportion of capital employed. Capital employed is calculated as fixed capital plus working capital less the net sum of deferred tax liabilities and deferred tax assets. This corresponds to equity plus net financial debt.

SEKm	2018		
	31 June	2018	2017
	31 March	31 December	
Fixed capital *	28 872	28 823	28 751
Working capital **	2 063	1 769	1 870
Deferred tax assets	1	1	1
Deferred tax liabilities	-5 413	-5 638	-5 650
Capital employed	25 524	24 956	24 972

The debt/equity ratio is calculated as net financial debt divided by equity. The equity/assets ratio is calculated as equity divided by total assets. Net financial debt consists of the following components:

SEKm	2018		
	31 June	2018	2017
	31 March	31 December	
Non-current financial liabilities	1 045	1 049	552
Current financial liabilities	3 039	2 237	2 775
Pension provisions	42	88	39
Non-current financial receivables	-523	-524	-42
Current financial receivables	-27	-30	-32
Cash and cash equivalents	-289	-252	-356
Net financial debt	3 286	2 568	2 936

\*Non-current intangible assets, property, plant and equipment, biological assets, investments in associates and joint ventures and other investments.

\*\*Inventories, trade receivables, current tax asset, other current operating receivables, trade payables, current tax liability, provisions, other provisions and operating liabilities.

## Holmen in brief

Holmen's business concept is to own and add value to the forest. The forest holdings form the basis of the business – an ecocycle in which the raw material grows and is refined into everything from wood for climate-smart building to renewable packaging, magazines and books. The forest is managed to provide a good annual return and stable value growth while our production operations are run with a focus on profitability and greater value added.

## Press and analyst conference

On publication of the interim report, a webcast press and analyst conference will be held at 13.30 CET on Wednesday, 15 August. Holmen President and CEO Henrik Sjölund will present and comment on the report. The presentation will be held in English.

Please note that this quarterly report will only be webcast and may be followed via: [www.holmen.com/rapporter](http://www.holmen.com/rapporter). You may also participate in the conference by telephone, by calling no later than 13.25 on:

+46856642691 (within Sweden)

+442030089807 (from the rest of Europe)

+18557532235 (from the US).

## Financial reports

24 October 2018	Interim report January–September 2018
31 January 2019	Year-end report 2018
8 May 2019	Interim report January–March 2019
15 August 2019	Interim report January–June 2019
18 October 2019	Interim report January–September 2019

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This information is information that Holmen AB is obliged to make public pursuant to the Swedish Securities Market Act (*VpmL*). The information was submitted for publication, through the agency of the contact person set out below, on Wednesday, 15 August 2018 at 12.00.

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