2012 Annual report

including sustainability report

HOLMEN

Contents

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 2012 financial year. ***The annual report comprises pages 4–88.*** *The results of the year's operations and the financial position of the parent company and the Group are presented in* ***the administration report, pages 4–53,*** *and the accompanying income statements and balance sheets, together with the notes and supplementary information. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.*

CEO's message 2

ANNUAL REPORT

Business operation

The year in brief 4
Strategy 6
Printing paper 10
Paperboard 14
Sawn timber 18
Forest 22
Energy 26
Risk management 28

Sustainability

Principles 32
Environmental responsibility 34
Holmen's carbon footprint 37
Employees 38
Sustainable products 41
Dialogue with stakeholders 42
Assurance report 43

Corporate governance

Corporate governance report 44
Board of Directors 48
Group management 50
The share and shareholders 51

Financial statements

Income statement 56
Statement of comprehensive income 57
Balance sheet 58
Changes in equity 59
Cash flow statement 60
Parent company 62
Notes 64

Appropriation of profits 88
Audit report 89

Annual General Meeting, calendar, information 90
Five-year review, sustainability 91
Ten-year review, finance 94
Definitions and glossary 96
Facts about industrial sites

List of notes

1. Accounting policies 64
2. Operating segment reporting 68
3. Other operating income 70
4. Employees, staff costs and remuneration to senior management 70
5. Auditors' fee and remuneration 71
6. Net financial items and income from financial instruments 72
7. Taxes 72
8. Earnings per share (EPS) 75
9. Intangible non-current assets 75
10. Property, plant and equipment 76
11. Biological assets 77
12. Interests in associates and other shares and participating interests 78
13. Financial instruments 79
14. Inventories 82
15. Operating receivables 82
16. Equity parent company 82
17. Pension provisions 83
18. Other provisions 84
19. Operating liabilities 84
20. Operating leases 84
21. Pledged collateral and contingent liabilities 85
22. Related parties 85
23. Interests in Group companies 86
24. Untaxed reserves 87
25. Cash flow statement 87
26. Key assessments and estimates 87

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.

Business areas: **Products**

HOLMEN PAPER

Products:	**Customers:**	**Production facilities:**	**Production capacity/year:**
Printing paper for magazines, product catalogues, direct mail, books, newspapers and telephone directories.	Retailers, magazine, book and daily newspaper publishers, telephone catalogue publishers, and printers. **Main market:** Europe.	Braviken Paper Mill, Hallsta Paper Mill and Holmen Paper Madrid.	1 750 000 tonnes.

IGGESUND PAPERBOARD

Products:	**Customers:**	**Production facilities:**	**Production capacity/year:**
Solid bleached board (SBB) and folding box board (FBB) for consumer packaging and graphical printing.	Converters of paperboard for packaging, as well as printers and wholesalers. **Main market:** Europe.	Iggesund Mill and Workington Mill.	540 000 tonnes.

HOLMEN TIMBER

Products:	**Customers:**	**Production facilities:**	**Production capacity/year:**
Pine joinery timber and spruce construction timber.	Joinery and furniture industry, planing mills, builders' merchants, house construction firms, etc. **Main market:** Europe, North Africa and the Middle East.	Braviken Sawmill and Iggesund Sawmill.	880 000 cubic metres.

Business areas: **Raw materials**

HOLMEN SKOG

Products:	**Operations:**	**Holding:**	**Annual harvesting:**
Wood and biofuel.	Responsible for Holmen's forests and for wood supply to the Group's Swedish units. **Customers:** Pulp and paper industry, sawmills and thermal plants.	Total land acreage 1 266 000, of which 1 033 000 hectares of productive forest land with a volume of wood of 119 million m^3 growing stock, solid over bark.	3.2 million m^3sub. **Annual growth:** 3.8 million m^3sub

HOLMEN ENERGI

Products:	**Operations:**	**Production facilities (wholly and partly owned):**	**Production capacity/year:**
Hydro power, wind power and peat.	Responsible for the Group's hydro and wind power plants, as well as the electricity supply to the Group's Swedish units.	21 hydro power stations and 2 wind farms.	1 112 GWh from hydro power.

Dear shareholder

A strained global economy and continued crisis in the eurozone also made their mark on 2012. This has meant tough challenges, redundancies and closures in several industries – not least the forest industry, which has experienced weak demand for several of its products alongside selling prices either standing still or falling. This development has also affected Holmen and, combined with an extremely strong Swedish krona and expiring currency hedges, has meant a decline in profit. This was mitigated by an increase in the value of our forests, along with initiatives to improve efficiency and reduce costs.

The stronger krona has led to a new competitive situation for companies whose production is predominantly based in Sweden. It requires initiatives with a deeper impact that involve cost savings and other measures to improve efficiency. Such initiatives will not change the situation overnight; rather, they need to be implemented persistently over time in order to achieve results. At Holmen, we have decided to keep up the pressure regarding these issues.

Holmen will soon be coming to the end of a period of several weighty investments that are laying a solid foundation for the future. The years to come will feature a more restrained volume of investment and focus on getting the maximum value from the structure we have created. This lays the groundwork for increasing the cash flow of the business and, in view of this, the Board has resolved to propose an increase in dividend of SEK 1, making the dividend per share SEK 9.

The investments leave us well equipped for the challenges that lie ahead.

Market-leading paperboard producer in demanding segments

Iggesund Paperboard focuses on the highest quality segments with the aim of being the first choice for those with particularly stringent demands on quality and service. Due to competitors investing in greater capacity, however, competition in the market for consumer paperboard is stiffening. For Holmen, it is important to constantly ensure that we are better than the others, a challenge we adopted many years ago that does not decrease in magnitude. This is especially crucial in a market with limited growth.

In June, the new recovery boiler and turbine at Iggesund Mill were commissioned, and the new biofuel boiler at the mill in Workington will begin operation in spring 2013. The latter boiler will replace an old natural gas combined heat and power plant. Taken together, this means that we have now two well-invested paperboard mills that are highly competitive in terms of both quality and cost. This provides us with the strength and potential to further develop our two brands, Invercote and Incada, as regards both quality and service in order to meet the demands of future customers.

Both investments are good examples of how Holmen operations are contributing to the crucial switchover to a resource-efficient

economy based on renewable raw materials and products.

Modern, productive sawmills

Since the new Braviken Sawmill was commissioned, we have grown in what is for us a new product area – that of construction timber. The start-up of the new sawmill has gone well, with more than 100 cubic metres of finished goods being sawn every hour. Parallel to this, measures have also been taken to make the operation at Iggesund Sawmill more efficient.

The market for sawn timber is weak and profitability in the industry is low, with prices for raw materials at a high level. In times like these, starting up a new facility for the manufacture of timber products is a major challenge. Our most prioritised task alongside increasing productivity is therefore to ensure a competitive supply of raw materials to the new sawmill.

However, the signs are all there that when the economy begins to recover, the construction market will also experience an upturn. Building in wood additionally has clear advantages for climate, which suggests that future prospects are good. I am convinced that when this upturn takes place, the company that can offer cost-effective production that is of high and consistent quality will be crowned the winner. With two modern, finely tuned sawmills, Holmen's offering will be in the right place at the right time.

Printing paper operation with cash flow potential

There are clear signs that Holmen's strategic shift from newsprint to speciality paper over the past few years has been the right choice. Total deliveries from Holmen Paper fell somewhat, but deliveries of the strategic products MF Magazine and book paper increased by 10 per cent.

Rationalisation and constant review of the product mix have become part of our daily lives. At the same time, Holmen has closed three paper machines over the past four years, which has significantly reduced fixed costs. During the second half of 2013, a further paper machine will be closed at Hallsta Paper Mill, meaning that the focus there will be placed on the two remaining machines, which manufacture our key strategic products. To further reduce the fixed costs at the mill, measures are also being taken to make the energy recovery process more efficient, allowing solid fuel boilers to be decommissioned. This will free up biofuel that can be sold to one of the new combined heat and power plants that are to be built in the Stockholm area.

We expect the competition situation to continue to be extremely tough. The market for printing paper weakened last year, and demand in Europe fell by 8 per cent. Selling prices were largely unchanged. The risk of further decreases in consumption is hanging over us, and we must continue to be fully prepared to take action. We can adapt to demand either by stopping production in response to market conditions or, if necessary, by closing production lines. By keeping investments at a low level, we can create the conditions for good cash flow.

Potential of energy investments

In 2012, Holmen's hydro power production was at its highest level since 2001. We value the fact that we are able to meet part of our power consumption needs by generating electricity ourselves, but investments in new power production must be weighed against the current background of lower price prospects.

Holmen has good potential for producing new wind power on its own land. This also means that the value of the land in Holmen's forests is increasing through leasing income. Wind surveys are currently under way in several locations in Sweden. Realising our potential in terms of wind power requires extremely positive project outcomes with good wind conditions and low investments per GWh in annual production.

Valuable and versatile forest raw material

Holmen's forest holdings are a valuable asset, a fact not least evident from the re-evaluation performed in 2011, which indicated higher harvesting volumes. In the future, it can be assumed that the forest will also be usable for purposes that extend beyond today's traditional forest industry applications. Renewable forest raw material will continue to be in demand, and its areas of use will be expanded.

The best way to invest in our forests is to manage and develop them in line with our strategy. With the growth-promoting measures we have already taken and those that will be taken in due course, the conditions for increased growth in the future look favourable.

Launching into the future

Sustainability is a natural part of the business to a very large extent. Financial, environmental and social sustainability are well integrated and solidly anchored in our operations, strategies and goals. Holmen is affiliated to the UN Global Compact, and continuing to support its ten principles is an important basis for our commitment to sustainability issues. This means that Holmen takes a clear stance on issues concerning human rights, social and environmental responsibility and the right to form trade unions. The fact that, over the past year, Holmen was the only Swedish company to be included in the sustainability index known as the Carbon Disclosure Project's Carbon Performance Leadership Index indicates that we are managing both risks and opportunities in the area of climate in a positive way.

We have a period of investments and – in literal terms – building the future, behind us. In parallel with the investment programme, Holmen has also established an increasing number of Group-wide processes. This has helped us to gather our strength, which was a necessary step, and provided us with a clear focus. From this strong and stable platform, all of Holmen's committed and highly skilled employees and I will be facing the challenges that 2013 presents.

Stockholm, 20 February 2013

Magnus Hall
President and CEO

“ Holmen will soon be coming to the end of a period of several weighty investments that are laying a solid foundation for the future.”

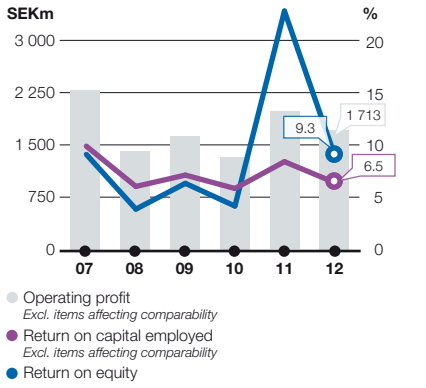
The year in brief

Facts	2012	2011
Net sales, SEKm	**17 852**	18 656
Operating profit, SEKm	**1 520**	5 573
Operating profit excl. items affecting comparability, SEKm	**1 713**	1 980
Profit for the year, SEKm	**1 853**	3 955
Earnings per share, SEK	**22.1**	47.1
Dividend per share, SEK	**9***	8
Return on capital employed, %**	**6.5**	8.5
Return on equity, %	**9.3**	23.1
Debt/equity ratio, times	**0.32**	0.32
Investments, SEKm	**1 920**	1 733
Average number of employees	**3 945**	4 041

*Board proposal **Excl. items affecting comparability

Net sales and operating margin

Operating profit and return



The group's operating profit

The operating profit excluding items affecting comparability was SEK 1 713 million in 2012, corresponding to a return on capital employed of 6.5 per cent. The contribution from favourable currency hedges fell, while the change in the value of forests rose and had a positive effect. Investments were high at SEK 1 920 million, and related primarily to the new recovery boiler and turbine at Iggesund Mill, which entered service during the year, and the new biofuel boiler at the mill in Workington, which is expected to become operational in spring 2013. Cash flow after investments amounted to SEK 334 million and the dividend paid was SEK 672 million. Net financial debt increased by SEK 331 million to SEK 6 590 million, giving a debt/equity ratio of 0.32. The Board proposes a dividend of SEK 9 per share.

The market

The market for printing paper weakened during the year and demand in Europe fell by 9 per cent, while demand for paperboard was unchanged. The selling prices for both printing paper and paperboard were largely static over the year. The market for sawn timber remained weak, and profitability was low throughout the industry. The market for both timber and pulpwood was weaker than normal and selling prices gradually dropped over the year. Inflow into Holmen's reservoirs was extremely high in 2012, and the year's production of hydro power, 1 343 GWh, was the highest since 2001.

Outlook

The market for printing paper is challenging, with lower demand and pressure on prices. Holmen Paper is continuing to make the transition towards speciality paper and is carrying out further efficiency improvements. Demand for paperboard is stable but the supply has increased, which puts pressure on the market. Iggesund Paperboard is taking advantage of the major investments made in energy supply. Demand for sawn timber is weak and prices are under pressure while costs for raw materials are historically high. Holmen Timber is continuing to fine-tune its operations. Harvesting in the Group's forests is planned to remain at the 2012 level while production in the Group's hydro power stations is expected to fall from the 2012 level, which was historically high. Investments are declining following the extensive investment programme of recent years.

Key events in 2012

FIRST QUARTER

- Work continues on dealing with the wood felled by the storm Dagmar at the end of 2011.
- Holmen holds its annual general meeting in Stockholm and agrees a dividend of SEK 8 per share.

SECOND QUARTER

- Friggesund nursery reopens after a three-year refurbishment that has made it one of the most modern in Europe.
- Launch of the *Grow your income* project, whose aim is to encourage farmers in the area around the paperboard mill in Workington to grow energy crops.
- The new recovery boiler and turbine are brought online at Iggesund Mill. The investment totals SEK 2.3 billion.
- Daniel Peltonen becomes the new mill manager at Hallsta Paper Mill.

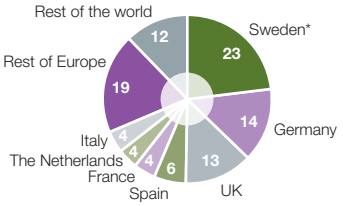
THIRD QUARTER

- Launch of the new Holmen TRND, a modern printing paper that challenges more expensive grades in the segment of exclusive magazines.
- Holmen is granted an environmental permit to build 17 wind turbines on its own land in Norrtälje, close to Hallsta Paper Mill.
- Iggesund Mill announces organisational efficiencies that involve the loss of approximately 100 jobs over a two-year period.
- Holmen is the only Swedish company to achieve a place on the Carbon Disclosure Project´s Carbon Performance Leadership Index, one of the world's most prestigious sustainability indexes.
- Holmen Paper Madrid sets a new world speed record for newsprint machines.

FOURTH QUARTER

- Hallsta Paper Mill announces a restructuring and refocusing of the business aimed at boosting the mill's future competitiveness. This involves the planned closure of one paper machine and investment in energy efficiencies. The workforce is assessed to be reduced by around 230 persons.
- Relaunch of the magazine and catalogue paper Holmen VIEW, now with higher brightness.
- The partly owned wind power company VindIn AB takes into operation 30 wind turbines at Trattberget in Örnsköldsvik.
- Göran Storm becomes the new mill manager at Braviken Sawmill.
- Braviken Sawmill saws around 100 cubic metres of wood per hour, and planes around 800 metres per minute.
- Construction of the new biofuel boiler at the paperboard mill in Workington enters its final phase. The investment is estimated at SEK 1.1 billion.

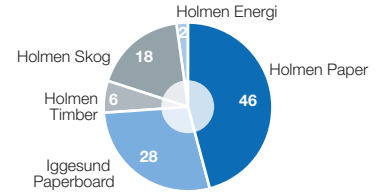
Net sales/market, %



**Of which forest and energy 20%*

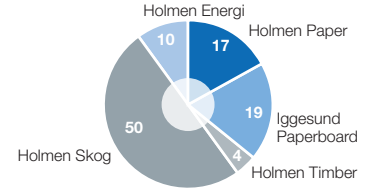
Total: SEK 17 852 m

Net sales/business area, %



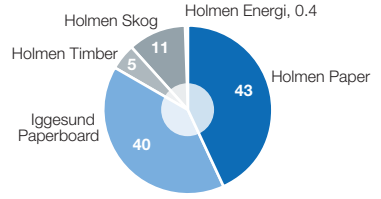
Total: SEK 17 852 m

Operating capital/business area, %



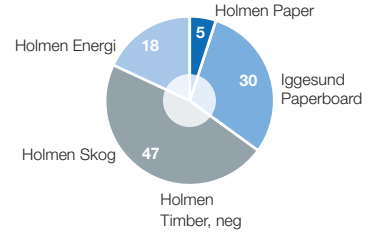
Total: SEK 32 905 m

Average no. of employees/business area, %



Total: 3 945

Operating profit/loss*/business area, %



**Excl. items affecting comparability*

Total: 1 713

Strategy

Strategy: Grow and develop our five business areas

Europe is the main market • Quality, productivity and focus on costs • Commitment in leadership and a skilled workforce • Strong financial position and good profitability • Sustainable development

Holmen's business concept is to run and develop profitable and sustainable business within three product-oriented business areas – printing paper, paperboard and sawn timber – as well as within two raw-material-oriented business areas – forest and energy.

Grow and develop our five business areas

THE THREE PRODUCT-ORIENTED business areas offer manufacturing based on renewable raw materials from sustainably managed forests. Most of the growth is organic and takes place by improving products and/or increasing production volumes in existing product areas. Development also necessitates reorganisation and the discontinuation of unprofitable production – measures that have characterised the printing paper business in recent years.

PRINTING PAPER. Holmen Paper manufactures printing paper at two mills in Sweden and one in Spain. Speciality papers such as magazine and book paper account for almost half of all sales, while other sales consist mainly of newsprint. Production is gradually shifting away from newsprint to more improved grades of paper that offer customers a cost-efficient alternative to traditional paper choices. Structural changes are putting pressure on the newsprint market, meaning that the company needs to focus on cash flow and be prepared for continued restructuring and adaptations to production capacity.

PAPERBOARD. Iggesund Paperboard is one of the market leaders in the highest quality segments for consumer packaging and advanced graphics printing. The paperboard is produced at one Swedish and one British mill, where major investments in energy supply are further boosting competitiveness. Market conditions are stable, and the company's leading position in Europe is to be cemented through customer-led product development, a strong service concept and continuous development of the product brands.

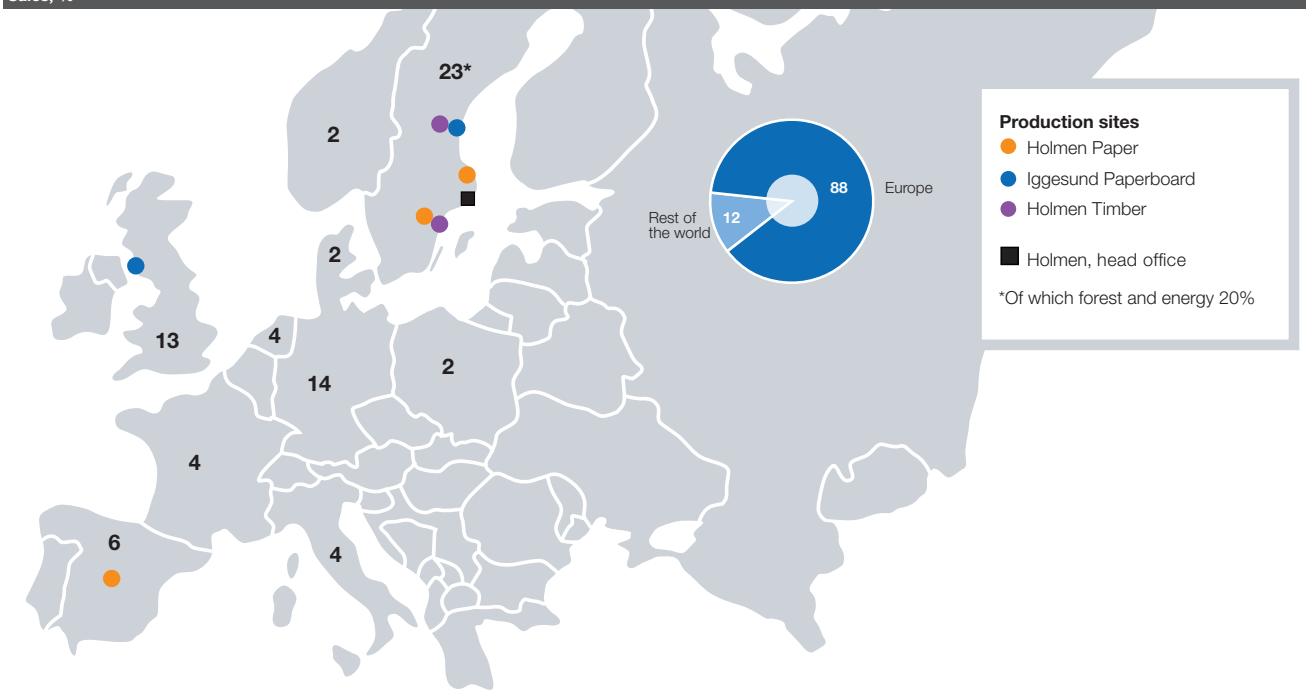
SAWN TIMBER. Holmen Timber manufactures pine joinery timber and spruce construction timber at two sawmills in Sweden. Despite large-scale production, Holmen Timber is still a small actor in a severely fragmented market. Both the sawmills are co-located with the Group's mills and, combined with the Group's own wood supply, this offers synergies that provide considerable competitive advantages in a sawn timber market that stands to gain in the long term from the benefits of wood for the economy and climate.

FOREST AND ENERGY ASSETS in Sweden contribute to consistently high earnings and constitute key resources when procuring raw materials for the product-oriented business areas. The assets are to grow and develop through active forest management and through investments in renewable energy production.

STRATEGIC DIRECTION

Printing paper	Paperboard	Sawn timber	Forest	Energy
Specialisation with focus on cash flow.	Grow leading brands from cost efficient base.	Large scale integrated production.	Active forest management.	Develop renewable energy.

Sales, %



FOREST. Holmen Skog manages the Group's forests – just over a million hectares of land – and the wood supply for the production units in Sweden. Through efficient and sustainable forestry, the growth of the forest will increase, thus also increasing its value.

ENERGY. Holmen Energi develops and manages the Group's existing hydro and wind power facilities, which currently contribute just over 1 TWh. New energy sources are evaluated on an ongoing basis and investments may be made where such sources are judged to be sufficiently viable.

Key market is Europe

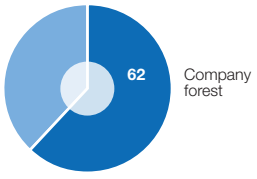
Holmen is active on large, well-established markets. Nearly 85 per cent of the sales of printing paper, paperboard and sawn timber takes place in Europe. Through a decentralised sales organisation with separate sales companies, the company is close to its customers geographically. Holmen's raw material markets for wood and energy are concentrated in Sweden.

Quality, productivity and focus on costs

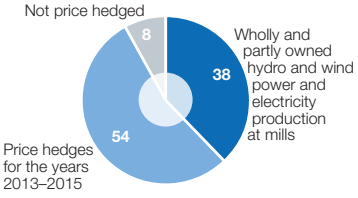
SUPPLY OF RAW MATERIALS. Alongside efficient production processes, the cost of raw materials and transport has an important impact on competitiveness. The main raw materials in the processes for producing printing paper, paperboard and sawn timber are fibre in the form of wood, recovered paper and pulp, as well as energy in the form of electricity and heat. Through a well integrated process, Holmen is largely self-sufficient in pulp and thermal energy. Having its own forest holdings and the fact that the company generates a significant proportion of its own electricity help to ensure a stable supply of raw materials in the long term. The level of self-sufficiency in wood is just over 60 per cent. The company produces almost 40 per cent of the electricity required to meet the Group's needs. Long-term hedged contracts are signed for the electricity purchased externally. Within the Group, there are also wholly and partly owned paper collection companies whose task is to procure recovered paper.

PRODUCTION PROCESSES. The Group's overall ambition is to present an offering to customers consisting of attractive, high-quality products and excellent service. This is to be done cost-effectively to maintain Holmen's position as a competitive supplier. Large-scale production facilities with excel-

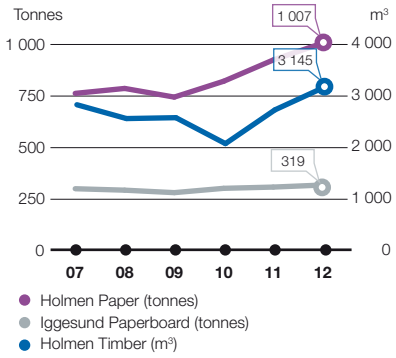
Self-sufficiency in raw materials – wood, %



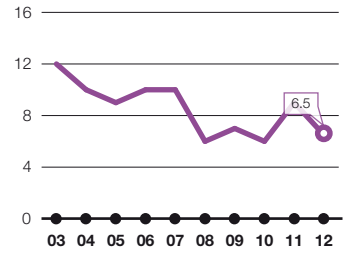
Self-sufficiency in raw materials – electricity, %



Productivity, production/employee and year

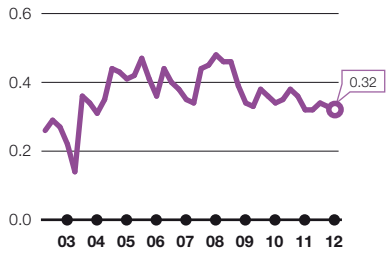


Profitability, return on capital employed, %

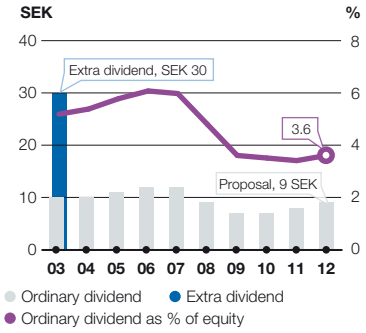


Excl. items affecting comparability

Capital structure, debt/equity ratio, times



Dividend, per share



Cost of capital

Holmen's business is capital intensive and much expansion is the result of investing in additional capacity, improved production and more efficient use of energy. Cost rationalisation also often requires investments. To assess the profitability of investments, a model is used to calculate the present value of cash flows using an estimated cost of capital, which totals 11 per cent (before tax) for investments in the product-oriented business areas. When evaluating operating activities, the cost of capital is determined annually based on short market interest rates and risk premiums adapted to the risk of the business.

lent environmental characteristics and skilled employees allow input goods and capital to be used efficiently. Effective interaction between marketing, product development and production is essential to achieve successful long-term investments, economies of scale and development. Large volumes of certain products are combined with selective ventures involving improved or more advanced products for both existing and new categories of customers.

PRODUCT DEVELOPMENT. Holmen's products are developed per business area and primarily where the greatest competence and experience is – at the production units.

Also, there are three development centres that gather expertise in prioritised areas. Two of these work closely with the mills and support the Iggesund Paperboard and Holmen Paper business areas. The third, Holmen Biorefinery Development Center, works to a longer time horizon and is tasked with finding new areas of application for wood raw material and residual products, with the aim of transforming these into profitable business in all the Group's business areas.

Holmen also cooperates with universities, colleges and research institutes, often together with other companies with associated interests.

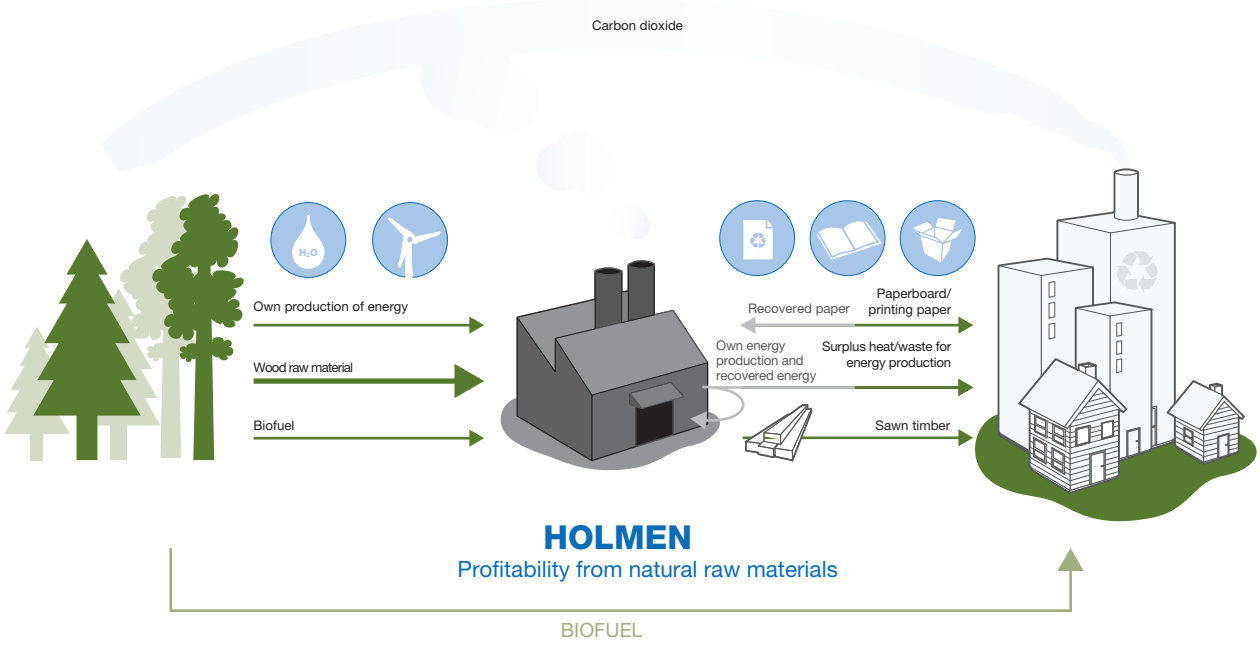
Commitment in leadership and a skilled workforce

Holmen's human resources efforts focus on skills supply, leadership and working practices. Recruiting, developing and retaining skilled employees is crucial if Holmen is to continue to operate successfully. In order to succeed in this area, a comprehensive manager development programme has been set up with the aim of ensuring committed leadership at all levels in the Group. This in turn creates the environment for a working climate in which skilled employees are given the opportunity to grow and take responsibility as their mandate is expanded. Sustained work on Holmen's core values provides support during processes of restructuring and change.

Human resources work is governed by a number of overall goals, which are regularly followed up by means of key indicators and through the Group-wide employee survey *Holmen Inblick*. This provides a foundation for strategic human resources activities and local action plans.

FINANCIAL TARGETS

- Holmen's profitability shall consistently exceed the market cost of capital.
- The financial position shall be strong with a debt/equity ratio within the interval of 0.3–0.8.
- Decisions on dividends shall be based on an appraisal of the Group's profitability, future investment plans and financial position.



Strong financial position

PROFITABILITY. Holmen's target is a return that is consistently above the market-based cost of capital. At Group level, the key indicator used to calculate profitability is Value Added; this is defined as operating profit/loss less the cost of capital and tax. It provides a simple and sufficiently fair yardstick that is continuously followed up for the Group, business areas and production units.

CAPITAL STRUCTURE. Holmen is to have a strong financial position that provides financial stability and enables the company to make correct, long-term business decisions that are not solely dependent on the state of the economy and external financing possibilities. The debt/equity ratio is to be in the interval of 0.3–0.8. Adjustment to this target is one aspect of Holmen's strategic planning. Indebtedness fluctuated between 0.32 and 0.34 during the year, ending the year on 0.32.

DIVIDEND. Decisions on ordinary dividends are based on a total appraisal of the Group's profitability, future investment plans and financial position. The Board has proposed that the 2013 Annual General Meeting (AGM) resolves in favour of a dividend of SEK 9 per share, corresponding to 3.6 per cent of equity. Over the past 10 years the ordinary dividend has averaged 5 per cent of equity. This means that 65 per cent of earnings per share has been paid out in ordinary dividends each year.

Sustainable development

Holmen sees active sustainability work as a key part of its business and as a driver of long-term commercial value. Legislation, other regulations and customer expectations turn the spotlight on environmental issues and employment conditions.

Holmen's business, which is based around the raw material resources of the forest, contributes to the important switchover to a bio-based social economy. This involves moving from an economy largely based on fossil raw materials to a resource-efficient economy based on renewable raw materials and products. With the aim of minimising resource consumption and generating new income, new business concepts and products based on forest raw material and residual products are being identified and developed.

The company's own energy supply is constantly growing, with the existing hydro power being supplemented with other sources of renewable energy. Iggesund Paperboard's two new energy boilers, one of which entered service in 2012 and the other is set to launch in 2013, will increase the company's own energy supply considerably.

Environmental work is organised and run based on an environmental and energy policy. The policy clarifies the significance of energy and climate issues to the business. From a strategic as well as a commercial perspective, Holmen works on the basis of three targets that are clearly linked to sustainable development. Target follow-up is presented on page 34. While the Group-wide targets are more long-term, there are short-term environmental and energy targets at local level in the Group's units. These are monitored within the framework of the certified management systems applied.

SUSTAINABILITY TARGETS

- Increase growth in Holmen's forests by 25 per cent by 2050 (base year 2007: 4.4 million m^3 growing stock, solid over bark).
- Decrease the use of fossil fules by 75 per cent by 2020 (base year 2005).
- Increase the production of renewable electricity to 67 per cent as a proportion of Holmen's consumption of electricity by 2020 (base year 2005: 31 per cent).

Printing paper

Facts	2012	2011
Net sales, SEKm	**8 144**	8 631
Operating profit/loss, SEKm	**-99**	228
Operating profit excl. items affecting comparability*, SEKm	**94**	228
Investments, SEKm	**174**	210
Operating capital, SEKm	**5 608**	6 606
Average number of employees	**1 647**	1 808
Share of sales in Europe, %	**88**	91
Deliveries, '000 tonnes	**1 651**	1 668

* Impairment loss and restructuring costs SEK-193 million

Holmen Paper is continuing its strategic shift to a higher proportion of speciality paper, giving retailers, printing firms and publishers around the world cost-effective alternatives to traditional paper choices.

Outlook

Digital media continue to make inroads, creating increased competition for print media in terms of content and advertising revenues, which in turn puts pressure on the market for printing paper.

However, there are trends that favour paper. New opportunities for interaction between print and digital media and TV are taking shape, aiming to increase the impact and cost-efficiency of marketing activities. Direct mail and supplements on paper are still unbeatable as marketing channels. They offer an effective way to reach consumers, prompt purchases and secure business. Local newspapers, magazines and books are other examples of printed media that show positive developments.

Paper gives a reading experience and makes an impression in a way that digital media cannot match.

Market

The European market for wood-containing printing paper amounted to 19.7 (21.6) million tonnes in 2012, which is down around 9 per cent on 2011. The weak demand has put pressure on prices over the year, giving unsatisfactory profitability throughout the industry.

MAGAZINE PAPER. Overall, demand fell back in Europe to 10.8 (11.8) million tonnes, a reduction of 8 per cent compared with the previous year. In the MF Magazine segment, where Holmen Paper has a growing market share, Europe took delivery of 1.4 (1.5) million tonnes in 2012.

BOOK PAPER. Demand in Europe came in largely unchanged at around 0.4 (0.4) million tonnes in 2012. The consumption of paperbacks remained stable, where paperbacks are holding up well against the competition, in contrast to hardback books, which are doing less well. The market for digital books is growing quickly.

NEWSPRINT. The negative trend for newsprint continues. 2012 saw demand in Europe shrink by 9 per cent to 8.3 (9.1) million tonnes and considerable uncertainty remains in this segment.

Operations in 2012

Deliveries by Holmen Paper totalled 1 651 000 tonnes in 2012, which is slightly lower than the previous year. Deliveries of the strategic products MF Magazine and book paper rose by 10 per cent.

Operating profit for the year was SEK 94 (228) million, excluding items affecting comparability. Rationalisations, a better product mix and lower prices for recovered paper have largely counterbalanced the lower contribution from currency hedges.

Products

Holmen Paper manufactures printing paper for magazines, product catalogues, direct mail, books, newspapers and telephone directories at two mills in Sweden and one in Spain. The Spanish mill exclusively manufactures newsprint based on recovered paper.

The strategically important restructuring towards production of speciality papers such as magazine and book paper is continuing as planned at the Swedish mills, with magazine and book paper accounting for 42 (38) per cent of deliveries in 2012. The main customer base lies with retailers, printing firms and magazine and book publishers. These are, to some extent, new customer segments, which represents a major challenge for the sales team. Holmen Paper's position with European newspaper publishers remains strong. Newsprint constituted 45 (46) per cent of deliveries. Deliveries of SC paper, whose production will cease in 2013, made up 8 (8) per cent in 2012.

MAGAZINE PAPER. By focusing on the MF Magazine segment, Holmen Paper has built

up a leading position in Europe. The product brands Holmen VIEW, Holmen XLNT and the new Holmen TRND all offer a combination of quality and price that is challenging traditional paper choices and capturing market share in areas where more expensive papers have tended to dominate. The high bulk in relation to grammage provides new possibilities to customers, like lower distribution costs or increased issuance. The main applications are magazines, product catalogues, supplements and direct mail.

Autumn 2012 saw the launch of Holmen TRND, which is primarily aimed at exclusive magazines. In October, Holmen VIEW was relaunched as a more refined grade with higher brightness that generated major interest from the market.

BOOK PAPER. Holmen BOOK has made Holmen Paper a market leader in Europe for paper used in paperback books. Market share has gradually grown with the introduction of new book paper grades. The bright, even surface combines with high stability and quality to give a paper that is perfect for efficient book production.

NEWSPRINT. Holmen Paper is a significant supplier of newsprint for the daily press, primarily on the home markets of the Nordic region and the Iberian peninsula. Holmen NEWS has built a solid reputation on high standards of quality, production economy and good results, not to mention its availability in several colours. The paper is also used for supplements and direct mail.

Development

SPECIALITY PRODUCTS. The strategic shift to a higher proportion of speciality papers at the Swedish mills continues, while production of newsprint is constantly being adjusted to improve productivity and quality. The speciality products are based on the unique properties offered by virgin fibre, for instance higher brightness, stiffness and bulk as well as lower weight, which provides better cost-efficiency for the customer.

Alongside product development and efficiencies at the mills, improvements are also being made to the sales process with a view to supporting the new paper grades. An important aspect of the strategy for speciality products is a greater proportion of sales outside Europe.

As a guiding principle, the changes being introduced to tackle the challenging market conditions will be made without extensive investment.

RESTRUCTURING. The organisation at Hallsta Paper Mill has been adjusted over several stages in order to improve efficiency and profitability. The next stage, which began in the autumn, aims to concentrate production at the mill on two paper machines with strong positions in their respective product segments: MF Magazine and book paper. The result of this is that the mill's oldest machine, PM 3, which manufactures SC paper will be shut down in 2013. At the same time, the mill's energy supply will be restructured, considerably reducing the need for future investments. These measures, which will mean the loss of an estimated 230 people, will strengthen the competitiveness of the mill.

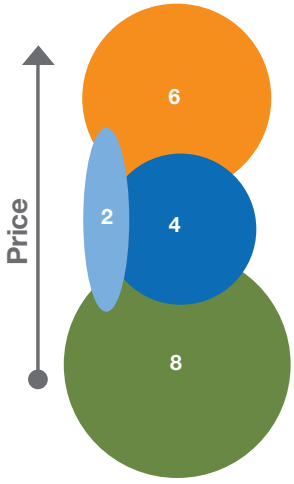
EFFICIENCIES. In both Sweden and Spain, work is continuing on productivity, cost-cutting and energy efficiencies. Dependence on recovered paper is falling in Sweden due to a higher proportion of TMP pulp.

At Braviken Paper Mill, the addition of the new sawmill has brought synergies as the new co-location makes an increasing impact. The introduction of Lean-inspired production methods is proceeding in stages and, in the long term, will apply throughout the mill.

The rationalisation drive at the mill in Madrid has made it one of the most efficient paper mills in the world. In 2012, production became based on recovered water, making the mill a global leader in efficient water use among comparable plants.

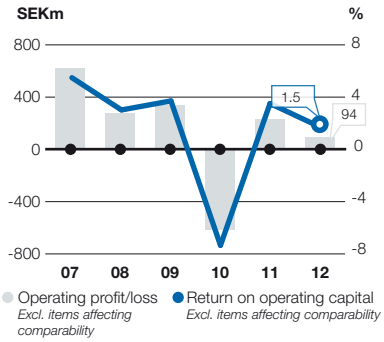
The restructuring at Hallsta Paper Mill includes energy efficiency measures such as investment in heat recovery which makes it possible to take two solid fuel boilers offline.

European printing paper market 2012

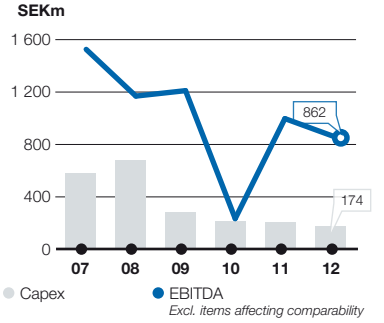


	Million tonnes
LWC/MWC (coated paper) Magazines, product catalogues and direct mail.	6
SC paper Magazines, product catalogues and direct mail.	4
MF Magazine/Book/Telephone directory paper Magazines, supplements, product catalogues/telephone directories, manuals, direct mail and books.	2
Newsprint Newspapers and direct mail.	8

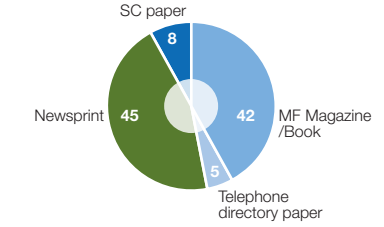
Operating profit/loss



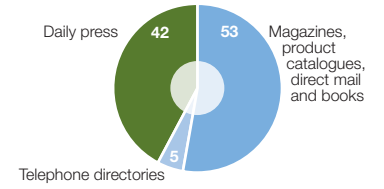
Capex and EBITDA



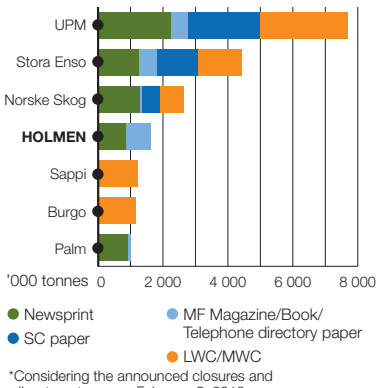
Product areas, %



End user segments, %



Leading producers
Printing paper, capacity in Europe*



*Considering the announced closures and divestments as per February 5, 2013

We believe in the power of good customer relations

The development of speciality paper is Holmen Paper's way of tackling the changes taking place in the market and in the wider world. The foundations for a sound future are being laid through close collaboration with customers, a clear focus on development and taking the lead on modern products.

As far as Holmen Paper is concerned, success depends on understanding the customer's needs and being able to convert that knowledge into competitive product solutions that create long-term value for both parties. Holmen Paper uses its approach of close and attentive collaboration to meet and exceed customer expectations.

Committed sales team

Real-world circumstances are constantly changing for customers, and that also changes what is required from Holmen Paper. New product needs, shorter lead times, creative solutions and requests for more efficient logistics are just some of the challenges that Holmen's sales team encounters on a regular basis. Through a genuine interest in what Holmen's customers do, coupled with personal knowledge, experience and commitment, the sales team creates the conditions for mutual profitability and long-lasting customer relations.

Support for customers and mills

Each of Holmen Paper's paper mills has a Technical Support department whose employees spend over half their time out on customer visits. This makes them invaluable as a direct contact, not only in terms of providing expert assistance but also of exchanging experience when it comes to material and product development. This experience then becomes a cornerstone of continuous improvement work relating to the paper mill and the customer's own production.

Customer collaboration on R&D

The Holmen Paper Development Centre is jointly responsible, along with the mills and Marketing Department, for research and development at Holmen Paper. The centre's activities are run by its own specialists, who work with other experts at Holmen and with external suppliers, universities and research institutes. Much of the work is also conducted in close collaboration with customers. The development areas relate primarily to strategic product development in thermo-mechanical pulp and graphic paper.

Customer-driven product development

Concentrating on modern speciality paper has given Holmen Paper a strong market position and a leading role as a developer of new products based on virgin fibre. In France, which is a much larger market for magazine paper than Sweden, customer requests led to joint development work that resulted in Holmen TRND – a new product that offers customers creative opportunities and increased competitiveness through better overall economy.

Quality work that benefits customers

As part of its ongoing improvement work, Holmen Paper conducts an extensive customer survey every two years. Having key customers interviewed on a range of topics gives Holmen Paper a source of data that informs the quality and development work at every level of the company. This work is always grounded in Holmen Paper's vision: To be the customers' preferred supplier.

Product brands

HOLMEN VIEW is an uncoated paper made from virgin fibres. It has high volume, allowing a reduction in the grammage compared with coated wood-containing and super calendered papers. Holmen VIEW offers softness, good readability and a silky surface.
Applications: Magazines, product catalogues and direct mail.

HOLMEN TRND challenges the status quo, improving the reading experience with its matte, rough surface and climate friendly profile. It is an uncoated matte paper that offers a range of choices in both grammage and colour. A paper that stands out in an otherwise traditional market.
Applications: Magazines and product catalogues.

HOLMEN XLNT offers good print gloss, good readability and high stability. It is made from virgin fibres and is around 20 per cent thicker than a super calendered paper. This makes it possible to reduce the grammage and cut paper and distribution costs.
Applications: Supplements, direct mail and product catalogues.

HOLMEN BOOK makes reading a breeze thanks to its smooth, clean surface. The paper has been specially developed to make reading easier. The stability and feel convey a true sense of quality. Holmen BOOK is made from virgin fibres and is carbon neutral.
Application: Paperback books.

HOLMEN PLUS combines stability and that genuine newspaper feel with excellent performance and extremely high cost-efficiency in print production and distribution. The paper has a matte surface and a thickness that gives even a slim publication a real presence.
Applications: Supplements, direct mail and magazines.

HOLMEN NEWS is the reliably high quality newsprint that meets the toughest of requirements for economy and runnability. Holmen NEWS also comes in coloured varieties for the financial and sports press.
Applications: Newspapers and supplements.

HOLMEN GUIDE is a thin, light paper that makes it possible to distribute large amounts of information in an attractive and cost-effective way.
Application: Telephone directories.

HOLMEN PREMIUM is a super calendered paper that combines high brightness with good opacity and gloss. Production will cease in 2013.
Applications: Magazines, product catalogues and supplements.

Paperboard

Facts	2012	2011
Net sales, SEKm	**4 967**	5 109
Operating profit, SEKm	**596**	863
Investments, SEKm	**1 523**	1 120
Operating capital, SEKm	**6 177**	5 041
Average number of employees	**1 541**	1 522
Share of sales in Europe, %	**79**	83
Deliveries, '000 tonnes	**485**	474

Iggesund Paperboard is maintaining its strong position as quality leader in Europe in the most prestigious product segments and developing a competitive edge through sustainable energy initiatives.

Outlook

A burgeoning middle class globally and the fact that households are becoming smaller and more numerous has driven up demand for packaging. Another trend is that climate awareness is making consumers put sustainability higher up on their list of priorities. This strengthens the position of paperboard against glass and plastic on the packaging market.

In the graphics industry there is a move towards a greater proportion of digital print production, which is characterised by smaller print runs, shorter lead times and greater demand for speciality materials and format solutions.

Market

Paperboard accounts for the largest proportion of the European packaging market, at around one quarter. This is followed by flexibles (plastic,foil and paper) and rigid plastic, with around one fifth of the market each.

Over the year, the paperboard market in Europe decreased overall, while the products offered by Iggesund Paperboard, Solid Bleached Board (SBB) and Folding Box Board (FBB), remained at a stable level. Germany and the UK are the largest markets in Europe, with 23 and 11 per cent of consumption respectively. The prices for SBB and FBB in Europe stood mainly unchanged in 2012 and at around the same level as in 2011.

Asia is the biggest global market for paperboard, followed by North America. 2012 saw global consumption of 34 million tonnes, an increase of around 3 per cent compared with the previous year.

Operations in 2012

Iggesund Paperboard's deliveries in 2012 amounted to 485 000 tonnes, 11 000 tonnes higher than the previous year. Deliveries to Europe were unchanged.

Operating profit for the year was SEK 596 (863) million. The decline was attributable to lower contribution from currency hedges, while higher deliveries made a positive effect. Depreciation increased as a result of the new recovery boiler at Iggesund Mill entering service.

The new biofuel boiler at the mill in Workington is planned to start up in spring 2013. Together with the recovery boiler at Iggesund Mill, the investment amounts to SEK 3.4 billion, of which SEK 2.8 billion has been paid out to date.

Products

MARKET POSITION. Iggesund Paperboard targets the highest quality segments and is among the market leaders within these. Iggesund Paperboard market share for SBB and FBB is 16 per cent in Europe. The main customer categories are converters, who make packaging, and wholesalers and printers, who buy paperboard for use in graphical applications.

BRANDS. Iggesund Paperboard manufactures and markets paperboard products under two brands: Invercote (SBB), which is produced at Iggesund Mill, and Incada (FBB), which is made at the mill in Workington. Both brands are among the strongest in their segments.

The Black Box Project, which was launched in 2011, involves inviting designers to take up the challenge to make something out of Invercote paperboard. In 2012 the roadshow went to Milan and Moscow, which means that events have now taken place in seven cities in Europe and the US. The initiative has drawn a great deal of attention in the world of design.

PACKAGING BOARD. Invercote and Incada are used primarily to make packaging for confectionery, perfumes, wine, spirits, pharmaceuticals, food products, cosmetics and tobacco. Thanks to one of the market's most complete product ranges, coupled with additional finishing options via the laminating plant in Strömsbruk, Iggesund Paperboard is able to

offer customised products that meet the highest standards in every respect – from industrial and graphic processes to the final consumer experience.

GRAPHICAL BOARD. Both Invercote and Incada are perfectly suited for applications such as advertising print, cards and covers. The high and even quality, teamed with formability and a capacity to apply advanced graphic techniques, help to maintain their high status among both producers in the graphics industry and designers. Iggesund Paperboard's range of graphical board is constantly being adapted to market conditions – not least to meet the gradually rising demand for speciality formats for digital print production.

Sheeting takes place not only at the mills, but also at two sheeting plants located in France and the Netherlands, close to customers.

Development

SUSTAINABLE INVESTMENTS. Iggesund Mill's new recovery boiler and turbine were brought online as planned on 12 June 2012. This investment of almost SEK 2.3 billion is one of the largest industrial investments of recent years in Sweden and a core element of Holmen's strategy for sustainability and robust competitiveness. The new recovery boiler is built for a higher steam pressure than any other such boiler in Europe, at 110 bar, which improves overall energy efficiency at the factory.

The investment makes it possible for the mill to become almost self-sufficient in terms of energy. It also paves the way for the mill to largely free itself from the use of fossil fuels in production.

The capacity for production of fully bleached sulphate pulp has now risen to 370 000 tonnes. A further increase to 420 000 tonnes is possible, but will require a certain amount of extra investment.

The mill in Workington is the site of another major development, with an investment of SEK 1.1 billion in a new biofuel boiler. The decision was taken in spring 2011 and the work went according to plan in 2012. The plant is estimated to produce 325 GWh of electrical energy and 420 GWh of thermal energy per year, which meets the mill's entire energy requirement. The boiler is planned to enter service in spring 2013, with the investment leading to lower costs, increased profitability and a switch from fossil natural gas to biofuels.

A parallel project was also initiated at Workington Mill in 2012, aimed at further securing access to biofuel. The project involves providing support for local landowners to start growing energy crops.

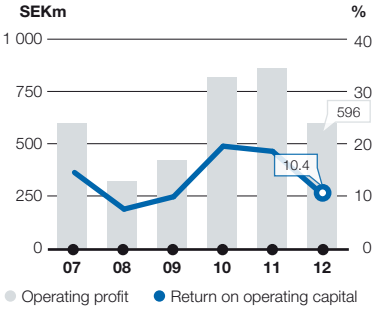
EFFICIENCIES. During the autumn, an organisational efficiency drive was announced for Iggesund Mill. This will involve a 10 per cent reduction in staffing levels over a two-year period. The intention is for the cuts to be made through normal personnel turnover.

RAIL. The mill in Iggesund continues, to an increasing extent, to transport products by rail rather than by sea. In 2012, a third of shipments were transported by rail. Customer requirements for more flexible and frequent deliveries are one of the reasons for the switch, along with the fact that rail is generally the most eco-friendly transport option.

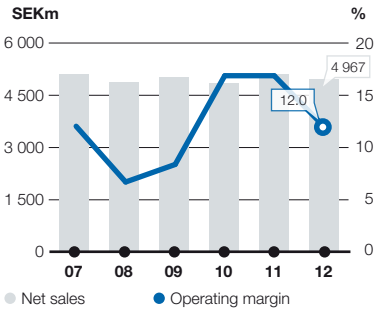
PRODUCT DEVELOPMENT. The mills and the Paperboard Development Centre, PDC, are constantly working to develop new generations of products. PDC's main task is to provide expertise in coating, surface treatment and the physical properties of paperboard.

LOGISTICS. Extensive work is under way in the business area to improve purchasing, distribution, technical support and other logistics functions and to make them more efficient. Over the year, for example, preparations have been made for the implementation of a new service support system.

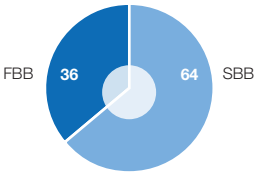
Operating profit



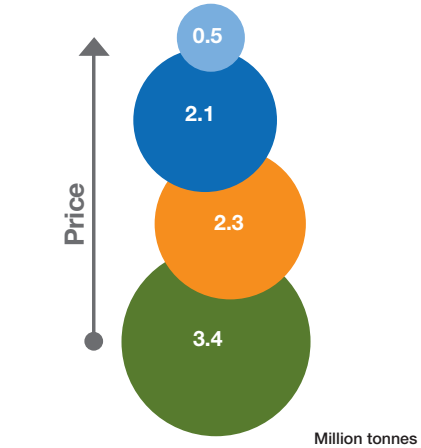
Net sales and operating margin



Products, %



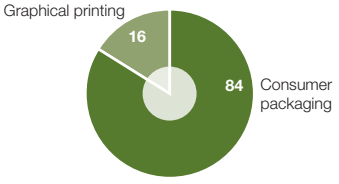
European paperboard market 2012



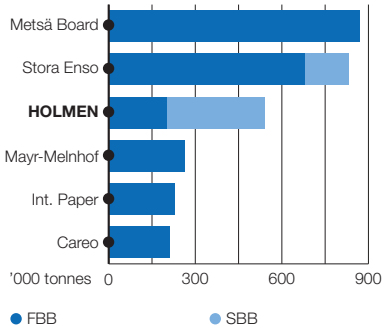
Million tonnes

- **SBB** 0.5
  Premium products, graphical products, perfume, confectionery and cigarettes.
- **FBB** 2.1
  Confectionery, pharmaceuticals, cigarettes, frozen goods, skin care and hygiene articles.
- **SUB/LPB (solid unbleached board and liquid packaging board)** 2.3
  Beverages, dairy products and dried goods.
- **WLC (white lined chipboard)** 3.4
  Dried goods and household products.

End-products, %



Leading producers 2012
FBB & SBB, capacity in Europe



We believe in quality in every contact with the customer and consumer

The fight for consumers has never been tougher. The battle on the store shelves is more challenging than ever. With products and services of the highest quality, Iggesund Paperboard helps ensure commercial success for its customers and positive experiences for the end-consumer.

Consideration starts online

In 2012, Iggesund Paperboard launched its new website, where the central innovation is the integrated webshop for online purchasing. This enables customers and designers to order product samples, inspirational material and all the content of Iggesund Paperboard's much appreciated knowledge bank, I*ggesund Anchor Material*.

The customer's knowledge bank

Iggesund Paperboard systematically collects material that informs and inspires, and makes this available to designers and purchasers, helping them get the most out of materials and production methods. The collection, called *Iggesund Anchor Material*, contains both practical and technical information, covering everything from brands and products to in-depth presentations of graphical technology, the properties of paperboard, sustainability and the manufacturing processes.

Service and support all the way

Over time, the service that accompanies the actual product has become an increasingly important part of Iggesund Paperboard's offering. This is due in part to customer demand for shorter lead times, and the fact that customer profits can be improved by what Iggesund Paperboard's organisation for market-based technical service has to offer.

Iggesund Paperboard's Supply Chain organisation puts quality at the heart of everything it does. With creativity and sensitivity to the customer's ambitions, support is provided from start to finish, through needs analysis, material recommendations and production support. This approach creates the perfect conditions for efficient production and for competitive service and logistics solutions that do the customer's brand justice.

The high availability and level of service allow for a productive partnership that paves the way for optimal, customised solutions based on Invercote and Incada.

Personal and professional in the customer's language

The international focus of the business area is clear. Most of the company's customers receive service in their own language, a fact that is highly valued. At the current time, 12 languages are spoken in the Iggesund Paperboard Customer Service Department.

The mix of customer-oriented personnel of different nationalities helps to establish a creative environment with a focus on continuous skills development and job satisfaction. The low level of employee turnover ensures a degree of reliability and stability that is appreciated by customers.

Understanding the customer's business

A customer's contact person at Iggesund Paperboard will always be knowledgeable in his or her area, whether in Sweden or in the local market. But above all, they will understand the customer and the customer's business. With this expertise as a foundation, Iggesund Paperboard develops sustainable, customised product solutions that take a holistic approach and create tangible benefits for the customer, the end-consumer and the environment.

Product brands

INVERCOTE is a top-quality Solid Bleached Board (SBB) manufactured from chemical pulp. The fully coated print surfaces meet the most stringent requirements regarding print reproduction and provide the best possible conditions for finishes such as embossing, foiling and film lamination. The paperboard can be optimised for a range of uses and the products are entirely neutral in smell and taste, as well as being approved for contact with food products.

Applications: Premium packaging for cosmetics, chocolate, wine, spirits, pharmaceuticals and tobacco products. Graphical products such as postcards, brochures and book covers.

INCADA is a multilayer Folding Box Board (FBB), with an outer layer of bleached chemical pulp and a middle layer of bleached mechanical pulp. Its special structure provides a high degree of stiffness in relation to its weight, superb runnability and excellent characteristics for printing and finishing. The products have good hygiene, smell and taste properties and are approved for contact with food products.

Applications: Packaging for food products, cosmetics, chocolate, wine, spirits, pharmaceuticals and tobacco products. Graphical products such as book covers, cards and postcards.

Sawn timber

Facts	2012	2011
Net sales, SEKm	**1 129**	875
Operating profit/loss, SEKm	**-130**	-136
Investments, SEKm	**9**	365
Operating capital, SEKm	**1 416**	1 507
Average number of employees	**207**	207
Share of sales in Europe, %	**74**	70
Deliveries, '000 m^3	**660**	487

Holmen Timber runs cost-efficient, large-scale sawn timber production at two units, both integrated with the nearby paper and paperboard mill respectively. When the market turns, the two sawmills are well placed to grow and develop.

Outlook

Modern timber-frame construction has developed rapidly over the past two decades, alongside a rising global awareness of the benefits of wood as a building material. Programmes and campaigns are being conducted around the world to publicise the possibilities of wood and highlight advantages such as time savings, lower costs and less environmental impact.

While demand for sawn timber and timber-frame construction remains high in the growth economies worldwide, progress in Europe remains hampered by the economic downturn and the fact that the construction industry is heavily invested in traditional construction methods. When building activity takes off again in Sweden, there is predicted to be a rapid increase in the proportion of timber-framed newbuilds.

Market

THE EUROPEAN MARKET for sawn timber was rather subdued in 2012 compared with the previous year. Annual demand in Europe stands at around 80 million cubic metres, compared with the peak year of 2006, when deliveries amounted to around 110 million cubic metres. Sweden's exports of sawn timber to Europe have fallen on a similar scale or 25 per cent since 2006.

Weak demand, combined with high raw material prices, has put pressure on profitability across the industry and several players have scaled back production or even been forced to shut down during the year. While the construction of new buildings has shrunk, renovation, refurbishment and redevelopment have remained at a high level.

NORTH AFRICA AND THE MIDDLE EAST continue to show positive growth. Since 2006, exports from Sweden to North Africa and the Middle East have shot up by 100 per cent to just under 3 million cubic metres per year. Key factors driving this trend are the democratisation processes under way in several of the countries and the fact that the population has a large proportion of young people who need housing. Egypt is now the second largest export market for Swedish sawmills after the UK. The products comprise pine joinery timber for doors, windows, furniture and so on. North Africa and the Middle East currently buy a quarter of Swedish timber exports.

IN THE US new construction activity has shown a positive and sustained trend in 2012. Recent price rises on the US market raise the prospect of increased exports from Europe, particularly of spruce construction timber.

Operations in 2012

Deliveries by Holmen Timber totalled 660 000 cubic metres of sawn timber during the year, an increase of 173 000 cubic metres on the previous year as a result of higher deliveries from Braviken Sawmill.

Operating loss for the year was SEK -130 (-136) million. Lower raw material prices and a higher level of deliveries have had a positive effect on profit, but this effect has been counterbalanced by lower selling prices, the impact of the stronger krona and higher depreciation.

Products

MARKET POSITION. Since Braviken Sawmill began production in 2011, Holmen Timber has captured market share in a new product area for Holmen – construction timber. This means that the company can now supply wood for construction, joinery and packaging, increasing the potential for increased competitiveness in existing and future markets. With its two modern facilities, Holmen Timber is able to offer products of consistently high quality and a production capacity that currently stands at 880 000 cubic metres of sawn timber in pine and spruce.

BUILDING WITH WOOD is Holmen Timber's product category for spruce construction timber. Production takes place at Braviken Sawmill, with customers including builders' merchants, planing mills, and house and roof truss manufacturers. The key markets are Scandinavia, the UK, Germany, France and the Netherlands.

LIVING WITH WOOD is Holmen Timber's product category for joinery timber, which is used in applications such as windows, doors, staircases, flooring and furniture. The raw material is pine and the products are manufactured at Iggesund Sawmill. Customers include the joinery and furniture industries, builders' merchants and window and flooring manufacturers. The key markets are Scandinavia, the UK, Algeria, Saudi Arabia and Egypt.

Development

STRATEGY. Holmen's investment in modern, efficient sawmills with a sustainable wood supply and high productivity allows large-scale and cost-effective manufacture of products for industrial finishing. Continuous development of the bio co-location comprising forest-sawmill-mill at both Iggesund and Braviken reinforces overall competitiveness through lower energy costs, shared use of resources and more efficient processes. The advanced technology applied in the processes helps to achieve high productivity. By maintaining close contact with customers and offering products with tangible quality benefits, Holmen Timber is laying the groundwork for profitable and long-term customer relations.

PRODUCT DEVELOPMENT. Customer care, raw materials and production technology form the basis of Holmen Timber's product development. Minimising wastage and maximising the timber yield from each log is key, as is maintaining cost-effective production and optimising the timber so that it works in the customers' end-products.

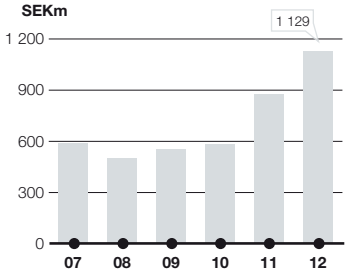
An increase in renovation, refurbishment and redevelopment in both the professional and private sectors in Sweden has led to rising demand for timber in shorter lengths and smaller packs. At the same time, Holmen Timber is following through on its strategy of reducing the number of standard lengths for construction timber and instead adapting the lengths to the building standards of the various countries. Balancing the different needs requires rational production and stock management as well as precise planning of loading and logistics.

BRAVIKEN SAWMILL, which became operational in January 2011, is one of Scandinavia's largest and most modern sawmills. It is located close to Braviken Paper Mill, with the two plants forming a modern bio co-location that produces energy savings, efficiency gains and environmental benefits. The raw material, spruce, is purchased from private forest owners in the vicinity. Productivity has steadily risen since the beginning and the sawmill is now the most productive in Scandinavia with a volume of around 100 cubic metres per hour. The plant as it stands today has the potential to produce 550 000 cubic metres of construction timber per year. With future investment in greater drying and planing capacity, there is potential to increase that figure to 750 000 cubic metres per year.

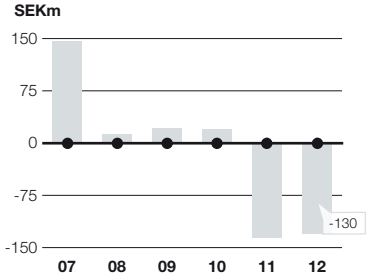
IGGESUND SAWMILL manufactures pine joinery timber for producers of items such as windows, doors, staircases, flooring and furniture. All products from the sawmill have one thing in common – they are customised at a very early stage through automated processes, where the wood raw material is sorted in order to exactly meet the specifications required by the customer. Recent investment in a new log infeed, grading unit, X-ray equipment and drying capacity has contributed to high productivity, minimal waste and highly refined products. Using the company's own sales channels for the key markets ensures long-term customer relations and customer-focused product development with a high degree of refinement.

ENERGY EFFICIENCY. Every part of the tree is put to use in Holmen's Iggesund and Braviken bio co-locations. The wood goes to the sawmill and is turned into sawn timber. The chips from the sawmills become a raw material for pulp production at the paper and paperboard mills. Residual products such as bark and wood shavings become biofuel and are converted into energy and district heating. The circle is closed when the surplus heat from the mills is used for drying processes at the sawmills.

Net sales

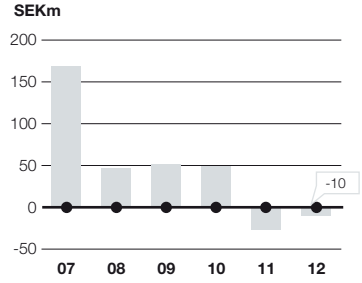


Operating profit/loss



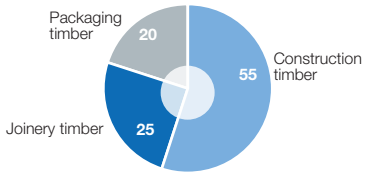
Excl. item affecting comparability

EBITDA



Excl. item affecting comparability

European sawn timber consumption, %



Wood building the future

Wood is the most climate-smart and least energy-consuming of all construction materials. Wood also improves quality of life, saves time and lowers costs for the whole of society.

Wood is better for the climate

Growing trees and wood products capture carbon dioxide for their entire lifetime. This fact, coupled with the ever-increasing volume of wood through active forest management and reforestation, means that the forest is capturing more and more carbon dioxide for every year that passes. When traditional construction materials are replaced with wood products, the substitution effect creates a double benefit for the climate: carbon dioxide is stored in the wood products for as long as they are used, while also avoiding the negative environmental effects of manufacturing other types of construction material.

Smart new ways to build in wood

Modern timber-frame construction has made a real breakthrough over the past decade. The latest industrial processes make building in wood faster, better and more cost-effective than any other method. Since the structural framework and whole rooms are prefabricated in a protected environment, the process is impervious to wind and weather. The whole building is then delivered as a full kit. The same principle applies to wooden bridges. An entire bridge can be prefabricated, transported and assembled in sections that are ready to go.

Wood saves time

Prefabricating buildings and bridges and delivering them as kits radically shortens construction times. A bridge in wooden sections can be erected extremely quickly. A multi-storey building in wood can be ready to move into just ten weeks after the foundations have been laid. A similar building in concrete would usually take over a year to complete.

Simplicity and a short construction time make the logistics and organisation run much more smoothly. A short path from decision to finished building benefits everyone, not least the people or businesses waiting to move in.

Wood saves money

Since time is money, the new construction methods make the work and organisation more cost-effective. More buildings can be built with fewer resources in the form of workers and equipment. Transport costs can be practically halved thanks to lower weight and fewer shipments. Construction projects that are particularly urgent, such as student housing, can quickly be turned around at a lower cost than with traditional building methods.

Another key advantage is that prefabricated units are easier to quality assure, which simplifies the actual construction process.

Wood a safe choice

Thanks to modern construction methods, wood meets the requisite standards for sound insulation, fire safety and so on. Nowadays, the choice of structural frame makes no difference to the fire risk and the same functional standards apply to timber buildings as to other construction systems.

Wood also makes the building site quieter and cleaner thanks to low noise levels and small quantities of construction dust. In addition, wood is flexible and easy to work with, making adjustment, installation and adaptation work smoother.

Wood for life and living environments

Wood is considered beautiful and natural. People have a strong relationship with wood as a material. The new way of building houses and buildings in wood reflects our own time through innovative architecture and design. But most importantly of all, wood stands for sustainability and climate-smart thinking. It meets the demands of an increasingly aware population, in Sweden and around the world, that wants to be able to make active and climate-smart choices to a much greater extent.

The new way of building houses and buildings in wood reflects our own time through innovative architecture and design.

Forest

Facts	2012	2011
Operating profit, SEKm	**931**	4 332
Operating profit excl. items affecting comparability*, SEKm	**931**	739
Investments, SEKm	**169**	42
Operating capital, SEKm	**16 663**	16 278
Average number of employees	**440**	428
Harvesting in own forests, '000 m^3sub	**3 211**	2 988
Productive forest land, '000 hectares	**1 033**	1 033
Volume of wood, million m^3 growing stock, solid over bark	**119**	118

* 2011: Revaluation of forest SEK 3 593 million

Holmen Skog is responsible for developing and managing Holmen's forests and for ensuring an efficient wood supply to the Group's Swedish production units. Holmen practices active, sustainable forestry that boosts growth and so increases the value of the forest.

Outlook

The forest is a resource that is constantly developing. Wood fibre already has a wide range of applications, with more to come. Saw timber for sawmills, pulpwood for pulp and paper mills and forest fuel for energy production mean that every part of the raw material is used effectively. The products from these industries are in turn refined by companies in widely disparate sectors and often replace materials and products that would formerly have been made from fossil raw materials.

Since the forest takes up carbon dioxide, and products from the forest are able to replace less climate friendly materials and fossil fuels, there is considerable interest in developing new wood and cellulose-based products. These include bioplastics, biocomposites, carbon fibre materials, textile fibre, chemicals and refined fuels.

Market

THE VOLUME OF WOOD in Swedish forests has increased by around 80 per cent since the 1920s. Sweden has 28 million hectares of forest land, with a total volume of wood in the region of 3 100 million m^3 growing stock, solid over bark. Just over 70 million m^3sub is harvested each year, which accounts for around 70 per cent of the annual growth.

THE NEEDS OF THE INDUSTRY. Sweden's forest industry consumes around 80 million m^3sub of wood per year, with the majority harvested in Sweden. Around 8 million m^3sub is imported, primarily from the Baltic States. The pulp and paper industry accounts for almost 60 percent of consumption and around 40 per cent goes to the sawmill industry. Demand for wood raw material has contracted due to the downward economic trend.

MARKET DEVELOPMENTS. Demand for saw timber in Sweden was high at the start of 2012, but fell back during the second half of the year due to weak orders from the sawn timber industry. Demand for pulpwood was somewhat less than usual. The mild winter also led to a slightly lower demand for forest fuel during the year. Due to depressed demand, wood prices have dropped in all segments over the year.

Over Christmas 2011, central Sweden was hit by the storm Dagmar. Major resources were required to harvest and deal with the windthrown forest, particularly pine.

Operations in 2012

Holmen Skog's earnings from operations amounted to SEK 581 (739) million. The decline was attributable to a fall of just over 10 per cent in selling prices and higher harvesting costs as a result of the storm Dagmar.

Harvesting in own forests increased to 3.2 million m^3sub of wood, which is in line with the new harvesting plan. Operating profit, including a change in value of SEK 350 (3 593) million, amounted to 931 (4 332) million.

Wood supply

HOLMEN SKOG acquired a total of 11.4 (11.4) million m^3sub of wood in 2012, of which 6.1 (6.2) million m^3sub was sold to external customers. 3.2 (3.0) million m^3sub of wood was harvested from its own forests, including 0.1 million m^3sub of forest fuel.

Holmen's Swedish production units consumed a net total of 4.9 (4.7) million m^3sub of wood in 2012.

The majority of Holmen's forests are located in northern Sweden, while its mills are in the southern and central parts of the country. Holmen Skog secures raw materials for its facilities through its own logistical solutions and wood swap arrangements with other players, thus reducing dependence on expensive imported wood.

Growth and development

PRODUCTIVITY. Investment in research and development is crucial in order to meet future

demand for forest raw material. Research collaborations with partners such as the Forestry Research Institute of Sweden (Skogforsk), the Swedish University of Agricultural Sciences (SLU), the Swedish Forest Agency, the Berzelii Center and SweTree Technologies are a constant feature.

New technology and better use of existing technology are two ways of improving efficiency in forestry. 2012 saw the launch of the first electric hybrid-driven forwarder, which is now being test-driven on Holmen's land.

In autumn 2012, Holmen and other players in Swedish forestry conducted a preliminary study together with defence company BAE Systems. The aim was to investigate whether the technology in military all-terrain vehicles can be transferred to a forestry context, helping to increase efficiency and reduce the risk of damage from vehicles. The study highlighted many positive effects of the technology.

THE NURSERY in Friggesund has been developed and expanded over the past three years. Major technological advances have brought about Sweden's first growth chamber for plants. Careful control of the climate, lighting and irrigation will result in more controlled growth and a consistently higher proportion of approved seedlings. Production is up from 10 to 16 million seedlings per year, which is sufficient to plant out almost 7 000 hectares of forest. For customers in the forest district, this means reliable deliveries of seedlings of the highest quality. This investment will also mean less demand for oil and electricity.

THE PINE WEEVIL THREAT. The pine weevil is a serious pest that attacks newly planted seedlings. So far the seedlings have been protected by using insecticides. Holmen is now scaling back its use of insecticides and is switching to a solution involving wax that protects the seedlings against the pine weevil. In the long term, the aim is to find a solution that increases the natural resistance of the seedlings.

REGROWTH GUARANTEE. In order to ensure good, controlled regrowth after the mature forest has been harvested, Holmen offers a regrowth guarantee. This guarantee is part of Holmen's complete offering to the private forest owners who supply wood to Holmen.

FOREST FERTILISATION. Forest growth is improved by adding nitrogen in a form that is easy for the trees to absorb. Every year Holmen fertilises 8 000 hectares. All fertilisation is conducted in line with the general guidelines of the Swedish Forest Agency.

MOOSE GRAZING DAMAGE. Holmen loses an estimated 400 000 m^3 growing stock, solid over bark per year through moose grazing, around the same amount as was brought down by the storm Dagmar over Christmas 2011. The reason for the growing problem is a steep rise in moose numbers across several areas. Too large an moose population also puts biodiversity under threat. Holmen is therefore actively involved in implementation of the new national moose management strategy that came into force on 1 January 2012.

Value of the forest

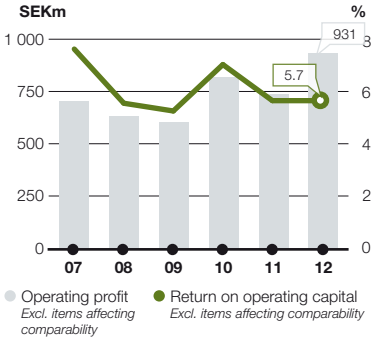
GROWTH IN THE FORESTS. The growth of the forest and its value are affected to a large extent by how it is managed. However, the process is long and difficult to oversee. The investments made and measures performed today will give returns in 30–90 years' time. A significant portion of growth in Holmen's forests takes place in young and middle-aged stands that are not yet sufficiently mature for harvesting. Holmen's goal is to increase growth in its own forests by 25 per cent by 2050 (base year 2007: 4.4 million m^3 growing stock, solid over bark per year).

FOREST HOLDINGS AND VOLUME OF WOOD. Holmen owns a total of 1 266 000 hectares of land. The productive forest land is 1 033 000 hectares of which 961 000 hectares are used for wood production. The total volume of wood is 119 million m^3 growing stock, solid over bark, corresponding to 117 m^3 growing stock, solid over bark, per hectare of productive forest land.

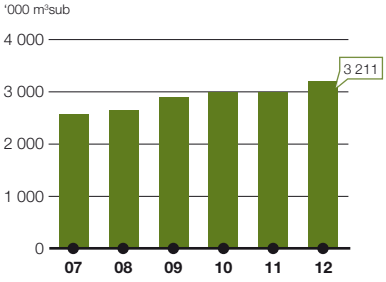
According to the inventory, conducted by the Swedish National Forest Inventory total area of forest land is 1 153 000 hectares which includes 218 000 hectares, used for nature conservation, including formally and voluntary set-aside forests.

HARVESTING. Annual harvesting is governed by a long-term plan that takes account of factors such as the age structure and growth of the forest, and that is calculated on the basis of a forest rotation period of 100 years. The plan relies on forest inventories that are conducted every ten years. The latest plan was drawn up in 2011. Based on this, the annual harvesting volume is estimated at 3.2 million m^3sub up to 2021, of which around 0.2 million m^3sub is branches and treetops for use as biofuel. Over the next 100 years, it is expected that it will gradually become possible to increase the harvesting volume around 4 million m^3sub per year.

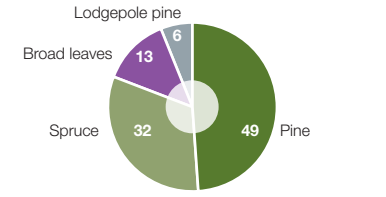
Operating profit



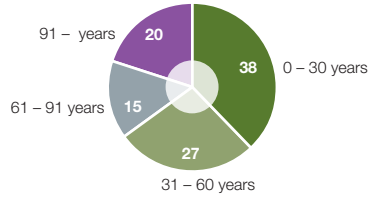
Harvesting in Holmen's forests



Tree species, %



Age classification, %

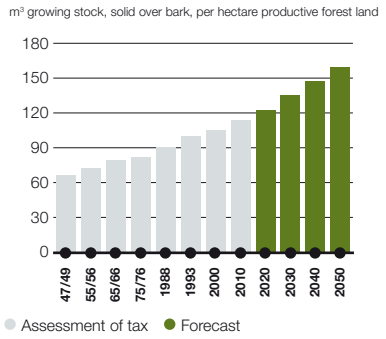


Holmen forests in 2012

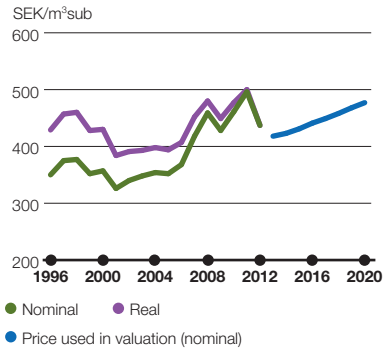
Total land acreage	1 266 000 ha
Total forest land acreage*	1 153 000 ha
- of which nature conservation areas	218 000 ha
Productive forest land	1 033 000 ha
- of which production areas	961 000 ha
- of which voluntary set-asides	72 000 ha
Total volume of wood, productive forest land	119 million m^3 growing stock, solid over bark

* Inventory conducted by the Swedish National Forest Inventory, according to the international definition of forest land: Land with an area of more than 0.5 hectares, a tree canopy cover of more than 10 percent and trees with a minimum height of 5 meters at maturity.

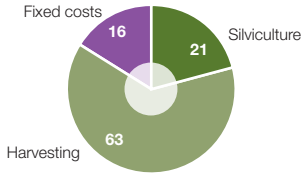
Forest stand



Prices



Distribution of costs, %



THE FOREST'S ECONOMIC VALUE. Holmen's forest holdings are valued and recognised on a current basis at fair value. A valuation is made by calculating the present value of expected cash flows from the growing forests over the next 100 years. Cash flow is made up of the net balance of sales revenues and costs of harvesting, silviculture and administration. Harvesting costs amount to around 30 per cent of sales revenue and are susceptible in particular to changes in fuel prices and interest rates. The annual cost of silviculture is around SEK 160 million.

Sustainable forestry

ACTIVE AND SUSTAINABLE FORESTRY. Holmen manages its forests with a focus on high growth that is economically, socially and ecologically sustainable. The volume of wood is built up over a period of about 70–90 years and then the majority is harvested, and a new growth cycle can begin. The most important of the silviculture measures are performed during the years immediately following harvesting. The soil is prepared and the land is reforested through planting or sowing. The forest is cleaned and thinned in order to select the trees that have the best potential for continuing their growth. Around 10–30 years before the forest is ready for harvesting, certain areas can also be fertilised to further boost growth. Holmen's *Guidelines for Sustainable Forest Management* state how work is to be performed in its own forests. The guidelines, which cover all aspects of forestry, are also used as a source of knowledge and help for private forest owners who supply wood to Holmen.

THE VOLUME OF WOOD IS GROWING. According to the present long-term harvesting plan around 80 per cent of annual growth is harvested in Holmen's forests . This, combined with increased growth through improved forestry methods, means that the volume of wood in Holmen's forests is steadily rising.

FOREST TAKES UP CARBON DIOXIDE. Holmen's active forest management, with a focus on growth, gives positive climate effects that accumulate over time. Growing forest takes up carbon dioxide, which is converted into biomass through photosynthesis.
The steadily growing volume of wood in Holmen's forests means that more and more carbon dioxide is captured.

CLIMATE-FRIENDLY PRODUCTS. The forests provide raw materials and bioenergy that, unlike those based on oil, do not add new quantities of carbon dioxide to the atmosphere. All growing forest takes up carbon dioxide, but the positive climate effects are increased several fold when products from the forest replace fuels and construction materials that impact on the climate. This is called the substitution effect.

Using wood and paper products gives a dual effect:

- Greenhouse gas emissions from producing and using materials and sources of energy with a harmful climate impact are avoided.
- Spent forest products make excellent biofuels, replacing fossil fuels.

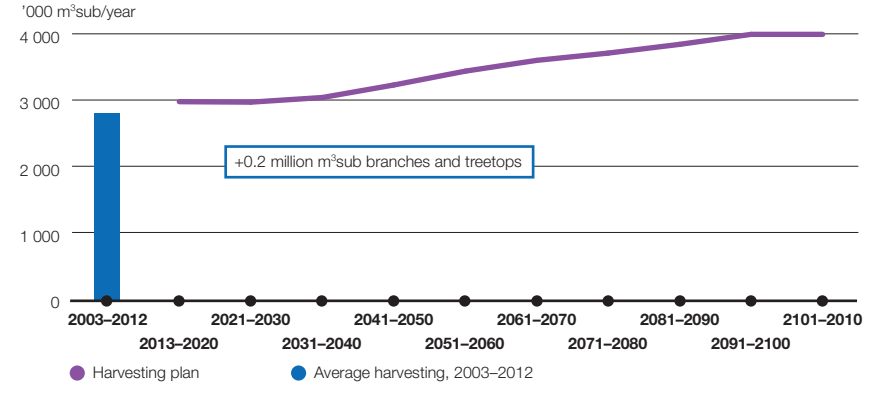
This is the main reason why society is increasingly looking at forests as an option for counteracting the climate problems that stem from the greenhouse effect.

BIODIVERSITY. The planet has more than ten million living species of animals, plants, fungi and other organisms, and new ones are constantly being discovered. The richness of species and the environments that the species create and live in make up the Earth's overall biodiversity. The forest is an important habitat for many species.

Holmen's objective is to manage the forest so that all the species in Sweden's forest landscape can thrive. More than 20 per cent of Holmen's forest land is used for nature conservation purposes. Forest-dwelling species are dependent on various factors and habitats for their survival. Holmen's natural and cultural considerations are planned in a landscape perspective and are described in *Ecological landscape plans*.

The nature conservation measures that Holmen carries out vary according to the area's needs and include everything from

Harvesting



consideration for nature during harvesting and silviculture to active initiatives in nature conservation areas. For example, over half of all forest-dwelling species depend on dead trees. In order to create the right conditions for these, Holmen retains dead trees in all its areas of managed forest for productive use. Other examples of Holmen's nature conservation measures include wetland reinstatement and prescribed burning. Over the year, 20 employees were trained in Qualitative Nature Conservation at Swedish University of Agricultural Sciences, a course worth 15 higher education credits.

Holmen is involved in a research project run by Future Forest, which is the largest forest research programme ever in Sweden. One aim of the project is to test methods for promoting biodiversity in 30 set-aside areas on Holmen's land.

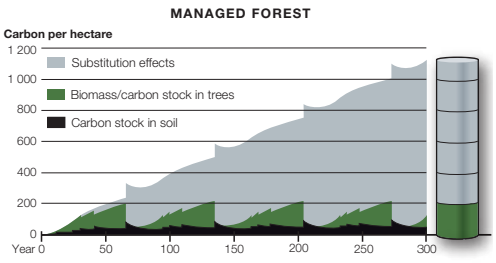
FOREST OPEN TO ALL. People in Sweden have a strong relationship with the forest that is rooted in a long tradition of forestry, hunting, fishing and outdoor pursuits. Holmen's forests are open to the public through the right of common access. This means that people are free to stay, camp, watch birds, pick berries and mushrooms and enjoy other leisure activities in the forest. Forestry is responsible for much of the infrastructure that makes the forests accessible and rural communities viable. Hunters and anglers are offered great opportunities to pursue their interests on Holmen's land.

RESOURCE-EFFICIENT AND RENEWABLE. Through sustainable use of ecosystem services from land and water, Holmen contributes to a transition from an economy largely based on fossil raw materials to a resource-efficient economy based on renewable raw materials. Ecosystem services are all the utilities that ecosystems provide and that society benefits from. The major challenge for Holmen and others in the industry is for forestry to take account of all aspects – economic, social and ecological.

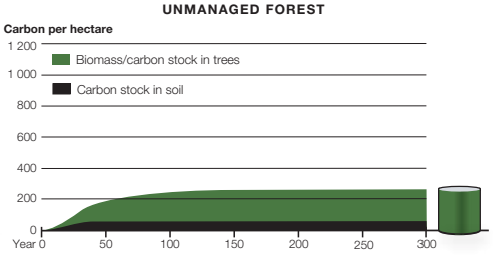
SIX BASIC FACTS ABOUT FORESTS AND CLIMATE

1) Forests capture carbon dioxide as they grow and store it as carbon in the trees and soil.
2) Just as much carbon dioxide is released whether biofuel is burnt or the same quantity of wood and tree parts are left to rot in the forest.
3) The carbon present in the trees forms part of the atmosphere's natural carbon cycle.
4) The better the forests grow, the more carbon dioxide they bind. The supply of wood and biofuel increases and thus also the benefit for the climate.
5) By using wood and biofuel instead of materials and sources of energy with an impact on the climate, greenhouse gases are reduced to an equivalent extent.
6) The same quantity of carbon dioxide as is released when biofuel, used cellulose fibres or wood from demolition is burnt, can build up the same quantity of wood in the trees again.

Why a managed forest is better for the climate than an unmanaged one



Basic conditions:
Managed forest is planted, cleaned, thinned and harvested at regular intervals over 300 years.
In the managed forest a volume of wood is built up over a period of around 70 years and is then mostly harvested. Wood and biofuel are used to replace other materials and sources of energy with an impact on the climate.



Unmanaged forest. Allowed to develop freely over 300 years.
In the unmanaged forest the volume of wood is built up once – and then changes insignificantly over time. The trees act as a carbon sink, but in the unmanaged forest the substitution effect goes completely unused.

The comparison is based on the research report *"Integrated carbon analysis of forest management practices and wood substitution"*. Eriksson et al, NRC Research Press Web 2007 (National Research Council Canada).

Holmen's forest holdings
Holmen's Swedish industrial sites

Energy

Facts	2012	2011
Operating profit, SEKm	**355**	406
Investments, SEKm	**26**	16
Operating capital, SEKm	**3 261**	3 253
Average number of employees	**17**	14
Company-generated hydro power, GWh	**1 343**	1 230

Holmen Energi is responsible for the Group's hydro and wind power assets, as well as the electricity supply to Holmen's Swedish units. The ambition is to further develop production via renewable energy sources.

Outlook

Global energy consumption is estimated to rise by almost 50 per cent between 2010 and 2035, particularly in regions with strong growth. Renewable energy is set to be the fastest growing energy source in the world due to national and global initiatives aimed at reducing emissions of greenhouse gases, although increased extraction of shale gas in North America may affect the energy balance.

In Europe, the rise in energy consumption has slowed in recent years due to the weak economy, but also because of better methods for energy efficiency. The expansion of renewable energy, particularly wind power, has continued , and the larger proportion of weather-dependent energy production is expected to lead to more volatile energy prices. This creates an increased demand for reserve power and transmission capacity between countries.

Programmes for measures in the climate and energy area are set to remain high on the agenda for decision-makers. As such, investments in energy efficiency will continue to have a major impact on maintaining the industry's competitiveness.

Market

The high levels of precipitation over the year have led to high production at Sweden's hydro power stations. However, the mild winter and reduced industrial energy consumption caused lower demand and lower electricity prices. A total of 160 (147) TWh of electricity was produced in Sweden during 2012, of which hydro power made up 77 (66) TWh. Nuclear power produced 61 (58) TWh and wind power production accounted for 7 (6) TWh. The remaining 15 (17) was constituted of thermal power.

The average spot price (system price) in 2012 was SEK 272 (423)/MWh, which was 36 per cent lower than in the previous year. Expectations of future electricity prices in the Nordic region have gradually been adjusted downwards. The price of electricity futures over the coming year dropped by 10 per cent or so to around SEK 330/MWh.

Operations in 2012

Operating profit for the year was SEK 355 (406) million. With high levels of precipitation during the spring and the summer, production was around 20 per cent higher than a normal year and 10 per cent higher than the previous year. The average price of Holmen Energi's own production fell by just over 10 per cent as a result of lower market prices for electricity.

Holmen's energy supply

OWN ENERGY ASSETS. Holmen Energi is responsible for the Group's hydro and wind power plants and for supplying electricity to Holmen's industrial sites in Sweden. Electricity production at the 21 wholly and partly owned hydro power stations, together with the electricity production at the mills, corresponds to around 40 per cent of the Group's electricity consumption. The remainder is covered by electricity purchased externally, which makes Holmen one of Sweden's biggest buyers of electrical energy. Holmen's electricity consumption at the Swedish units was 4 095 (4 032) GWh in 2012.

PRICE HEDGING. In order to reduce the effects of variations in the price of electricity, long-term hedging contracts are signed with the electricity suppliers. Purchases in Sweden are hedged to around 90 per cent for 2013–2015, 50 per cent for 2016–2017 and 35 per cent for 2018–2021.

Development

WIND POWER. Holmen's ambition is to develop wind power under its own management, together with partners on its own land and through part-ownership. The strategy is to create the best possible conditions for profitable investment through careful wind survey at several locations and by securing production permits.

Wind surveys are under way at several sites in Sweden (see map) and at the mill in Workington. Such measurements also commenced outside Skellefteå in 2012.

The permit application process continued in 2012 for three Holmen wind farms on its own forest land: Varsvik in the Municipality of Norrtälje and Blodrotberget and Blackfjället in the Municipality of Örnsköldsvik. Permission has been obtained to erect 17 wind turbines in Varsvik, next to Hallsta Paper Mill. An environmental permit for Blodrotberget and Blackfjället is expected in 2013.

In 2012, an application was submitted jointly with E.ON for a permit to build 70 wind turbines in total, distributed across three areas in the Municipality of Örnsköldsvik, chiefly on Holmen land.

The wind power company VindIn AB is owned by a number of energy-intensive companies in Sweden, including Holmen. VindIn has been generating energy from five wind turbines in Skutskär since 2009, and in autumn 2012 a further 30 new turbines were taken into operation at Trattberget in Örnsköldsvik. In February 2012, VindIn submitted an application to erect five wind turbines in the Lysekil area.

PEAT EXTRACTION. Peat is an interesting means of supplementing biofuel in biofuel boilers. Holmen's peat cutting began outside Örnsköldsvik in 2009. 45 (41) GWh of peat was harvested in 2012.

IMPROVING ENERGY EFFICIENCY. Holmen is making active efforts to improve energy efficiency, reduce the use of fossil fuels and increase the degree of energy self-sufficiency. Holmen Energi has a coordinating role, while the mills are responsible for implementation of ongoing improvements and individual energy efficiency projects on a larger scale. The key objectives are to increase the proportion of electricity production at the mills, make more use of surplus heat and increase the proportion of bioenergy. Between 2005 and 2012, Holmen reduced the use of fossil fuels by 13 per cent.

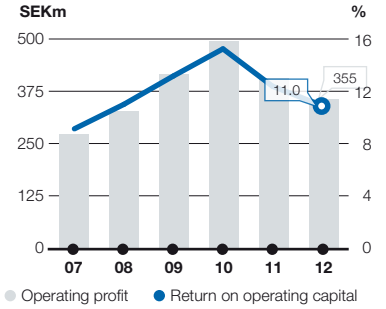
In June 2012, the new recovery boiler and turbine at Iggesund Mill entered service, which will make it possible to run the entire operation almost without the use of fossil fuels or purchased electrical energy. Iggesund Paperboard's other major project, the construction of a biofuel boiler at the mill in Workington, also continued during the year. The new plant will be ready for launch in spring 2013, allowing the mill to switch entirely to fossil-free energy and become self-sufficient in electricity.

Alongside the restructuring of Hallsta Paper Mill to a two-machine plant, energy efficiency measures such as investment in heat recovery are also taking place. At the same time, two solid fuel boilers are being taken offline.

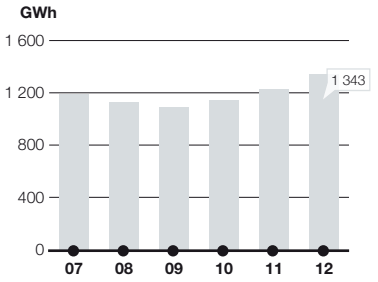
NEW BUSINESS OPPORTUNITIES. Out of the forest raw material and residual products from Holmen's production facilities, it is possible to manufacture new bio-based products such as composites, chemicals, fuels and construction products. The Holmen Biorefinery Development Centre (HBC) has the task of identifying and developing these opportunities. The aim is to broaden Holmen's product range by creating profitable new businesses.

RIVERS AND POWER STATIONS		HOLMEN'S PRODUCTION SHARE %	GWh	YEAR OF CONSTRUCTION
Umeälven	Harrsele	49.4	470	1957–58
	Tuggen	21.5	97	1962
Gideälven	Stennäs	9.9	2	1985–86
	Gammelbyforsen	9.9	1	–"–
	Björna	9.9	8	–"–
	Gideå	9.9	9	–"–
	Gidböle	9.9	7	–"–
	Gideåbacka	9.9	7	–"–
Faxälven	Linnvasselv	7.2	14	1961–74
	Junsterforsen	100	115	–"–
	Gäddede	30	23	–"–
	Bågede	100	70	–"–
Iggesundsån	Pappersfallet	100	7	1915
	Iggesunds kraftstation	100	22	2009
Ljusnan	Sveg	20	30	1949–75
	Byarforsen	20	17	–"–
	Krokströmmen	8.7	45	–"–
	Långströmmen	11	29	–"–
	Ljusne Strömmar	7.4	17	–"–
Motala Ström	Holmen	100	112	1990
	Bergsbron-Havet	100	10	1947

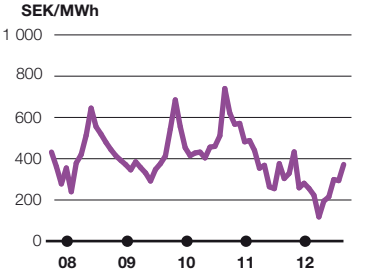
Operating profit

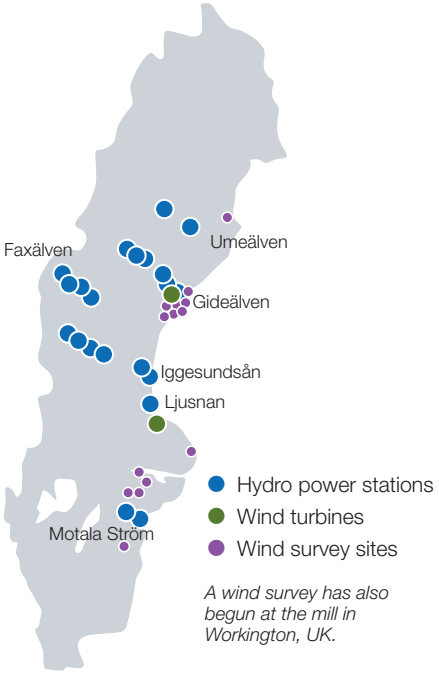


Production, company-generated hydro power



Electricity spot price





A wind survey has also begun at the mill in Workington, UK.

Risk management

The business areas are responsible for the business operations and handle business risks such as credit risks in relation to the Group's customers. They make decisions on issues such as volume and pricing, with the goal of consistently generating a good return on invested capital. Group Finance manages the Group's financing and financial risks, based on a financial policy that is established by the Board and is characterised by a low level of risk. The purpose is to minimise the Group's cost of capital through suitable financing as well as efficient management and control of the Group's financial risks.

PRICE AND MARKET

The Group is exposed to price fluctuations for its products and significant input goods. Deliveries may be affected by fluctuations in the market.

Holmen's income in its product-oriented business areas is generated from the sale of printing paper, paperboard and sawn timber. Changes in prices and deliveries largely depend on the development of the European market. This in turn is influenced by several factors, such as demand, production among European producers and changes in imports into Europe, as well as the opportunities for exporting profitably from Europe. Holmen has limited opportunities for making rapid changes to its range of products, but the company adapts its product focus, steering it towards the products and markets deemed to have the best long-term potential. Three-year business plans are used as a basis for this; they are updated annually in consultation between the business areas and the Group and are thoroughly assessed by the Board.

Holmen aims to have a broad customer base and an offering that spans several product areas. This aim, combined with long-term customer relationships, reduces vulnerability to changes in the market.

Income from the raw-materials-oriented business areas is generated from the sale of wood and electricity in Sweden. Deliveries may vary from one year to the next, but can be forecast in the long term. The price trend depends on market equilibrium in Sweden for wood and electricity, which – in the longer term – is expected to follow the trend in Europe. Wood and electricity are the two most costly raw materials for the product-oriented business areas, which makes the Group a net buyer of wood and electricity.

In addition, recovered paper, pulp and thermal energy are significant input goods in the production of printing paper and paperboard. Holmen produces more than 95 per cent of the pulp and thermal energy that it requires at its own mills using a highly integrated production process. The procurement of raw materials is underpinned through backward integration along the production chain by owning forests and hydro power production facilities. Significant volumes of recovered paper are purchased via wholly and partly owned recovered paper collection companies. Purchases of other goods for Group units are coordinated centrally, and the purchasing work is organised in product groups with a number of selected suppliers per group.

To reduce exposure to electricity price fluctuations, the Group uses physical supply agreements at fixed prices, as well as financial hedges. In 2012, the company's net purchases of electricity amounted to 2 684 GWh, of which 2 484 GWh in Sweden. The prices for the estimated net consumption of electricity in Sweden during 2013–2015 are 90 per cent hedged. For 2016–2017 prices are 50 per cent hedged and for 2018–2021 they are 35 per cent hedged. The hedges predominantly consist of physical fixed price contracts, with additional financial hedges. Gains on financial hedges are recognised in the income statement when they expire; for 2012 they totalled SEK 1 million (29). The fair value of outstanding financial hedges at 31 December 2012 amounted to SEK -11 million (13), which was recognised in other comprehensive income as hedge accounting is applied. With the current hedging, a one percentage-point increase in the price of electricity would have a SEK 4 million impact on equity.

OTC trade in financial contracts exists for certain paper and pulp products. Holmen did not trade in such contracts during the year. Price-hedging opportunities for other input goods are limited.

Earnings sensitivity

A one percentage-point change in deliveries, prices and costs is estimated to have the impact on operating profit/loss shown below. The table is based on income and expenses for 2012.

SEKm	DELIVERIES	PRICES
PRODUCTS		
Printing paper	25	79
Paperboard	24	49
Sawn timber	2	11
COMPANY'S OWN RAW MATERIALS		
Wood from company forests*	9	12
Company-generated electricity*	5	5

SEKm	COSTS
Wood*	27
Recovered paper	7
Pulp	2
Electricity*	15
Other energy	5
Chemicals	11
Delivery costs	14
Other variable costs	5
Employees	25
Other fixed costs	15

* For wood and electricity, price sensitivity regarding the Group's net purchases – taking account of the company's own production of raw materials – is SEK 15 million for wood and SEK 10 million for electricity. The price of the Group's net consumption of electricity, including facilities abroad, is around 90 per cent hedged for coming years.

Earnings during the year are relatively even. The clearest seasonal effects are lower personnel and maintenance costs during the third quarter, higher maintenance costs during the fourth quarter, and the fact that electricity production at the hydro plants is normally higher during the first and fourth quarters.

CURRENCIES

Transaction exposure. A significant proportion of Holmen's sales revenue is in currencies that are different from its costs. In order to reduce the impact on profit/loss of changes in exchange rates, net flows are hedged using forward foreign exchange contracts.
The net flows in euro, sterling and US dollars 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.

At the beginning of 2012, flows in euro, sterling and dollar flows were partly hedged for 2012. Gains/losses on currency hedges are recognised in operating profit/loss as and when the hedged item is recognised. In 2012 they amounted to a gain of SEK 221 million (570). The result arose primarily because of the expiry of favourable currency hedges in the first quarter. The hedging of estimated net flows is shown in the table below.

Earnings sensitivity

Calculated on the basis of existing hedges and the exchange rates at the turn of 2012/2013 (euro: 8.6, sterling: 10.5 and US dollar: 6.5), exchange rate differences are expected to have a negative impact of roughly SEK 250 million on consolidated operating profit for 2013 compared to 2012. A one percentage-point weakening in the Swedish krona compared to the level at year-end would have a positive impact on operating profit for 2013 of SEK 50 million compared to 2012.

Without considering currency hedges, a one percentage-point weakening of the Swedish krona in relation to the currencies below would have the following effects on operating profit:

SEKm	NET
SEK/EUR	37
SEK/USD	12
SEK/GBP	15
SEK/other currencies	5

Currency exposure arising when investments are paid for in a foreign currency is distinguished from other transaction exposure. Normally, 90–100 per cent of the currency exposure associated with major investments is hedged.

Translation exposure. The reported profit/loss is affected by changes in exchange rates when the profits/losses of foreign subsidiaries are translated into Swedish kronor. Equity is affected by changes in exchange rates when assets and liabilities of foreign subsidiaries are translated into Swedish kronor.
Exposure that arises when the profits/losses of foreign subsidiaries are translated into Swedish kronor is not normally hedged. Hedging exposure that arises when the subsidiaries' assets and liabilities are translated into Swedish kronor (known as equity hedging) is judged from case to case and is arranged based on the value of net assets upon consolidation. The hedges take the form of foreign currency loans or forward foreign exchange contracts.

Net assets and equity hedges, 31 December 2012, SEKm

	NET ASSETS	EQUITY HEDGES
EUR	2 455	1 493
GBP	1 559	-
Other	20	-

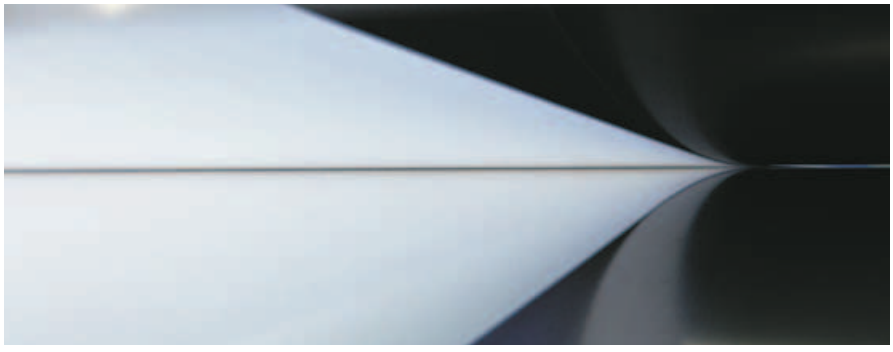
Gains on equity hedges amounted to SEK 88 million (31) in 2012 and are recognised in other comprehensive income as hedge accounting is applied. In the parent company accounts, this gain is recognised in the income statement. The translation of net foreign assets had an impact of SEK 134 million (2) on consolidated equity. The fair value of outstanding equity hedges at 31 December 2012 was SEK 43 million (61), of which SEK 39 million relates to loans and SEK 4 million to financial derivatives. A one percentage-point weakening of the Swedish krona would have a positive impact of SEK 25 million on equity, including the translation of foreign subsidiaries and taking account of currency hedges.

Transaction exposure at 31 December 2012, SEKm*

	12 MONTHS ESTIMATED NET FLOWS	2013 HEDGES SEKm	RATE**	%
EUR/SEK	3 730	1 090	8.66	30
USD/SEK	1 230	310	6.63	30
GBP/SEK	1 540	420	10.70	30
Other/SEK	460	-		
EUR/GBP	710	630	0.86	90

* The figures in the table have been rounded off. ** This rate equals the average hedging rate.

The fair value of outstanding transaction hedges was SEK 55 million (215) at 31 December 2012. SEK 6 million (86) was recognised in the income statement for 2012, and the remainder in other comprehensive income as hedge accounting is applied, of which all relates to 2013. 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 acquisition cost of the non-current asset that was hedged. The fair value of outstanding hedges for investment purchases amounted to SEK -4 million at 31 December 2012. During the period, acquisition cost of hedged items increased by SEK 58 million.



INTEREST RATES

Changes in the market interest rate affect the finance cost.

The fixed interest periods for the Group's financial assets and liabilities are normally short. The Board can decide to lengthen the periods in order to limit the effect of a rise in interest rates. Derivatives in the form of interest rate swaps are used to manage the fixed interest periods without altering underlying loans. The net debt's fixed interest periods and the breakdown by currency are shown in the table, in which derivatives that affect the currency distribution and fixed rate periods of the liabilities are taken into account. The Group's average borrowing interest rate was 4.1 per cent in 2012. At the turn of 2012/2013, the average borrowing cost was 3.6 per cent, based on applicable market interest rates and existing fixed interest periods. A one percentage-point increase in the average market interest rate from the level at year-end would have an impact of about SEK 33 million on profit/loss for 2013. As loans with fixed interest rates mature, the exposure to changes in market interest rates rises. Disregarding the fixed rate periods, the exposure to a one percentage-point change in the market interest rate is SEK 66 million, accounted according the size of the debt at 31 December 2012. The fair value of the derivatives used to manage the fixed interest periods amounted to SEK -78 million (-67) at 31 December 2012, which was recognised in other comprehensive income as hedge accounting is applied.

This value is expected to be recognised in the income statement in 2013 and later. With existing interest rate hedges, a one percentage-point increase in market interest rates would have a SEK 45 million impact on equity.

Fixed interest periods, net financial debt, 31 December 2012, SEKm

	TOTAL	-1 YEAR	1–3 YEARS	3–5 YEARS	>5 YEARS	OTHER
SEK	-5 514	-4 309	-500	-	-607	-99
EUR	-854	-161	-686	-	-	-7
GBP	-276	-27	-	-	-	-249
Other currencies	55	55	-	-	-	-1
Net financial debt	**-6 590**	**-4 442**	**-1 186**	**-**	**-607**	**-355**

The Other column refers to pension provisions; see Note 17 on page 83.

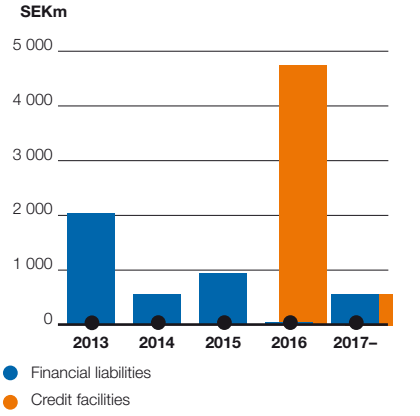
FINANCING

Group exposure to not being able to meet the need for future funding and refinancing of maturing loans.

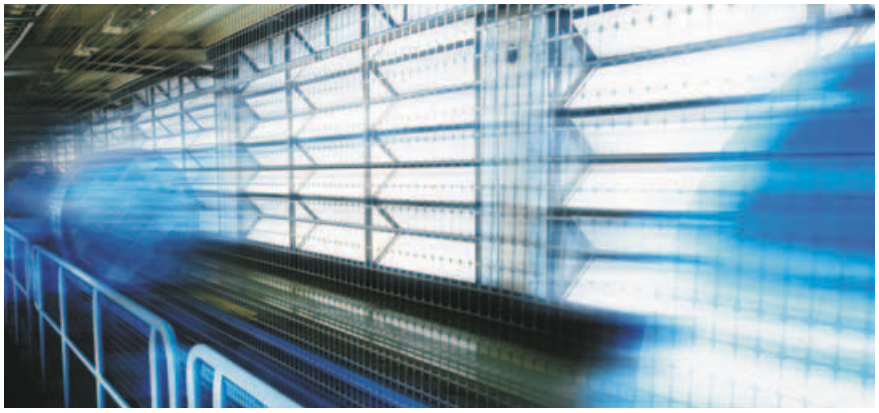
Holmen's strategy states that the company is to have a strong financial position that provides financial stability and gives the Group the opportunity of making correct and long-term business decisions relatively independently of the state of the economy and external financing possibilities. The debt/equity ratio is to be in the interval of 0.3–0.8, and strategic planning includes harmonisation with this target. Holmen's financing mainly comprises bank loans, bond loans 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 and maintaining a good spread of maturities for the liabilities. The Group plans its financing by forecasting financing needs over the coming years based on the Group's multi-year business plan, budget and profit forecasts that are regularly updated.

The net financial debt rose by SEK 331 million during the year and stood at SEK 6 590 million at 31 December 2012, divided among financial liabilities and interest-bearing pension provisions of SEK 6 967 million, cash and cash equivalents of SEK 308 million and financial receivables of SEK 70 million. Financing during the year was managed mainly via Holmen's commercial paper programme and short-term bank loans. During the year the company prematurely repurchased a EUR 45 million bond (SEK 400 million) maturing in 2013 and replaced this with a new bond of the same amount maturing in 2015. At 31 December 2012, current borrowings were SEK 4 866 million. The Group has a contractually agreed credit facility of EUR 400 million (SEK 3 432 million) with a 10-bank syndicate. In addition, Holmen has a bilateral credit facility of SEK 1 300 million that matures in 2016, and a further facility of SEK 570 million that matures in 2017. All credit facilities remained unutilised at year-end. They are available for use provided that the Group's debt/equity ratio is below 1.25; at year-end, this ratio was 0.32. Standard & Poor's long-term credit rating for Holmen is BBB with a stable outlook. The short-term rating is A-2/K-2. The Swedish commercial paper programmes have a facility amount of SEK 6 000 million. Commercial paper with a time-to-maturity of up to one year can be issued in both Swedish kronor and euro. Holmen's medium term note (MTN) programme, for issuing bonds, has a facility amount of SEK 6 000 million. Bonds with maturities of 1–15 years can be issued in both Swedish kronor and euro. At year-end, SEK 3 381 million in commercial papers and SEK 1 645 million in bonds were outstanding.

Financial liabilities



The maturity structure of financial liabilities and assets with undiscounted amounts is shown in Note 13 on page 79.



CREDITS

Customers who are unable to fulfil their payment obligations give rise to 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.

At 31 December 2012 the Group's trade receivables totalled SEK 2 290 million, of which 49 per cent (52) were insured against credit losses. Exposure to individual customers is limited. Sales to the five largest customers accounted for 10 per cent of the Group's total turnover in 2012. During the year, credit losses on trade receivables in the form of provisions and impairment losses had a negative SEK 15 million (negative 14) impact on earnings. At 31 December 2012, trade receivables of SEK 62 million (54) were past due for more than 30 days. After individual assessment of all trade receivables, a provision of SEK 34 million has been made for expected credit losses. The credit quality of the financial assets that are neither past due nor impaired is deemed to be good.

Financial transactions give rise to credit risks in relation to financial counterparties.
A maximum credit risk and settlement risk are established for each financial counterparty and are monitored continually.

At 31 December 2012, the Group had outstanding derivative contracts with a nominal amount of about SEK 7 billion and a fair value of SEK -36 million, net. The credit risk of derivative transactions is calculated using risk factors based on historic volatility and the time-to-maturity of the transaction. Calculated on the basis of the risk factors and in accordance with the Swedish Financial Supervisory Authority's regulations for financial institutions (FFFS 2007:1), Holmen's total counterparty risk on derivative contracts amounted to SEK 510 million at 31 December 2012. The maximum credit risk for other financial assets is estimated to correspond to their nominal amount.

FACILITIES

Sudden and unforeseen incidents causing damage, such as fires and machine breakdowns may damage facilities and goods in transit.
Risks to facilities are managed pursuant to a Group-wide policy, in which work on preventive protection and purchase of insurance in each area is highly significant.

The aim is to protect employees, the environment, assets and operations well and cost-effectively, but also to constantly increase involvement in preventive work. Risks are minimised through damage prevention measures, good maintenance, training, foresightedness in the modernisation/renewal of facilities and good administrative procedures.

Risk assessments are performed by risk engineers linked to insurance companies, as well as by independent consultants and via internal controls. Major changes are conducted to reduce the number of injuries and accidents.

Holmen insures its facilities to their replacement value against property damage and consequential loss. The excess varies from one facility to another, but the maximum is around SEK 30 million for any one claim. The Group's forest holdings are not insured. They are widely dispersed over large parts of the country, and the risk of large-scale simultaneous damage is not judged to justify the cost that insuring the forest holdings would entail.

ENVIRONMENT

The main environmental impact consists of emissions to air and water and the occurrence of noise and waste. There is a risk of incidents occurring and conditions being breached. Landfills and phased out operations may lead to costs for restoring the environment.
The organisation and management of the environmental activities are stipulated in Holmen's environment and energy policy. In disruptions, the environment takes precedence over production. In ongoing and concluded operations, the environmental impact must be acceptable to humans and the environment. In product development and investments, the possibilities of combining efficient production with consideration to the environment and energy must be utilised. Forestry must be undertaken with as much consideration for the environment as possible. The forests are to be managed in such a way that ensures the long-term survival of flora and fauna in the forest landscape.

These points are examples of how Holmen continually works on managing the environmental risks that may arise:

- Self-inspection so that conditions regarding emissions imposed by environmental authorities are fullfilled.
- Checks of water areas outside the mills.
- Checks on the management of chemicals and waste.
- Environmental risk assessments.
- Checks and inspections by authorities.
- Reporting to public authorities.
- Group-wide climate and energy targets.
- Certified environmental and energy management systems incorporating environmental and energy targets.
- Environmental and chain-of-custody certification in accordance with criteria issued by FSC® and PEFC.
- Active programme to remedy damage to the forest caused by storms and breakage as a result of snow, and by insects, fungus and moose.
- The certified systems are regularly checked by external, certified auditors.
- Appraisal of suppliers (goods and services) with respect to sustainability aspects.
- Self-inspection of compliance with power industry guidelines for dam safety.
- Studies and remediation measures are carried out at discontinued sites in consultation with the environmental authorities.

Principles and instruments for sustainability efforts

Sustainability work is integral to Holmen's operation and to its strategy for growth and creation of value. These efforts are driven by a desire to improve competitiveness, reduce costs and the level of risk, motivate and involve staff, and make sure that production is in line with the requirements of the world around us.

Holmen's operation is based on the natural and renewable raw materials provided by the forests. The business concept is to process these raw materials into products and energy that fulfil important functions in society and generate value for customers, shareholders and other stakeholders.

Through its business, Holmen makes its own contribution to the important transition to a bio-based social economy. This involves moving from an economy largely based on fossil raw materials to a resource-efficient economy based on renewable raw materials produced by using ecosystem services from land and water sustainably. Ecosystem services are all the utilities that ecosystems provide and that society benefits from.

The key ecosystem service from Holmen's forests is the production of renewable raw material, although the forest is also important in areas such as recreation, outdoor pursuits and the water cycle.

The Group's forestry meets exacting environmental requirements. The environmental impact of its facilities meets the requirements of authorities. The products are adapted to the ecocycle and are recyclable.

Highly skilled employees with a broad mandate create the conditions for high productivity and world-class quality.

Beyond its core operation, Holmen contributes to economic development through investments, research and development and through cooperation with companies and organisations in several of the locations where the Group operates. In addition, the social economy benefits from the company's activities through more jobs being created for subcontractors, suppliers and local services.

The brand

The expectations and demands of customers and the world at large for products and manufacturing processes to be made environmentally sound are placing further pressure on sustainability efforts across all the Group's various operations. Ambitious sustainability work is an important engine for strengthening the Group's profitability in the long term. Clear communication about the initiatives being implemented strengthens brands and goodwill.

Information concerning sustainability is presented and constantly updated on Holmen's website as a means to promote the Group's sustainability work and to support sales and marketing.

Internal management processes

The Board and Group management regularly address current sustainability issues. The Group CEO has ultimate responsibility. A special group led by the director of sustainable and environmental affairs and consisting of representatives of the Group staffs coordinates the work on sustainability.

Holmen has been providing sustainability-related information annually since 2004.

Holmen has also been following the Global Reporting Initiative's (GRI) recommendations for sustainability reporting since 2006. Account has been taken of the ten reporting principles of GRI in compiling Holmen's sustainability report.

Policies

Holmen's policies and guidelines are together to be regarded as a tool of guidance focused on sustainable development. With the legislation in each country, they set out a framework and govern Holmen's actions in different areas. The policies are described on the Holmen website.

Production takes place within the Europe, and sales in this territory accounted for almost 90 per cent of the Group's turnover in 2012. There are also some sales to the US and

Information about work on sustainability

The reporting in the annual report on financial management, environmental responsibility, employees and other stakeholders is supplemented on Holmen's website by a detailed account of Holmen's work on sustainability. This includes descriptions of environmental work in the various business areas and statistical tables, plus a complete GRI register and the auditors' assurance report.

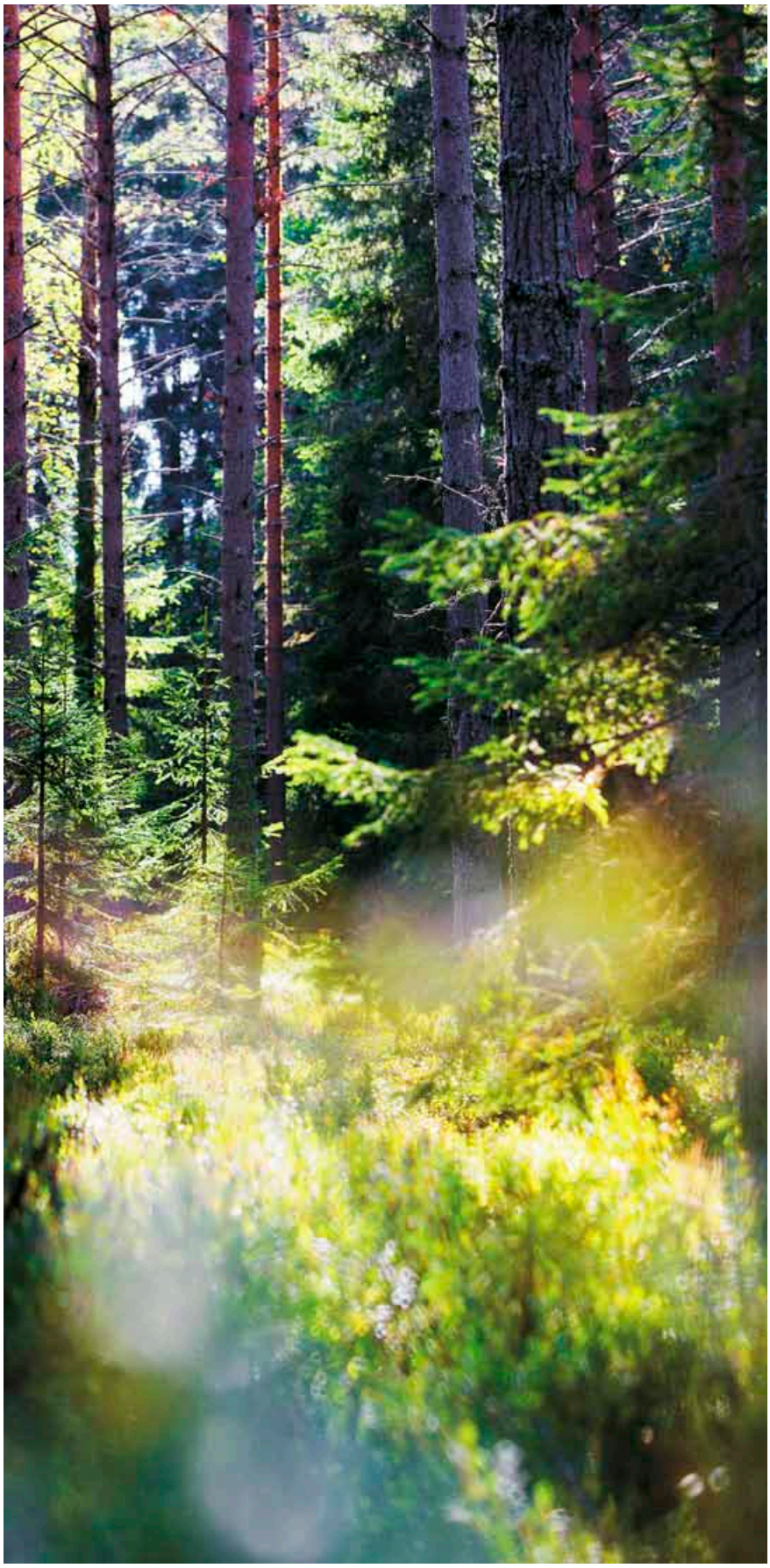
Sustainability reporting

Holmen's sustainability reporting can be found on pages 32–43 of the administration report and pages 91–93 of the annual report, as well as in Holmen's GRI register with links on Holmen's website (*www.holmen.com/GRI*). Holmen has opted to base its sustainability reporting on the guidelines, version 3.1, issued by the Global Reporting Initiative (GRI). The Group reports at reporting level A+. At Holmen's request, KPMG has performed a general review of the contents of the Group's sustainability reporting and shares Holmen's expressed reporting level regarding the GRI guidelines.

countries in Africa and Asia. In all countries, Holmen complies with local laws and agreements, and observes good business practice. It also monitors the ways in which customers and suppliers deal with environmental and employee issues. 2012 saw work begin on drawing up a code of conduct for suppliers. This clearly sets out how Holmen expects its suppliers of goods and services to address this type of issue.

Global Compact

Holmen has been affiliated to the UN Global Compact since 2007, and also to its corresponding Nordic network. As such, the Group has undertaken to contribute actively to the implementation of the ten principles of the Global Compact, that is, regarding issues relating to human rights, social conditions, environmental responsibility and the right to establish trade unions. Holmen's website comments on how the Group fulfils and works on the Global Compact. Work done on sustainability is presented to the Global Compact each year in the form of the sustainability report.



Environmental responsibility

Targets for sustainable development

	TARGET	OUTTURN 2012	REMARKS
Increased rate of growth in Holmen forests	2050: increase of 25%	–[1]	Base year 2007: 4.4 million m³ growing stock, solid over bark
Reduce the use of fossil fuels in the Group	2020: decrease of 75%	13%[2]	Base year 2005
Increased production of renewable electricity, relative to electricity consumed by Holmen	2020: 67%	34%	Base year 2005: 31%

1) The trend for increased growth cannot be determined until after a few years have elapsed.

2) Estimate based on the quantity of fossil fuel used at mills and the CHP plants next to the mill in Workington and Holmen Paper Madrid.

Holmen's environmental efforts are organised and performed within the framework of an environmental and energy policy. The policy states clearly the significance of climate issues to the business.

Over the years, Holmen's own environmental ambitions, coupled with environmental legislation and requirements from environmental authorities, have resulted in Holmen integrating environmental and energy concerns into the planning of production and investment. Alongside this run the continuous improvements implemented within the framework of the environmental and energy management systems at the sites and statutory supervision conducted by authorities. This ensures compliance with regulations and conditions in the environmental field.

The main environmental impact of the sites consists of emissions to air and water and the generation of noise and waste. Emissions to water and air are measured daily to verify compliance with the emission regulations stipulated by the environmental authorities. Information on prioritised environmental parameters is provided in the diagrams on page 35 and the table on page 92.

Holmen continually works on preventing and managing the environmental risks that may arise (see Risk management section).

Outlook

A core priority of the EU's 2020 strategy is sustainable growth in Europe. This involves promoting measures for a more resource-efficient and competitive Europe. In the energy field, there is a plan for reduced emissions and more efficient energy consumption.

In the case of the business sector in which Holmen operates, the programme requires that, by 2020, carbon dioxide emissions should be cut by 21 per cent compared with 2005. Furthermore, by 2020, the proportion of energy consumption represented by renewables should increase to 20 per cent relative to the 2005 figure.

Holmen's operations are characterised by renewables in raw material and energy, recovery of energy and fibre, new products, and raw materials and products that bind carbon dioxide and serve as substitutes for materials that have an impact on the climate. Holmen is in favour of the EU's targets and action programmes. However, Holmen's ambitions in the climate and energy area go further. The ambitions are also entirely in line with the intention of developing a sustainable, bio-based social economy.

Sustainable development targets

Holmen has been working on Group-wide sustainable development targets for several years. There is a keen focus on increasing the production and use of products manufactured from renewable raw materials sourced from Holmen's own forests. From a production and climate perspective, the target of 25 per cent growth in Holmen's forests within 40 years is therefore exceedingly important.

The Group is working towards a goal of reducing use of fossil fuels. The target for 2020 is a fall of 75 per cent compared with 2005.

The second climate-related environmental target requires company-generated renewable electrical energy to increase as a proportion of total electricity consumption by Holmen. Relative to the base year 2005, the target for 2020 is that the proportion shall be more than doubled to 67 per cent.

As a result of the energy investments completed at Iggesund Mill and in progress at the mill in Workington, use of fossil fuels will be cut to a major extent. These investments will also enable the proportion of company-generated renewable electrical energy to increase, assisted by the wind power initiatives planned in the Holmen Energi business area.

Environmental efforts in 2012

Several environmental projects, analyses and actions were carried out during the past year. Here is a selection.

FORESTRY. The nursery in Friggesund has been modernised. The use of greenhouses will be cut back, leading to a reduction in the use of oil for heating.

In a move to avoid the need to treat seedlings with insecticides to combat the harmful pine weevil, Holmen Skog has invested in a facility to coat the plants with a protective layer of wax.

In partnership with the Swedish University of Agricultural Sciences, Holmen's field workers have been trained in nature conservation. The purpose of the university-level course was to improve expertise of personnel who work in silviculture and the planning of harvests.

ENERGY AND CLIMATE. A new recovery boiler with turbine has been brought on stream at Iggesund Mill. This makes it possible, in the long term, to run the entire operation practically without the use of fossil fuels or purchased electrical energy. The investment totals around SEK 2.3 billion.

In the middle of 2012, the mill in Workington took over the energy plant from which the mill previously purchased its electricity and heat. The energy production is based on fossil natural gas. However, a new biofuel boiler will be taken into use at the mill in early 2013. With this investment of around SEK 1.1 billion, the new facility will provide the mill's total energy requirements in the form of electrical and thermal energy.

WATER USE. Following comprehensive studies, trials and engineering work, Holmen Paper Madrid started using treated wastewater in production in June 2012. This is wastewater, which is treated at a municipal water treatment plant in accordance with very exacting requirements. The goal for 2013 is to be able to replace all fresh water in production with this recovered water.

TREATMENT PLANTS. During spring 2013, Iggesund Mill will begin using new equipment for the destruction of weak gases. The investment is approximately SEK 90 million.

Holmen applies the industry-developed risk assessments for any occurrence of legionella bacteria in the mills' wastewater treatment plants and receiving waters outside its production sites.

SAFER PRODUCTION. The equipment at Iggesund Mill for producing chlorine dioxide will be upgraded in 2013. The use of liquid sulphur dioxide will cease, which will also eliminate the risk of accidental emissions of sulphur dioxide into the environment.

TRANSPORT. In 2012, the use of a rail-based transport solution for finished products continued in Sweden. Work is under way to optimise logistics in a move to cut costs, but the use of rail transport also reduces emissions to air.

Holmen is participating in a demonstration project to increase the cargo capacity of trucks. To date, the new vehicles have shown a 20 per cent drop in carbon dioxide emissions and lower transport costs.

WASTE. Residual products from Holmen's activities are used to a great extent. Bark and tree offcuts constituted around 70 per cent of the residual products created and used for energy production in Holmen's own plants or dispatched for external energy production.

The quantity of waste sent to landfill represented only 1 per cent of the waste produced in the Holmen Group.

Efforts to identify acceptable measures – in terms of profitability and environmental conservation – to close the landfill sites at Iggesund Mill and Hallsta Paper Mill continued in 2012.

DISCONTINUED OPERATIONS. Studies were conducted, in consultation with the authorities, at contaminated discontinued industrial sites where Holmen has operated in the past. In 2012, studies relating to the sawmills at Stocka, Håstaholmen and Lännaholm, the sulphite mills at Strömsbruk, Domsjö and Loddby and at the former mechanical pulp mill in Bureå had reached various stages. In 2012 studies commenced at two landfill sites in Hälsingland.

Remediation work was conducted in 2011 at the site of Wargön Mill, which was shut down in 2008. In 2012 a programme of checks on the Göta Älv river showed that the measures carried out at the former factory site have produced the desired outcomes.

Permits for operation

At the end of 2012 Holmen was running production operations at seven facilities that require environmental permits. The permits specify conditions regarding permitted production volumes and permitted emissions to air and water.

Five of the facilities are located in Sweden, with sales equivalent to 62 (59) per cent of Group net sales. The two remaining facilities are the mill in Workington in the UK and the mill in Madrid in Spain, whose share of Group sales was 16 (17) per cent in 2012.

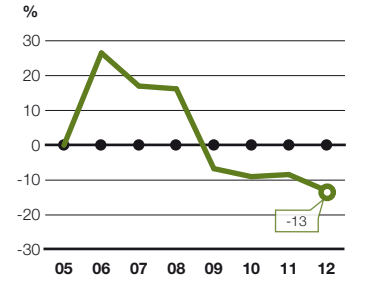
In early 2013 Iggesund Mill received a new environmental permit under the terms of the Environmental Code. The permit, which comes with specific environmental conditions, provides the mill with opportunities for increased production.

In 2013 Holmen Timber will submit an environmental permit application for increased production at the sawmill in Iggesund.

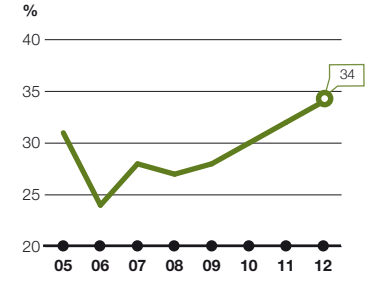
The production of electrical energy at Holmen's wholly and partly owned hydro power stations requires a permit for water operations (rules under the Environmental Code), which includes environmental conditions. A review may be requested under the terms of the Environmental Code. Permits are held for all the power stations.

During the year, a permit was granted for wind turbines at Varsvik in the Municipality of Norrtälje. Environmental permits are also expected in 2013 for wind turbines at Blodrot-

Use of fossil fuels (base year 2005)

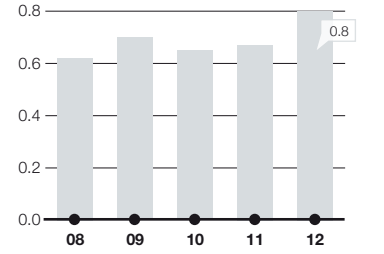


Renewable proportion of electricity production (base year 2005)



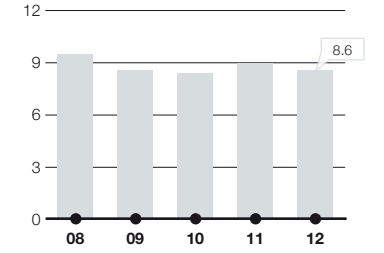
Emissions to air, nitrogen oxides

Kg/tonne end product



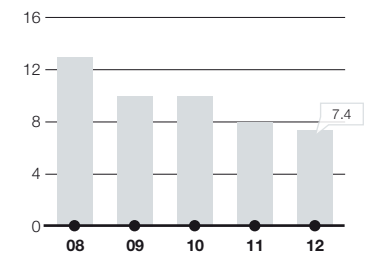
Emissions to water, COD (organic matter)

Kg/tonne end product



Waste, sent to landfill

Kg/tonne end product



berget and Blackfjället in the Municipality of Örnsköldsvik. In 2013 a permit application will be submitted to the Land and Environment Court for wind turbines at Blåbergsliden in the Municipality of Skellefteå.

Furthermore, an application will be submitted in 2013 for a permit to erect wind turbines at the mill in Workington, UK.

Emission allowances and electricity certificates

The Group's mills have participated in the EU Emissions Trading Scheme since 2005. The Group's measures to reduce the use of fossil fuels, and consequently carbon dioxide emissions, have made it possible to sell emission allowances. The Group's mills have applied for emission allowances to cover the trading period 2013–2020.

The Swedish mills are also active in trading electricity certificates. Holmen has been generating renewable electricity for several years, which has created a revenue stream. Holmen takes part in voluntary programmes for energy efficiency and reduced climate impact in Sweden and the UK. These programmes provide the energy-intensive industries with an alternative to energy taxes.

Exceedances and complaints

During the year there were a number of cases of exceeded threshold values, as well as complaints and incidents in the industrial and forestry operations. None of these were in any way of a material nature or had an impact on earnings, and they were all resolved by means of corrective measures in the operations' management systems. The incidents were reported to the supervisory authorities.

Environmental permits for the Group's production facilities

Hallsta Paper Mill [1]	2000
Braviken Paper Mill [2]	2002
Iggesund Mill [1,3]	2013
Iggesund Sawmill [4]	1994
Braviken Sawmill [2]	2010
Workington Mill [5]	2002
Holmen Paper Madrid [5]	2006

1) Environmental Protection Act.

2) Environmental Code.

3) A new environmental permit under the Environmental Code was received in early 2013. In addition to this, operations subject to notification requirements take place at the production unit in Strömsbruk. The port activity (at Skärnäs Terminal) alongside Iggesund Mill requires an environmental permit (obtained in 1999 under the Environmental Code).

4) An application for a new permit under the Environmental Code will be submitted to the Land and Environment Court during 2013.

5) IPPC.

Certifications for management systems

CERTIFICATIONS [1,2,3]	ENVIRONMENT	ENERGY	QUALITY
Hallsta Paper Mill	2001	2005	1993
Braviken Paper Mill	1999	2006	1996
Holmen Paper Madrid	2002	2009	2000
Iggesund Mill [4]	2001	2005	1990
Workington Mill	2003	2008 [5]	1990
Iggesund Sawmill [6]	1999	2006	1997
Braviken Sawmill [6]	2011	2011	2011
Holmen Skog [7]	1998	–	–

1) Certificates can be viewed on the Holmen website at *www.holmen.com/certificates*

2) Environment/ISO 14001:2004, Energy/ISO 50001:2011, Quality/ISO 9001:2008. The years stated show when the certificates were first issued.

3) At the mill in Workington, a certified management system (OHSAS 18001:2007) for occupational health and safety issues has been in place since 2005. In early 2012, Hallsta Paper Mill was certified under OHSAS 18001:2007.

4) The certifications include the production unit in Strömsbruk and Skärnäs Terminal.

5) Energy management system introduced. Certification in accordance with international standard has yet to be obtained.

6) The Braviken Sawmill started its operations in 2011. The certificates have applied jointly to the two sawmills since the beginning of 2011.

7) The operation at Holmen Skog is certified in accordance with criteria issued by PEFC or FSC®.

Tools for environmental efforts

The environmental aspects of Holmen's operations are regulated by laws and permits in each country. The allocation of environmental responsibility and the organisation and management of environmental activities are based on the Group's environmental and energy policy. At the production sites, various types of rules are integrated as key elements in the planning of production and investments.

The CEO and the heads of the business areas have overall responsibility. Operational environmental responsibility rests with mill managers and forest region managers. Holmen's director of environmental and sustainable affairs follows up activities relating to the Group's sustainable development targets and runs joint action groups.

CERTIFICATIONS

At the end of 2012, operations at the Group's production sites were certified according to energy, quality and environmental systems. Certain mills are also certified under management systems for occupational health and safety. All these systems mean that procedures are in place for planning, implementation and follow-up, as well as measures to enable continuous improvement in environmental efforts. In addition to these certifications, all of the facilities had chain-of-custody certificates for the wood raw material used.

Forestry operations are certified in accordance with environmental management systems, as well as under criteria issued by PEFC and FSC®, respectively. The proportion of certified wood at the Group's own sites varies according to availability in the area. Holmen Skog's chain-of-custody certification (FSC® Controlled Wood) provides assurance that non-certified wood also comes from verified sources.

Information on chain-of-custody certification, the proportion of environmentally certified forests in Sweden in 2012 and the proportion of certified wood at Holmen sites is available on the Holmen website.

THE ENVIRONMENTAL AND ENERGY POLICY contains general principles for the Group's environmental activities. It covers the environmental aspects that Holmen and its stakeholders prioritise. The focus is on the significance to the business of energy and climate change issues.

HOLMEN'S GUIDELINES FOR SUSTAINABLE FORESTRY indicate how the forests are to be managed from the points of view of both production and the environment. The criteria issued by PEFC and FSC® are built into the just over 60 guidelines.

Holmen's carbon footprint

Holmen's carbon footprint, 2012

	CO_2, ´000 TONNES
Emissions of fossil carbon dioxide during manufacture of products – negative climate effect	810[1)]
Capture of carbon in increasing volume of wood – positive climate effect	400[2)]
Storage of carbon in sawn timber – positive climate effect	540
Emissions which can be prevented via substitution of materials with an impact on climate by Holmen's sawn timber and fuels – positive climate effect	925

1) Includes emissions from forestry and production, recovered paper management, transport, and manufacture of purchased input goods and purchased energy. Data on purchased input goods is based on 2011 figures.
2) Release of greenhouse gases from Holmen-owned peat lands, amounting to app. 300 000 tonnes/year, has been deducted.

Investment projects mean that the use of fossil fuels will be cut substantially over the next few years. At the same time, the proportion of company-generated renewable electricity will increase. This will bring a reduction in the carbon footprint of the products and the Group as a whole.

The term 'carbon footprint' has become established in recent years. Its purpose is to indicate the quantity of greenhouse gases that a product generates during its entire life cycle. The carbon footprint can be said to be a measure of the product's climate impact.

Holmen calculates carbon footprints for the total of fossil emissions generated by the Group's products during manufacture and transport. It is more difficult to apportion, per product, the positive impact on the climate to which Holmen's operation contributes; for example in terms of binding carbon dioxide in Holmen's own forests and the reduction in carbon dioxide emissions achieved when fossil fuels and building materials are substituted by biofuels and sawn timber from Holmen. It is important to take both the emissions from production and the positive effects on the climate into account to be able to describe the impact of the business on the climate.

Carbon footprint from production

Holmen's carbon footprint has been calculated on the basis of calculations for its products. In 2012 emissions of fossil carbon dioxide from the production of Holmen's products totalled approximately 810 000 tonnes.

In 2012 a new recovery and energy plant was commissioned at Iggesund Mill. In 2013 a new biofuel boiler will be commissioned at the mill in Workington. These investment projects mean that the use of fossil fuels will be cut substantially over the next few years. The proportion of company-generated renewable electricity will increase. Overall, this will bring a reduction in the carbon footprint of the products and the Group as a whole.

Positive climate effects

Holmen's forests bind approximately 4 350 000 tonnes of carbon dioxide in their annual growth. Of the annual growth in Holmen's forests, around 80 per cent is harvested and used in the making of products. On the basis of the Group's objective to increase growth in Holmen's forests, these will bind more and more carbon dioxide in the future. Annual growth in forests is expected to exceed the volumes harvested for the foreseeable future. Based on growth data for the 2007–2012 period, it is estimated that just over 700 000 tonnes will be stored in the annual increase in stocks.

The sawn timber produced by Holmen stores carbon dioxide for as long as the timber is in use. It has been estimated for the Group's 2012 production that around 540 000 tonnes of carbon dioxide will be stored in products with a service life longer than 50 years.

Sawn timber also has a substitution effect, in that it replaces construction materials with an impact on the environment. The substitution effect, based on the Group's 2012 production of sawn timber, may amount to just over 670 000 tonnes of carbon dioxide.

Biofuel and waste/by-products from Holmen generate energy through combustion. The substitution effect for these types of fuel is calculated as the quantity of fossil carbon dioxide avoided in cases when these materials are used as a substitute. In 2012, the quantity of carbon dioxide totalled approximately 255 000 tonnes. Substitution calculations are based on the assumption that 100 per cent of the products and fuels replace fossil alternatives.

One year's harvest is equivalent to a total of around 3 700 000 tonnes of carbon dioxide captured in products. Paper products recovered after being used multiple times, together with spent sawn timber products, make excellent biofuels. Assuming that 70 per cent of Holmen's products become biofuel after use, this represents as much as 2 000 000 tonnes of carbon dioxide. As a result, a large quantity of fossil carbon dioxide is avoided when oil is replaced in energy production by these spent wood-based products.

Weighted assessment

Calculations of Holmen's carbon footprint indicate that the Group's operations and products also can have positive effects in relation to climate change. The estimated carbon dioxide capture and the estimated effects of substitution are more than double the quantity of Holmen's emissions of fossil carbon dioxide. Furthermore, a major environmental benefit is obtained through the use of the spent products for energy production.

The Group's targets for sustainable development place the focus on energy and climate issues. The goal of increasing growth in Holmen's forests means that more and more carbon dioxide is captured. The energy-related investments carried out will substantially reduce emissions of fossil carbon dioxide and thereby also the carbon footprint of both products and the Group as a whole.

Employees

The ability to attract, recruit, develop and retain committed and skilled employees is crucial to Holmen's ability to operate its business successfully. High quality and service are only achieved by competent and motivated people.

Developmental company

"A wide-ranging mandate and challenging duties in a friendly environment" is how Holmen employees themselves describe their jobs. This chimes well with Holmen's ambitions. Employees should feel committed and proud – both of the work they do and of the company as a whole.

EMPLOYEE SURVEY. It is important that Holmen's employees enjoy their work, and that the company as a whole develops, along with each and every employee and manager. To this end, the employee survey *Holmen Inblick* is conducted every second year. The survey was first launched in 2003 and is carried out at all the units. It is one of the company's most important tools, and the results feed into development work that has an impact on the business. At the end of the year, Group management goes through the results of the improvement work implemented, and analyses the effects. The survey shows that working conditions and leadership at Holmen's units have steadily improved over the years.

Developing within Holmen

FUTURE EMPLOYEES. Employer branding is pursued as a strategic and long-term aim, and in that endeavour existing employees are some of the company's most important ambassadors. Holmen maintains close contacts with selected target groups, such as qualifying certified foresters and students specialising in pulp and paper. Contacts are made at student events, during summer jobs and with students on degree projects. To many, the result is that Holmen becomes their first option in their future career choice. Other examples of long-term cooperation are regular visits within certain higher education programmes, and trainee and work experience partnerships with upper secondary schools and compulsory schools.

INDUCTION PROGRAMME. All new employees are offered a general induction programme. For academics, specialists and managers there is also the more in-depth *Holmen Induction Programme*, where participants meet business area managers and specialists from various parts of the Group. The aim of the programme is to improve knowledge of the Group and offer participants an opportunity to network.

Trainee programmes are carried out on an ongoing basis for both graduates and operators. This is a way of attracting future employees and at the same time giving participants a good start at Holmen. The programme, tailored to individual needs, communicates knowledge and experience, which creates good conditions for developing quickly in the company.

FUTURE CAREER POTENTIAL. Training and development are taken for granted as part of the job. They may be organised in several ways, for example in more traditional forms such as training courses, but also through changes in duties, participation in projects or new roles.

Skills development is important since Holmen works with technically advanced equipment and processes that are developing all the time.

Another goal is to improve the potential to develop a career within Holmen. Internal mobility is encouraged and many employees have a number of different positions at Holmen under their belt. An in-house mentoring programme designed to promote professional and personal development is conducted annually. This programme is desirable and educational for both parties.

Leadership development

The Group works actively to promote committed leadership, where managers are fully committed to leading and lead by engaging, motivating and coaching people. This approach has already brought about greater participation and a more development-driven organisation.

HOLMEN INBLICK. Managers are evaluated in the employee survey *Holmen Inblick*, in

which the employees give their views on their manager.

MANAGER AT HOLMEN. Over 2012/2013, all managers will take part in the development programme *Manager at Holmen*, which also sets out guidelines on what is expected of the managers. *Manager at Holmen* is additionally used to provide support in manager appointments and induction, in performance reviews and in assessment and follow-up. Alongside this are other methods, tools and courses to help managers develop their leadership.

LEADER TRAINING. A raft of training initiatives are in place to further strengthen and develop leadership. For example, new managers undergo brief leadership training and are given a local mentor to ensure they make a good start. The aim is to give new managers a common view of leadership at an early stage. Within a year, they participate in Holmen's basic leadership programme whose purpose, based on personal leadership, is to further develop the good, value-driven leadership associated with Holmen's personnel policy. The *Holmen International Management Programme* aims to develop talented managers within the Group and to create a broad consensus on strategic issues. For the company's team leaders there is a training course called *Leading without being a manager.*

MANAGER – MANAGER PERFORMANCE REVIEW
The performance review between higher manager and manager focuses on three discussion topics:
- Conditions of the particular task.
- Expectations of the manager in terms of management and leadership skills.
- Formulating and following up targets.

MANAGERS IN NEED OF SUPPORT. Managers are evaluated in various ways, including as part of the employee survey and the talent review. Managers with weak leadership skills are provided with support so that they can improve. In many cases, strong leaders are a key factor in this support process. If a manager is deemed not to have the right profile, he/she is given duties without managerial responsibility.

STRONG MANAGERS. Holmen has many strong leaders, and the company works continuously to identify managers who can take on more responsibility and challenges, and to highlight internal career paths for such people. Strong managers are also deployed in Holmen's mentorship programme and serve as role models in the organisation.

TALENT REVIEW. Each year managers, key personnel and high potentials are identified and comprehensive successor planning is carried out as part of a systematic process. High potentials are employees who consistently produce above-average performance in their work, who have what it takes to be promoted to higher positions and who are interested in such advancement. Another important factor is that these people reflect the company's culture and values in their everyday work and conduct. Key personnel are employees with business-critical expertise that needs to be transferred to others as a matter of course. Identifying the managers who are ready to take on bigger and more demanding tasks is also important for the business to thrive in the future. Holmen strives to fill a large proportion of all managerial vacancies through internal recruitment, in order to provide employees with clear career paths and opportunities to grow within the internal organisation.

Safe workplace

HEALTH AND SAFETY remains a priority issue for Holmen. Employees must feel safe, secure and happy in the company's workplaces. Work in the company's environmental network has been stepped up and extra internal resources have been allocated. Certified management systems (OHSAS 18000) have been introduced at Workington Mill (2005) and Hallsta Paper Mill (2012) to address health and safety issues.

Industrial accidents were at the same unsatisfactorily high level in 2012 as in 2011, with 19 industrial accidents resulting in absence per 1 000 employees. An industrial accident with a fatal outcome occurred at Iggesund Mill in July. Industrial accidents are never acceptable, which is why a zero tolerance goal is in place. This goal is to be achieved during 2015. Together with the mill managers, Group management have dedicated extra resources to producing a joint action plan, with the aim of rapidly reducing the number of accidents over the next two years. The vision is clear – Holmen is to be a zero-accident company.

Holmen takes a preventative approach in its work to tackle sickness absence. All employees have access to fitness activities and a company health service that provides rehabilitation, amongst other things, and supports return to work. Sweden also offers fitness grants. The company is in no doubt that good dietary habits and exercise are an important factor in people enjoying a long and healthy working life. Work-life balance is another key piece of the jigsaw that the company actively promotes. Regular health checks are also offered to employees so that they can detect early onset of disease.

The rate of sickness absence was in 2012 3.4 (3.5) per cent. Long-term sick leave (more than 60 days) remains at the low level of 1.1 (1.2) per cent. Short-term absence in Sweden (1–14 days) has been below 2 per cent for several years. The rate of sickness absence at Holmen is on a par with the rest of the industry.

DIVERSITY AND EQUALITY. Holmen aims to create a working environment which is based on the view that all human people are of equal value. All employees should be able to feel job satisfaction, commitment and a sense of security and have the same rights, obligations and opportunities – irrespective of their gender, age, sexual orientation, disability, ethnicity or beliefs. In order to achieve this, the company requires all employees to contribute to a good psychosocial working environment, where everyone is treated with respect and no one is ever harassed or demeaned. Managers are expected to take active measures to ensure

HR work at Holmen

HR work is governed by laws, contracts and policies, and forms a natural part of the business plans of the business areas. The work is coordinated by a management group that comprises the personnel managers of the business areas and is chaired by the Group's director of human resources.

THE PERSONNEL POLICY *reflects the Group's stance on what constitutes sound human resources policy. It highlights the joint responsibility of management and staff for maintaining a good work and development climate.*

THE POLICY FOR GENDER EQUALITY AND DIVERSITY *expresses the Group's view of the equal value of all people and its endeavour to bring about a more even gender distribution and greater diversity.*

THE WORK ENVIRONMENT POLICY. *This policy contains the principles for how work environment activities are to be run in the Holmen Group.*

THE ANTI-CORRUPTION POLICY. *This policy makes it clear that employees must consider very carefully the meaning and purpose of any favours offered in their contacts with customers and suppliers.*

THE GUIDELINES FOR THE INTERNAL LABOUR MARKET *set out that all Holmen employees should see the whole of the company as their labour market and that internal mobility is a natural tool in the ongoing process of skills development.*

equal rights, obligations and opportunities for all employees. Holmen's values and work in this area also play an important role in this context. In addition, the company is committed to creating a good and safe physical working environment that suits everyone.

The proportion of women in the annual induction programmes for graduate recruits has been just over 30 per cent for several years, creating the necessary basis for an increase in the proportion of women in senior positions.

Women managers often gain higher marks for leadership in *Holmen Inblick* than their male counterparts. They are deemed to be better at taking decisions and setting clear requirements. They are also regarded by their colleagues as better listeners and more encouraging. This adds even more weight to the Group's efforts to increase the proportion of women managers and enhance diversity among management.

Since 2007, the number of women managers has more than doubled, amounting to 20.3 per cent in 2012. The aim of ensuring a proportion of women managers equal to that of female employees was already achieved in 2011. The goal for 2012 of 19 per cent has thus been met. In 2011–2012, 57 new managers were appointed at Holmen's Swedish units, of which 20 or 35 per cent were women.

Company changes

Holmen has an unfaltering focus on improving the efficiency of the organisation and achieving optimum working methods. The market and industry in which Holmen operates is undergoing major changes, meaning that many employees are facing brand new challenges. During such periods of restructuring, shared values are an important tool. The values create greater commitment and stronger collaboration within the Group, while also increasing understanding and ownership of future choices that need to be made. They are also a success factor in work on development and change, and they help to establish stronger relations, not just internally but also externally.

When changes or closures occur at industrial sites affecting the size of the workforce, Holmen endeavours to take responsibility for mitigating the problems faced by those affected. The company negotiates with the trade union organisations and the experience is that the parties have jointly been able to find positive solutions for the employees concerned and the community in question.

During the year, decisions concerning overstaffing in the Holmen Paper and Iggesund Paperboard business areas were taken.

Union cooperation

Holmen cooperates closely and in a spirit of trust with the union organisations on all major issues, and regards this as fundamental to the company's development.

The company's employees are represented on the Group Board by three members and three deputy members. Collaboration with trade unions takes place in the *Holmen European Works Council* and in consultation groups at each unit, at business area and local level. Trade union representatives take part in projects and working groups.

The level of union membership at Holmen was 84 (83) per cent in the Swedish units in 2012. The equivalent figures for the UK and Spain were 56 (53) and 24 (36) per cent.

Sustainable products

Holmen's printing paper, paperboard and sawn timber constitute basic materials in people's everyday lives. The products are made from the renewable raw material provided by the forests. This makes the business a key player in the future bioeconomy.

Renewable raw material

The development of a sustainable society depends on choosing products that offer good performance in terms of climate and the environment. The European Commission wishes to promote the use of bio-based products in Europe, and standards are now set to be drawn up to support such a move. Forest-based products, such as those that Holmen produces, fit neatly in with this initiative.

Holmen's resources in the form of the natural and renewable raw material wood are a factor of strength. Material substitution, such as when renewable products from the forest replace fossil materials or biofuels from the forest replace oil, is positive for the climate. In addition, paper and paperboard can, once used, be recovered as material and/or bioenergy. When these products are recycled, they fulfil an important function by supplying the European recovered paper market with replacement fibre.

Climate-smart products

Holmen is well placed in many ways to make a greater contribution in resolving issues of climate and resource conservation, both on its own and in collaboration with wider society. Renewable raw material, resource-efficient processes and products that meet important needs are an excellent point of departure. Holmen's operations have positive effects in relation to climate change, and this is evident from calculations regarding the Group's carbon footprint.

Holmen's sustainability work forms a core component of the engine that will drive the forest industry in the bioeconomy of the future.

Research, development, innovation

The Group conducts research and development (R&D) both in-house at business area level and externally.

Internal R&D is focused on functional products and energy and resource-efficient processes. An innovation council is tasked with developing ideas that have the potential to create new business outside the established core operations.

Alongside the R&D efforts made in the business areas is the Holmen Biorefinery Development Center (HBC). The HBC builds up knowledge and identifies future business opportunities based on sustainability-driven research, innovation and product development. The overall objective is for wood-based alternatives to replace oil-based products in the long term.

In order to achieve the parliamentary target of zero climate emissions for Sweden by 2050, the use of today's renewable products must increase. Completely new materials and products made from renewable raw materials must be developed and replace those based on fossil fuels. Holmen is keen to be part of this work, but if true breakthroughs are to be achieved, this must happen in collaboration with other players. External R&D activities are therefore often jointly run at industry-wide level and in collaboration with universities and research institutions.

In 2012, Holmen signed an agreement with an R&D company in Israel for the production of micro-crystalline cellulose (NCC) from wood raw material. It is thought that NCC will prove usable in both existing and new products.

Group investments in research and development in 2012 totalled around SEK 100 million, of which around a quarter comprised external costs.

Prioritised development

PRINTING PAPER
- Lower energy consumption
- Reduced water use
- Increased fibre yield
- Lower grammages
- Good printability

PAPERBOARD
- Surface treatment
- Greater energy efficiency
- Paper physics (printing/shaping)
- Better fibre utilisation
- Better grammage to stiffness ratio
- Bio-based barrier materials

SAWN TIMBER
- Drying of sawn timber
- Better use of log's inner properties

ENERGY
- Wind power
- Biogas
- New products from wood raw material
- Use of the industry's residual products

WOOD
- Higher growth
- More efficient harvesting and transport
- More biofuel
- Improved regeneration

Dialogue with stakeholders

Holmen's operations in 2012
per stakeholder category, based on the Group income statement

		SEKm
Customers	Sales of paper, paperboard, sawn timber, wood and electricity	18 474
Suppliers	Purchases of products and services, along with depreciation, etc.	-14 455
Employees	Wages, salaries and social security costs	-2 499
Lenders	Interest	-227
State	Taxes	559*
Shareholders	Net profit	1 853
	Board's dividend proposal	756

* Recognised tax was affected by SEK +911 million from changes in recognised deferred tax liabilities and assets as a result of reduced corporation tax in Sweden and a reduction in the recorded tax values of loss carry-forwards. Excluding these items, recognised tax would have totalled SEK -352 million.

Holmen has a wide-ranging business that affects various groups of stakeholders in different ways. The interfaces with these groups create opportunities for Holmen, but also demand responsible conduct. Understanding and meeting the wealth of expectations that Holmen faces, both present and future, is a crucial factor in being able to take the company forward.

Stakeholders

Holmen has identified its stakeholders based on the nature of the related activity. There are players that are part of day-to-day operations. These include employees, customers, suppliers, financiers and permit issuers. There are also players who are important for the long-term development of the company, for example local residents, prospective customers and owners, decision-makers and the media.

EMPLOYEES. Employees help Holmen to develop through continuous manager-employee dialogue, employee surveys, employee representatives on the board and through various committees. Priority areas include leadership, health and safety, gender equality and skills supply. The employee survey forms the basis for local action plans.

A whistle-blower function is in place to allow employees and other stakeholders to report suspected improper conduct. No cases were reported in 2012.

The future provision of skills is based on contacts with universities, upper secondary schools and compulsory schools.

CUSTOMERS AND BUSINESS PARTNERS. Customers have expectations of products and services, good business practice and the way in which the company addresses key sustainability issues. Customers increasingly demand products that offer good performance in terms of climate and the environment. Holmen communicates actively with customers and business partners. Holmen regularly monitors what customers and suppliers think about the company and how well it meets their expectations. Over the year, around 400 customers expressed their opinions on Holmen.

SUPPLIERS AND PURCHASING. Purchasing of goods and services is coordinated at Holmen with the aim of reducing total costs. Over the year, Holmen has developed relations with suppliers to ensure a good minimum standard with regard to sustainability issues. Read more in the Human rights section. In 2012, work was started to revising the purchasing policy in order to incorporate sustainability aspects to a greater extent.

SHAREHOLDERS, ANALYSTS AND INVESTORS. There is growing interest in how Holmen addresses and tackles relevant sustainability issues. It is increasingly common to judge how well the company manages risks and opportunities associated with sustainability issues as part of the overall analysis of Holmen's results and potential. It is therefore important for the company to be transparent in communicating the company's sustainability work and its outcomes. This can be achieved through publications, the website and meetings with analysts. Read more in the External assessments section.

DECISION-MAKERS. Holmen is a member of the Swedish Forest Industries Federation, an industry body and lobbying organisation. Holmen was actively involved in developing the federation's sustainability report *Skogsindustrin – motorn i en hållbar bioekonomi* (The Forest Industry – The Engine in a Sustainable Bioeconomy), which was published in late 2012 and was aimed squarely at politicians. One central message in the report is a call for the state to financially support the investment in research to which the forest industry has committed in order to develop and promote renewable bio-based materials and products.

PUBLIC AUTHORITIES. Almost all of Holmen's business requires permits from the environmental authorities. This demands transparency and proactivity in communications with the authorities, in order to establish trust in the company's way of managing key issues such as regulatory compliance and compliance with set production terms. 2012 saw work continue on obtaining a new environ-

mental permit for Iggesund Mill and for several wind turbines. There was also consultation with authorities on matters relating to discontinued operations. The dialogue with the environmental authorities has been intensive in these locations.

LOCAL COMMUNITY. Permits for operations are continuously reviewed in order to take account of local residents and those whose livelihoods are affected by Holmen. Local residents have been involved in the permit applications mentioned above.

Large parts of Holmen's land in northern Sweden overlap Sami winter grazing land for reindeer. Via consultation with the reindeer herding community, it is possible to arrive at solutions that meet both parties' requirements as closely as possible. The consultation process involves meetings between Holmen's local field workers and representatives of the affected Sami reindeer herding association to discuss Holmen's planned forestry measures and whether these might have any impact on the reindeer herding community. All such meetings are fully minuted.

Holmen's operations are of great significance to employment in the places where the company is active. The Group has a total of around 3 000 employees in Sweden. Further jobs are created at subcontractors. Studies show that the average Holmen employee generates another three jobs elsewhere. This creates a total of around 12 000 jobs in Sweden.

In order to increase the supply of biomass for the new biofuel boiler at the mill in Workington, 2012 saw the launch of the *Grow your income* project, whose aim is to encourage farmers in the area to grow energy crops. This project has generated a dialogue with a whole new stakeholder group, further strengthening the mill's local engagement.

The forests also represent significant social assets. To a large number of people, they offer a wealth of leisure opportunities. All Swedish forests are open to the general public under the right of common access for hunting, angling and general recreation.

As stakeholders, the general public, the media and opinion leaders are rather more removed from Holmen's day-to-day business, but this makes them no less important to the company's long-term development. Through its own clear communications and the work of the industry federation, Holmen is helping to increase interest in and understanding of the conditions for the industry and what opportunities it offers.

Human rights

Holmen is affiliated to the UN's Global Compact and so supports its ten basic principles. There is little risk of anything in Holmen's operations conflicting with these principles, since production mainly takes place in Sweden, UK and Spain, where such matters are closely regulated. However, in 2012 efforts to assess how Holmen's suppliers of goods and services handle sustainability issues were stepped up. In order to clarify Holmen's expectations and requirements, work is under way on producing a code of conduct for suppliers.

External assessments

Sustainability analysts are continuously analysing Holmen in terms of risks and opportunities relating to environmental issues, social responsibility and responsible corporate governance. These contacts serve as an important element of the stakeholder dialogue that is maintained, and provide valuable indications of how work on such issues may be developed.

Holmen's inclusion, for several years now, in a number of sustainability indexes can be seen as testament to the company's systematic handling of sustainability issues over a long period. Appearing in such indexes gives the work a stamp of quality and shows that the company is able to manage risks and opportunities alike. Both are key parameters for consideration by investors. A list of the company indexes and funds in which Holmen is included can be found on the Holmen website.

Carbon Disclosure Project (CDP)

The CDP is an international federation that, as of 2012, represents over 650 institutional investors. Every year, the CDP conducts the world's biggest survey of how companies report their carbon emissions and their strategy and ability to deal with emissions and climate change. The CDP's 2012 survey singled out Holmen for its climate strategy and its way of reporting climate data. Holmen was the only Swedish company to achieve a place on the Carbon Disclosure Project's Carbon Performance Leadership Index.
www.cdproject.net

FTSE4GOOD INDEX SERIES
www.ftse.com/ftse4good

STOXX® GLOBAL ESG LEADERS INDICES
www.stoxx.com

MSCI WORLD ESG INDEX
www.msci.com

Assurance report

Holmen's sustainability reporting, as provided on pages 32–43 and 91–93 of Holmen Annual report 2012 including sustainability report and in Holmen's GRI register on Holmen's website, has been the object of a separate limited review in accordance with RevR 6 Assurance of sustainability reports, issued by FAR.

For a complete assurance report for sustainability reporting, see the Holmen website. It is evident there that KPMG shares Holmen's expressed reporting level regarding the GRI guidelines. The report also contains the following conclusion:

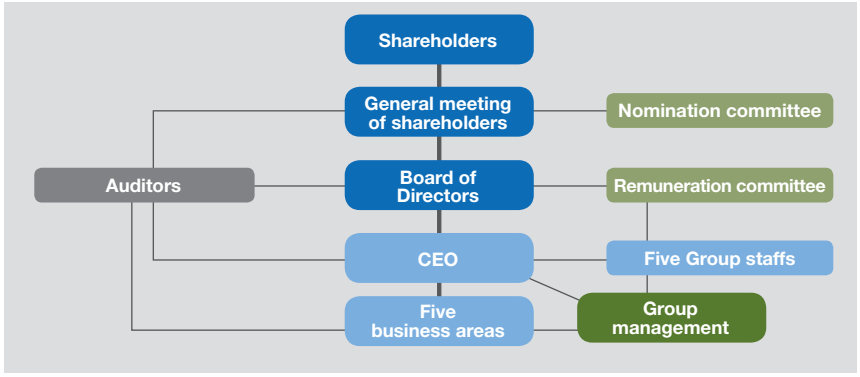
Based on our review procedures, nothing has come to our attention that causes us to believe that the sustainability report has not, in all material aspects, been prepared in accordance with the above-stated criteria.

George Pettersson
Authorised Public Accountant

Åse Bäckström
Expert Member, FAR

Corporate governance report

Corporate governance



Holmen AB is a Swedish public limited company, listed on the Stockholm Stock Exchange (Nasdaq OMX Nordic) since 1936. The preparation of a corporate governance report has been mandatory pursuant to the Swedish Annual Accounts Act since 2010. This corporate governance report complies with the rules of the Swedish Code of Corporate Governance and the directions for its application.

Shareholders

At year-end, Holmen AB had 28 440 shareholders. In absolute numbers, Swedish private individuals made up the largest category of owners: 26 019 shareholders. This corresponds to 91 per cent of the total number of shareholders. The largest owner at year-end 2012, with 61.6 per cent of the votes and 32.9 per cent of the capital, was L E Lundbergföretagen AB. The Kempe Foundations' holdings of Holmen shares amounted to 16.9 per cent of the votes and 7.0 per cent of the capital at the same point in time. No other individual shareholder controlled as much as 10 per cent of the votes.

Key regulations

External rules
- Swedish Companies Act
- Swedish Code of Corporate Governance (the Code)
- Stock exchange rules (Nasdaq OMX)

Internal rules
- Articles of association
- The Board of Directors' procedural rules
- Internal policies and guidelines, report manuals, etc.

Annual General Meeting 2012

The 2012 AGM was held in Swedish, and the material presented was in Swedish. The notice convening the meeting, the agenda, the CEO's speech and the minutes are available on the company's website. The meeting was attended by all AGM-elected board members, the entire Group management and the company's auditor. During the AGM, the shareholders had the opportunity to ask and obtain answers to questions. The issues addressed included the Board's view of a reasonable level of return, the company's attitude towards playing a role in any economic structural change and issues relating to raw material procurement for the biofuel facility that will be constructed at the company's paperboard mill at Workington. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. Carl-Fredrik Lorenius of Swedbank Robur Funds and Mikael Sedolin of the Third Swedish National Pension Fund checked and approved the minutes of the meeting.

It was not possible to follow or participate in the meeting from other locations using communication technology. Similarly, no such possibility is planned for the 2013 meeting.

See pages 51-53 for more information on the shares and ownership structure.

General meetings of shareholders

The notice convening the Annual General Meeting (AGM) is sent no earlier than six and no later than four weeks before the meeting. The notice contains information about registering intention to attend and entitlement to participate in and vote at the meeting, a numbered agenda of the items to be addressed, information on the proposed dividend and the main content of other proposals. Shareholders or proxies are entitled to vote for the full number of shares owned or represented and can notify the company of their intention to attend the AGM via the company's website or other means. 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. Notices convening other EGMs shall be sent no earlier than six and no later than three weeks before the meeting.

Proposals for submission to the meeting 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

Composition of the nomination committee

NAME	REPRESENTING	BEFORE AGM: 2012	BEFORE AGM: 2013	INDEPENDENT OF THE: COMPANY	INDEPENDENT OF THE: LARGEST SHAREHOLDER (IN TERMS OF VOTES)
Mats Guldbrand	L E Lundbergföretagen*	x (chairm.)	x (chairm.)	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Alice Kempe	Kempe Foundations*		x	Yes	Yes
Hans Hedström	Carnegie Fonder*		x	Yes	Yes
Johan Kempff	Kempe Foundations*	x		Yes	Yes
Ramsay Brufer	Alecta	x		Yes	Yes

* At 31 August 2012, L E Lundbergföretagen controlled 61.1 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Carnegie Fonder (Sweden) controlled 1.1 per cent.

meeting is provided on the website. It was announced on 2 April 2012 that the 2013 AGM would take place in Stockholm on 10 April 2013.

Nomination committee

The AGM decided to set up a nomination committee to 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 2012 and 2013 AGMs is shown in the table.

The nomination committee's mandate is to submit proposals for election of Board members and the Board chairman, for the Board fee and auditing fees and, where applicable, for election of auditors. The committee's proposals are presented in the notice convening the AGM.

Holmen's nomination committee proposes that the Board consist of eight (currently nine) members elected by the Annual General Meeting. Ahead of the 2013 AGM, Holmen's 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, Magnus Hall, Carl Kempe, Lars G Josefsson, Louise Lindh, Ulf Lundahl and Göran Lundin. Current board member Hans Larsson has declined re-election.

Board meetings in 2012

The Board held nine meetings in 2012, four of which were in connection with the company's publication of its quarterly reports. A two-day meeting was devoted to strategic business planning. The meeting was held in conjunction with the opening of the new recovery boiler at Iggesund Mill. On the occasion of another two-day meeting, the Board visited customers in Germany. One meeting dealt with the Group's budget for 2013. The other two meetings were held in connection with the company's AGM. The Board also paid special attention to strategic, financial and accounting issues, follow-up of business operations and major investment matters. On two occasions the company's auditors reported directly to the Board, presenting their observations from their audit of the accounts and the internal controls. All AGM-elected board members attended all the meetings.

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 company's articles of association, the Board shall have 7–11 members, and they are to be elected at the AGM. The company's articles of association contain no other rules regarding the appointment or dismissal of Board members or regarding amendments to the articles. There is no rule regarding the maximum period a Board member may serve.

The 2012 AGM re-elected Fredrik Lundberg, Carl Bennet, Magnus Hall, Carl Kempe, Lars G Josefsson, Hans Larsson, Louise Lindh, Ulf Lundahl and Göran Lundin to the Board. Fredrik Lundberg was elected chairman. At the statutory first meeting of the new Board in 2012, Carl Kempe was elected deputy chairman and Lars Ericson, the company's general counsel, was appointed secretary of the Board. 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.

Eight AGM-elected members are deemed independent of the company as defined by the Code. Of these, three are also deemed inde-

Board members as from the 2012 AGM

BOARD MEMBERS	FUNCTION	ELECTED	ATTENDANCE	FEE	INDEPENDENT OF THE: COMPANY	INDEPENDENT OF THE: MAJOR SHAREHOLDERS
Fredrik Lundberg*	Chairman	1988	9 / 9	600 000 kr	Yes	No
Carl Kempe	Deputy chairman	1983	9 / 9	300 000 kr	Yes	No
Carl Bennet	Member	2009	9 / 9	300 000 kr	Yes	No
Lars G Josefsson	Member	2011	9 / 9	300 000 kr	Yes	Yes
Hans Larsson*	Member	1990	9 / 9	300 000 kr	Yes	Yes
Louise Lindh	Member	2010	9 / 9	300 000 kr	Yes	No
Ulf Lundahl	Member	2004	9 / 9	300 000 kr	Yes	No
Göran Lundin	Member	2001	9 / 9	300 000 kr	Yes	Yes
Magnus Hall	Member, president and CEO	2004	9 / 9	–	No	Yes
Total					**8 / 9**	**4 / 9**

* Representatives of the remuneration committee

REPRESENTATIVES OF THE EMPLOYEES

Steewe Björklundh, member, elected 1998
Kenneth Johansson, member, elected 2004
Karin Norin, member, elected 1999
Martin Nyman, deputy member, elected 2010
Daniel Stridsman, deputy member, elected 2010
Tommy Åsenbrygg, deputy member, elected 2009

Internal management processes

Management at Holmen is based on the business concept, strategies and goals of the Group and the business areas. Under the Board, CEO and Group management, responsibility for operational activities has been decentralised to five business areas. The Group staffs are in charge of coordinating certain matters, such as business administration and finance, human resources, legal affairs, technology and public relations.

The Group uses annual, rolling, three-year business plans to break down goals and strategies into action plans and activities that can be measured and evaluated. These business plans are important to the long-term strategic control of the Group. Annual budgets, forecasts and action plans are used for day-to-day management of operations.

Various business processes, such as sales, purchasing and production, are used to manage operational activities at business area level with a view to achieving the business targets and implementing the agreed action plans.

The results are followed up through regular financial reports, and approved measures are reviewed through additional follow-ups.

pendent of the company's major shareholders. The CEO is the only Board member with an operational position in the company.

Information about the members of the Board is provided on pages 48–49.

The Board's activities

The activities of the Board follow a plan that, among other things, 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. The Board evaluates its activities each year, and the nomination committee has been informed of the content of the 2012 evaluation. This will serve as a basis for planning the Board's work in the next few years.

Remuneration

The Board has appointed a remuneration committee consisting of Fredrik Lundberg and Hans Larsson. During the year, the committee prepared matters pertaining to the remuneration and other employment conditions of the CEO. Remuneration and other employment conditions for senior management who report directly to the CEO are decided by the latter in accordance with a pay policy established by the remuneration committee. The remuneration committee has evaluated the application of both this policy and the guidelines on the remuneration of senior management adopted by the Annual General Meeting.

The Group applies the principle that each manager's manager must approve decisions on remuneration in consultation with the relevant personnel manager.

At the 2012 AGM, an account was given of the Board's proposed guidelines on remuneration to the CEO and other members of senior management. The AGM adopted the guidelines in the proposal. The Board is proposing unchanged guidelines to the 2013 AGM; they are presented in Note 4 on page 70.

The 2012 AGM approved the Board fee and payment of the auditors' fee as invoiced.

In 2008, the Group's employees were invited to acquire call options on class B shares in Holmen at market price. One third of all employees bought call options, amounting to 758 000 in total. Holmen's commitments pursuant to this scheme were secured by buying back some of the company's own shares. See page 52 for more details. The 2012 AGM renewed the Board's authorisation to decide on buying back up to 10 per cent of the company's total shares through acquisition of class B shares. No buy-backs took place in 2012.

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 consists of 11 individuals: the CEO, the heads of the five business areas and the heads of the five Group staffs.

Group management met on 10 occasions in 2012, dealing with matters such as earnings trends and reports before and after Board meetings, business plans, budget, investments, internal control, policies and reviews of market conditions, general development of the economy and other external factors affecting the business. Projects relating to business areas and Group staffs were also discussed and decided on.

Information on the CEO and other members of Group management is provided on page 50.

Audit

KPMG, which has been Holmen's auditor since 1995, was elected by the 2012 AGM as auditor for a period of one year. KPMG has since appointed George Pettersson, authorised public accountant, as the principal auditor for Holmen. KPMG audits Holmen AB and almost all of its subsidiaries.

The examination of internal procedures and control systems begins in the second quarter and is thereafter ongoing to 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 take place in January–February.

Holmen allows the Board to perform duties that would otherwise be performed by an audit committee. The Board's reporting instructions include requirements that the members of the Board shall receive a report each year from the auditors on whether the company's organisation is structured to enable satisfactory supervision of accounting, management of funds and other aspects of the company's financial circumstances. In 2012 the auditors reported to the entire Board at two meetings. Over and above this, the auditors reported to the Board chairman and the CEO on two occasions and to the CEO at one further meeting.

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 2012 is stated in Note 5 on page 71. KPMG is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

Internal control

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, are deemed to be sufficient.

Holmen's internal control activities aim to ensure that the Group lives up to its objectives for financial reporting (see box) and minimise risks of fraud to which the Group may be subject. The structure adheres to guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in respect of internal control over financial reporting. This framework contains 17 principles divided into five areas: control environment, risk assessment, control activities, monitoring and evaluation, as well as information and communication. They have been modified to suit the estimated needs of Holmen's various operations. Group Finance ensures that internal control is maintained and carries out compliance checks.

The framework for internal control was revised in 2012. The self-assessments that are completed each year by all Group units have been developed. Training courses and workshops have been conducted and a clearer, more structured method of feedback and follow-up has been introduced.

CONTROL ENVIRONMENT. The basis for Holmen's framework for internal control is the control environment, which is defined through policies, procedures, manuals and instructions. The control environment is maintained by means of an organisational structure with clearly defined roles and areas of responsibility and individuals' awareness of their role in maintaining adequate internal control. The Board of Directors is ultimately responsible for internal control, in accordance with the Swedish Companies Act. Day-to-day responsibility for these matters is delegated to the CEO. Holmen's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules in each country where the company operates. In addition to external rules and recommendations, financial reporting is also covered by internal instructions, directions and systems, as well as internal distribution of roles and responsibilities with the object of ensuring sound internal control over financial reporting.

Goals

HOLMEN'S FINANCIAL REPORTING

Holmen's external financial reporting shall:

- be correct 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 shall, over and above these three goals, support correct business decisions at all levels in the Group.

RISK ASSESSMENT. Risk assessment activities are based on identifying and evaluating the risks that can result in the Group's financial reporting objectives not being met. Risk assessments are made where risks are identified and documented. The results of these risk-related activities are compiled and developed under the guidance of Group Finance.

Holmen's greatest risks regarding financial reporting are linked to the valuation of biological assets and property, plant and equipment as well as to financial transactions (see the section on risk on pages 28-31).

CONTROL ACTIVITIES. To ensure that Holmen's financial reporting objectives are met, control requirements are incorporated into the processes that are deemed relevant to Holmen's business: sales, purchasing, investments, personnel, financial statements, payments and IT. These control activities aim to prevent, identify and rectify errors and discrepancies. Where risks are identified, control requirements are developed that must then be adhered to.

The self-assessments that are completed by all Group units set out what control requirements apply for each respective process. These need to state whether the respective control requirements have been met and what proof of verification exists. As Holmen's different units vary widely in nature, these self-assessments have been tailored to each unit's operations by breaking them down into different categories.

FOLLOW UP AND EVALUATION Follow-up and testing of control activities are performed continually to ensure that risks have been satisfactorily considered and addressed. The self-assessments contain integrated actions plans for those control requirements that are not met. The self-assessments are followed up on a continual basis and discrepancies are reported to Group Finance. Follow-ups are an important tool for understanding what deficiencies may exist in the Group, and how these can be minimised by putting in place new controls.

INFORMATION AND COMMUNICATION. The provision of financial information for Holmen's shareholders and stakeholders must be correct, comprehensive, transparent and consistent, and information must be provided on equal terms. The provision of information by Holmen complies with an information policy established by the Board. Events that are considered to have an impact on the share price are made public via press releases. Information to external stakeholders is provided in the annual report, the year-end and interim reports, press releases and presentations broadcast online in connection with the quarterly reports. All material is available on the company's website. The website also contains presentation material for recent years and information on corporate governance.

Guidelines on financial reporting are communicated to staff via manuals, policies and codes published on the company's intranet. A whistle-blower function is available so that employees and other stakeholders can highlight any deficiencies in Holmen's financial reporting or possible areas of concern at the company.

Board of Directors

Fredrik Lundberg

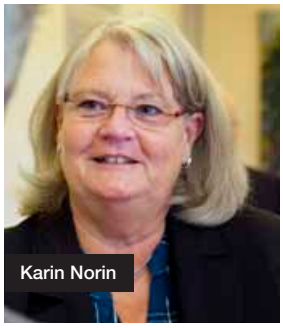
Carl Kempe

Lars G Josefsson

Steewe Björklundh

Magnus Hall

Kenneth Johansson


Karin Norin

Ulf Lundahl

Fredrik Lundberg Chairman. Djursholm. Born in 1951. Member since 1988. Master of Engineering and B. Sc. (Economics). D. Econ. h.c. and D. Eng. h.c. President and CEO of L E Lundbergföretagen AB.
Other significant appointments: Chairman of the board of Hufvudstaden AB. Deputy chairman of Svenska Handelsbanken AB. Board member: L E Lundbergföretagen AB, AB Industrivärden, Skanska AB and Sandvik AB.
Own and related parties' shareholding: 839 724 shares. Shareholding of L E Lundbergföretagen: 27 622 000 shares.

Magnus Hall Stockholm. Born in 1959. Member since 2004. M.Sc. (Industrial Engineering and Management). President and CEO.
Other significant appointments: Chairman of the boards of Innventia AB, BasEl i Sverige AB and Industrikraft i Sverige AB. Deputy chairman of Swedish Forest Industries Federation and Industriarbetsgivarna. Member of the Linköping University board of directors and The Royal Swedish Academy of Engineering Sciences, IVA.
Own and related parties' shareholding: 18 698 shares, 14 450 call options.

Carl Kempe Deputy chairman. Örnsköldsvik. Born in 1939. Member since 1983. Licentiate in Engineering. Dr. h.c. mult.
Other significant appointments: Chairman of the boards of the Kempe Foundations, MoRe Research AB, UPSC Berzelii Centre for Forest Biotechnology, Elforest AB and the Swedish IIASA Committee.
Own and related parties' shareholding: 386 000 shares.

Kenneth Johansson Söderköping. Born in 1958. Member since 2004. Representative of the employees, LO. Section chairman of the Swedish Paper Workers Union, branch 53, Holmen Paper Braviken.
Own and related parties' shareholding: 1 000 call options.

Karin Norin Forsa. Born in 1950. Member since 2009. Representative of the employees, PTK. Chairman of Unionen Holmen-Iggesund.
Own and related parties' shareholding: 400 call options.

Lars G Josefsson Stockholm. Born in 1950. Member since 2011. M.Sc. in Engineering. Former President and CEO of Vattenfall.
Other significant appointments: Chairman of Burntisland Fabrication Ltd and Green Circle Bio Energy Inc. Board member of Robert Bosch GmbH, Robert Bosch Industrietreuhand KG and Brookfield Renewable Energy. Board member of Hand in Hand International and member of The Royal Swedish Academy of Engineering Sciences, IVA.
Shareholding: 5 000 shares

Steewe Björklundh Hudiksvall. Born in 1958. Member since 1998. Representative of the employees, LO. Chairman of the GS Union at Iggesund Sawmill. Shareholding: 200 call options.

Ulf Lundahl Lidingö. Born in 1952. Member since 2004. B.A. in Legal Science and B.Sc. (Economics). Executive vice president and deputy CEO of L E Lundbergföretagen AB.
Other significant appointments: Chairman of the board of Fidelio Capital. Deputy chairman of Brandkontoret. Board member: Husqvarna AB, Indutrade AB and SHB Regionbank Stockholm.
Shareholding: 4 000 shares.

"Shareholding" refers to shares in Holmen AB.

Tommy Åsenbrygg

Daniel Stridsman

Louise Lindh

Carl Bennet

Martin Nyman

Hans Larsson

Göran Lundin

Tommy Åsenbrygg Hallstavik. Born in 1968.
Deputy member since 2009. Representative of the employees, PTK. Deputy chairman of Ledarna, Hallstavik.
Shareholding: 100 shares.

Carl Bennet Gothenburg. Born in 1951. Member since 2009. B.Sc. (Economics). D. Tech. h.c.
Former President and CEO of Getinge AB.
Chairman of the boards of Getinge AB, Elanders AB and Lifco AB.
Other significant appointments: Chairman of the board of University of Gothenburg. Board member of L E Lundbergföretagen AB.
Shareholding: 100 000 shares.

Daniel Stridsman Norrköping. Born in 1979.
Deputy member since 2010. Certified forester.
District manager Holmen Skog, region Norrköping.
Representative of the employees, PTK. Deputy member of Akademikerföreningen Holmen Skog.
Own and related parties' shareholding:
400 call options.

Martin Nyman Iggesund. Born in 1978. Deputy member since 2010. Representative of the employees, LO. Chairman of the Swedish Paper Workers Union, branch 15, Iggesund.
Shareholding: 0 shares.

Hans Larsson Stockholm. Born in 1942. Member since 1990. B.A.
Other significant appointments: Chairman of the boards of Svenska Handelsbanken AB, Attendo AB and Valedo Partners Fund 1 and 2 AB. Member of the board of AB Industrivärden.
Shareholding: 1 000 shares.

Louise Lindh Stockholm. Born in 1979.
Member since 2010. MBA. Executive vice president Fastighets AB L E Lundberg.
Other significant appointments: Board member of Hufvudstaden AB and L E Lundbergföretagen.
Shareholding: 100 000 shares.

Göran Lundin Norrköping. Born in 1940.
Member since 2001. Engineer. D. Tech. h.c.
Other significant appointments: Chairman of the board of Norrköpings Tidningar AB and Printed Electronics Arena at Linköping University. Board member of Fastighets AB L E Lundberg.
Shareholding: 1 000 shares

Auditors

KPMG AB
Principal auditor:
George Pettersson
Authorised public accountant

Group management

Henrik Sjölund, Sören Petersson, Ingegerd Engquist, Magnus Hall

Sven Wird, Lars Ericson

Ingela Carlsson, Arne Wallin

Björn Kvick, Anders Jernhall, Håkan Lindh

Magnus Hall
President and CEO.
Born in 1959. Joined Holmen in 1985.
Own and related parties' shareholding:
18 698 shares, 14 450 call options.
Magnus Hall has no significant shareholdings and no ownership in companies with whom the Group has important business relations.
For further information about the CEO, see page 48.

Henrik Sjölund
Head of Holmen Paper.
Born in 1966. Joined Holmen in 1993.
Shareholding: 500 call options.

Sören Petersson
Head of Holmen Skog.
Born in 1969. Joined Holmen in 1994.
Shareholding: 2 700 shares,
2 000 call options.

Ingegerd Engquist
Head of Group Human Resources.
Born in 1968. Joined Holmen in 2006.
Own and related parties' shareholding:
100 shares, 1 000 call options.

Sven Wird
Head of Group Technology.
Born in 1951. Joined Holmen in 1995.
Shareholding: 50 shares, 4 000 call options.

Lars Ericson
Head of Group Legal Affairs.
Company Board secretary.
Born in 1959. Joined Holmen in 1988.
Shareholding: 4 000 call options.

Ingela Carlsson
Head of Group Communication.
Born in 1962. Joined Holmen in 2008.
Shareholding: 4 000 call options.

Arne Wallin
Head of Holmen Energi.
Born in 1954. Joined Holmen in 1988.
Shareholding: 4 000 call options.

Björn Kvick
Head of Iggesund Paperboard.
Born in 1950. Joined Holmen in 1983.
Shareholding: 4 000 call options.

Anders Jernhall
CFO, head of Group Finance.
Born in 1970. Joined Holmen in 1997.
Shareholding: 2 700 shares,
2 000 call options.

Håkan Lindh
Head of Holmen Timber.
Born in 1964. Joined Holmen in 1994.
Shareholding: 2 000 call options.

Staffan Jonsson will take up the position of head of Group Technology on 1 May 2013.

The share and shareholders

During 2012, the price of Holmen's class B shares fell by SEK 5.3 or 2.7 per cent. Earnings per share equalled SEK 22.1 and a dividend of SEK 9 is proposed.

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 series of shares are listed on Nasdaq OMX Nordic, Large Cap. During the year, the price of Holmen's class B shares fell by SEK 5.3 (2.7 per cent), to SEK 192.4. During the same period the Stockholm Stock Exchange rose by 12 per cent. Holmen's market capitalisation of SEK 16.2 billion (16.6) represents some 0.4 per cent of the Stockholm Stock Exchange total value. Holmen's class B shares reached their highest closing price for the year, SEK 204.0, on 20 and 23 January and the lowest closing price, SEK 169.1, was recorded on 28 August. The daily average number of class B shares traded was 347000, which corresponds to a value of SEK 64.8 million. The daily average number of class A shares traded was 344.

Some 70 per cent of the trade took place on Nasdaq OMX Nordic. The Holmen share has also been traded on other trading platforms, such as BATS Europe, Burgundy, Chi-X and Turquoise.

Return

During the past decade, the Holmen share has yielded a total return, including reinvested dividends, of around 5 per cent per year. During that same period, the Affärsvärlden General Index returned some 13 per cent per year.

Earnings per share (EPS)

Diluted earnings per share equalled SEK 22.1 (47.1 of which SEK 31.5 comes from revaluation of forest). Holmen's diluted earnings per share have averaged SEK 19.4 over the past five years.

Dividends

Decisions on dividends are to be 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 10 April 2013, approves a dividend of SEK 9 (8) per share. The proposed dividend corresponds to 3.6 per cent of equity. Over the past 10 years the ordinary dividend has averaged 5 per cent of equity. This means that 65 per cent of earnings per share have been paid out in ordinary dividends each year.

- The final date for trading in Holmen shares including right to dividend: 10 April 2013.
- Record date for dividend: 15 April 2013.
- Payment date for dividend: 18 April 2013.

Share structure

Holmen has 83 996 162 shares outstanding, of which 22 623 234 are class A shares and 61 372 928 are class B shares. The company also has 760 000 bought-back class B shares held in treasury. Each class A share carries 10 votes, and each B share one vote. In other

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
DATA PER SHARE										
Diluted earnings per share, SEK[1]	22.1	47.1	8.4	12.0	7.6	17.8	17.2	14.8	15.1	17.5
Dividend, ordinary, SEK	9[5]	8	7	7	9	12	12	11	10	10
Dividend, extra, SEK	-	-	-	-	-	-	-	-	-	30
Ordinary dividend as % of:										
Equity	4	3	3	4	5	6	6	6	5	5
Closing listed price	5	4	3	4	5	5	4	4	4	4
Profit for the year	41	17	83	58	118	67	70	74	66	55
Return, equity, %[1]	9	23	4	6	4	9	9	8	8	10
Return, capital employed, %[6]	7	9	6	7	6	10	10	9	10	12
Equity per share, SEK	248	235	201	196	186	200	196	189	184	192
Closing listed price, B, SEK	192.4	197.7	221.4	183	193.5	240	298	262.5	230	255.5
Average listed price, B, SEK	186	201	195	180	203	277	302	227	228	230
Highest listed price, B, SEK	204	251	226	206	242	316	336	266	264	271
Lowest listed price, B, SEK	169	156	173	135	170	228	255	190	210	188
Total closing market capitalisation, SEK '000 million	16.2	16.6	18.5	15.4	16.2	20.6	25.3	22.6	19.5	20.4
P/E-ratio[2]	9	4	26	15	25	13	17	18	15	14
EV/EBITDA[3][6]	9	7	10	7	9	8	9	10	8	7
Closing beta value (48 months), B[4]	0.9	0.8	0.8	0.7	0.5	0.9	1.0	0.7	0.6	0.7
Number of shareholders at year-end	28 440	28 899	28 339	30 425	29 745	30 499	32 189	33 320	36 899	30 902

1) See page 96: Definitions and glossary. 2) Closing listed price divided by earnings per share. 3) Market capitalisation plus net financial debt at year-end (EV) divided by EBITDA. 4) Measures the sensitivity of the yield on the B share in relation to the yield on the Affärsvärlden General Index over a period of 48 months. 5) Proposal of the Board. 6) Excl. items affecting comparability.

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.

Ownership structure

Holmen had a total of 28 440 shareholders at year-end 2012. In absolute numbers, Swedish private individuals made up the largest category of owners: 26 019 shareholders. This corresponds to 91 per cent of the total number of shareholders. Shareholders registered in Sweden own 81 per cent (80) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the US and Luxembourg, accounting for 7 per cent and 3 per cent of the capital, respectively. The largest owner at year-end 2012/2013, with 61.6 per cent of the votes and 32.9 per cent of the capital, was L E Lundbergföretagen AB, 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 Kempe Foundations' holdings of Holmen shares amounted to 16.9 per cent of the votes and 7.0 per cent of the capital at the same point in time. No other individual shareholder controlled as much as 10 per cent of the votes. The 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 AGM.

Share buy-backs

The company has no specific target for share buy-backs. A mandate to buy back up to 10 per cent of all the company's shares has applied in recent years. Any buy-backs are regarded as a complement to dividend payments to adjust the capital structure when circumstances have been deemed favourable. The 2012 Annual General Meeting renewed the Board's mandate to decide on acquisition of up to 10 per cent of the company's shares through acquisition of class B shares. Shares corresponding to 0.9 per cent of the total number of shares were bought back in 2008 to secure the company's commitments under the terms of the incentive scheme (see below). The Board proposes that the 2013 AGM also authorises the Board to buy back and transfer up to 10 per cent of all shares in the company through acquisition of class B shares.

Incentive scheme

In 2008, the Group's employees were invited to acquire call options on class B shares in Holmen at market price. A third of the employees bought a total of 758 300 call options at a price of SEK 20 per option; their exercise price is SEK 224.50 per share. Each option entitles the holder to purchase one share during the exercise period in May/June 2013. Holmen has secured its commitments in the scheme by buying back shares.

Shareholder communication

Holmen regularly provides information to the stock market via press conferences in connection with the publication of quarterly reports and on the occasion of the AGM. It also delivers information that is important to the stock market by publishing press releases. Holmen's website www.holmen.com offers financial information in the form of reports, presentations and compiled financial data. The website also has a recording of the latest press conference, together with information on the company's shares, owners, insider trading and more.

Analysts

Analysts at 13 brokerage firms and banks monitor Holmen's development. This means that they publish analyses of Holmen on an ongoing basis. A list of these analysts is available on Holmen's website.

Share structure

SHARE	VOTES	NO. OF SHARES	NO. OF VOTES	QUOTIENT VALUE	SEKm
A	10	22 623 234	226 232 340	50	1 131.2
B	1	62 132 928	62 132 928	50	3 106.6
Total number of shares		84 756 162	288 365 268		4 237.8
Holding of own B shares bought back		-760 000	-760 000		
Total number of shares outstanding		**83 996 162**	**287 605 268**		
Issued call options, B shares		**758 300**			

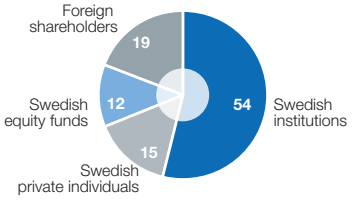
Ownership structure

NO. OF SHARES	SHARE-HOLDERS	PERCENTAGE OF SHARES
1 – 1 000	26 292	6
1 001 – 100 000	2 071	16
100 001 –	77	78
Total	**28 440**	**100**

Changes in share capital 2000–2012

	CHANGE IN NO. OF SHARES	TOTAL NO. OF SHARES	CHANGE IN SHARE CAPITAL, SEKm	TOTAL SHARE CAPITAL, SEKm
2001 Withdrawal of shares bought back	-8 885 827	79 972 451	-444.3	3 998.6
2004 Conversion and subscription	4 783 711	84 756 162	239.2	4 237.8

Shareholder categories, percentage of capital

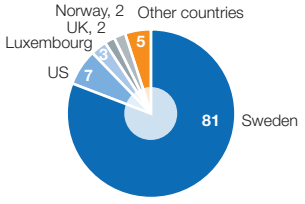


Shareholder structure at 31 December 2012

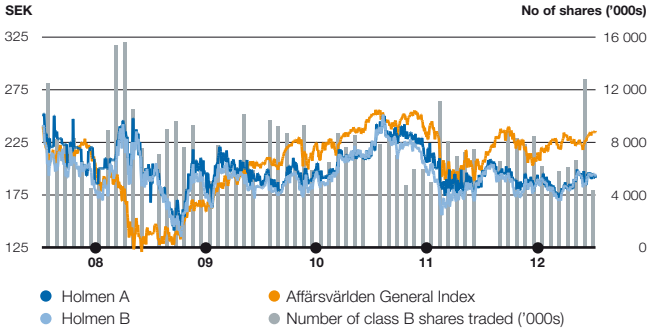
	% OF CAPITAL	% OF VOTES
L E Lundbergföretagen	32.9	61.6
Kempe Foundations	7.0	16.9
Carnegie funds (Sweden)	4.5	1.3
Alecta	3.6	1.0
AMF	2.8	0.8
Lannebo funds	2.5	0.7
Norges Bank Investment Management	2.2	0.6
DFA funds (USA)	2.1	0.6
SEB funds	1.4	0.4
SHB funds	1.2	0.4
Total	**60.1**	**84.4**
Other	39.9	15.6
Total*	**100.0**	**100.0**
* of which non-Swedish shareholders	19.2	5.8

The 10 identified shareholders with the largest holdings in terms of capital ranked by the number of votes they control. Some large shareholders may have their holdings registered under nominee names, in which case they are included among "Other".

Shareholders per country, percentage of capital

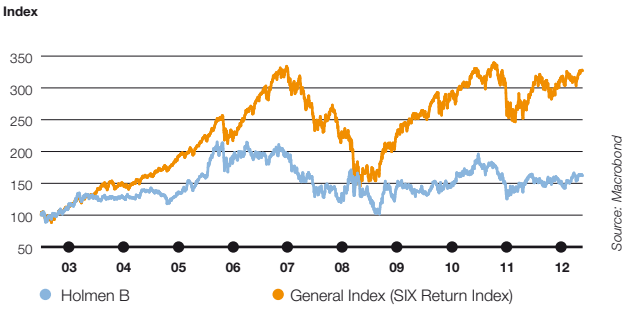


Share price performance for Holmen class A and B and General Index



Total return of Holmen class B and General Index

Incl. reinvested dividends, no tax taken into account



Source: Macrobond

Timbrejack

Financial statements

Income statement

GROUP, SEKm	NOTE	2012	2011
Net sales	2	17 852	18 656
Other operating income	3	621	661
Change in inventories		-34	176
Raw materials and consumables		-9 802	-10 280
Staff costs	4	-2 499	-2 477
Other operating costs	5, 20	-3 550	-3 580
Depreciation and amortisation according to plan	9, 10	-1 313	-1 260
Impairment losses	9, 10	-153	-
Change in value of biological assets	11	350	3 593
Interest in earnings of associates	12	47	84
Operating profit		**1 520**	**5 573**
Finance income	6	7	12
Finance costs	6	-234	-256
Profit before tax		**1 294**	**5 328**
Tax	7	559	-1 374
Profit for the year		**1 853**	**3 955**
Attributable to: Owners of the parent company		1 853	3 955
Earnings per share (SEK)	8		
basic		22.1	47.1
diluted		22.1	47.1
Average number of shares (million)	8		
basic		84.0	84.0
diluted		84.0	84.0

Operating profit amounted to SEK 1 520 million (5 573). Operating profit includes an impairment loss and a reversal of an impairment loss on non-current assets (SEK -153 million) and a provision for restructuring costs within Holmen Paper (SEK -40 million). The operating profit for 2011 included a revaluation of forests (SEK 3 593 million) as a result of changes in price and cost assumptions, as well as a new harvesting plan.

Operating profit, excluding the above-mentioned items, declined by SEK 267 million to SEK 1 713 million. The contribution from currency hedges fell, while the change in the value of forests rose.

Net financial items for 2012 totalled SEK -227 million (-244). During the year, interest costs of SEK 51 million (35) were capitalised in conjunction with major investment projects, reducing the recognised interest expense.

The average borrowing cost declined to 4.1 per cent (4.4), while average net debt was higher than during the preceding year.

Tax recognised totalled SEK 559 million (-1 374) in 2012. Tax recognised includes deferred tax income of SEK 911 million as a result of reduced corporation tax in Sweden, as well as a reduction in recorded tax values of loss carry forwards. Excluding these items, recognised tax would have totalled SEK -352 million, corresponding to 27 per cent of profit before tax.

Statement of comprehensive income

GROUP, SEKm	NOTE	2012	2011
Profit for the year		**1 853**	3 955
OTHER COMPREHENSIVE INCOME			
Cash flow hedging			
Revaluation		62	6
Transferred from equity to the income statement		-198	-562
Transferred from equity to non-current assets		59	33
Actuarial gains and losses in respect of pensions, incl. special employer's contributions		-16	-184
Translation difference on foreign operation		-129	-4
Hedging of currency risk in foreign operation		88	31
Tax attributable to other comprehensive income	7	-6	174
Total other comprehensive income		**-141**	**-506**
Total comprehensive income		**1 711**	**3 449**
Attributable to: Owners of the parent company		1 711	3 449

Other comprehensive income amounted to SEK -141 million (-506). The figure includes a gain produced when transaction hedges with a positive fair value expired during the year.

Also included is an actuarial revaluation of the pension liability, in the amount of SEK -16 million.

Cash flow hedges transferred from equity to the income statement affected the consolidated operating profit in the amount of SEK 221 million and net financial items in the amount of SEK -23 million.

Balance sheet

GROUP PER 31 DECEMBER, SEKm	NOTE	2012	2011
NON-CURRENT ASSETS			
Intangible non-current assets	9	57	26
Property, plant and equipment	10	12 543	12 516
Biological assets	11	16 227	15 771
Interests in associates	12	1 821	1 815
Other shares and participating interests	12	13	13
Non-current financial receivables	13	39	82
Deferred tax assets	7	2	194
Total non-current assets		**30 702**	**30 416**
CURRENT ASSETS			
Inventories	14	3 221	3 556
Trade receivables	15	2 290	2 366
Current tax receivable	7	75	26
Other operating receivables	15	419	694
Current financial receivables	13	31	46
Cash and cash equivalents	13	308	112
Total current assets		**6 343**	**6 800**
Total assets		**37 046**	**37 217**
EQUITY	16		
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		-338	-215
Retained earnings incl. profit for the year		16 632	15 469
Total equity attributable to the owners of the parent company		**20 813**	**19 773**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	1 746	3 319
Pension provisions	17	355	358
Other provisions	7, 18	497	473
Deferred tax liabilities	7	5 504	6 630
Total non-current liabilities		**8 102**	**10 780**
CURRENT LIABILITIES			
Current financial liabilities	13	4 866	2 822
Trade payables	19	2 245	2 655
Current tax liability	7	3	13
Provisions	18	68	157
Other operating liabilities	19	950	1 016
Total current liabilities		**8 131**	**6 663**
Total liabilities		**16 233**	**17 443**
Total equity and liabilities		**37 046**	**37 217**

For information on the Group's pledged collateral and contingent liabilities, see Note 21.

During the year impairment losses were applied to non-current assets in Spain (SEK -153 million).

New investments in property, plant and equipment during the year, totalling SEK 1 824 million, were largely for the new recovery boiler and turbine at Iggesund Mill and the new biofuel boiler in Workington.

The reduction in the tax rate in Sweden to 22 per cent has resulted in a SEK 1 075 million decrease in the deferred tax liability. A decrease in the recorded tax values of loss carry-forwards has reduced deferred tax assets by SEK 164 million.

Other operating receivables and other operating liabilities include derivatives used to hedge foreign currency flows. As currency hedges with a positive fair value have expired, the total amount recognised has fallen.

Changes in equity

			RESERVES			
GROUP, SEKm	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TRANSLATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS INCL. PROFIT FOR THE YEAR	TOTAL EQUITY
Opening equity 1 Jan 2011	**4 238**	**281**	**-256**	**409**	**12 241**	**16 913**
Profit for the year	-	-	-	-	3 955	3 955
Other comprehensive income	-	-	18	-386	-139	-506
Total comprehensive income	**-**	**-**	**18**	**-386**	**3 816**	**3 449**
Dividend paid	-	-	-	-	-588	-588
Closing equity 31 Dec 2011	**4 238**	**281**	**-238**	**24**	**15 469**	**19 773**
Profit for the year	-	-	-	-	1 853	1 853
Other comprehensive income	-	-	-65	-59	-18	-141
Total comprehensive income	**-**	**-**	**-65**	**-59**	**1 835**	**1 711**
Dividend paid	-	-	-	-	-672	-672
Closing equity 31 Dec 2012	**4 238**	**281**	**-303**	**-35**	**16 632**	**20 813**

In 2012, the Group's equity increased by SEK 1 039 million, to SEK 20 813 million. Profit for the year amounted to SEK 1 853 million, and the dividend paid was SEK 672 million. Other comprehensive income is additional and consists of items such as revaluation of pension liability, currency revaluation of loans, revaluation of transaction hedges and translation of assets in foreign entities as well as tax on these items. In 2012, other comprehensive income totalled SEK -141 million, which is mainly attributable to the fact that currency hedges with a positive fair value expired during the year.

Cash flow statement

GROUP, SEKm	NOTE	2012	2011
OPERATING ACTIVITIES			
Profit before tax	25	1 294	5 328
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 313	1 260
Impairment		153	-
Change in value of biological assets		-350	-3 593
Change in provisions		-83	-120
Other*		24	-108
Paid income taxes		-434	-557
Cash flow from operating activities before changes in working capital		**1 916**	**2 210**
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in inventories		314	-237
Change in trade receivables and other operating receivables		241	64
Change in trade payables and other operating liabilities		-217	63
Cash flow from operating activities		**2 254**	**2 101**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-1 824	-1 806
Disposal of property, plant and equipment		14	42
Acquisition of intangible non-current assets		-29	-20
Acquisition of biological assets		-110	-18
Disposal of biological assets		4	16
Increase in non-current financial receivables		-1	-14
Repayment of non-current financial receivables		38	72
Acquisition of shares and participating interests		-12	-6
Disposal of shares and participating interests		0	0
Cash flow from investing activities		**-1 920**	**-1 733**
FINANCING ACTIVITIES			
Raised long-term loans		400	0
Repayments of long-term loans		-924	-98
Change in current financial liabilities	25	1 059	242
Change in current financial receivables		1	-5
Dividend paid to the owners of the parent company		-672	-588
Cash flow from financing activities		**-135**	**-448**
CASH FLOW FOR THE YEAR		**199**	**-80**
Opening cash and cash equivalents		112	193
Exchange difference in cash and cash equivalents		-3	-1
Closing cash and cash equivalents		**308**	**112**

* Other adjustments primarily consist of currency effects and the marking to market of financial instruments, profit/loss from associates, as well as gains/losses on the sale of non-current assets.

The Group's cash flow from operating activities amounted to SEK 2 254 million.

The year's investments in non-current assets were largely for the new recovery boiler and turbine at Iggesund Mill, and the new biofuel boiler at the mill in Workington.

During the year the company made an early repayment of a bond maturing in 2013 and replaced this with a new bond of the same amount maturing in 2015. Two MTNs and a bank loan were also paid down. The Group also raised SEK 1 106 million, net, under the commercial paper programme; also see Note 25. Dividends of SEK 672 million were paid to shareholders during the year.

	2012	2011
CHANGE IN NET FINANCIAL DEBT		
Opening net financial debt	-6 259	-5 772
Cash flow		
Operating activities	2 254	2 101
Investing activities (excl. non-current financial receivables)	-1 956	-1 791
Dividend paid	-672	-588
Actuarial revaluation of pension liability	-16	-182
Foreign exchange currency effects and changes in fair value	59	-28
Closing net financial debt	**-6 590**	**-6 259**

The Group's net financial debt rose by SEK 331 million during the year. In addition to cash flow, net debt was affected by SEK -16 million due to actuarial revaluations and by SEK 59 million due to currency effects and changes in the fair value of derivatives.

Parent company

INCOME STATEMENT, SEKm	NOTE	2012	2011
Net sales	2	15 895	15 914
Other operating income	3	525	520
Change in inventories		-44	219
Raw materials and consumables		-9 472	-9 785
Staff costs	4	-1 995	-1 938
Other external costs	5, 20	-3 871	-4 081
Depreciation and amortisation according to plan	9, 10	-34	-31
Operating profit		**1 004**	**818**
Profit from interests in Group companies	6, 23	-2 404	1 106
Profit from interests in associates	6	0	0
Interest income and similar income	6	5	11
Interest costs and similar costs	6	-189	-262
Profit after financial items		**-1 584**	**1 673**
Appropriations	24	495	-41
Profit before tax		**-1 089**	**1 632**
Tax	7	95	-443
Profit for the year		**-994**	**1 189**

STATEMENT OF COMPREHENSIVE INCOME, SEKm	NOTE	2012	2011
Profit for the year		**-994**	**1 189**
Other comprehensive income			
Cash flow hedges			
Revaluation		22	-308
Transferred from equity to the income statement		-151	-536
Transferred from equity to non-current assets		59	33
Tax attributable to other comprehensive income	7	12	213
Total other comprehensive income		**-58**	**-598**
Total comprehensive income		**-1 053**	**591**

The parent company includes Holmen's Swedish operations with the exception of the majority of the non-current assets, which are instead recognised in Holmens Bruk AB.

The item income from interests in Group companies includes Group contributions of SEK -1 293 million and an impairment loss of SEK -1 373 million on shares in foreign Group companies. The item interest costs and similar costs in the income statement includes gains of SEK 88 million on hedging equity in foreign subsidiaries.

CASH FLOW STATEMENT, SEKm	NOTE	2012	2011
Operating activities			
Profit after financial items	25	-1 584	1 673
Adjustments for non-cash items			
Depreciation and amortisation according to plan		34	31
Change in provisions		-34	-57
Other *		2 620	-1 136
Paid income taxes		-402	-554
Cash flow from operating activities before changes in working capital		**633**	**-43**
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in inventories		332	-264
Change in operating receivables		259	-339
Change in operating liabilities		-295	552
Cash flow from operating activities		**929**	**-94**
INVESTING ACTIVITIES			
Shareholders' contribution paid		-12	-5
Acquisition of property, plant and equipment		-53	-34
Disposal of property, plant and equipment		7	21
Acquisition of intangible non-current assets		-	-4
Increase in external non-current financial receivables		0	0
Repayment of external non-current financial receivables		0	-
Acquisition of shares and participating interests		0	0
Disposal of shares and participating interests		0	-
Cash flow from investing activities		**-58**	**-23**
FINANCING ACTIVITIES			
Raised external long-term loans		-	-
Repayments of external long-term loans		-523	-97
Change in other financial liabilities	25	1 094	259
Change in other financial receivables		720	-633
Dividends paid to the owners of the parent company		-672	-588
Group contributions received		7	1 091
Group contributions paid		-1 300	0
Cash flow from financing activities		**-675**	**33**
CASH FLOW FOR THE YEAR		**197**	**-84**
Opening cash and cash equivalents		16	99
Closing cash and cash equivalents		**213**	**16**

* Other adjustments primarily consist of group contributions, impairment losses on value of shares in Group companies, currency effects and the marking to market of financial instruments as well as gains/losses on the sale of non-current assets.

BALANCE SHEET at 31 December, SEKm	NOTE	2012	2011
ASSETS			
Non-current assets			
Intangible non-current assets	9	10	14
Property, plant and equipment	10	2 612	2 601
Financial non-current assets			
Shares and participations	12, 23	13 082	14 442
Non-current financial receivables	13	2 325	3 267
Total non-current assets		**18 029**	**20 324**
Current assets			
Inventories	14	2 630	2 961
Operating receivables	15	2 346	2 686
Current tax receivable	7	405	16
Current investments	13	31	46
Cash and cash equivalents	13	213	16
Total current assets		**5 624**	**5 724**
Total assets		**23 653**	**26 048**

BALANCE SHEET at 31 December, SEKm	NOTE	2012	2011
EQUITY AND LIABILITIES			
Equity	16		
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		4 508	4 049
Profit for the year		-994	1 189
Total equity		**9 428**	**11 153**
Untaxed reserves	24	**2 064**	**2 559**
Provisions			
Pension provisions	17	60	51
Tax provisions	7, 18	45	45
Other provisions	18	626	653
Deferred tax liability	7	531	640
Total provisions		**1 262**	**1 389**
Liabilities			
Non-current financial liabilities	13	3 107	4 676
Current financial liabilities	13	4 860	2 817
Operating liabilities	19	2 931	3 453
Total liabilities		**10 898**	**10 946**
Total equity and liabilities		**23 653**	**26 048**
PLEDGED COLLATERAL AND CONTINGENT LIABILITIES			
Pledged collateral	21	6	6
Contingent liabilities	21	77	95

CHANGES IN EQUITY, SEKm

	RESTRICTED EQUITY			NON-RESTRICTED EQUITY			
	SHARE CAPITAL	STATUTORY RESERVE	RE-VALUATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS	PROFIT/ LOSS FOR THE YEAR	TOTAL EQUITY
Opening equity 1 Jan 2011	**4 238**	**1 577**	**100**	**531**	**4 337**	**366**	**11 149**
Appropriation of profits	-	-	-	-	366	-366	-
Profit for the year	-	-	-	-	-	1 189	1 189
Other comprehensive income	-	-	-	-598	-	-	-598
Total comprehensive income	**-**	**-**	**-**	**-598**	**366**	**823**	**591**
Dividend paid	-	-	-	-	-588	-	-588
Closing equity 31 Dec 2011	**4 238**	**1 577**	**100**	**-66**	**4 116**	**1 189**	**11 153**
Appropriation of profits	-	-	-	-	1 189	-1 189	-
Profit for the year	-	-	-	-	-	-994	-994
Other comprehensive income	-	-	-	-58	-	-	-58
Total comprehensive income	**-**	**-**	**-**	**-58**	**1 189**	**-2 183**	**-1 053**
Dividend paid	-	-	-	-	-672	-	-672
Closing equity 31 Dec 2012	**4 238**	**1 577**	**100**	**-125**	**4 633**	**-994**	**9 428**

Notes to the financial statements

Amounts in SEKm, except where otherwise stated.

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 by and the consolidation of the parent company, subsidiaries and associates.

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 possibilities of applying IFRS as a consequence of the Swedish Annual Accounts Act, Tryggandelagen (a Swedish act safeguarding pension obligations), and in some cases due to tax reasons.

Valuation principles applied in preparing the financial statements of the parent company and the Group

Assets and liabilities are stated at acquisition cost, except for biological assets and certain financial assets and liabilities, which are valued at fair value. In the parent company, biological assets are not valued at 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.

Assessments and estimates in the financial statements

Preparing the financial statements in accordance with IFRSs requires the company's management to make assessments and estimates, 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.

The estimates and assumptions 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 coming periods. See also Note 26 Key assessments and estimates.

Changes in accounting policies

New or amended IFRSs effective as of 2012 are not judged to have any material impact on the Group's accounts.

New and amended accounting policies applicable as of 2013

A number of new or amended IFRSs are not effective until the coming financial year, and Holmen has opted not to apply any of these standards in advance. Similarly, there is no plan to apply new or amended standards effective as of financial years after 2013 in advance. New or amended IFRSs effective as of 2013 and 2014, as for example changes to IAS 19, IAS 1, IFRS 10-12 and IFRS 7, are not judged to have any material impact on the income statement and balance sheet but will lead to an increase in disclosure requirements.

Segment reporting

The Group's operations are divided into operating segments, based on which parts of the operation the company's highest executive decision-maker follows up, known as the management approach. The segmentation criterion is based on the Group's business areas. This agrees with 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 the company's highest executive decision-maker follows up. See Note 2 for more details of the classification and presentation of operating segments.

Classification, etc

Substantially, 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. Substantially, current assets and current liabilities 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 control. Control means the right, directly or indirectly, to formulate a company's financial and operative strategies with the object of obtaining economic benefits. In the determination of whether one company has control over another, potential shares with an entitlement to vote and that can be exercised or converted at short notice are taken into account.

The consolidated accounts are prepared using the acquisition method, whereby the parent company indirectly acquires the assets and assumes the liabilities of the subsidiary, valued at fair value. The difference between the acquisition 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 therewith related unrealised gains are eliminated in their entirety.

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.

The equity method means that the carrying amount of the shares in the associates stated in the consolidated accounts corresponds to the Group's interest in the associates' equity and any fair value adjustments arising upon consolidation. The Group's interest in the net earnings of associates after tax attributable to parent company owners adjusted for any amortisation or reversal of acquired fair value adjustments, respectively, is stated in the consolidated income statement as "Interest in earnings of associates". Dividends received from the associates reduce the carrying amount of the investment. Unrealised gains arising as a consequence of transactions with associates are eliminated in relation to the owned share of capital.

When the Group's interest in the recognised losses of the associates exceeds the carrying amount of the interests stated in the consolidated accounts, the value of the interests is written down to zero. Losses are also offset against unsecured long-term financial balances that, in financial terms, consist of part of the owning company's net investment in the associates. Any further losses are not recognised unless the Group has provided guarantees to cover losses incurred by the associates. The equity method is applied until such time as the significant influence no longer exists.

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 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 acquisition cost are translated at the exchange rates prevailing on the transaction date.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other fair value adjustments arising on consolidation, are translated in the consolidated accounts, from the foreign operation's functional currency, to the Group's reporting currency (Swedish kronor) on the balance sheet date. 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 on the date of each transaction. Differences arising during the 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. The company opted to value the accumulated translation differences attributable to foreign operations at zero at the time of the changeover to IFRSs.

Companies operating on behalf of the parent company

The parent company's business is largely conducted through companies operating on its behalf: Holmen Paper AB, Iggesund Paperboard AB, Holmen Timber AB, Holmen Skog 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 properties, which are instead recognised in some of the Group's subsidiaries.

Income

Net sales

Net sales refers to invoiced sales (excluding value added tax) of products, wood and energy. The amount recognised is reduced by discounts, and similar reductions in income, and also includes exchange differences related to the sales. Sales are recognised after the critical risks and benefits associated with ownership of the sold goods have been transferred to the buyer, and there is no remaining right of disposal or possibility to retain actual control over the sold goods.

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, rent and land lease income, income from allotted electricity certificates, income earned from emission allowances and gains/losses on sales of non-current assets.

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. 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. State grants related to assets are recognised in the balance sheet as a reduction in the carrying amount of the asset.

Finance income and costs

Finance income and costs consist of interest income and interest costs, dividend income and revaluations of financial instruments valued at fair value, as well as unrealised and realised currency gains and losses. In the case of the parent company, Group contributions received and paid are also recognised as financial income and expense, respectively.

Interest income on receivables and interest costs on liabilities are calculated by using the effective interest method. Interest costs include 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 costs normally affect profit/loss in the period to which they relate. Borrowing costs attributable to the purchase, construction or production of qualifying assets are to be capitalised in the consolidated accounts as part of the asset's acquisition cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and that to the Group is to be considered 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 carrying amounts 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. Temporary differences are not taken into account in goodwill arising upon consolidation, nor in temporary differences attributable to interests in subsidiaries and associates that are not expected to become liable to taxation in the foreseeable future. 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 carryforwards 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 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, which during reported periods stem from call options acquired by employees within the framework of the incentive scheme. The dilution effect of options affects the number of shares and only arises when the exercise price is lower than the listed price, and is larger the wider the spread between the exercise price and the listed price.

Financial instruments

Financial instruments are measured and recognised according to IAS 39.

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 day 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.

Measurement of financial instruments

Financial assets at fair value through profit or loss. This category consists of financial assets held for trading. Financial instruments in this category are measured on a current basis at fair value, with changes of value recognised in profit or loss.

Loan receivables and trade receivables. Bank balances, loan receivables and trade receivables are measured at amortised cost. Impairment testing is performed continually, using objective criteria for these assets. If impairment is established, the receivable is derecognised. However, a provision for doubtful trade receivables is made if the impairment is anticipated.

Available-for-sale financial assets. The category of available-for-sale financial assets includes financial assets not classified in any other category or financial assets that the company initially chose to classify in this category. The assets are valued on a current basis at fair value with the changes in value for the period recognised in other comprehensive income, and the accumulated changes in value in a separate component of equity, although not such value changes that are attributable to impairment losses (see below), nor interest on debt (receivables) instruments and dividend income as well as exchange differences on monetary items, which are recognised in profit or loss for the year. When the asset is disposed of, accumulated profit/loss – which was previously recognised in other comprehensive income – is recognised in profit or loss for the year. Shares and interests not related to Group companies or associates are measured at acquisition cost. Measurement at fair value could not be applied, because reliable market values could not be established.

Financial liabilities at fair value through profit or 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. Profit/loss from financial instruments is recognised in net financial items or operating profit/loss, depending on the purpose of the holding.

Other financial liabilities. These liabilities are measured at amortised cost. Amortised cost is determined on the basis of the effective interest that was calculated at the time of acquisition. Trade payables and loan liabilities are recognised in this category. Loans hedged against changes in value are initially recognised including any transaction costs and on a current basis at fair value.

Derivatives and hedge accounting. All derivatives are measured at fair value and are recognised in the balance sheet. More or less all derivatives are held for hedging purposes. Where hedge accounting is applied, the changes in value are recognised as stated below. In the case of derivatives that do not fulfil the criteria for hedge accounting, the changes in value are recognised within operating profit/loss or within net financial items, depending on the purpose of the holding.

Cash flow hedges. The effective part of changes in value is recognised in other comprehensive income and accumulated in equity until the time when 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 acquisition cost of the hedged item is instead adjusted when it occurs. The ineffective part of hedges is recognised directly in the income statement. Forward foreign exchange contracts and foreign exchange swaps are used as cash flow hedges to safeguard against fluctuations in exchange rates. Interest rate swaps are used as a cash flow hedge to safeguard against changes in interest rates.

Net investments. 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, when 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.

Computation of fair value. 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 7. Where there are no listed market prices, fair value has been computed using discounted cash flows. In calculating discounted cash flows, all 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. Holmen's measurement of financial instruments belongs exclusively to measurement level 2. Currency options are valued using the Black & Scholes formula, when appropriate.

Intangible non-current assets

Goodwill represents the difference between the acquisition cost of business combinations and the fair value of the acquired assets, assumed liabilities and contingent liabilities. It is valued at acquisition cost less any accumulated impairment losses. Goodwill arising in connection with the acquisition of associates is included in the carrying amount 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, wages/salaries to employees, 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 costs recognised in the balance sheet are stated at their acquisition cost less accumulated amortisation and impairment losses.

Intangible non-current assets also include patents, licences and IT systems, which are recognised at acquisition cost after deduction of accumulated depreciation and any impairment losses. The Group's intangible non-current assets are amortised over periods of between 5 and 20 years, except for goodwill. Any goodwill is allotted to cash-generating units. Both goodwill and other intangible non-current assets are tested for impairment annually. Any impairment losses may be reversed via exceptions from goodwill. The Group does not currently recognise any goodwill. Intangible non-current assets in the parent company are amortised over five years.

Property, plant and equipment

Property, plant and equipment are stated at acquisition 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 carrying amounts for replaced components or parts of components are retired and expensed in connection with the replacement.

The carrying amount 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 the selling price and the carrying amount of the asset, less any direct selling costs. Gains and losses are recognised in the accounts as other operating income/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	20–40
Administrative and warehouse buildings, residential properties	20–33
Production buildings, land installations, and machinery for pulp, paper and paperboard production	20
Machinery for sawmills	12
Other machinery	10
Forest roads	10
Equipment	4

If there is any indication that the carrying amount is too high, an analysis is made in which the recoverable value of single or inherently related assets is determined at the higher of the net selling price and the utility value. The net selling price is the estimated selling price after deduction of the estimated cost of selling the asset. The utility value is measured as expected future discounted cash flow. The discount rate applied takes account of the risk-free interest rate and the risk associated with the asset. An impairment loss consists of the amount by which the recoverable amount falls short of the carrying amount. 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 carrying amount 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 acquisition cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and that to the Group is to be considered in connection with major investment projects.

Leasing

In the consolidated accounts, lease agreements are classified as finance leases or operating leases. The leasing of non-current assets for which the Group is substantially exposed to the same risks and benefits as if the asset were directly owned is classified as finance leases. The leasing of assets over which the lessor substantially retains ownership is classified as operating leases. Costs relating to operating leases are recognised in profit for the year on a straight-line basis spread over the term of the lease. Variable charges are expensed in the periods in which they are incurred. Within the Group, all lease agreements are classified as operating leases.

Biological assets

The Group divides all its forest assets for accounting purposes into growing forests, which are recognised as biological assets at fair value, and land, which is stated at acquisition cost. Any changes in the fair value of the growing forests are recognised in the income statement. Holmen's assessment is that there are no relevant market prices available that can be used to value forest holdings as extensive as Holmen's. They are therefore valued by estimating the present value of expected future cash flows (after deduction of selling costs) from the growing forests. See Note 11.

In the parent company, biological assets are valued in accordance with RFR 2. This means that biological assets classified as non-current assets are recognised at acquisition cost adjusted for revaluations taking into account the need, if any, for impairment in value.

Felling rights are stated as inventories. They are acquired with a view to secure Holmen's raw material requirements through harvesting. No measurable biological change occurs between the acquisition date and harvesting.

Inventories

Inventories are valued at the lower of acquisition cost and production cost after deduction for necessary obsolescence, or net realisable value. The acquisition 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 effecting the sale. The acquisition cost of finished products manufactured by the company comprises direct production costs and a reasonable share of indirect costs.

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.

Employee benefits

Pension costs and pension commitments

Commitments 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 commitment in respect of defined benefit plans is calculated separately for each plan by estimating the future benefits the employees will have earned by virtue of their employment in current and earlier periods; these benefits are discounted to their present value and any unrecognised costs in respect of employment during earlier 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 first class corporate bond with a duration corresponding to the Group's pension commitments. 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 part of the pension commitments that is defined benefit.

When the present value of the commitments and the fair value of plan assets are being determined, actuarial gains and losses may arise, either as a result of the actual outcome deviating from earlier assumptions or because the assumptions are changed. Actuarial gains and losses are recognised directly in other comprehensive income.

When 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.

In the parent company's accounts, different grounds are used for computation of defined benefit pension plans than those referred to in IAS 19. The parent company complies with the provisions of the Swedish act on safeguarding pension obligations (Tryggandelagen) 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 computation of the defined benefit commitment 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 special employer's contribution tax based on this difference. The present value of the provision or receivable is not calculated.

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 it, 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 benefits to employees are calculated without being discounted and are recognised as a cost when the related services are provided.

Incentive scheme
The Holmen Group's incentive scheme that runs from 2008 until 2013 is not subject to the rules in IFRS 2 Share-based Payment, because the employees were invited to acquire call options at their market price.

Equity

Consolidated equity comprises share capital, other contributed capital, translation and hedge reserves 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. 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 the company's own shares are stated as a deduction, and proceeds from the disposal of the company's own 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.

Reserves to cover future silvicultural fees are calculated on the basis of interpretations of the applicable forestry laws and regulations whenever it is likely that a payment obligation will arise and once the amount can be assessed to a reasonable extent.

Contingent liabilities

A contingent liability is recognised when there is a potential commitment that originates in 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 not likely that an outflow of resources will be required.

Group contributions and shareholder contributions for legal entities

Group contributions are recognised in the parent company in accordance with statement RFR 2. In the parent company, Group contributions paid or received are recognised in the income statement as financial income or expense.

Shareholder contributions are recognised as an increase in the item 'Interests in Group companies'. In addition, it is being reviewed 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.

Miscellaneous

The figures presented are rounded off to the nearest integer or equivalent.
The absence of a value is indicated by a dash (-).

NOTE 2. Operating segment reporting

2012	HOLMEN PAPER	IGGESUND PAPER-BOARD	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP-WIDE AND OTHER	ELIMINA-TIONS	TOTAL GROUP
Net sales								
External	8 144	4 967	1 129	3 211	407	-6	0	17 852
Internal	-	-	-	2 851	1 321	-	-4 172	-
Other operating income	182	322	279	140	19	115	-436	621
Operating costs	-7 550	-4 331	-1 421	-5 588	-1 371	-233	4 607	-15 885
Depreciation and amortisation according to plan	-768	-363	-120	-33	-19	-9	-	-1 313
Impairment losses	-153	-	-	-	-	-	-	-153
Change in value of biological assets	-	-	-	350	-	-	-	350
Interest in earnings of associates	46	-	2	-	-1	-	-	47
Operating profit/loss	**-99**	**596**	**-130**	**931**	**355**	**-132**	**0**	**1 520**
*Operating profit/loss excluding items affecting comparability**	*94*	*596*	*-130*	*931*	*355*	*-132*	*0*	*1 713*
Operating margin excluding items affecting comparability,%	1	12	-12	15	21			10
Return on operating capital excluding items affecting comparability, %	2	10	-9	6	11			5
Operating assets	6 899	6 966	1 522	17 994	3 406	295	-414	36 667
Operating liabilities	1 291	789	107	1 331	145	514	-414	3 762
Operating capital	5 608	6 177	1 416	16 663	3 261	-220	0	32 905
Investments	174	1 523	9	169	26	55	0	1 957

** Items affecting comparability refers to an impairment loss and restructuring costs in Holmen Paper.*

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
NON-CURRENT ASSETS PER COUNTRY				
Sweden	27 445	27 272	15 698	17 051
UK	1 523	788	-	-
Spain	1 654	2 033	-	-
Other	28	34	-	-
Total	**30 649**	**30 127**	**15 698**	**17 051**

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
NET SALES BY PRODUCT AREA				
Printing paper	7 849	8 302	7 855	8 163
Paperboard	4 819	4 994	3 198	3 287
Pulp	88	67	177	169
Sawn timber	1 125	871	1 125	871
Wood	3 211	3 502	3 133	3 418
Energy	407	532	407	6
Other	354	388	0	0
Total	**17 852**	**18 656**	**15 895**	**15 914**

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
NET SALES BY MARKET				
Sweden	4 129	4 445	4 110	4 413
Germany	2 474	2 791	2 173	2 410
UK	2 329	1 993	1 734	1 423
Spain	1 096	1 446	850	1 065
The Netherlands	802	844	749	774
France	772	923	713	847
Italy	770	958	737	910
Rest of Europe	3 341	3 368	2 850	2 437
Rest of the world	2 139	1 889	1 978	1 635
Total	**17 852**	**18 656**	**15 895**	**15 914**

2011	HOLMEN PAPER	IGGESUND PAPER-BOARD	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP-WIDE AND OTHER	ELIMINA-TIONS	TOTAL GROUP
Net sales								
External	8 631	5 109	875	3 502	532	8	-	18 656
Internal	-	-	-	2 845	1 275	-	-4 121	-
Other operating income	190	298	71	147	12	85	-142	661
Operating costs	-7 897	-4 221	-975	-5 725	-1 399	-207	4 262	-16 162
Depreciation and amortisation according to plan	-774	-323	-109	-30	-19	-5	-	-1 260
Change in value of biological assets	-	-	-	3 593	-	-	-	3 593
Interest in earnings of associates	78	-	2	-	4	-	-	84
Operating profit/loss	**228**	**863**	**-136**	**4 332**	**406**	**-120**	**0**	**5 573**
*Operating profit/loss excluding items affecting comparability**	*228*	*863*	*-136*	*739*	*406*	*-120*	*0*	*1 980*
Operating margin excluding items affecting comparability, %	3	17	-16	12	22			11
Return on operating capital excluding items affecting comparability, %	3	19	-9	6	13			7
Operating assets	7 966	6 043	1 681	17 788	3 399	374	-469	36 782
Operating liabilities	1 360	1 002	174	1 510	146	591	-469	4 314
Operating capital	6 606	5 041	1 507	16 278	3 253	-217	0	32 469
Investments	210	1 120	365	42	16	39	0	1 792

** Items affecting comparability refers to revaluation of forest.*

The Holmen Paper business area manufactures printing paper for magazines, product catalogues, direct mail, books, daily newspapers and telephone directories at two mills in Sweden and one in Spain. Iggesund Paperboard produces paperboard for consumer packaging and graphical printing at one Swedish and one UK mill. Holmen Timber produces sawn timber at two Swedish sawmills. Annual production capacity in 2012 was 1 750 000 tonnes of printing paper, 540 000 tonnes of paperboard and 880 000 cubic metres of sawn timber. Holmen Skog manages the Group's forests, which cover just over one million hectares. The normal annual volume of wood harvested in company forests is about 3 million m^3sub. Holmen Energi is responsible for the Group's hydro and wind power assets and for developing the Group's operations in the energy sector. Normal yearly production amounts to some 1 100 GWh of electricity at wholly and partly owned hydro power stations in Sweden. Holmen Skog and Holmen Energi are also responsible for supplying the Group with wood and electricity in Sweden, which are important raw materials for the industrial operations.

In the Holmen Group, the business areas are responsible for management of operational assets and liabilities. Group management follows up the business at operating profit level, and in terms of return relative to operating capital. Operating capital in each segment includes all assets and liabilities used by the business area, such as non-current assets, inventories, operating receivables and operating liabilities. Financing and tax issues are managed at Group level, so financial assets and liabilities – including pension liabilities – and current and deferred 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. No profit items after operating profit are allotted to the business areas.

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

NOTE 3. Other operating income

	GROUP		PARENT COMPANY	
	2012	2011	**2012**	2011
Sales of by-products	300	313	230	246
Emission allowances	20	40	10	20
Electricity certificates	54	31	74	26
Sales of non-current assets	14	51	7	16
Rent and land lease income	18	19	17	18
Silviculture contracts	72	59	72	59
Other	142	149	116	134
Total	**621**	**661**	**525**	**520**

Of the sales of by-products in the Group, SEK 128 million (148) relates to rejects from production, SEK 86 million (89) to sawdust, bark, chips etc, and SEK 86 million (75) to external sales of energy.

The Group has been allotted emission allowances which, for the most part, have been used for its own production. The surplus resulted in a recognised profit of SEK 20 million (40).

Income from electricity certificates received from the production of renewable energy at the Group's Swedish mills amounted to SEK 54 million (31).

NOTE 4. Employees, staff costs and remuneration to senior management

	GROUP		PARENT COMPANY	
	2012	2011	**2012**	2011
WAGES, SALARIES AND SOCIAL SECURITY COSTS				
Wages, salaries and other remuneration	1 743	1 746	1 356	1 331
Social security costs	684	662	586	553

AGM's guidelines for determining salaries and other remuneration to senior management

The 2012 AGM decided on the following guidelines for determining the salaries and other remuneration of the CEO and other senior management, namely the business area managers and heads of Group staff who report directly to the CEO.

Salary and other remuneration

The remuneration of the CEO and the senior management shall consist of a fixed market-based salary. Other benefits, mainly car and accommodation, shall, insofar as they are provided, represent a limited part of the remuneration. No variable remuneration shall be paid.

Pension

The normal retirement age shall be 65 years. The company and the employee shall be mutually entitled to request that pension be drawn from 60 years of age. Any pension drawn before 65 years of age shall be either defined benefit or defined contribution. Pension drawn after 65 years of age shall be in accordance with the ITP plan. Over and above this, the employee may also be entitled to a supplementary old age pension. In this case, there shall be a gradual transition from the former existing arrangement with a defined benefit pension to one in which the pension is defined contribution.

Notice and severance pay

Notice of employment termination should normally be one year if it is given by the company, and six months if it is given by the employee. In the event of notice being given by the company, severance pay can be paid corresponding to no more than 24 months' salary. For new contracts, salary during the period of notice and severance pay shall not exceed a total amount equivalent to two years' salary.

Incentive scheme

Any decision on a share-based and share-price-based incentive scheme for senior company management shall be made by the AGM.

Remuneration committee

A remuneration committee appointed from among the members of the Board shall prepare business pertaining to the CEO's salary and other conditions of employment and submit proposals on such issues to the Board for decision. Detailed principles for determining the salaries, pension rights and other remuneration to senior management shall be laid down in a pay policy adopted by the remuneration committee.

Departures in individual cases

The Board shall be entitled to depart from these guidelines in individual cases should special reasons exist. In the event of such a departure, information thereon and the reasons therefor shall be submitted to the next Annual General Meeting.

Incentive scheme

The 2008 AGM approved the Board's proposal to introduce an incentive scheme for the Holmen Group's employees; it has applied in the Group since May 2008. In the scheme, the employees were invited to acquire call options on class B shares in Holmen at market price (calculated by an independent bank). As a result, 1 492 of the Group's approximately 5 000 employees bought a total of 758 300 call options at a price of SEK 20 per option. The exercise price of the options is SEK 224.50 per share. Each option entitles the owner to acquire one share during the exercise period in May/June 2013. Holmen's commitment within the scheme has been secured by means of a buy-back of shares in the company.

IFRS 2 Share-based Payment is not applicable, because the employees acquired the options at a market-based price.

Remuneration of Board and senior management

Board

A fixed Board fee shall be paid to the members of the Board elected by the AGM, except for the CEO, who does not receive any Board fee. For 2012, the fee amounted to SEK 2 700 000 (2 700 000). The chairman received a fee of SEK 600 000 (600 000), and each of the other members (except for the CEO) received SEK 300 000 (300 000).

Senior management

The CEO's salary and other benefits for 2012 amounted to SEK 7 879 492 (7 375 442). In 2012, the total pension cost attributable to the CEO (ITP occupational pension cost and the cost of benefits over and above ITP), accounted in accordance with IAS 19, amounted to SEK 4 059 786 (4 036 671). No variable remuneration was paid.

In 2012, the salaries and other benefits of the other senior management, i.e. the five business area managers and the heads of the five Group staffs who report directly to the CEO, amounted to a total of SEK 20 529 489 (19 015 957). The total pension cost (ITP cost and the cost of benefits over and above ITP) accounted in accordance with IAS 19 for this group, amounted to SEK 9 347 752 (9 294 432) in 2012. No variable remuneration was paid.

For senior management, the company is required to give 12 months' notice and the employee six months. In the event of notice being given by the company, termination benefits corresponding to between one and two years' salary are paid, depending on age. In the case of new contracts signed after the beginning of 2011, the rule is that pay during the period of notice and severance pay should not exceed the equivalent of two years' salary. For the CEO, severance pay of two years' salary is paid.

All members of senior management are employed by the parent company.

Pension commitments in respect of the Board and senior management

Holmen's pension commitments over and above the ITP plan for the CEO amounted to SEK 22 million (18) at 31 December 2012 and for other members of senior management to SEK 53 million (52), calculated in accordance with IAS 19. The Group also has a SEK 7 million (7) commitment for one Board member, Göran Lundin, former CEO of Holmen. The pension commitments are secured using plan assets managed by an independent pension fund.

	AVERAGE NUMBER OF FULL-TIME EQUIVALENTS	OF WHOM WOMEN	AVERAGE NUMBER OF FULL-TIME EQUIVALENTS	OF WHOM WOMEN
	2012		**2011**	
Parent company				
Sweden	2 930	563	2 988	574
Spain	9	5	3	2
Group companies				
Sweden	-	-	-	-
Australia	-	-	0	0
Estonia	17	5	17	5
France	30	7	30	8
Germany	25	7	25	8
Hong Kong	5	1	5	1
Italy	8	4	8	4
The Netherlands	100	35	95	34
Poland	6	3	6	3
Portugal	1	-	1	0
Singapore	5	3	5	3
Spain	353	80	421	86
Switzerland	4	1	5	1
UK	446	44	425	42
USA	7	3	7	3
Total Group companies	**1 006**	**192**	**1 050**	**198**
Total Group	**3 945**	**760**	**4 041**	**774**

The decrease in the number of employees during the year is primarily due to the restructurings carried out within Holmen Paper.

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
PROPORTION OF WOMEN, %				
Board (excl. deputy members)	17	17	17	17
Senior management	18	9	18	9

NOTE 5. Auditors' fee and remuneration

The audit firm KPMG was elected by the 2012 Annual General Meeting as Holmen's auditors for a period of one year. KPMG audits the books of Holmen AB and almost all of its subsidiaries.

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
REMUNERATION TO KPMG				
Audit assignments	6	7	4	4
Tax advice	2	2	1	1
Other services	1	4	0	3
Total	**9**	**13**	**6**	**9**
Other auditors	0	0	-	-
Total	**10**	**13**	**6**	**9**

"Audit assignments" refers to the statutory examination of the annual report 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. "Other services" refers to advice on accounting issues, on disposals and acquisitions of operations and on processes and internal control.

NOTE 6. Net financial items and income from financial instruments

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
FINANCE INCOME				
Dividend income from Group companies	-	-	261	14
Group contributions received	-	-	7	1 091
Gains on sales of Group companies	-	-	-	1
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss for the year - Held for financial risk management*	-4	-7	-4	-7
- Other	-	-	-	-
Cash and cash equivalents	5	10	5	10
Other financial receivables	3	4	3	3
Interest income	4	5	3	5
Total finance income	**7**	**12**	**274**	**1 116**
FINANCE COSTS				
Impairment losses on value of shares in Group companies	-	-	-1 373	-
Group contributions paid	-	-	-1 300	-
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss for the year - Held for financial risk management*	-3	5	47	25
- Other	-	-	-	-
Cash and cash equivalents	-	-	-	-
Other financial liabilities	1	-9	39	3
Total net profit/loss	-2	-5	-2 587	28
Interest costs **	-232	-251	-275	-290
Finance costs	**-234**	**-256**	**-2 863**	**-262**
Net financial items	**-227**	**-244**	**-2 588**	**855**

* Refers to the held-for-trading category in accordance with IAS 39.

** SEK -38 million (-53) in the Group refers to interest costs on derivatives measured at fair value through profit/loss for the year. Those in the parent company amounted to SEK -38 million (-53). Other interest income and interest costs are related to financial items not measured at fair value.

The net gains and losses stated in net financial items mainly relate to currency revaluations of internal loans, hedging of internal lending, currency revaluations of cash and cash equivalents, and hedging of cash and cash equivalents. They also include the revaluation of interest rate swaps used to hedge loans at fixed rates of interest. The parent company's net financial items also include currency revaluation of external loans and forward contracts that hedge net investment in foreign operations. These items are recognised in the consolidated accounts in 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.

There were no changes in value for loans in the parent company.

Information on financial risks is stated in the administration report on pages 28–31.

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

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
Exchange gains/losses on trade receivables and trade payables	-14	-464	-14	-464
Net gain/loss on derivatives stated in working capital	218	592	198	565
Interest income on trade receivables	-	3	-	3
Interest costs on trade payables	-17	-13	-17	-13

The derivatives included in operating profit relate to hedging of trade receivables and trade payables as well as financial electricity derivatives.

NOTE 7. Taxes

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
TAXES STATED IN INCOME STATEMENT				
Current tax	-362	-457	-3	-444
Deferred tax	921	-917	98	1
Total	**559**	**-1 374**	**95**	**-443**

Recognised tax has benefitted to the extent of SEK 911 million from changes to recognised deferred tax liabilities and assets resulting from a reduction in corporation tax in Sweden, as well as a reduction in recorded tax values of loss carry-forwards. Excluding these items, recognised tax would have totalled SEK -352 million, corresponding to 27 per cent of profit before tax. See also the information under the table showing the change in deferred tax liabilities/assets.

NOTE 7. Taxes, cont.

	GROUP				PARENT COMPANY			
	2012		2011		2012		2011	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit before tax	1 294		5 328		-1 089		1 632	
Tax at applicable rate	-340	26.3	-1 401	26.3	286	26.3	-429	26.3
Difference in tax rate in foreign operations	1	-0.1	-7	0.1	0	0.0	0	0.0
Non-taxable income and non-deductible costs	-3	0.2	-3	0.1	-283	-26.1	0	0.0
Standard interest on tax allocation reserve	-8	0.6	-13	0.3	-8	-0.7	-14	0.8
Effect of not stated loss carry-forwards and temporary differences	0	0.0	27	-0.5	0	0.0	0	0.0
Tax attributable to previous periods	-3	0.2	-5	0.1	0	0.0	0	0.0
Change to tax rate on deferred tax assets/liabilities	911	-70.4	-	-	100	9.2	-	-
Other	2	-0.1	29	-0.5	0	0.0	0	0.0
Effective tax	**559**	**-43.2**	**-1 374**	**25.8**	**95**	**8.7**	**-443**	**27.1**

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	GROUP						PARENT COMPANY					
	BEFORE TAX	TAX	AFTER TAX	BEFORE TAX	TAX	AFTER TAX	BEFORE TAX	TAX	AFTER TAX	BEFORE TAX	TAX	AFTER TAX
	2012			2011			2012			2011		
Cash flow hedges	-77	18	-59	-523	138	-386	-70	12	-58	-811	213	-598
Translation differences on foreign operations	-129	-	-129	-4	-	-4	-	-	-	-	-	-
Hedging of currency risk in foreign operations	88	-23	65	31	-8	23	-	-	-	-	-	-
Actuarial revaluations	-16	-2	-18	-184	44	-140	-	-	-	-	-	-
Other comprehensive income	**-135**	**-6**	**-141**	**-680**	**174**	**-506**	**-70**	**12**	**-58**	**-811**	**213**	**-598**

TAXES AS STATED IN BALANCE SHEET

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
DEFERRED TAX ASSETS				
Loss carry-forwards	0	184	-	-
Deferred tax liabilities stated net among deferred tax assets	0	-60	-	-
Other	2	70	-	-
Total deferred tax assets	**2**	**194**	**-**	**-**
Current tax receivable	75	26	405	16
Total tax receivables	**77**	**219**	**405**	**16**

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
DEFERRED TAX LIABILITIES				
Non-current assets				
Biological assets*	3 587	4 194	542	647
Property, plant and equipment	1 304	1 724	-2	-3
Tax allocation reserve	552	671	-	-
Transactions subject to hedge accounting	-10	9	-35	-24
Other, including deferred tax assets stated net among deferred tax liabilities	70	33	27	20
Total deferred tax liabilities	**5 504**	**6 630**	**531**	**640**
Provisions for taxes	86	65	45	45
Current tax liability	3	13	-	-
Total tax liabilities	**5 593**	**6 709**	**576**	**685**

* For the parent company this relates to forest land.

NOTE 7. Taxes, cont.

CHANGE IN THE NET OF DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	GROUP					PARENT COMPANY			
2012	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
Biological assets*	-4 194	607	-	-	-3 587	-647	106	-	-542
Property, plant and equipment	-1 784	384	-	2	-1 397	3	-1	-	2
Pension provisions	78	-7	-2	-1	68	-	-	-	-
Loss carry-forwards	184	-180	-	-4	0	-	-	-	-
Tax allocation reserve	-671	118	-	-	-552	-	-	-	-
Other	-50	-2	18	-	-34	4	-7	12	8
Deferred net tax liability	**-6 436**	**921**	**17**	**-3**	**-5 502**	**-640**	**98**	**12**	**-531**

	GROUP					PARENT COMPANY			
2011	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
Biological assets*	-3 241	-953	-	-	-4 194	-644	-3	-	-647
Property, plant and equipment	-1 889	107	-	-1	-1 784	3	0	-	3
Pension provisions	38	-6	44	1	78	-	-	-	-
Loss carry-forwards	242	-56	-	-2	184	-	-	-	-
Tax allocation reserve	-660	-11	-	-	-671	-	-	-	-
Other	-190	3	138	0	-50	-214	5	213	4
Deferred net tax liability	**-5 700**	**-917**	**182**	**-2**	**-6 436**	**-855**	**1**	**213**	**-640**

* For the parent company this relates to forest land.

For information on biological assets see Note 11. Deferred tax liability in respect of property, plant and equipment is primarily attributable to depreciation in excess of plan.

For information concerning provisions for taxes see Note 26.

The deferred tax income recognised in the Group's income statement relates primarily to a change in the tax rate in Sweden in 2012, a change in temporary differences and the derecognition of deferred tax in respect of loss carry-forwards due to tax rule changes in Spain. The amount recognised in Other comprehensive income includes deferred tax related to changes of SEK 18 million in hedging reserves (138) and an impact of SEK -2 million from actuarial revaluations (44).

At year-end there were carry-forwards of unused tax losses and temporary differences corresponding to approximately SEK 800 million in tax for which deferred tax liabilities have not been recognised in the income statement and balance sheet. Of this amount, SEK 520 million relates to loss carry-forwards, of which approximately SEK 400 million expires in 2024–2030. Whether a deferred tax asset is recognised or not depends on an assessment of how likely it is that the Group will be able to utilise it by offsetting it against future taxable profits.

NOTE 8. Earnings per share (EPS)

	GROUP	
	2012	**2011**
Total number of shares outstanding, 1 January	83 996 162	83 996 162
Buy-back of company's own shares during the year	-	-
Total number of shares outstanding, 31 December	**83 996 162**	**83 996 162**
Average number of shares, before dilution	83 996 162	83 996 162
Effect of options	-	-
Average number of shares, after dilution	83 996 162	83 996 162
Shareholders' share of profit for the year, SEKm	1 853	3 955
Average number of shares before dilution	83 996 162	83 996 162
Basic EPS for the year, SEK	**22.1**	**47.1**
Shareholders' share of profit for the year, SEKm	1 853	3 955
Average number of shares after dilution	83 996 162	83 996 162
Diluted EPS for the year, SEK	**22.1**	**47.1**

Shares in the company were bought back in 2008 to secure the company's commitments as part of the incentive scheme for the Holmen Group's employees as decided by the 2008 AGM. A total of 760 000 class B shares were bought back, which corresponds to approximately 0.9 per cent of the total number of shares outstanding, and to approximately 0.3 per cent of the total number of votes. The average price paid for these shares was SEK 201.70 per share.

In all, 758 300 call options were issued at a price of SEK 20 per option. The exercise price of the options is SEK 224.50 per share. Each option entitles the owner to acquire one share during the exercise period, May/June 2013.

The exercise price of SEK 224.50 exceeds the average share price for 2012 (SEK 186.30 per share). The options will therefore have no dilution effect as defined in IAS 33, and were excluded from the calculation of diluted EPS. If the average listed price in the future exceeds the exercise price, these options will give rise to an estimated dilution effect, which is calculated in accordance with IAS 33.

NOTE 9. Intangible non-current assets

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
ACCUMULATED ACQUISITION COST				
Opening balance	111	93	23	19
Investments	29	20	-	5
Disposal and retirement of assets	0	-1	-	-1
Translation differences	-1	0	-	-
Total	**140**	**111**	**23**	**23**
AMORTISATION AND IMPAIRMENT LOSSES, ACCUMULATED				
Opening balance	85	73	9	6
Amortisation for the year	8	12	4	3
Impairment losses for the year	-10	-	-	-
Translation differences	-1	0	-	-
Total	**82**	**85**	**13**	**9**
Closing residual value according to plan	**57**	**26**	**10**	**14**

Intangible non-current assets mostly consist of IT systems of SEK 43 million (22). These assets were largely acquired from external sources. They have determinable useful lives and are amortised over 5–20 years. No goodwill for the Group applies.

NOTE 10. Property, plant and equipment

	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		WORK IN PROGRESS AND ADVANCE PAYMENTS TO SUPPLIERS		TOTAL	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
GROUP										
Accumulated acquisition cost										
Opening balance	100	100	6 108	5 711	28 367	26 660	538	819	35 112	33 290
Investments	17	-	416	409	544	1 776	632	-283	1 609	1 902
Re-classifications	0	-	15	1	21	1	-36	-3	0	0
Disposal and retirement of assets	-	-	-29	-4	-566	-74	-37	-3	-631	-80
Translation differences	0	0	-55	-9	-185	4	-22	8	-262	2
Total	**117**	**100**	**6 455**	**6 108**	**28 181**	**28 367**	**1 075**	**538**	**35 828**	**35 112**
Accumulated depreciation and impairment losses										
Opening balance	-	-	3 117	2 985	19 480	18 427	-	-	22 596	21 412
Depreciation for the year according to plan	-	-	136	135	1 169	1 113	-	-	1 305	1 248
Impairment losses for the year	-	-	91	-	72	-	-	-	163	-
Re-classifications	-	-	-	0	-	0	-	-	-	0
Disposal and retirement of assets	-	-	-30	-2	-582	-66	-	-	-612	-69
Translation differences	-	-	-28	-1	-139	6	-	-	-167	5
Total	**-**	**-**	**3 286**	**3 117**	**19 999**	**19 480**	**-**	**-**	**23 285**	**22 596**
Closing residual value according to plan	**117**	**100**	**3 169**	**2 991**	**8 182**	**8 887**	**1 075**	**538**	**12 543**	**12 516**

	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		TOTAL	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
PARENT COMPANY								
Accumulated acquisition cost								
Opening balance	89	80	138	139	250	253	477	472
Investments	1	10	-	0	52	25	53	34
Re-classifications	-	-	3	-	-3	-1	0	-1
Disposal and retirement of assets	0	0	0	-1	-38	-27	-38	-28
Total	**90**	**89**	**141**	**138**	**262**	**250**	**493**	**477**
Accumulated depreciation according to plan								
Opening balance	-	-	127	126	166	162	293	288
Depreciation for the year according to plan	-	-	1	1	30	28	31	29
Disposal and retirement of assets	-	-	-	0	-26	-23	-26	-24
Total	**-**	**-**	**128**	**127**	**170**	**166**	**297**	**293**
Accumulated revaluations								
Opening balance	2 415	2 416	1	1	-	-	2 416	2 417
Disposal and retirement of assets	0	-1	0	-	-	-	0	-1
Total	**2 415**	**2 415**	**1**	**1**	**-**	**-**	**2 416**	**2 416**
Closing residual value according to plan	**2 506**	**2 505**	**14**	**12**	**92**	**84**	**2 612**	**2 601**

The estimated recovery value of the Group's Spanish operations decreased in 2012 as a result of a deterioration in market conditions and was less than the carrying amounts at year-end. This has resulted in an impairment loss on property, plant and equipment of SEK -290 million. The recovery value is a utility value and was calculated based on assumptions regarding future changes in prices, volumes and costs, as well as an estimated market cost of capital of 10 per cent before tax. The market cost of capital is unchanged compared with the latest calculation of the utility value. In addition, part of the impairment loss applied in 2010 in connection with the shutdown of a paper machine at the mill in Madrid has been reversed, resulting in a SEK 127 million increase in the value of property, plant and equipment. This reversal was due to a paper machine that was shut down in 2010 being sold in 2012 and ownership is expected to be transferred in 2013. The recoverable amount has been calculated as the fair value (selling price) adjusted for selling expenses. The Group's impairment losses and reversal of impairment losses on property, plant and equipment are stated in the income statement in the line item Impairment losses.

The Group's investment commitments for approved and ongoing projects amounted to SEK 856 million (1 920) at 31 December 2012. In 2012 the company's capitalised borrowing costs totalled SEK 51 million (35). An interest rate of 4.0 per cent (4.5) was used to determine the amount.

NOTE 11. Biological assets

Forest assets are recognised in the consolidated accounts as growing forest, which is stated as a biological asset at fair value, and land, which is stated at acquisition cost. Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. This calculation of cash flows is made for the coming 100 years, which is regarded as the harvesting cycle of the forests. The cash flows are calculated on the basis of harvesting volumes according to Holmen's current harvesting plan and assessments of future price and cost changes. The cost of re-planting has been taken into account, because re-planting after harvesting is a statutory obligation. The cash flows are discounted using an interest rate of 5.5 per cent.

In total, Holmen owns 1 033 000 hectares of productive forest land, with a volume of standing forest totalling 119 million m^3 growing stock, solid over bark, of which 72 000 hectares with a standing forest of 12 million m^3 growing stock, solid over bark, have been set aside as nature reserves. According to the harvesting plan, valid from 2011, harvesting will amount to 3.2 million m^3sub per year, of which 0.2 million m^3sub will be biofuel in the form of branches and treetops. It is believed that this level will remain largely unchanged until 2030. Thereafter, harvesting is expected to increase gradually to over 4 million m^3sub per year by 2110. Around 40 per cent of the wood harvested consists of pulpwood that is sold to the pulp and paper industry, 50 per cent is timber sold to sawmills and the remainder mainly consists of branches and treetops, which are used primarily as forest fuel.

The valuation is based on a long-term trend price that is on par with the average price over the past ten years but slightly lower than current market prices. The trend price is adjusted upwards annually by an inflation rate of 2 per cent. The cost forecast is based on present-day levels and is adjusted upwardly by just over 2 per cent per year.

Holmen's forest holdings will be reported at SEK 16 227 million before tax. A deferred tax liability of SEK 3 587 million is stated in relation to that figure. This represents the tax that is expected to be charged against the earnings from harvesting in the future. On that basis, the growing forest, net after tax, will be stated at SEK 12 640 million.

The change in the value of the growing forests can be divided into:

	2012	2011
GROUP		
Opening balance	15 771	12 161
Acquisition of growing forest	107	18
Sales of growing forest	-	-1
Change due to harvesting	-574	-724
Change in fair value	924	4 317
Closing carrying amount	**16 227**	**15 771**

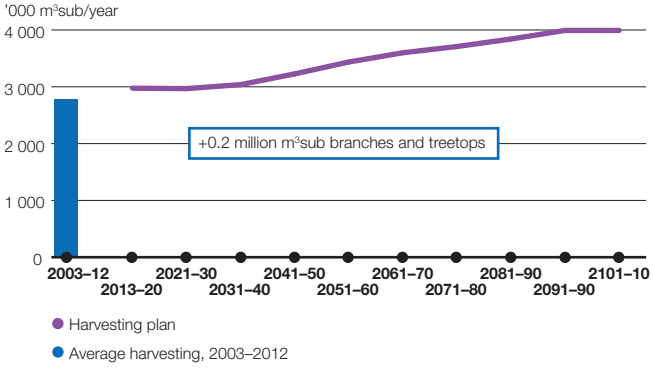
The net effect of the change in fair value and the change as a result of harvesting is stated in the income statement as change in value of biological assets. In 2012, this amounted to SEK 350 million (3 593).

The table below shows how the value of forest assets would be affected by changes in the most significant valuation assumptions:

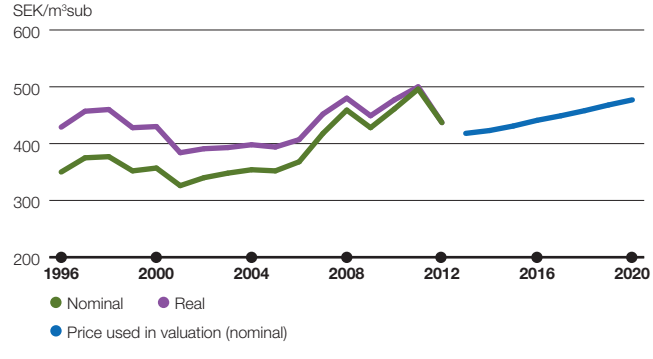
CHANGE IN VALUE (SEKm)		
GROUP	BEFORE TAX	AFTER TAX
Annual change, + 0.1% per year		
Harvesting rate	700	520
Price inflation	1 080	790
Cost inflation	-610	-450
Change in level, +1%		
Harvesting	240	180
Prices	400	300
Costs	-240	-180
Discount rate, + 0.1%	-430	-320

Annual change refers to the annual rate of change used in the valuation of each parameter. For example, an increase of 0.1 per cent means that the annual price inflation will be increased from 2.0 per cent to 2.1 per cent in the calculations. Change in level means that the level for each parameter and year changes. For example, a 1 per cent price increase means that the wood prices in the calculations are raised by 1 per cent for all years (change of level).

Harvesting



Prices



The Nominal price series shows the average selling price for Holmen. The Real series shows nominal prices recalculated at 2012 monetary value using historical Swedish CPI.

NOTE 12. Interests in associates and other shares and participating interests

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
ASSOCIATES				
Carrying amount at start of year	1 815	1 748	123	118
Investments	12	5	2	5
Interest in associates' earnings	47	84	-	-
Dividends received	-47	-20	-	-
Translation difference	-6	-2	-	-
Carrying amount at 31 December	**1 821**	**1 815**	**125**	**123**

The parent company's opening balance includes accumulated impairment losses of SEK 34 million. No impairment losses were recognised during the year.

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
OTHER SHARES AND PARTICIPATING INTERESTS				
Carrying amount at start of year	13	12	6	5
Investments	-	1	-	1
Disposals	0	0	0	0
Translation difference	0	0	-	-
Carrying amount at 31 December	**13**	**13**	**6**	**6**

PARENT COMPANY AND GROUP HOLDINGS OF SHARES AND INTERESTS IN ASSOCIATES

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	IN-TER-EST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS	IN-TER-EST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS
					2012			**2011**	
Brännälvens Kraft AB	556017-6678	Arbrå	5 556	13.9	-	36 400	13.9	-	36 400
Gidekraft AB	556016-0953	Örnsköldsvik	990	9.9	99	99	9.9	99	99
Harrsele AB	556036-9398	Vännäs	9 886	49.4	-	1 472 724	49.4	-	1 474 072
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	1 856	18 475	36.0	1 856	16 044
Industriskog AB	556193-9470	Falun	25 000	33.3	37	37	33.3	37	37
Pressretur AB	556188-2712	Stockholm	334	33.4	-	0	33.4	-	0
PÅAB, Pappersåtervinning AB	556142-5116	Norrköping	500	50.0	109	109	50.0	109	109
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.83	74 755	74 755	6.83	74 755	74 755
VindIn AB	556713-5172	Stockholm	200	17.7	46 260	49 558	17.7	43 790	46 773
ScandFibre Logistics AB	556253-1474	Stockholm	2 000	20.0	2 115	2 115	20.0	2 115	2 115
Melodea Ltd, Israel		Tel Aviv	119	21.1	-	9 347	-	-	-
Baluarte Sociedade de Recolha e Recuperação de Desperdicios, Lda, Portugal		Alcochete	2	50.0	-	35 710	50.0	-	40 425
SAS Saica Natur sud, France		Lorp-Sentaraille	678	24.0	-	20 017	24.0	-	20 520
Peninsular Cogeneración S.A., Spain		Madrid	4 500	50.0	-	101 990	50.0	-	103 328
Total					**125 232**	**1 821 337**		**122 762**	**1 814 678**

* Percentage of shares and percentage of votes for the total number of shares are the same.

PARENT COMPANY AND GROUP HOLDINGS OF SHARES AND PARTICIPATING INTERESTS IN OTHER COMPANIES

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTEREST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS	INTEREST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS
					2012			2011	
Parent company									
Industrikraft i Sverige AB	556761-5371	Stockholm	100 000	20.0	5 000	5 000	20.0	5 000	5 000
Miscellaneous shares owned by the parent company					645	645		690	690
Total					**5 645**	**5 645**		**5 690**	**5 690**
Group									
SweTree Technologies AB	556573-9587	Umeå	73 500	2.6	-	6 920	2.6	-	6 920
Miscellaneous shares						340			340
Total					**5 645**	**12 904**		**5 690**	**12 949**

* Percentage of shares and percentage of votes for the total number of shares are the same.

The holdings in Brännälvens Kraft AB, Gidekraft AB, Harrsele AB and Vattenfall Tuggen AB refer to hydro power assets, and the holdings in VindIn AB refer to wind power assets. The holdings entitle the Group to buy some of the electricity produced at cost price, so the associates only earn a limited profit. Purchased electricity is sold to external customers at market price, and the earnings are stated in the consolidated accounts in the Holmen Energi business area.

Brännälvens Kraft AB, Gidekraft AB, Vattenfall Tuggen AB and VindIn 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.

Summarised financial information on associates owned by the Group and parent company respectively is specified on the right. The table shows the owned interest in each associate.

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
Income	1 179	1 142	738	646
Profit/loss	18	34	-28	0
Assets	828	810	413	266
Liabilities	502	463	303	187
Equity	341	372	125	95

NOTE 13. Financial instruments

Non-current financial receivables consist of long-term interest-bearing deposits with credit institutions, financial receivables from other companies, which, substantially, are interest-bearing as well as prepayments relating to committed credit facilities. The fair values of long-term derivatives are also included. The parent company's receivables from Group companies include a significant share of interest-free receivables between Swedish, wholly-owned Group companies.

Current financial receivables consist of fixed income investments and lending for durations of up to one year, accrued interest income and unrealised exchange gains. Current financial receivables substantially 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. The average rate of interest on the Group's financial assets, excluding pension assets, in 2012 was around 1.5 per cent (1.3).

Loan liabilities, accrued interest costs, unrealised exchange losses and fair values of derivatives are stated as **financial liabilities.**

Substantially, financial liabilities are interest bearing. The parent company's liabilities to Group companies include a significant amount of interest-free liabilities between Swedish wholly-owned Group companies.

The maturity structure and average interest for the Group's liabilities are stated in the administration report on page 30. SEK 5 526 million of the parent company's liabilities are due for payment within one year. In addition to the financial assets and liabilities identified above, pension liability (see Note 17) is also included in net financial debt.

Items measured at fair value belong to measurement level 2 pursuant to IFRS 7. 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 for calculations. The difference between fair value and carrying amount arises because certain liabilities are not measured at fair (market) value in the balance sheet, but are stated at their amortised cost. The Group has no loans that are recognised at fair value in profit or loss. In the case of trade receivables and trade payables, the carrying amount is stated as the fair value, as this is judged to be a good reflection of the fair value. Since it has not been possible to determine a reliable fair (market) value for shares and interests, they have been excluded from the tables. For further information on financing, see the section on Risk, on page 30.

*MATURITY STRUCTURE, UNDISCOUNTED AMOUNTS**

	2013	2014	2015	2016	2017-
FINANCIAL LIABILITIES					
Derivatives	-33	-	-14	-	-62
Other financial liabilities	-5 531	-534	-911	-5	-303
FINANCIAL RECEIVABLES					
Derivatives	9	-	-	-	-
Other financial receivables	328	4	9	1	14

* Refers to financial instruments included in net financial debt above, excluding provisions for pensions.

NOTE 13. Financial instruments, cont.

GROUP	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS: DERIVATIVES		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE-FOR-SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT														
Deposits with credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	-	39	82	-	-	-	-	39	82	39	82
	-	**-**	**-**	**-**	**39**	**82**	**-**	**-**	**-**	**-**	**39**	**82**	**39**	**82**
CURRENT FINANCIAL RECEIVABLES														
Accrued interest	-	-	-	-	2	3	-	-	-	-	2	3	2	3
Derivatives	5	5	4	17	-	-	-	-	-	-	9	22	9	22
Other financial receivables	-	-	-	-	20	21	-	-	-	-	20	21	20	21
	5	**5**	**4**	**17**	**22**	**24**	**-**	**-**	**-**	**-**	**31**	**46**	**31**	**46**
CASH AND CASH EQUIVALENTS														
Current deposit of cash and cash equivalents	-	-	-	-	87	17	-	-	-	-	87	17	87	17
Bank balances	-	-	-	-	221	95	-	-	-	-	221	95	221	95
	-	**-**	**-**	**-**	**308**	**112**	**-**	**-**	**-**	**-**	**308**	**112**	**308**	**112**
NON-CURRENT LIABILITIES														
MTN loans	-	-	-	-	-	-	-	-	-300	-1 808	-300	-1 808	-327	-1 872
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 389	-1 451	-1 389	-1 451	-1 412	-1 454
Derivatives	-	-	-57	-59	-	-	-	-	-	-	-57	-59	-57	-59
	-	**-**	**-57**	**-59**	**-**	**-**	**-**	**-**	**-1 689**	**-3 260**	**-1 746**	**-3 319**	**-1 796**	**- 3 385**
CURRENT LIABILITIES														
Commercial paper programme	-	-	-	-	-	-	-	-	-3 381	-2 274	-3 381	-2 274	-3 381	-2 274
Bank account liabilities	-	-	-	-	-	-	-	-	-10	-93	-10	-93	-10	-93
Current portion of long-term loans	-	-	-	-	-	-	-	-	-	-96	-	-96	-	-97
Derivatives	-7	-4	-21	-10	-	-	-	-	-	-	-28	-14	-28	-14
Accrued interest	-	-	-	-	-	-	-	-	-46	-49	-46	-49	-46	-49
MTN loans	-	-	-	-	-	-	-	-	-1 343	-	-1 343	-	-1 370	-
Other current liabilities	-	-	-	-	-	-	-	-	-58	-296	-58	-296	-59	-296
	-7	**-4**	**-21**	**-10**	**-**	**-**	**-**	**-**	**-4 838**	**-2 808**	**-4 866**	**-2 822**	**-4 894**	**-2 824**
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT														
Other shares and participating interests	-	-	-	-	-	-	13	13	-	-	13	13	-	-
Trade receivables	-	-	-	-	2 290	2 366	-	-	-	-	2 290	2 366	2 290	2 366
Derivatives (recognised among operating receivables)	9	89	52	152	-	-	-	-	-	-	61	241	61	241
Trade payables	-	-	-	-	-	-	-	-	-2 245	-2 655	-2 245	-2 655	-2 245	-2 655
Derivatives (recognised among operating liabilities)	-3	-3	-18	-28	-	-	-	-	-	-	-21	-31	-21	-31
TOTAL FINANCIAL INSTRUMENTS	**4**	**87**	**-40**	**72**	**2 659**	**2 584**	**13**	**13**	**-8 772**	**-8 723**	**-6 136**	**-5 967**	**-6 227**	**-6 048**

PARENT COMPANY	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS: DERIVATIVES		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE-FOR-SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT														
Deposits with credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Group companies	-	-	-	-	2 299	3 235	-	-	-	-	2 299	3 235	2 299	3 235
Other financial receivables	-	-	-	-	26	32	-	-	-	-	26	32	26	32
	-	**-**	**-**	**-**	**2 325**	**3 267**	**-**	**-**	**-**	**-**	**2 325**	**3 267**	**2 325**	**3 267**
CURRENT FINANCIAL RECEIVABLES														
Accrued interest	-	-	-	-	2	3	-	-	-	-	2	3	2	3
Derivatives	5	5	4	17	-	-	-	-	-	-	9	22	9	22
Receivables from Group companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	-	19	21	-	-	-	-	19	21	19	21
	5	**5**	**4**	**17**	**21**	**24**	**-**	**-**	**-**	**-**	**31**	**46**	**31**	**46**
CASH AND CASH EQUIVALENTS														
Current deposit of cash and cash equivalents	-	-	-	-	74	-	-	-	-	-	74	-	74	-
Bank balances	-	-	-	-	139	16	-	-	-	-	139	16	139	16
	-	**-**	**-**	**-**	**213**	**16**	**-**	**-**	**-**	**-**	**213**	**16**	**213**	**16**
NON-CURRENT LIABILITIES														
MTN loans	-	-	-	-	-	-	-	-	-300	-1 808	-300	-1 808	-327	-1 872
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 387	-1 449	-1 387	-1 449	-1 409	-1 450
Liabilities to Group companies	-	-	-	-	-	-	-	-	-1 363	-1 360	-1 363	-1 360	-1 363	-1 360
Derivatives	-	-	-57	-59	-	-	-	-	-	-	-57	-59	-57	-59
	-	**-**	**-57**	**-59**	**-**	**-**	**-**	**-**	**-3 050**	**-4 617**	**-3 107**	**-4 676**	**-3 156**	**-4 741**
CURRENT LIABILITIES														
Commercial paper programme	-	-	-	-	-	-	-	-	-3 381	-2 274	-3 381	-2 274	-3 381	-2 274
Bank account liabilities	-	-	-	-	-	-	-	-	-10	-92	-10	-92	-10	-92
Current portion of long-term loans	-	-	-	-	-	-	-	-	-	-96	-	-96	-	-97
Derivatives	-7	-4	-21	-10	-	-	-	-	-	-	-28	-14	-28	-14
Accrued interest	-	-	-	-	-	-	-	-	-46	-49	-46	-49	-46	-49
Liabilities to Group companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MTN loans	-	-	-	-	-	-	-	-	-1 343	-	-1 343	-	-1 370	-
Other current liabilities	-	-	-	-	-	-	-	-	-52	-291	-52	-291	-53	-291
	-7	**-4**	**-21**	**-10**	**-**	**-**	**-**	**-**	**-4 832**	**-2 802**	**-4 860**	**-2 817**	**-4 888**	**-2 817**
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT														
Other shares and participating interests	-	-	-	-	-	-	6	6	-	-	6	6	-	-
Trade receivables	-	-	-	-	2 035	2 158	-	-	-	-	2 035	2 158	2 035	2 158
Derivatives (recognised among operating receivables)	9	89	53	132	-	-	-	-	-	-	62	221	62	221
Trade payables	-	-	-	-	-	-	-	-	-2 119	-2 609	-2 119	-2 609	-2 119	-2 609
Derivatives (recognised among operating liabilities)	-7	-8	-134	-131	-	-	-	-	-	-	-141	-139	-141	-139
TOTAL FINANCIAL INSTRUMENTS	**-**	**82**	**-155**	**-51**	**4 594**	**5 465**	**6**	**6**	**-10 001**	**-10 028**	**-5 556**	**-4 527**	**-4 633**	**-4 598**

NOTE 14. Inventories

	GROUP		PARENT COMPANY	
	2012	2011	**2012**	2011
Raw materials and consumables	922	943	653	685
Timber and pulpwood	325	364	303	332
Finished products and work in progress	1 227	1 268	982	1 022
Felling rights	590	851	546	817
Electricity certificates and emission allowances	157	130	146	105
Total	**3 221**	**3 556**	**2 630**	**2 961**

During the year, impairment losses on inventories had a negative impact on earnings and amounted to SEK -79 million (26) for the Group and SEK -84 million (31) for the parent company.

NOTE 15. Operating receivables

	GROUP		PARENT COMPANY	
	2012	2011	**2012**	2011
Trade receivables				
Group companies	-	-	91	116
Associates	36	31	33	31
Other	2 253	2 335	1 911	2 010
Total trade receivables	**2 290**	**2 366**	**2 035**	**2 158**
Current receivables				
Group companies	-	-	-	-
Associates	35	25	5	1
Other	199	295	141	220
Derivatives	61	241	62	221
Prepayments and accrued income	124	133	102	85
Total other operating receivables	**419**	**694**	**311**	**528**
Total operating receivables	**2 709**	**3 060**	**2 346**	**2 686**

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 relate to European customers. Trade receivables denominated in foreign currencies were valued on the balance sheet date. The provision for anticipated credit losses on trade receivables stood at SEK 34 million (25) at 31 December 2012 and it has been recognised, net, together with trade receivables. During the year, the provision was changed by SEK 1 million (3) as a result of actual credit losses, and by SEK 10 million (6) as a result of changes in the provision for anticipated credit losses.

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

Customer credit risks related to the Group's customers are managed by the relevant business areas and are described in the administration report on page 31.

NOTE 16. Equity, parent company

	31 DEC 2012		
SHARE CAPITAL	NUMBER	QUOTIENT VALUE	SEKm
Registrered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total number of shares	84 756 162		4 237.8
Bought back class B shares	-760 000		
Total number of shares outstanding	**83 996 162**		
Issued call options, B shares	**758 300**		

	31 DEC 2011		
SHARE CAPITAL	NUMBER	QUOTIENT VALUE	SEKm
Registrered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total number of shares	84 756 162		4 237.8
Bought back class B shares	-760 000		
Total number of shares outstanding	**83 996 162**		
Issued call options, B shares	**758 300**		

The company's share capital consists of shares issued in two classes: class A, each of which carries ten votes, and class B, each of which carries one vote, but there are no other differences in rights between the two share classes.

At 31 December 2012 the Group's own shareholding was 760 000 shares (760 000). None of the Group's own shares were sold during the year.

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK -155 million (31) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK -36 million (159) on equity.

Holmen's profitability target is a return that is consistently above the market-based cost of capital. Decisions on ordinary dividend are based on an appraisal of the Group's profitability, future investment plans and financial position. The aim is to have a robust financial position with a debt/equity ratio in the interval of 0.3–0.8 for the Group.

The Board proposes that the AGM, to be held on 10 April 2013, approves a dividend of SEK 9 per share. The proposed dividend totals SEK 756 million. The preceding year, the dividend paid was SEK 8 per share (SEK 672 million).

The debt/equity ratio was 0.32 (0.32).

Neither the parent company nor the subsidiaries are subject to external capital requirements, except for Holmen Försäkring AB, the Group's insurance company, which complies with the Swedish Financial Supervisory Authority's regulations on the ratio between equity and risk. For more details about the Group's capital management and risk management, see the administration report on pages 28–31.

NOTE 17. Pension provisions

Holmen has defined benefit occupational pension plans for its salaried employees in Sweden (ITP plan) and for most of its employees in the UK. These plans provide benefits based on final salary and period of employment. The scheme in the UK has been closed for new entrants since 2004. Since then, new employees have been offered a defined contribution pension scheme. Occupational pension plans for "blue-collar" employees in Sweden are defined contribution plans. The commitments arising out of the pension schemes in the UK are placed in trusts. The defined benefit commitments over and above the ITP plan for Group management in Sweden are secured by means of a pension fund. These commitments are recognised in the consolidated accounts as defined benefit plans in accordance with IAS 19. Most of the defined benefit pension commitments on behalf of salaried employees in Sweden 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 6 of the Swedish Financial Reporting Board as a defined contribution plan. The year's premiums for pension insurance policies taken out with Alecta amounted to SEK 35 million (33), of which SEK 33 million (32) relates to old age and family pensions. These are included among staff costs in the income statement. Alecta's surplus can be allocated to policyholders and/or the persons insured. At the end of 2012, Alecta's collective consolidation level was 129 per cent (113).

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
PENSION COSTS				
Defined benefit plans				
Staff cost	-21	-18	-1	3
Finance income	-	-	-	-
Finance costs	-15	-8	0	0
Total defined benefit plans stated in income statement	-36	-25	-1	3
Defined contribution plans				
Staff cost	-150	-132	-139	-122
Total recognised in income statement	**-185**	**-157**	**-141**	**-119**

The year's actuarial adjustment for the Group was SEK -16 million (-184), including the cost of associated special employer's contribution of SEK -1 million (-1), which was recognised in other comprehensive income.

The change in the defined benefit commitments and the change in plan assets are specified in the table below. Some 90 per cent of the commitments relate to the pension plans in the UK.

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
COMMITMENTS				
Commitments at 1 January	-1 843	-1 650	-181	-206
Cost of employment during current period	-21	-18	-11	4
Interest costs	-82	-82	0	0
Actuarial gains/losses	-107	-137	-	-
Amount paid in by employees	-5	-5	-	-
Pensions paid	100	101	37	41
Transferred from provisions	-38	-20	-38	-20
Settlements	0	0	-	-
Exchange differences	32	-33	-	-
Commitments at 31 December	**-1 963**	**-1 843**	**-193**	**-181**

Of the Group's total commitments, SEK 68 million (57) refers to those that are not funded, while the rest are wholly or partially funded commitments. Of the parent company's commitments, SEK 60 million (51) are secured under the act on safeguarding pension obligations, Tryggandelagen.

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
PLAN ASSETS				
Fair value of assets at 1 January	1 485	1 438	131	138
Expected return	67	75	-	-
Actuarial gains/losses	91	-46	-	-
Real return (parent company)	-	-	9	-1
Amounts paid in by employer	59	54	-	-
Amounts paid in by employees	5	5	-	-
Pensions paid	-72	-66	-7	-7
Exchange differences	-28	27	-	-
Fair value of assets at 31 December	**1 608**	**1 485**	**133**	**131**
Pension provisions, net	**-355**	**-358**	**-60**	**-51**

Plan assets by type are as shown below:

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
PLAN ASSETS				
Equity	786	688	53	46
Bonds	806	770	80	84
Current fixed income investments	16	27	0	1
	1 608	**1 485**	**133**	**131**

The plan assets do not include any financial instruments issued by Group companies or assets used by the Group.

	2012 31 DEC	**2011 31 DEC**
KEY ACTUARIAL ASSUMPTIONS, GROUP (WEIGHTED AVERAGE), %		
Discount rate	4.2	4.6
Expected return on plan assets	4.2	4.6
Pay increases in the future	3.6	3.7
Inflation in the future	2.8	2.9

The expected return on fixed income securities was estimated on the basis of first-class long-term bonds; in the case of shares, an addition was made for a risk premium.

The discount rate for pension obligations was established on the basis of first-class corporate bonds. A discount rate of 3.5 per cent (3.6) and salary levels at the balance sheet date were used for calculating the amount of the parent company's pension commitment.

	2012	**2011**	**2010**	**2009**	**2008**
FIVE-YEAR FIGURES, GROUP					
Present value of commitments	-1 963	-1 843	-1 650	-1 706	-1 553
Fair value of plan assets	1 608	1 485	1 438	1 385	1 199
Net	-355	-358	-213	-320	-354
Adjustments based on experience					
Defined benefit commitments	45	-13	29	-11	-3
Plan assets	91	-46	118	131	-237
Actuarial adjustments					
Opening balance	-200	-16	-113	-128	41
Change of the year	-16	-184	97	15	-169
Closing balance	-216	-200	-16	-113	-128

The Group's payments into the funded defined benefit plans in 2013 are expected to amount to SEK 56 million.

NOTE 18. Other provisions

	PROVISIONS FOR TAXES		OTHER PROVISIONS		TOTAL	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
GROUP						
Carrying amount at start of year	65	46	564	683	629	729
Provisions during the period	21	20	75	92	97	111
Utilised during the period	0	-1	-159	-210	-159	-211
Translation differences	0	-	-1	0	-1	0
Closing carrying amount	**86**	**65**	**479**	**564**	**566**	**629**
Of which non-current part of the provisions	86	65	411	408	497	473
Of which current part of the provisions	0	0	68	157	68	157
PARENT COMPANY						
Carrying amount at start of year	45	45	653	695	698	740
Provisions during the period	0	-	178	176	178	176
Utilised during the period	0	-	-205	-218	-205	-218
Closing carrying amount	**45**	**45**	**626**	**653**	**671**	**698**
Of which non-current part of the provisions	45	45	457	450	502	495
Of which current part of the provisions	0	-	170	203	170	203

Holmen has one large tax case still in progress, affecting MoDo Capital, a Holmen subsidiary. In 2012 the Administrative Court of Appeal ruled on the case, resulting in the judgment of the County Administrative Court being upheld and MoDo Capital being disallowed depreciation deduction for the 1997 tax year. Holmen has appealed against the judgment to the Supreme Administrative Court. In 2010, Holmen paid the amount in dispute, SEK 611 million, to the Swedish Tax Agency.

Other provisions primarily relate to obligations to restore the environment, as well as staff costs and restructuring costs. The parent company figures also include a provision to cover coming reforestation measures to be taken after completion of final harvesting (SEK 184 million); the measures are normally carried out within three years of harvesting.

In 2012, new provisions made were primarily for restructuring within Holmen Paper. At the end of 2012, provisions of around SEK 65 million had been made to cover restructuring costs. These are mainly expected to be paid out in 2013.

NOTE 19. Operating liabilities

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
Trade payables				
Group companies	-	-	330	482
Associates	68	41	-	0
Other	2 177	2 614	1 790	2 127
Total trade payables	**2 245**	**2 655**	**2 119**	**2 609**
Current liabilities				
Group companies	-	-	0	0
Associates	24	8	23	-
Other	172	283	144	229
Derivatives	21	31	141	139
Accruals and deferred income	732	693	504	476
Total other operating liabilities	**950**	**1 016**	**812**	**844**
Total operating liabilities	**3 194**	**3 671**	**2 931**	**3 453**

All trade payables are due for payment within one year.

Accruals and deferred income in the parent company principally consist of staff costs of SEK 217 million (208), goods delivered but not yet invoiced of SEK 87 million (50) and discounts of SEK 46 million (41).

Fair values of derivatives relate substantially to hedging future cash flows; see Note 13.

NOTE 20. Operating leases

In 2012, the Group's lease payments amounted to SEK 26 million (25), and the parent company's to SEK 8 million (6). The Group's lease agreements mainly relate to forklift trucks and cars. No new lease agreements of any significance for the business were entered into during the 2012 financial year. No leased equipment was rented out.

The breakdown of future lease payments is as follows:

	GROUP			PARENT COMPANY		
	2013	**2014 –2018**	**2019–**	**2013**	**2014 –2018**	**2019–**
Future lease payments	22	22	-	7	5	-
Present value of future lease payments	22	21	-	7	5	-

The contracts have remaining durations ranging from 1 to 6 years. The Group's future lease payments for existing lease agreements amounted to SEK 49 million at the end of previous year. Those in the parent company amounted to SEK 8 million.

Apart from lease agreements, Holmen has time charter contracts in respect of four ships that are used to distribute the company's products. The contracts were entered into in 2006 and 2010 and run for a remaining 1 to 4 years.

NOTE 21. Pledged collateral and contingent liabilities

	PLEDGED COLLATERAL VALUE			
	PROPERTY MORTGAGES	OTHER COLLATERAL	TOTAL PLEDGED COLLAT-ERAL	TOTAL PLEDGED COLLAT-ERAL
			2012	**2011**
GROUP				
For own liabilities				
Financial liabilities	6	-	6	6
Total	**6**	**-**	**6**	**6**
PARENT COMPANY				
For own liabilities				
Financial liabilities	6	-	6	6
Total	**6**	**-**	**6**	**6**

	GROUP		PARENT COMPANY	
	2012	**2011**	**2012**	**2011**
CONTINGENT LIABILITIES				
Surety on behalf of Group companies	-	-	32	49
Other contingent liabilities	100	118	45	46
Total	**100**	**118**	**77**	**95**

On the basis of the Swedish Environmental Code, the Swedish environmental authorities may raise the issue of soil tests and site restoration at discontinued units. Responsibility for restoring the environment is determined from case to case, often with the aid of a reasonability assessment. Holmen has environment-related contingent liabilities that cannot at present be quantified, but that could involve costs in the future.

NOTE 22. Related parties

Of the parent company's net sales of SEK 15 895 million (15 914), 0.6 (0.6) per cent relates to deliveries to Group companies. The parent company's purchases from Group companies amounted to SEK 1 692 million (1 905).

There are significant financial receivables and liabilities between the parent company and its Swedish subsidiaries, which do not carry interest.

The parent company has a related party relationship with its subsidiaries (see Note 23).

Holmen Paper AB has contractually committed to purchase products on a continuous basis from Holmen Paper Madrid SL at a price calculated at production cost plus tied-up capital, for onward sale to end-customers. The aim is to optimise the newsprint business. Holmen Paper AB's purchases from Holmen Paper Madrid SL in 2012 amounted to SEK 1 471 million (1 630). As Holmen Paper AB is acting on a commissioned basis for Holmen AB, these transactions are accounted for via Holmen AB.

L E Lundbergföretagen AB is a large shareholder in Holmen (see page 53). Holmen rents office premises for SEK 10 million (7) from Fastighets AB L E Lundberg, which is a group company within L E Lundbergföretagen AB. In 2012, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 600 000 as Board chairman of Holmen.

Transactions with related parties are priced on market-based conditions. 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 Holmen Energi business area.

In Spain, energy and recovered paper are purchased from associates.

TRANSACTIONS WITH RELATED PARTIES

	SALE OF PRODUCTS TO RELATED PARTIES		PURCHASE OF PRODUCTS FROM RELATED PARTIES		OTHER (E.G. INTEREST, DIVIDEND)		LIABILITY TO RELATED PARTIES		RECEIVABLE FROM RELATED PARTIES	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
GROUP										
Associates	250	203	332	256	1	1	87	68	115	142
PARENT COMPANY										
Subsidiaries	89	102	1 692	1 905	255	6	1 827	1 951	2 393	3 351
Associates	250	203	212	32	1	1	18	19	71	69

For fees and remuneration paid to members of the Board, see Note 4.

NOTE 23. Interests in Group companies

	PARENT COMPANY	
	2012	**2011**
ACCUMULATED ACQUISITION COST		
Carrying amount at start of year	16 672	16 674
Purchase	0	-
Contributions from owners	10	-
Sales	-1	-1
Closing balance at 31 December	**16 682**	**16 672**
ACCUMULATED REVALUATIONS		
Carrying amount at start of year	2 299	2 299
Closing balance at 31 December	**2 299**	**2 299**
ACCUMULATED IMPAIRMENT LOSSES		
Carrying amount at start of year	4 658	4 658
Impairment losses for the year	1 373	-
Closing balance at 31 December	**6 030**	**4 658**
Carrying amount at end of year	**12 951**	**14 314**

The parent company's impairment losses on interests in Group companies are stated in the income statement in the line item for Profit from interests in Group companies and relate in 2012 mainly to holdings in the business operations in Spain. During the year Holmens Bruk AB was merged into Holmen Vattenkraft AB, whose name was then changed to Holmens Bruk AB. Liquidations have been carried out in Japan. These measures have been undertaken with the aim of simplifying the corporate structure. Gains/losses from liquidations of Group companies are recognised in the line item for Sales (SEK -1 million).

PARENT COMPANY'S DIRECT HOLDINGS OF INTERESTS IN SUBSIDIARIES

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTEREST, %*	CARRYING AMOUNT SEK THOUSANDS	INTEREST, %*	CARRYING AMOUNT SEK THOUSANDS
				2012		**2011**	
Holmen Paper AB	556005-6383	Norrköping	100	100	100	100	100
Iggesund Paperboard AB	556088-5294	Hudiksvall	1 000	100	100	100	100
Holmen Timber AB	556099-0672	Hudiksvall	1 000	100	100	100	100
Holmen Skog AB	556220-0658	Örnsköldsvik	1 000	100	83	100	83
Holmen Energi AB	556524-8456	Örnsköldsvik	1 000	100	100	100	100
Holmens Bruk AB	556537-4286	Stockholm	1 000	100	8 867 852	100	100
Holmens Bruk AB	556002-0264	Norrköping	-	-	-	100	8 867 752
Holmen Försäkring AB	516406-0062	Stockholm	10 000	100	45 304	100	45 304
MoDo Capital AB	556499-1668	Stockholm	1 000	100	71 552	100	71 552
Holmen Energi Elnät AB	556878-3905	Örnsköldsvik	500	100	50	-	-
Varsvik AB	556914-9833	Umeå	500	100	10 050	-	-
Other Swedish Group companies					874		874
Total Swedish holdings					**8 996 165**		**8 986 065**
Holmen S.A.S., France		Paris	40 000	100	5 192	100	5 192
Holmen UK Ltd, UK		Workington	1 197 100	100	1 518 959	100	1 518 959
Holmen Paper UK Ltd **		London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd **		Workington	-	100	-	100	-
Holmen GmbH, Germany		Hamburg	-	100	655	100	655
Holmen Suecia Holding S.L., Spain		Madrid	9 448 557	100	2 377 265	100	3 577 265
Holmen Paper Madrid S.L. **		Madrid	-	100	-	100	-
Cartón y Papel Reciclado S.A. (Carpa), Spain**		Madrid	-	100	-	100	-
Iggesund Paperboard Asia Pte Ltd, Singapore		Singapore	800 000	100	4 273	100	4 273
Holmen B.V., The Netherlands		Amsterdam	35	100	35 214	100	207 733
AS Holmen Mets, Estonia		Tallinn	500	100	-	100	-
Other non-Swedish Group companies					13 144		13 672
Total non-Swedish holdings					**3 954 703**		**5 327 749**
Total					**12 950 867**		**14 313 814**

* Percentage of shares and percentage of votes for the total number of shares are the same. ** Indirect holdings.

NOTE 24. Untaxed reserves

	PARENT COMPANY		
	2012-12-31	APPRO-PRIATIONS	2011-12-31
ACCUMULATED DEPRECIATION AND AMORTISATION IN EXCESS OF PLAN			
Intangible non-current assets	3	0	4
Property, plant and equipment	1	-4	6
Total	**5**	**-5**	**9**
TAX ALLOCATION RESERVE			
Assessment of tax 2007	-	-490	490
Assessment of tax 2008	570	-	570
Assessment of tax 2009	53	-	53
Assessment of tax 2010	707	-	707
Assessment of tax 2011	170	-	170
Assessment of tax 2012	560	-	560
	2 060	**-490**	**2 550**
Total	**2 064**	**-495**	**2 559**

NOTE 25. Cash flow statement

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
INTEREST PAID AND DIVIDENDS RECEIVED				
Dividend received	-	-	261	14
Interest received	4	5	3	4
Interest paid	-228	-217	-221	-222
Total	**-224**	**-212**	**43**	**-201**

Change in current liabilities

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2012, a number of different short-term loans amounting in total to SEK 7 729 million (6 948) were raised within the Group's commercial paper programme, and SEK 6 623 million (6 640) was repaid. For a specification of cash and cash equivalents, see Note 13.

NOTE 26. Key assessments and estimates

When preparing financial reports the company's management is required to make assessments and estimates that have an effect on the stated amounts. The assessments and estimates that, in the view of the company's management, are of importance for the amounts stated in the annual report, and that are at significant risk of being altered by future events and new information, mainly include the following.

Biological assets

Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. The most material estimates made relate to how much harvesting can be increased in the future, what changes there will be in pulpwood and timber prices, how high inflation will be, and what discount rate is used. Note 11 provides a sensitivity analysis for the valuation of changes in these estimates. The carrying amount of biological assets at 31 December 2012 was SEK 16 227 million and the attributable deferred tax liability was SEK 3 587 million, giving a net value of SEK 12 640 million.

Tax

Holmen has one large tax case still in progress, affecting MoDo Capital, a Holmen subsidiary. In 2012 the Administrative Court of Appeal upheld the County Administrative Court's ruling against the company. Holmen has appealed against the judgment to the Supreme Administrative Court. See Note 18.

At year-end the Group had tax-related loss carry-forwards and temporary differences of some SEK 800 million not stated in the consolidated accounts based on the premise that utilisation must be likely. See Note 7.

Pensions

The Group's provision for pensions amounts to SEK 355 million on the basis of defined benefit pension commitments valued at SEK 1 963 million and plan assets of SEK 1 608 million provided to cover them. The value of pension commitments is estimated on the basis of assumptions regarding discount rates, inflation, future pay increases, and demographic factors. These assumptions are normally updated each year, which has an effect on the size of the recognised pension liability and equity. Together with assumptions regarding the expected return on plan assets, these assumptions will have an influence on the coming year's recognised pension cost. See Note 17.

Environment

Provisions to cover environment-related measures associated with former activities have been made based on estimated future site-restoration costs. Moreover it is judged that the company has a responsbility for environmental measures that cannot at present be quantified but that could involve costs in the future. See Note 21.

Restructuring

Modifications to business operations at Holmen Paper are in progress. At the end of 2012, provisions of about SEK 65 million had been made to cover the restructuring costs. No additional major changes have been announced, but, should the situation alter, further provisions may become necessary.

Impairment testing

In 2012 impairment losses of SEK 153 million net were recognised on property, plant and equipment in the Holmen Paper business area. This impairment was based on estimates of recoverable amounts using assumptions regarding future changes in prices, volumes and costs, as well as the estimated market cost of capital. Changes in conditions may have an effect on the estimated recoverable amount applied in connection with future impairment tests.

Appropriation of profits

	SEK
The following unappropriated earnings of the parent company are at the disposal of the Annual General Meeting:	
Net profit for the 2012 financial year	-994 268 663
Retained earnings brought forward	4 508 035 249
	3 513 766 586
The Board of Directors propose that an ordinary dividend of SEK 9 per share (83 996 162 shares) be paid to shareholders	755 965 458
and that the remaining amount be carried forward	2 757 801 128

The Board of Holmen AB has proposed that the 2013 Annual General Meeting resolves in favour of paying a dividend of SEK 9 per share, which is SEK 1 higher than for the preceding year, making a total of SEK 756 million. The proposal complies with the Board's policy, in that decisions on dividend are to be based on an appraisal of the Group's profitability, future investment plans and financial position.

The proposed dividend corresponds to 41 per cent of net profit for 2012 for the Group and means that 3.6 per cent of equity in the Group at 31 December 2012 will be paid out by way of dividend.

The Board has established that the Group shall have a strong financial position with a debt/equity ratio – defined as net financial debt in relation to equity – in the interval between 0.3 and 0.8. The debt/equity ratio at 31 December 2012 was 0.32. Payment of the proposed dividend would raise the debt/equity ratio by around 0.05.

Holmen AB's equity at 31 December 2012 amounted to SEK 9 428 million, of which non-restricted equity was SEK 3 514 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 -155 million on equity. The Group's equity at 31 December 2012 amounted to SEK 20 813 million. Complying 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 report was 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 the European Parliament's and Council's regulation (EG) No. 1606/2002 of 19 July 2002 concerning the application of international accounting standards. The annual report and the Group's consolidated accounts provide a true and fair picture 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 picture 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 report and the Group's consolidated accounts were approved for publication by the Board in its decision of 22 February 2013. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting that will be held on 10 April 2013.

Stockholm, 22 February 2013

Fredrik Lundberg
Chairman

Lars G Josefsson
Board member

Ulf Lundahl
Board member

Carl Bennet
Board member

Carl Kempe
Deputy chairman

Göran Lundin
Board member

Steewe Björklundh
Board member

Hans Larsson
Board member

Karin Norin
Board member

Kenneth Johansson
Board member

Louise Lindh
Board member

Magnus Hall
Board member and
Chief Executive Officer

Our audit report was submitted on 25 February 2013.

KPMG AB

George Pettersson
Authorised public accountant

Audit report

To the Annual General Meeting of the shareholders in Holmen Aktiebolag (publ), corp. id. 556001-3301

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Holmen Aktiebolag (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4-88.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 2012 and of its financial performance and its cash flows 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. 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.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Holmen Aktiebolag (publ) for the year 2012.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As 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.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual 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 CEO be discharged from liability for the financial year.

Stockholm 25 February 2013

KPMG AB

George Pettersson
Authorised Public Accountant

Annual General Meeting

The 2013 Annual General Meeting of Holmen AB will be held at Vinterträdgården, Grand Hôtel (the Royal entrance), Stockholm, 3.00 p.m. CET on Wednesday 10 April.

Participation in the AGM

Shareholders who wish to participate in the Annual General Meeting shall:
- be entered in the register of shareholders maintained by Euroclear Sweden AB no later than Thursday 4 April 2013.
- notify the company of their participation by no later than Thursday 4 April 2013.

Notification of participation can be made in the following ways:
- letter to Holmen AB, Group Legal Affairs, Box 5407, 114 84 Stockholm, Sweden
- email to info@holmen.com
- Holmen's website www.holmen.com
- telephone +46 8 666 21 11.

Shareholders whose shares are registered in a nominee name should temporarily re-register their shares in their own name with Euroclear Sweden so that this takes effect no later than Thursday 4 April 2013 to be entitled to participate in the Annual General Meeting.

Dividend

The Board has proposed that a dividend of SEK 9 (8) per share be paid to shareholders. The Board has proposed Monday 15 April 2013 as the record date for entitlement to dividend. Provided that the Annual General Meeting resolves in favour of the proposal, the dividend is expected to be distributed by Euroclear Sweden on Thursday 18 April 2013. Shareholders are requested to inform their account operator of any change of name and/or address.

Calendar

For 2013 Holmen will publish the following financial reports:
Interim report, January–March 24 April • Interim report, January–June 14 August • Interim report, January–September 24 October • Year-end report for 2013 13 February 2014

Information

The interim and year-end reports are presented at press and teleconferences in English. The conferences can also be accessed live on Holmen's website.

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 on the website: *www.holmen.com*

How to order printed material:
- at the website: *www.holmen.com*
- by post: Holmen AB, Group Communications, P.O. Box 5407, SE-114 84 Stockholm, Sweden
- by e-mail: info@holmen.com
- by telephone: +46 8 666 21 00

Five-year review, sustainability

Data from all parts of the Group is collected, collated, quality-assured and evaluated. The key indicators for HR and environmental data are those in common use in the industry. No material changes have been made to the principles of reporting in comparison with previous years.

In the middle of 2012, the mill in Workington took over the plant from which the mill previously purchased its electrical and thermal energy. The energy production is based on fossil natural gas. This means that, compared with 2011, internal electricity and heat production rose in 2012, and thus so did emissions to air.

As some of the data provided in this report had already been collected by the end of the year it refers to, it might differ slightly from the information finally reported to the authorities. Some of the HR and environmental data now reported for 2011 may therefore have been revised.

The licensing authorities' conditions relating to emissions to air and water stipulate regular sampling in accordance with specific rules. Holmen reports its environmental data to the supervisory authorities monthly and annually. All reporting to Swedish authorities is available to the public under the principle of public access to documents. Data from all the mills is reported to the EU annually.

Holmen reports its expenditure on environmental protection in accordance with guidelines from Statistics Sweden (SCB).

Personnel	2012[1)]	2011	2010	2009	2008[2)]
EMPLOYEES					
Average number	3 945	4 041	4 241	4 577	4 829
of whom women, %	19.3	19.2	19.0	18.6	17.9
of whom temporary employees, %	6.9	6.6	6.7	6.6	7.0
Average age	45.9	46.1	45.8	46.3	45.0
SICKNESS ABSENCE, %					
Total	3.4	3.5	3.5	3.7	4.3
of which longer than 60 days	1.1	1.2	1.1	1.4	2.7
Good health index (share of employees with no sick leave during the year)	48	48	47	47	44
GENDER EQUALITY, %					
Women managers out of total number of managers	20.3	19.1	16.5	15.8	12.9
Women joining the company out of total new employees	24	26	18	27	31
EDUCATION, %					
Compulsory education	17	18	19	19	21
Upper secondary school	60	60	60	61	61
Higher education, at least 2 years	23	22	21	20	18
Graduates, proportion of new employees	26	19	15	29	-
Women joining the company, proportion of graduates	67	68	68	38	-
STAFF TURNOVER, %					
Staff turnover	8.5	8.9	9.3	10.7	9.2
of which given notice	2.7	3.5	3.7	6.5	1.3
of which retiring	2.6	1.9	3.9	2.5	3.7
of which leaving at own request	2.9	3.5	1.7	1.6	4.2
New employees	3.6	4.4	3.3	3.5	6.5
NUMBER OF INDUSTRIAL ACCIDENTS/1 000 EMPLOYEES					
Industrial accidents, more than 8 hours of absence	19.0	19.1	24.8	24.9	31.5
UNION COOPERATION, %					
Units with independent trade unions	95	96	97	97	97
Rate of union membership	72	71	70	75	76
EMPLOYEE SURVEY[3)]					
Inblick index	-	642	-	623	-
Leadership index	-	55	-	58	-

1) Data and calculations are based on 3 902 employees. Some small units outside of Sweden with a total of 43 employees are not included.
2) Some data is lacking for 2008 due to introduction of a new HR system.
3) The employee survey is conducted every second year. The next one will be in 2013.

Production and environment	2012	2011	2010	2009	2008
INTERNAL SUPPLY OF RAW MATERIALS					
Harvesting in company forests					
Timber and pulpwood, '000 m^3sub	3 085	2 850	2 856	2 800	2 601
Branches and treetops, '000 m^3sub	126	138	143	98	49
Electricity production, hydro and wind power, GWh	1 353	1 235	1 149	1 091	1 128
PRODUCTION, '000 TONNES					
Newsprint	747	783	812	897	1 073
MF Magazine, book paper, telephone directory paper	772	729	685	606	598
SC paper	139	135	135	137	149
Coated printing paper	-	27	80	75	212
Paperboard	492	480	474	471	494
Market pulp	35	42	40	48	62
Sawn timber, '000 m^3	651	560	285	291	279
RAW MATERIALS, '000 TONNES					
Wood, million m^3sub [1]	5.19	4.94	4.44	4.49	4.79
Recovered fibre	630	683	790	813	999
Purchased pulp	108	118	118	128	166
Thermal energy, GWh	5 758	5 602	5 839	5 634	6 181
Electrical energy, GWh	4 603	4 588	4 625	4 681	5 156
Water use, million m^3	77	82	82	84	93
Process wastewater, cooling and seal water [2], million m^3	74	80	55	57	64
Plastic granules/foiling material	2.3	2.1	2.3	2.4	2.4
Chemicals [3]	145	140 [4]	153	125	155
Filler, pigment	175	177	204	195	265
THERMAL ENERGY, GWh					
Production at mills from recovered liquors, bark and wood residues	2 805	2 874	2 942	2 916	2 959
Recovered in the TMP process [5]	1 171	1 201	1 152	1 093	952
Purchased, natural gas and oil [6,7]	1 783	1 527	1 744	1 625	2 270
ELECTRICAL ENERGY, GWh					
Company hydro power	1 343	1 230	1 145	1 090	1 128
Company wind power	10	5	4	1	-
Production at mills	563	440	481	384	485
Purchased [6,7]	2 687	2 913	2 995	3 207	3 543
EMISSIONS TO AIR, TONNES					
Sulphur dioxide (counted as sulphur, S)	116	132	176	199	235
Nitrogen oxides [8]	1 664	1 468	1 465	1 608	1 697
Particulates	84	120	98	91	131
Carbon dioxide, '000 tonnes					
-Fossil [8]	330	259	302	251	399
-Biogenic	1 064	1 073	1 082	988	1 062
EMISSIONS TO WATER, TONNES					
COD (organic matter), '000 tonnes	18.9	19.8	19.2	19.9	25.2
Suspended solids, '000 tonnes	3.2	3.7	3.5	3.7	5.4
AOX (chlorinated organic matter)	47.7	54.3	53.6	54.3	66.3
Nitrogen	242	250	243	269	374
Phosphorus	15.7	15.7	14.7	19.4	27.3
WASTE AND BY-PRODUCTS, '000 TONNES					
Hazardous [9]	1.2	0.8	0.7	1.4	1.6
Sent to landfill (wet)	16	18	24	23	35
Utilised or recovered [10]	380	398	432	435	496
Energy production, internally/externally	865	747 [4]	553	513	763
DELIVERIES					
Thermal energy, GWh	202	182	123	115	107
Tall oil, '000 tonnes [11]	12.3	8.4	4.4	4.0	5.5

Electrical energy	2012	2011	2010	2009	2008
SHARE OF HOLMEN'S TOTAL CONSUMPTION, %					
Company hydro power/wind power	30	27	25	23	22
Electricity production at the mills	12	10	10	8	9
Purchased electricity	58	63	65	69	69

Thermal energy	2012	2011	2010	2009	2008
SHARE OF HOLMEN'S TOTAL CONSUMPTION, %					
Biofuel	49	51	50	52	48
Recovered thermal energy	20	21	20	19	15
Natural gas	18	12	15	13	15
Oil, LPG	9	8	8	6	12
Purchased thermal energy	4	8	7	10	10

Environmental protection	2012	2011	2010	2009	2008
COSTS/INCOME, SEKm					
Investments (remedial and preventive)	60[1)]	91	50	129	128
Electricity and heat-saving investments	576[2)]	211	52	34	396
Environmental taxes and charges	22[3)]	23	35	35	60
Internal and external environmental costs[4)]	196	202	188	197	224
Environmental cost of forestry[5)]	93	90	70	60	60
Emission allowances – income	20	40	26	24	18
Electricity certificates – income	54	31	56	71	72

1) Most of the stated sum comprises installation of new equipment for sludge management at Hallsta Paper Mill. Costs for treatment equipment for weak gases at Iggesund Mill form another significant part of the stated amount.

2) Most of the stated sum comprises environmentally related parts of the new biofuel boiler at the mill in Workington. Environmentally related costs for the recovery boiler at Iggesund Mill also represent a major share.

3) The stated amount includes costs for waste management, energy tax charged in Sweden on the use of fossil fuels, sulphur tax, nitrogen oxide tax and inspection charges.

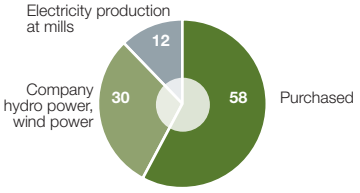
4) This includes costs of environmental personnel, operation of treatment equipment, waste management, management systems, environmental training, applications for permits, environmental consultants and the costs of measures in connection with discontinued operations.

5) The environmental costs of forestry is calculated as the value of the wood that is not harvested for environmental reasons. Holmen sets aside 10 per cent of its productive forest acreage for environmental reasons and thus refrains from harvesting around 10 per cent of the potential volume. The annual loss of income is estimated at around SEK 93 million.

Energy supply at Holmen 2012

Electrical energy

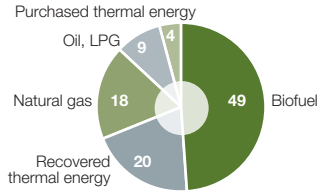
% of Holmen's total consumption



Holmen owns, wholly or partly, 21 hydro power stations. The electricity that is purchased in Sweden is mainly produced at hydro or nuclear power stations.

Thermal energy

% of Holmen's total consumption



At Iggesund Mill large amounts of thermal energy are produced by burning wood-containing liquors. Significant quantities are also generated by burning bark. At Hallsta and Braviken Paper Mills surplus heat is recovered from the TMP production process. Natural gas is used at the mills in Workington and Madrid.

Comments on the table on page 92

1) At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the sawmills to the nearby mills.
2) Process wastewater 57 million m³. Cooling and seal water 17 million m³. New statistic from 2011.
3) 100 per cent active substance.
4) Figure adjusted.
5) Thermal energy is produced from the electricity used in the production of thermo-mechanical pulp at Braviken Paper Mill and Hallsta Paper Mill; this is recovered and used in production.
6) The reporting includes data for gas consumption and associated emissions linked to Holmen's share of electricity production at the half-owned cogeneration (COGEN) plant at Holmen Paper Madrid. The data also includes natural gas and oil used at the mills.
7) In 2012, emissions of fossil carbon dioxide from production of purchased thermal and electric energy totalled approximately 123 000 tonnes.
8) The direct emissions of fossil carbon dioxide and nitrogen oxides from Holmen mills increased in 2012 compared to 2011. The reason for this is that, in the middle of 2012, the mill in Workington took over the plant from which energy was previously purchased. The energy produced is based on natural gas. This plant will be replaced by a biofuel boiler at the start of 2013. The new boiler will provide the mill's total energy requirements in the form of thermal and electrical energy. Emissions of fossil carbon dioxide and nitrogen oxide from the mill will then more or less cease.
9) Hazardous waste is dealt with by authorised collection and recovery contractors. Certain fractions of the waste are recovered. Oil-containing waste from docking ships is dealt with at port facilities at three Holmen mills. In 2012 the amount of this waste was 1 205 tonnes.
10) Waste used, for example, as filling material, construction material or for the production of soil products.
11) For delivery to the chemical industry.

Ten-year review, finance

SEKm	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
INCOME STATEMENT										
Net sales	17 852	18 656	17 581	18 071	19 334	19 159	18 592	16 319	15 653	15 816
Operating costs	-15 224	-15 501	-15 077	-15 191	-16 614	-15 637	-15 069	-13 287	-12 631	-12 306
Interest in earnings of associates	47	84	28	45	50	12	11	20	25	-6
Depreciation and amortisation according to plan	-1 313	-1 260	-1 251	-1 320	-1 343	-1 337	-1 346	-1 167	-1 156	-1 166
Change in value of forests	350	-	52	16	-16	89	115	82	61	-
Items affecting comparability*	-193	3 593	264	-	-361	557	-	-	-	-
Operating profit	**1 520**	**5 573**	**1 596**	**1 620**	**1 051**	**2 843**	**2 303**	**1 967**	**1 952**	**2 338**
Net financial items	-227	-244	-208	-255	-311	-261	-247	-233	-206	-212
Profit before tax	**1 294**	**5 328**	**1 388**	**1 366**	**740**	**2 582**	**2 056**	**1 734**	**1 746**	**2 126**
Tax	559	-1 374	-684	-360	-98	-1 077	-597	-478	-471	-675
Profit for the year	**1 853**	**3 955**	**704**	**1 006**	**642**	**1 505**	**1 459**	**1 256**	**1 275**	**1 451**
Diluted earnings per share, SEK	22.1	47.1	8.4	12.0	7.6	17.8	17.2	14.8	15.1	17.5
NET SALES										
Holmen Paper	8 144	8 631	8 142	9 303	10 443	10 345	10 140	8 442	7 814	7 788
Iggesund Paperboard	4 967	5 109	4 849	5 023	4 860	5 100	5 240	4 860	4 877	4 920
Holmen Timber	1 129	875	586	553	499	589	465	460	492	510
Holmen Skog	6 061	6 348	5 585	4 799	5 443	4 775	4 042	3 858	3 780	3 613
Holmen Energi	1 728	1 807	1 932	1 628	1 834	1 590	1 691	1 480	1 258	1 337
Elimination of intra-group net sales	-4 178	-4 113	-3 513	-3 236	-3 745	-3 239	-2 986	-2 781	-2 568	-2 352
Group	**17 852**	**18 656**	**17 581**	**18 071**	**19 334**	**19 159**	**18 592**	**16 319**	**15 653**	**15 816**
OPERATING PROFIT/LOSS										
Holmen Paper	94	228	-618	340	280	623	754	631	487	747
Iggesund Paperboard	596	863	817	419	320	599	752	626	809	1 001
Holmen Timber	-130	-136	20	21	13	146	80	13	5	18
Holmen Skog	931	739	818	605	632	702	643	537	586	516
Holmen Energi	355	406	495	414	327	272	197	301	178	193
Group-wide costs and eliminations	-132	-120	-200	-178	-159	-56	-123	-141	-113	-137
	1 713	**1 980**	**1 332**	**1 620**	**1 412**	**2 286**	**2 303**	**1 967**	**1 952**	**2 338**
Items affecting comparability*	-193	3 593	264	-	-361	557	-	-	-	-
Group	**1 520**	**5 573**	**1 596**	**1 620**	**1 051**	**2 843**	**2 303**	**1 967**	**1 952**	**2 338**
CASH FLOW										
Profit before tax	1 294	5 328	1 388	1 366	740	2 582	2 056	1 734	1 746	2 126
Adjustment items	1 057	-2 561	811	1 163	1 797	629	1 225	914	1 031	1 169
Paid income tax	-434	-557	-704	-334	-192	-390	-664	-516	-378	-727
Changes in working capital	338	-109	28	678	-686	-345	-259	339	-68	-125
Cash flow from operating activities	**2 254**	**2 101**	**1 523**	**2 873**	**1 660**	**2 476**	**2 358**	**2 471**	**2 331**	**2 443**
Cash flow from investing activities	**-1 920**	**-1 733**	**-1 597**	**-818**	**-1 124**	**-1 315**	**-947**	**-3 029**	**-1 195**	**-726**
Cash flow after investments	**334**	**368**	**-74**	**2 054**	**536**	**1 161**	**1 411**	**-558**	**1 136**	**1 717**
Share buy-back	-	-	-	-	-138	-	-	-	-	-
New share issue through conversion and subscription	-	-	-	-	-	-	-	-	474	-
Dividend paid	-672	-588	-588	-756	-1 017	-1 017	-932	-848	-3 199	-880

* Items affecting comparability:

2007: Impairment losses of SEK 569 million on goodwill and of SEK 1 034 million on property, plant and equipment within Holmen Paper, reversed impairment losses of SEK 60 million on non-current assets within Holmen Timber, and a positive revaluation of forests of SEK 2 100 million within Holmen Skog.

2008: Closure of Wargön Mill accounted for a cost of SEK 298 million and a cost of SEK 115 million was for the closure of PM 2 at Hallsta Paper Mill. Income of SEK 52 million corresponds to the effects on the result of the fire at Braviken Paper Mill.

2010: Impairment losses on fixed assets of SEK 555 million, restructing costs of SEK 231 million and revaluation of forest amounting to an increase of SEK 1 050 million.

2011: Revaluation of forest of SEK 3 593 million.

2012: Impairment loss on non-current assets of SEK 153 million and restructuring costs of SEK 40 million.

For a ten-year review of data per share, see page 52.

SEKm	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
BALANCE SHEET										
Non-current assets	28 828	28 313	24 058	23 610	24 329	24 099	23 258	23 702	21 354	18 878
Deferred tax assets	2	194	210	304	342	301	354	352	273	295
Shares and participating interests	1 834	1 828	1 760	1 780	1 836	1 753	1 742	1 739	1 754	1 767
Current assets	6 005	6 642	6 950	6 075	7 268	6 549	6 138	5 709	5 149	4 743
Financial receivables	69	128	262	225	175	147	165	132	92	105
Cash and cash equivalents	308	112	193	182	653	394	484	580	367	570
Total assets	**37 046**	**37 217**	**33 432**	**32 176**	**34 602**	**33 243**	**32 141**	**32 214**	**28 989**	**26 358**
Equity	20 813	19 773	16 913	16 504	15 641	16 932	16 636	16 007	15 635	15 366
Deferred tax liability	5 504	6 630	5 910	5 045	4 819	5 482	5 030	5 143	5 177	4 557
Financial liabilities and interest-bearing provisions	6 967	6 499	6 227	6 091	8 332	6 518	6 634	7 351	5 335	4 044
Operating liabilities	3 762	4 313	4 383	4 536	5 809	4 311	3 841	3 713	2 842	2 391
Total equity and liabilities	**37 046**	**37 217**	**33 432**	**32 176**	**34 602**	**33 243**	**32 141**	**32 214**	**28 989**	**26 358**
OPERATING CAPITAL										
Holmen Paper	5 608	6 606	6 954	8 789	10 237	9 971	11 541	11 452	9 659	9 461
Iggesund Paperboard	6 177	5 041	4 313	4 114	4 254	4 180	3 935	3 965	3 871	3 885
Holmen Timber	1 416	1 507	1 192	396	366	345	208	230	231	277
Holmen Skog	16 663	16 278	12 597	11 384	11 415	11 264	9 001	8 919	8 842	6 383
Holmen Energi	3 261	3 253	3 235	3 207	3 006	2 960	2 965	2 958	2 930	2 926
Group-wide and other	-220	-217	93	-963	-1 654	-630	-354	-87	-118	65
Operating capital	**32 905**	**32 469**	**28 385**	**26 929**	**27 623**	**28 090**	**27 297**	**27 437**	**25 415**	**22 997**
Deferred tax liability, net	-5 502	-6 436	-5 700	-4 741	-4 477	-5 181	-4 676	-4 791	-4 904	-4 262
Capital employed	**27 403**	**26 032**	**22 684**	**22 188**	**23 146**	**22 909**	**22 621**	**22 646**	**20 511**	**18 735**
KEY FIGURES										
OPERATING MARGIN, %*										
Holmen Paper	1	3	-8	4	3	6	7	7	6	10
Iggesund Paperboard	12	17	17	8	7	12	14	13	17	20
Holmen Timber	-12	-16	4	4	3	24	17	3	1	3
Group	10	11	8	9	7	12	12	12	12	15
RETURN ON OPERATING CAPITAL, %*										
Holmen Paper	2	3	neg	4	3	5	6	6	5	8
Iggesund Paperboard	10	19	20	10	8	15	19	16	20	25
Holmen Timber	neg	neg	3	6	4	64	38	6	2	7
Holmen Skog	6	6	7	5	6	8	7	6	7	8
Holmen Energi	11	13	15	13	11	9	7	10	6	7
Group	5	7	5	6	5	8	8	7	8	10
KEY FIGURES										
Return on capital employed, %*	7	9	6	7	6	10	10	9	10	12
Return on equity, %	9	23	4	6	4	9	9	8	8	10
Debt/equity ratio	0.32	0.32	0.34	0.34	0.48	0.35	0.36	0.41	0.31	0.22
DELIVERIES										
Printing paper, '000 tonnes	1 651	1 668	1 732	1 745	2 044	2 025	2 021	1 764	1 731	1 655
Paperboard, '000 tonnes	485	474	464	477	494	516	536	492	501	481
Sawn timber, '000 m^3	660	487	285	313	266	262	248	229	195	189
Harvesting own forests, million m^3	3.2	3.0	3.0	2.9	2.6	2.6	2.6	2.3	2.6	2.7
Own production of hydro power, GWh	1 343	1 230	1 145	1 090	1 128	1 193	934	1 236	1 054	867

Stated in accordance with IFRSs from 2004. As far as Holmen is concerned, the principal difference between IFRSs and previous accounting policies is that forest assets are valued and stated in the accounts at fair value, that goodwill is no longer amortised according to plan, and that the fair value of financial assets and liabilities where hedge accounting is applied is entered into the balance sheet.

* Excl. items affecting comparability.

Definitions and glossary

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
Bulk is a measure of the volume of the paper. Paper with the same grammage may have a different thickness, depending on the bulk of the paper. A high bulk indicates a thick but relatively light-weight paper.

Capital employed
Operating capital less the net sum of deferred tax assets and deferred tax liabilities. Average values are calculated on the basis of quarterly data.

Carbon dioxide (CO_2)
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.

Cash flow after investments
Cash flow from operating activities less cash flow from investing activities.

Certification
Assessment performed by a third party. A certificate is a document which shows that the conditions for certification have been met.

COD
Chemical Oxygen Demand. A measure of the amount of oxygen needed for the complete decomposition of organic material in water.

Debt/equity ratio
Net financial debt divided by the sum of equity and any non-controlling interests.

DIP
De-inked pulp. Pulp manufactured from de-inked recovered paper.

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, amortization and change in value of forests.

Equity/assets ratio
Equity plus any non-controlling interests, expressed as a percentage of total assets.

EV (Enterprise value)
Market capitalisation plus net financial debt.

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.

Financial assets
Non-current and current financial receivables and cash and cash equivalents.

Fossil fuels
Fuels based on carbon and hydrogen compounds from sediment or sedimentary bedrock – mainly coal, oil and natural gas.

FSC®
Forest Stewardship Council®. FSC® promotes management of the world's forests in a way that is acceptable from three perspectives: environmentally, socially and economically.

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.

Groundwood pulp
Mechanical pulp produced by grinding wood against a grindstone.

IPPC
Integrated Pollution Prevention and Control. EU environmental legislation about integrated, individual testing and supervision of major industrial companies.

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 26000
An guiding ISO standard providing guidelines on how work on social responsibility is to be conducted.

LWC
Lightweight coated wood-containing paper. Mainly used for magazines and catalogues.

m^3 growing stock, solid over bark
The volume of tree stems, incl. bark, from stump to top. Generally used as a measure for growing forest.

m^3sub
Cubic metres 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.

MF Magazine
Machine finished, uncoated wood-containing paper. Used for magazines, catalogues and direct mail.

MTN loans
Bond loans raised within Holmen's medium-term note programme.

MWC
Medium-weight coated wood-containing paper. Used for magazines, catalogues and printed advertising materials.

Net financial debt
Non-current and current financial liabilities and pension provisions, less financial assets.

Nitrogen (N)
An element included 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.

OHSAS 18000
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.

Operating capital
Total assets, less financial receivables, cash and cash equivalents, deferred tax assets, operating liabilities, tax provision and other provisions. Average values are calculated on the basis of quarterly data.

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.

Particulates
Particles of ash formed in incineration of bark or liquor, for example.

PEFC
The Programme for the Endorsement of Forest Certification is an international forest standard.

Phosphorus (P)
An element contained in wood. Excessive phosphorus in the water may cause over-fertilisation (eutrophication) and oxygen consumption.

Return on capital employed
Operating profit/loss (excl. items affecting comparability and transferred operations) expressed as a percentage of average capital employed.

Return on equity
Profit for the year expressed as a percentage of average equity, calculated on the basis of quarterly data.

Return on operating capital
Operating profit/loss (excl. items affecting comparability and transferred operations) expressed as a percentage of average operating capital.

RMP
Refiner mechanical pulp. Pulp produced through refining wood chips, with or without chemical or thermal treatment.

SBB Solid Bleached Board
Multi-layer paperboard made from bleached chemical pulp.

SC paper
Super-calendered paper. Uncoated, glazed magazine paper.

Sulphate pulp
Chemical pulp that is produced by boiling wood under high pressure and at a high temperature together with white liquor (sodium hydroxide and sodium sulphide).

Sulphur dioxide (SO_2)
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 nitric 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 and other products. It is also an excellent biofuel.

TMP
Thermo-mechanical pulp. Obtained by heating spruce chips and then grinding them in refiners.

BRAVIKEN PAPER MILL
Raw materials: Spruce pulpwood and recovered paper.
Process: TMP and DIP.
Products: MF Magazine, newsprint and telephone directory paper.
Production capacity: 750 000 tonnes/year.
Average no. of employees: 551.

BRAVIKEN SAWMILL
Raw materials: Spruce saw logs.
Process: Sawmilling.
Products: Spruce sawn timber.
Production capacity: 550 000 m^3/year.
Average no. of employees: 94.

HALLSTA PAPER MILL
Raw materials: Spruce pulpwood.
Process: TMP and groundwood pulp.
Products: MF Magazine, SC paper and book paper.
Production capacity: 670 000 tonnes/year.
Average no. of employees: 613.

IGGESUND MILL
Raw materials: Softwood and hardwood pulpwood.
Process: Sulphate pulp.
Products: Solid bleached board, plastic-coated paperboard and sulphate pulp.
Production capacity: 340 000 tonnes/year (paperboard).
Average no. of employees: 910.

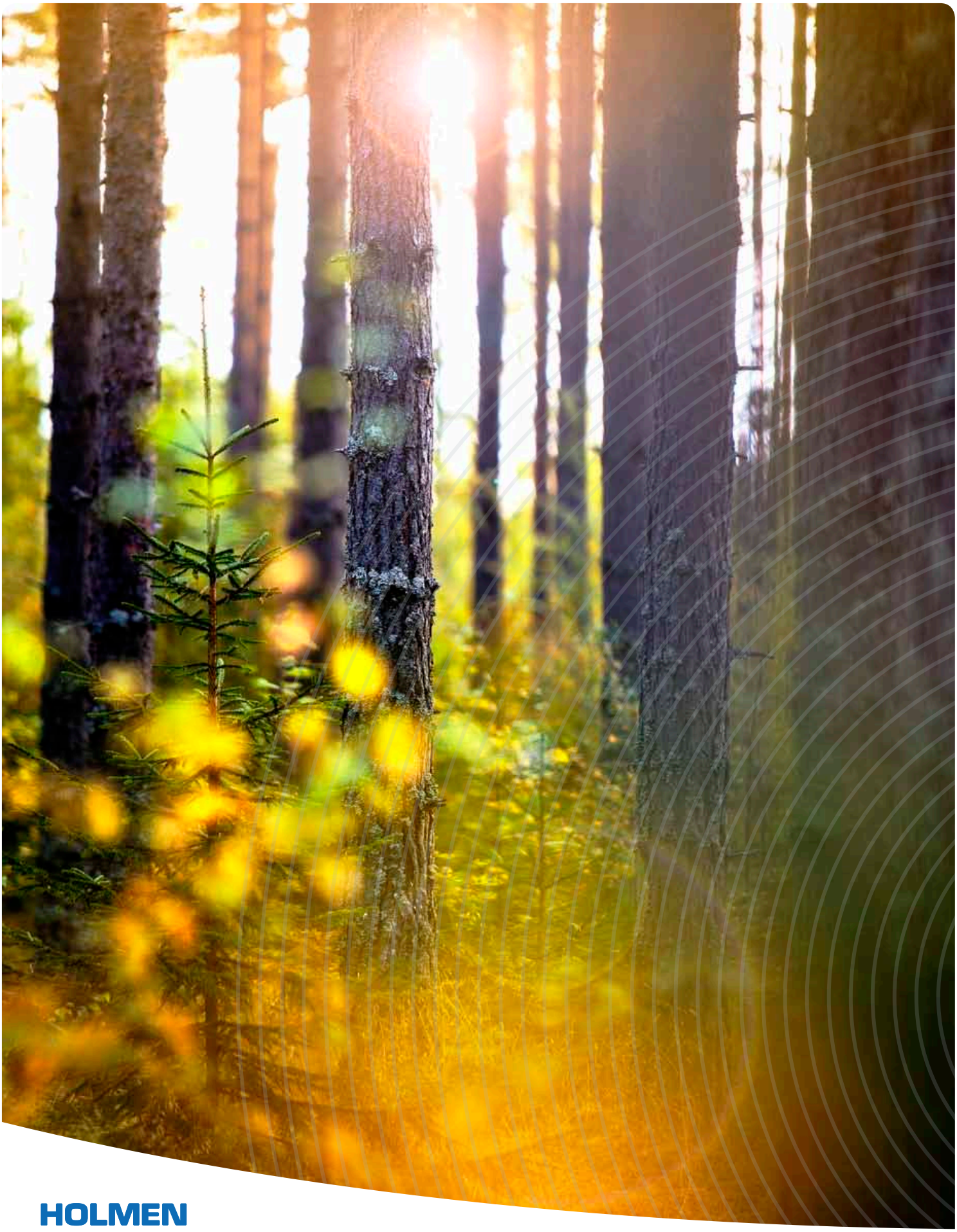
IGGESUND SAWMILL
Raw materials: Pine saw logs.
Process: Sawmilling.
Products: Pine sawn timber.
Production capacity: 330 000 m^3/year.
Average no. of employees: 100.

HOLMEN PAPER MADRID
Raw materials: Recovered paper.
Process: DIP.
Products: Newsprint.
Production capacity: 330 000 tonnes/year.
Average no. of employees: 188.

WORKINGTON MILL
Raw materials: Spruce pulpwood and purchased sulphate pulp.
Process: RMP.
Products: Folding boxboard.
Production capacity: 200 000 tonnes/year.
Average no. of employees: 421.

The cover is printed on Iggesund Paperboard's Invercote® Creato 280 gsm. It is matt laminated and partially UV-varnished.

The annual report is produced by Holmen.
Layout: BYN Kommunikationsbyrå AB in cooperation with Holmen.
Graphic production: Gylling Produktion AB.
Photos: Rolf Andersson, Träpriset/Åke E:son Lindman, Skogforsk/Erik Viklund, Ulla-Carin Ekblom and others.
Print: Åtta.45



HOLMEN

Holmen AB (publ) • P.O. Box 5407, SE-114 84 STOCKHOLM, SWEDEN
Tel +46 8 666 21 00 • Fax +46 8 666 21 30 • E-mail info@holmen.com • www.holmen.com • ID No. 556001-3301 • Registered office Stockholm