

A full-page photograph of a worker in a paper mill. The worker, a man with long brown hair, is wearing a black polo shirt with the 'HOLMEN' logo on the sleeve, blue work pants, and large white headphones. He is standing in profile, looking up and touching a massive, vertical roll of paper. The paper has a textured, fibrous appearance. In the background, yellow industrial beams are visible. The overall scene is brightly lit.

**HOLMEN**

# **ANNUAL REPORT** INCLUDING SUSTAINABILITY REPORT 2013







# 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 2013 financial year. **The annual report comprises pages 4–92.** 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 4–57**, and the accompanying financial statements, 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.

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*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.*

# Dear shareholder



Holmen has some tough times behind it. 2013 was the final year in a prolonged phase of major restructuring and heavy investment. This is reflected in this year's results but, as with other export industries, the strong krona has also had a negative impact. Lower selling prices for printing paper are another negative factor that the paper industry has had to live with over the past year. For Holmen's part, production disruptions within Iggesund Paperboard have also impacted on profits.

Against the background of the year's weak results, the Board has resolved to propose a dividend of SEK 9(9) per share.

The market situation for paperboard has remained good over the year. Iggesund Mill operated at a high production level once the disruptions of the spring had been rectified. Commissioning of the new biofuel boiler at the mill in Workington went to plan, with the boiler making a positive contribution to the results despite some production problems towards the end of the year. Both the major investments in Iggesund Paperboard are thus now in place and have started delivering, creating good conditions for further developing the market-leading position that Holmen holds in the premium paperboard segment. Both our mills are highly cost-efficient and, thanks to the new investments, also have a very good eco-profile, with biofuel dominating the energy supply. Through its high specialisation and strong market position, Iggesund Paperboard is well placed to be the paperboard market's most profitable player. In addition to the major investments that have now been completed, we are also reviewing both the organisation and plant efficiency.

Demand for printing paper continued to fall over the year, but the market balance for newsprint still improved due to extensive closures of production capacity. Holmen closed a newsprint machine in Braviken in September, followed by the closure of a further paper machine for SC paper in Hallsta in October. Of our overall production capacity, more than half now comprises speciality paper. The strategy is to offer customers a product that is equivalent to the one they currently use but at a lower cost and with practically the same characteristics. We are striving to offer a range of different products that allow us to adapt to whichever market segment the customer operates in. Over the year, Holmen's



deliveries of the strategic products MF Magazine and book paper have grown by 10 per cent. The aim is to continue growing sales in these areas, which are receiving a great deal of interest from our customers. Profitability in the printing paper sector is unsatisfactory, but one small glimmer of light came in the form of the modest price increases for newsprint that were introduced around the end of the year. The objective behind the increased share of speciality products is to raise the value added and thus increase profitability.

The market for sawn timber improved somewhat over the year, but overall it remained weak. Holmen itself saw a positive trend at both sawmills, which delivered record volumes during the year. Braviken Sawmill, in particular, is expected to significantly increase production, but it is still being held back by the pressure on the raw material supply and high prices. When the construction market in Europe turns around, we have two top performing sawmills ready to deliver to a growing market.

There are those who believe we will see falling demand for raw materials from the forest in the future as the printing paper sector of the forest industry shrinks, but I am not among them. On the contrary, I believe the need for forest fibres is going to increase. Other industry sectors such as sawn timber, pulp for all its different purposes, liner and paperboard have excellent potential to expand as fibre streams are freed up. Several applications are being explored and new products will be brought to market. There are numerous examples of the industry mobilising its resources to develop the products of the future. During the year, Holmen established a new unit called New Business Development, whose task is to develop wood fibre-based business concepts that lie outside our traditional sphere. A number of innovative projects are already under way within the framework of this initiative. I am in no doubt that the forest industry has exciting times ahead of it.

Holmen's forest holdings give the Group a solid foundation, providing a stable return and

good, consistent cash flow. In the final analysis, the value of the forest is determined by the selling price, together with the quality and cost-efficiency of the forestry. The size of Holmen's holdings allows its top quality forestry practices to be kept highly efficient, all the way from seed to harvest-ready wood. In a drive to improve the return on these assets, methods are under continuous development, along with research into the refinement of seed and seedling material. We also take a goal-driven approach to efficiencies in harvesting and transport, something that is vital in preserving the long-term competitiveness and value of the forest.

The vast majority of Holmen's energy production derives from hydro power. During the year, however, the ground was broken at the first of Holmen's own wind farms, in Hallstavik outside Norrtälje. The investment in 17 wind turbines is being made by a company jointly owned by Holmen and the French investment fund Eurofideme 2. Environmental permits have been granted for a further 70 or so turbines on Holmen's land and wind surveys are under way at a number of locations. Turning these into concrete projects requires positive outcomes with good wind conditions and low investments per GWh in annual production. The potential for building wind farms increases the value of Holmen's land through lease income and also provides us with an opportunity to increase electricity production where it is profitable to do so.

The extensive investments made in recent years to improve energy management at the plants have also had a huge impact in terms of the environment and the climate. They have, for example, made a strong contribution towards realising the Group's sustainability targets, with the use of fossil fuels more than halving since 2005.

Holmen is affiliated to the UN's Global Compact and sees it as only natural to support its ten principles. Through this, Holmen takes a clear stance on issues concerning human rights, social and environmental responsibility and the right to form trade unions. This year saw

the Global Compact launch a new global stock index of companies judged to be the best in the world at creating good returns through sustainable business practices. Holmen is one of the 100 companies to make the list, which promotes our work on a broader front and makes Holmen more attractive to customers and investors looking to establish relationships with sustainable companies.

I am also extremely pleased to report that the number of industrial accidents is on a downward trend. Holmen aims to be a zero-accident company, a target that is backed up by strong commitment.

Over the past five years, Holmen has undergone major restructuring. Within the printing paper business, we have closed 5 out of 10 paper machines, cut production capacity by over 30 per cent, more than halved the number of employees and at the same time shifted the product mix towards more speciality products. The many necessary changes have now been implemented and we see no immediate need for major new investments. We have thus created a good platform for developing the company further and we feel well prepared to meet the markets of tomorrow.

Many employees have been heavily involved in the work of getting Holmen to where it is now. This is to some extent a new Holmen, working under new conditions. I have great confidence in this 'reboot', which allows us to realise our vision of further growth.

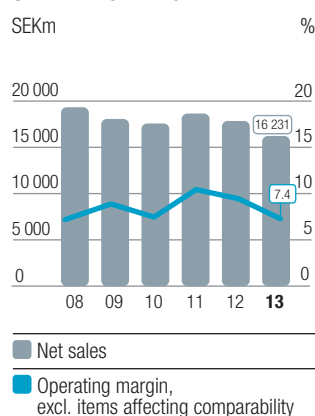
Stockholm, 19 February 2014



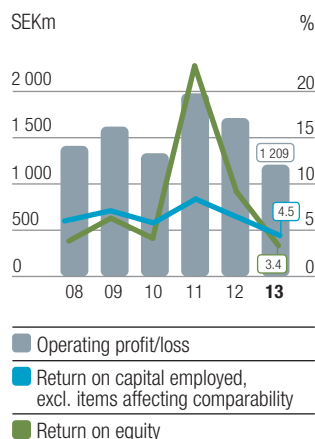
Magnus Hall  
President and CEO

# The year in brief

## NET SALES AND OPERATING MARGIN



## OPERATING PROFIT/LOSS



## FACTS

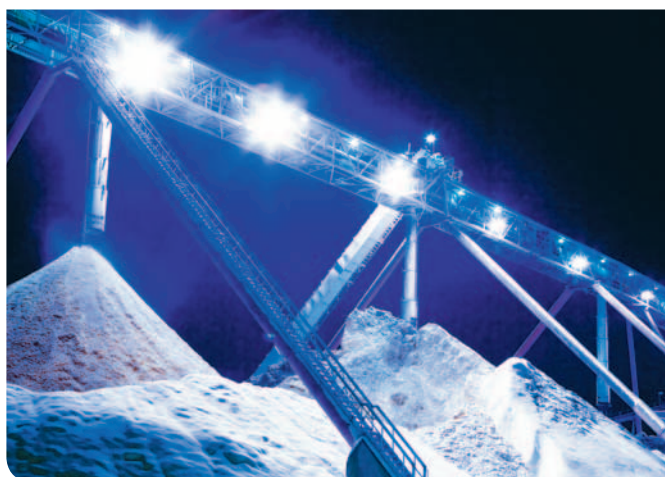
	2013	2012
Net sales, SEKm	16 231	17 852
Operating profit/loss, SEKm	1 069	1 520
Operating profit/loss excl. items affecting comparability, SEKm	1 209	1 713
Profit for the year, SEKm	711	1 853
Earnings per share, SEK	8.5	22.1
Dividend per share, SEK	9*	9
Return on capital employed, %**	4.5	6.5
Return on equity, %	3.4	9.3
Debt/equity ratio, times	0.29	0.32
Investments, SEKm	869	1 920
Average number of employees	3 718	3 945

\* Board proposal. \*\* Excl. items affecting comparability.

**THE GROUP'S OPERATING PROFIT** excluding items affecting comparability was SEK 1 209 million in 2013, corresponding to a return on capital employed of 4.5 per cent. The weaker result was due to a stronger Swedish krona, lower selling prices for printing paper and production disruptions at Iggesund Paperboard. Investments decreased to SEK 869 million, around half of which consisted of payments for a new recovery boiler at Iggesund Mill and a new biofuel boiler in Workington. Cash flow after investments amounted to SEK 1 142 million and the dividend paid was SEK 756 million. Net financial debt decreased by SEK 474 million to SEK 6 116 million, giving a debt/equity ratio of 0.29. The Board proposes a dividend of SEK 9 per share.

**THE MARKET** for printing paper continued to weaken in 2013 and demand in Europe fell by 5 per cent, resulting in lower selling prices. European demand for paperboard rose by 4 per cent, while the market for sawn timber was weak. Demand for pulpwood was normal, whereas demand for timber increased somewhat. Inflow into Holmen's reservoirs was weak during the year and production was 10 per cent lower than normal.

**OUTLOOK.** The market for printing paper is challenging, with structurally declining demand. However, the market balance for newsprint was good at year-end and price increases have been able to be implemented. Holmen Paper is continuing to make the transition towards speciality paper and is also reducing costs. The market situation for paperboard is good. Following fine-tuning of its two major boiler investments, Iggesund Paperboard has achieved a good production and cost level. The market for sawn timber improved somewhat over the year, but overall it remains weak. Holmen Timber continues to increase its rate of production, but is limited by high raw material costs in southern Sweden. Harvesting in the Group's forests is following applicable harvesting plans, but dealing with windthrown forest will lead to a temporary increase in costs. Holmen Energi is being negatively affected by the successive impact of lower market prices.





## Q1

**DECISION IS TAKEN** to invest SEK 200 million in restructuring the energy supply at Hallsta Paper Mill. This is the single largest investment in the mill since construction of the paper machine PM 11 in 2002.

**HOLMEN GATHERS TOGETHER** its business development resources by establishing a new staff unit, Holmen New Business Development. Ola Schultz-Eklund, formerly managing director of the mill in Workington, is appointed to head up the new unit.

**THE BIOFUEL BOILER** in Workington is brought on stream. The new boiler meets the mill's entire energy requirement and makes the mill almost entirely free from fossil fuels.

## Q2

**PRODUCTION PROBLEMS** at Iggesund Mill are successfully resolved during a major maintenance shut-down, after which the pulp mill sets a new production record.

**HOLMEN'S BOARD DECIDES** to build a wind farm on Holmen's land in the Municipality of Norrtälje in a joint venture with investment fund Eurofideme 2. Annual production capacity is estimated at 165 GWh, with start-up scheduled for autumn 2014.

**THE PREMIUM** paperboard Invercote, manufactured at Iggesund Mill, celebrates its 50th anniversary.



## Q3

**AN UPGRADED VERSION** of Incada, the folding boxboard manufactured at the mill in Workington, is launched.

**ANNICA BRESKY BECOMES** the new CEO of Iggesund Paperboard.

**PRODUCTION CEASES** on PM 51 at Braviken Paper Mill. The workforce is reduced by 125 employees and annual newsprint capacity is cut by 200 000 tonnes.

## Q4

**ALL SPECIALITY PAPER** from the mills in Braviken and Hallsta plus the newsprint from the mill in Madrid are awarded the EU Ecolabel.

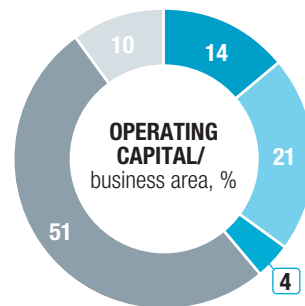
**HOLMEN IS LISTED** by the UN Global Compact as one of the 100 companies around the world judged to be the best at creating good returns through sustainable business practices.

**PM 3 AT HALLSTA PAPER MILL**, the mill's oldest machine, is shut down. This cuts production of SC paper by 140 000 tonnes per year. Coupled with a restructured energy supply, this means a cut in the workforce of 230 employees, which is to be fully implemented by the second quarter of 2014.

**STORMS HILDE AND SVEN** strike at the end of the year. They mainly affect the northern areas of Sweden, bringing down just over 1 million m<sup>3</sup> sub on Holmen's land, which is within the normal harvesting plan.

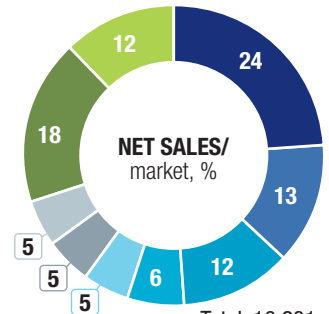
**BOTH IGGESUND AND BRAVIKEN** saw-mills beat their production records. For Iggesund Sawmill this is the third year in a row.

**THE MAGAZINE PAPER** Holmen View has proven a real success in its new and brighter form, and reached the milestone of 100 000 tonnes sold by the end of the year.



Total: 32 772

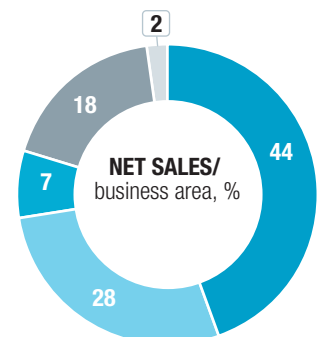
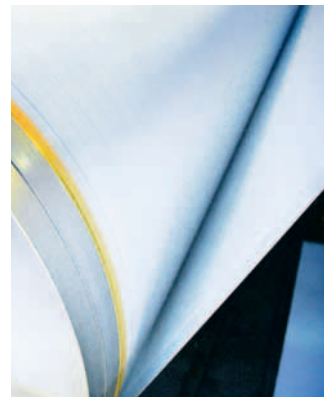
Holmen Paper	4 810 SEKm
Igesund Paperboard	6 863 SEKm
Holmen Timber	1 361 SEKm
Holmen Skog	16 813 SEKm
Holmen Energi	3 357 SEKm



Total: 16 231

Sweden*	24%
Germany	13%
Great Britain	12%
Spain	6%
Italy	5%
The Netherlands	5%
France	5%
Rest of Europe	18%
Rest of the world	12%

\* of which forest and energy 20%.

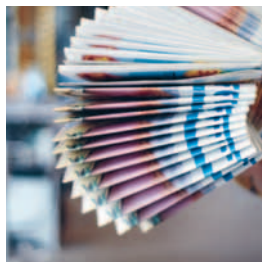


Total: 16 231

Holmen Paper	7 148 SEKm
Igesund Paperboard	4 618 SEKm
Holmen Timber	1 175 SEKm
Holmen Skog	2 901 SEKm
Holmen Energi	382 SEKm

# Holmen in brief

## BUSINESS AREAS: PRODUCTS



### HOLMEN PAPER

**Products:** Printing paper for magazines, product catalogues, direct mail, books and newspapers.

**Customers:** Magazine, book and daily newspaper publishers, retailers, printers and catalogue publishers.

**Main market:** Europe. **Production facilities:** Braviken Paper Mill, Hallsta Paper Mill and Holmen Paper Madrid.

**Brands:** Holmen VIEW, Holmen TRND, Holmen XLNT, Holmen BOOK, Holmen PLUS, Holmen NEWS and Holmen GUIDE.

**Production capacity/year:** 1 480 000 tonnes



### IGGESUND PAPERBOARD

**Products:** Solid bleached board (SBB) and folding box board (FBB) for consumer packaging and graphical printing.

**Customers:** Converters of paperboard for packaging, as well as printers and wholesalers. **Main market:** Europe.

**Production facilities:** Iggesund Mill and Workington Mill. **Brands:** Invercote and Incada.

**Production capacity/year:** 540 000 tonnes



### HOLMEN TIMBER

**Products:** Pine joinery timber and spruce construction timber. **Customers:** Joinery and furniture industry, planing mills, builders' merchants, house construction firms, etc. **Main market:** Europe, North Africa and the Middle East.

**Production facilities:** Braviken Sawmill and Iggesund Sawmill.

**Production capacity/year:** 900 000 cubic metres

## BUSINESS AREAS: RAW MATERIALS



### HOLMEN SKOG

**Products:** Wood and biofuel. **Operations:** Responsible for Holmen's forests and for wood supply to the Group's Swedish units. **Customers:** Pulp and paper industry, sawmills and thermal plants. **Holding:** Total land acreage 1 266 000, of which 1 034 000 hectares of productive forest land with a volume of wood of 120 million m<sup>3</sup> growing stock, solid over bark.

**Annual harvesting:** 3.2 million m<sup>3</sup>sub **Annual growth:** 3.8 million m<sup>3</sup>sub



### HOLMEN ENERGI

**Products:** Hydro power, wind power and peat. **Operations:** Responsible for the Group's hydro and wind power plants, as well as the electricity supply to the Group's Swedish units. **Production facilities (wholly and partly owned):** 21 hydro power stations and 3 wind farms.

**Production capacity/year:** 1 100 GWh from hydro power



# Strategy

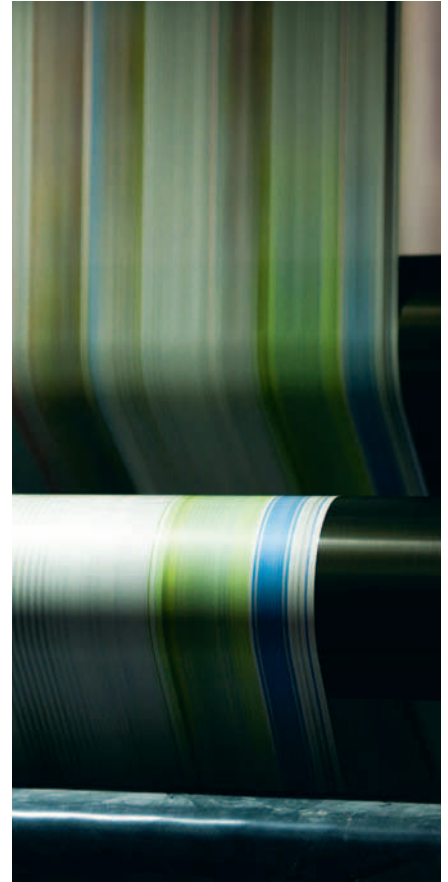
➤ **Holmen shall grow and be the customers' first choice when they need high performance consumer paperboard, innovative printing paper products and high quality base products for building in wood. Production shall be based on wood from sustainably managed forests as an integrated part of Holmen's business, and on a significant proportion of energy from internal renewable sources.**

➤ **The value of Holmen's forest holdings shall increase through measures to promote growth and by using land for wind power-related business opportunities.**

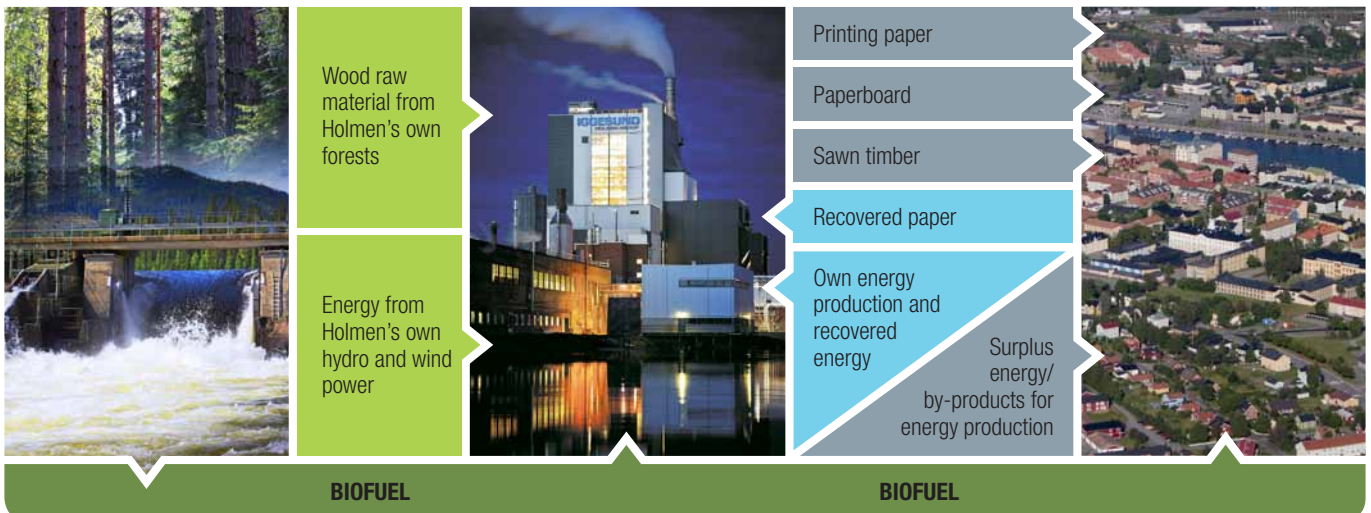
➤ **Holmen shall develop new product areas based on wood fibre.**

Holmen's business model starts from substantial holdings of its own forest and energy assets, which help generate consistently high earnings and constitute key raw material resources for the product-focused business areas. The wood raw material is refined through efficient and large-scale production processes into high quality printing paper, paperboard products and sawn timber that provide considerable customer benefit. The Group's strong financial position and good profitability create value for shareholders and financiers, as well as providing a platform for continued development of the company.

Recent years have been defined by tough restructuring programmes and cutbacks, as well as several major investments for the future. Production has been realigned to meet the demands of a changed market. Over coming years, this partially new Holmen has the potential to grow and the capacity to develop new product areas based on wood fibre. The challenge will be to combine large-scale and cost-effective manufacturing with a focus on several different speciality products. Product development will thus take on greater importance.



## PROFITABILITY FROM NATURAL RAW MATERIALS



STRATEGIC DIRECTION: **PRODUCTS****PRINTING PAPER**

Specialisation with focus on cash flow.

The strategic direction for Holmen Paper is to become a speciality paper producer that exploits the properties of virgin fibre to deliver products focused on areas where the balance between quality and price is particularly important for the customer. At the same time, high quality standard products, wholly or partly based on recovered fibre, will continue to make up a large and important part of its business. The structural downturn in demand for printing paper makes maintaining strong cash flow a continued focus. The restructuring carried out in 2013 provides a sound foundation for the continued development of the speciality paper business.

**PAPERBOARD**

Secure leading brands from cost-effective base.

Iggesund Paperboard is a market leader in the highest quality segments for consumer packaging and advanced graphics printing in Europe. This position is to be secured by constantly improving and developing the products and their availability, to a large extent through customer collaborations. Competitiveness is supported by a cost-effective base, which has been strengthened through recent investments in energy supply.

**SAWN TIMBER**

Large-scale integrated production.

Holmen Timber's production of sawn timber in pine and spruce is based at two large sawmills that are co-located with the Group's paper and paperboard mills. This offers synergies that provide considerable competitive advantages in a highly pressurised sawn timber market. The target is to be Scandinavia's most cost-effective producer of sawn timber.

**FOREST**

Active forest management.

Holmen Skog is responsible for the active and sustainable management of the Group's forest holdings, comprising over a million hectares of land, with the goal of developing them into an even more productive asset with greater biodiversity in the future. The value of the forest will rise through effective and sustainable forestry that promotes growth. In its capacity as a forest owner with large holdings, Holmen has the potential to make efficiencies and run the operation cost-effectively.

**ENERGY**

Develop renewable energy.

Holmen Energi develops and manages the Group's existing hydro and wind power facilities, which currently contribute just over 1 TWh, and is also responsible for implementing investments in profitable renewable energy production on the Group's land. The focus is on developing projects where financial investors are offered shared-ownership solutions for investing in wind power on the Group's land, with Holmen Energi driving the project forward and also taking on responsibility for operation and maintenance.

**SELF-SUFFICIENCY WOOD****SELF-SUFFICIENCY ELECTRICITY**

WHOLLY AND PARTLY OWNED HYDRO AND WIND POWER AND ELECTRICITY PRODUCTION AT THE MILLS



STRATEGIC DIRECTION: **PROCESSES****SUPPLY OF RAW MATERIALS**

High self-sufficiency in wood and electricity.

The main raw material in the processes for producing printing paper, paperboard and sawn timber is 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 just over 40 per cent of the electricity required to meet the Group's needs. Within the Group, there are also wholly and partly owned paper collection companies whose task is to procure recovered paper.

**PRODUCTION PROCESSES**

Large-scale production with strong focus on costs.

Large-scale production facilities with excellent environmental characteristics and skilled employees allow input goods and capital to be used efficiently. As a manufacturer of speciality products, the challenge is to combine increasing sales of many different products with efficient, large-scale production. Cost-efficiency relies on achieving full utilisation of capacity.

**MARKET**

The key market is Europe.

Holmen is active in large, well established markets. Around 85 per cent of the sales of printing paper, paperboard and sawn timber take place in Europe. Through a decentralised sales organisation with separate sales companies, the company is close to its customers geographically. Rapid advances in information technology are having an immense impact on the printing paper business, while globalisation and growth in territories not traditionally in Holmen's sphere offer increasing business opportunities outside the key market of Europe. This creates important new conditions for growth.

**PRODUCT AND BUSINESS DEVELOPMENT**

Create new business opportunities and product areas.

Growth is largely organic as a result of constantly refining and improving existing products. Much of the product development is carried out in the respective business areas, where the greatest competence and experience can be found.

A new Group common unit, New Business Development, was established during the year to combine and strengthen the Group's resources, in order to develop new products and profitable business opportunities based on wood raw material. The vision is to create a new product area.

**SUSTAINABILITY**

Driver of long-term commercial value.

Holmen sees active sustainability work as a key part of its business and as a driver of long-term commercial value. With the aim of minimising resource consumption and generating new income, new business concepts and products based on forest raw material and by-products are being identified and developed. Holmen has set ambitious targets for energy and the climate. The company's own energy supply is constantly growing, with the existing hydro power being supplemented with other sources of renewable energy. The objective of the Group to increase growth in its own forests means that these forests will increasingly capture carbon dioxide in the foreseeable future. Through this Holmen is making 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 and products.

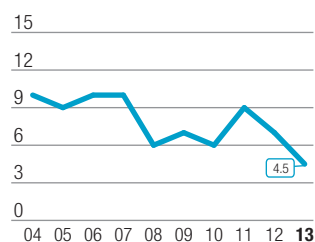
**EMPLOYEES AND ORGANISATION**

Value-based leadership and a committed workforce.

Holmen's personnel policy is aimed at developing employeehip, as well as leadership and organisation. Recruiting, developing and retaining skilled employees is crucial if Holmen is to continue to operate successfully. A comprehensive manager development programme aims to ensure committed and value-based leadership, where managers motivate their employees by showing courage, creating commitment and delegating responsibility. Such an approach leads to greater participation and dynamism, resulting in a more change-oriented organisation. Holmen works to establish 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 on a day-to-day basis and during processes of restructuring and change. Ultimately, the core values are there to help improve competitiveness, which is supported by value-based leadership and employeehip.

**PROFITABILITY**

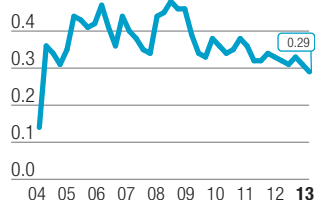
return on capital employed, %



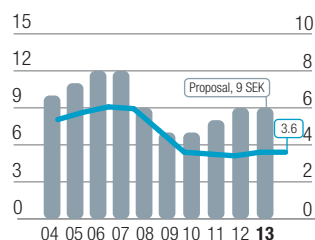
Excl. items affecting comparability

**CAPITAL STRUCTURE**

debt/equity ratio, times

**DIVIDEND PER SHARE**

SEK %



■ Dividend

■ Dividend as per cent of equity

**FINANCIAL TARGETS**

	OUTCOME 2013	COMMENT
<b>Profitability</b> 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.	The return on capital employed was 4.5 per cent.	The return from forest and energy was good, while the industrial operations did not reach the set targets. Printing paper and sawn timber, which account for 20 per cent of the Group's capital, had negative results.
<b>Capital structure</b> 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 target for debt/equity ratio has been adjusted to a maximum of 0.5. The target was previously for a debt/equity ratio of between 0.3 and 0.8.	Debt/equity ratio was 0.29.	The debt/equity ratio has remained at around 0.3 in recent years.
<b>Dividend</b> Decisions on dividends are based on a total appraisal of the Group's profitability, future investment plans and financial position.	The Board has proposed that the 2014 Annual General Meeting (AGM) resolves in favour of a dividend of SEK 9 per share.	The proposed dividend corresponds to 3.6 per cent of equity. Over the past 10 years the dividend has averaged 5 per cent of equity. This means that 70 per cent of earnings per share have been paid out each year.

**SUSTAINABILITY TARGETS**

	OUTCOME 2013	COMMENT
<b>Growth in Holmen's forests</b> There is a keen focus on increasing the production and use of products manufactured from renewable raw materials sourced from company forests. From a production and climate perspective, the target of 25 per cent growth in Holmen's forests by 2050 is therefore exceedingly important.	Measures to provide increased growth have been identified and set in motion. An assessment will be made as part of the next harvesting review in 2021.	Base year 2007: 4.4 million m <sup>3</sup> growing stock, solid over bark, which corresponds to 3.6 million m <sup>3</sup> sub.
<b>Use of fossil fuels</b> The Group is working towards a goal of reducing use of fossil fuels at the mills. The target for 2020 is a cut of 75 per cent compared with 2005.	52 per cent.	Base year 2005.
<b>Production of renewable electricity</b> The proportion of company-generated renewable electrical energy shall 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.	36 per cent.	Base year 2005: 31 per cent.







# Printing paper



### YOUR TASK IS TO ACHIEVE PROFITABILITY IN A DECLINING MARKET. WHAT IS YOUR STRATEGY?

We are improving efficiency while at the same time migrating to speciality products based on virgin fibre that make our customers' production more cost-effective. In Spain, we are making newsprint at a lower cost than our competitors.

### WHAT COMPETITIVE ADVANTAGES DOES VIRGIN FIBRE BRING?

It gives customers a 'clean' sheet of paper with high brightness and, above all, the option of choosing a lower grammage and by doing so lowering their costs.

### IS IT NOT MORE BENEFICIAL, FOR EXAMPLE IN ENVIRONMENTAL TERMS, TO USE RECOVERED FIBRE?

Of course the fibre should be reused, but the system has to be topped up with virgin fibre to keep it running. We source the fibre from responsibly managed forests, where growth exceeds the level of harvesting. The virgin fibre also brings properties to the paper that are not obtainable from recovered fibre.

### HOW WOULD YOU SUM UP YOUR WAY OF TACKLING THE DOWNTURN IN THE INDUSTRY?

We have dared to be proactive and take painful, but necessary, decisions. Alongside this, we have managed to develop and continue to develop a unique product portfolio that challenges the traditional standard products of our competitors. Because of this, we are confident about the future.

### 'PEOPLE COMMITTED TO PAPER' IS YOUR BRAND PROMISE. WHAT DO YOU MEAN BY THAT?

We are in no doubt that paper will maintain an important and natural place in the media mix of the future, and we share this conviction with our customers. Together, we are 'People committed to paper'.



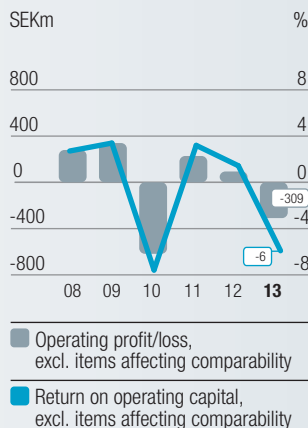
**Henrik Sjölund,**  
CEO Holmen Paper

#### FACTS

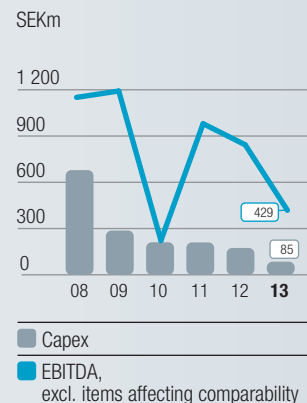
	2013	2012
Net sales, SEKm	7 148	8 144
EBITDA, SEKm	429	862
Operating profit/loss excl. items affecting comparability*, SEKm	-309	94
Operating profit/loss, SEKm	-449	-99
Investments, SEKm	85	174
Operating capital, SEKm	4 810	5 608
Average number of employees	1 501	1 647
Share of sales in Europe, %	89	88
Deliveries, '000 tonnes	1 574	1 651

\* Impairment loss and restructuring costs SEK -140 (-193) million.

#### OPERATING PROFIT/LOSS



#### CAPEX AND EBITDA



## OPERATIONS IN 2013

Deliveries from Holmen Paper for 2013 decreased by 5 per cent to 1 574 000 tonnes as a result of production curtailments and shut-down of capacity in the autumn. Deliveries of the strategic products MF Magazine and book paper, which now account for half of the sales, increased by 10 per cent.

Holmen Paper's operating loss for 2013 was SEK -309 million (94), excluding items affecting comparability. The fall in profit was due to lower selling prices, a stronger Swedish krona and lower volumes as a result of production curtailments. Costs decreased during the year as a result of rationalisations and lower wood prices.

## Market

The European market for wood-containing printing paper amounted to 19.0 (19.9) million tonnes in 2013, which is down around 5 per cent on the previous year. Overall, since 2007 demand has fallen by just over 25 per cent. Profitability remains under considerable pressure across the industry.

**MAGAZINE PAPER.** Demand for magazine paper fell during the year by 4 per cent to 10.6 (11.0) million tonnes in a market characterised by overcapacity. The MF Magazine segment, however, continued to buck the trend, with deliveries in Europe increasing to 1.5 (1.4) million tonnes.

**BOOK PAPER.** The market grew somewhat over the year, with demand for wood-containing book paper amounting to around 0.5 (0.4) million tonnes. This increase is due to the fact that hardback books are increasingly being printed on wood-containing book paper.

**NEWSPRINT.** The decline in demand continued through the year, although at a slightly lower pace. In total, demand dropped by 6 per cent to 7.8 (8.3) million tonnes. As a consequence of closures across the industry, the market balance was good and capacity utilisation was high by the end of the year. Recovered paper prices stabilised and remained at a steady level throughout the year.

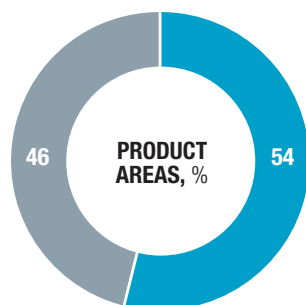
**MARKET ACTIVITIES.** Holmen Paper conducted an extensive market survey during the year. The results show that choice of paper is becoming increasingly important to customers and that direct mail on paper continues to be the most successful advertising channel for getting people into stores. The survey was presented in the autumn in a live online broadcast and will form the basis for continued product development.

## Products

Holmen Paper develops and sells virgin fibre-based speciality paper that provides retailers, printing firms and publishers around the world with cost-effective alternatives to traditional paper choices. Alongside speciality paper, newsprint remains a significant part of the product mix.

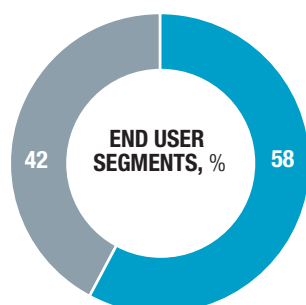
**PRODUCTION** is based at two paper mills in Sweden and one in Spain. The Spanish mill almost exclusively manufactures newsprint, with production based entirely on recovered paper. In Sweden, virgin fibre is used to manufacture various speciality papers, while newsprint production is based on a mix of virgin fibre and recovered fibre.

**REPOSITIONING.** With the customers of today and tomorrow looking to make cost savings, the trend is towards lower grammages and competitive grades. Holmen Paper's strategic transition to the production of speciality paper is thus perfectly in tune with the times. During 2013, the proportion of MF Magazine and book paper rose, such that they now account for just over half of Holmen Paper's estimated deliveries of printing paper. The main customer base for these products lies with magazine and book



MF Magazine/Book	54%
Newsprint	46%

Excl. deliveries of SC paper.  
Production ceased in 2013.



Magazines, catalogues, direct mail and books	58%
Daily press	42%



publishers, retailers and printing firms. In order to boost competitiveness and speed up the transition towards the priority product areas, 2013 saw the closure of two machines in Sweden used for SC paper and newsprint, and at the same time significant efficiency measures were introduced.

**MAGAZINE PAPER.** Over the year, Holmen Paper has consolidated its position in the magazine paper market with a rise in deliveries of 7 per cent. The product brands Holmen VIEW, Holmen XLNT and 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. Innovative product development coupled with the properties of virgin fibre has created papers that combine high volume and an excellent feel, which allows customers to choose lower grammages that cut their production and distribution costs. The main applications are magazines, product catalogues, supplements and direct mail.

**BOOK PAPER.** Holmen BOOK has made Holmen Paper a market leader in Europe for paperbacks and simple hardback books, with a market share of around 35 per cent. The bright, even surface and high stability provide an excellent reading experience. Production efficiency is high and over the year capacity was further enhanced when Braviken Paper Mill began production of book paper. The increased brightness also allows Holmen Paper to challenge traditional paper choices for hardback books in general.

**NEWSPRINT.** In the domestic markets of Scandinavia and the Iberian peninsula, Holmen paper is a significant supplier of newsprint for the daily press. Holmen NEWS meets high standards of quality, production economy and print results. The paper is manufactured in several shades and is also used for supplements and direct mail.

## Development

**INNOVATIVE PRODUCTS.** Switching to a higher proportion of speciality paper at the Swedish mills has proven a successful strategy. The speciality products have adopted new positions in the market and Holmen Paper continues to move forward in developing innovative printing paper products for applications where the balance between quality and price is particularly important. An additional benefit of this repositioning is that it also reduces exposure to the fluctuations in the recovered paper market. The sales processes have also been overhauled in a move to support the new paper grades, and part of the strategy is to now increase sales of speciality papers beyond Europe.

**PRODUCT DEVELOPMENT.** Over the year Holmen Paper's central Paper Product Development unit has focused its attention on product and process development with a relatively short time horizon, in order to further expand the product portfolio for the future.

**RESTRUCTURING.** 2013 saw the closure of two paper machines at the Swedish mills. Annual capacity was



thus permanently reduced by 140 000 tonnes of SC paper and 200 000 tonnes of newsprint. In total at both mills, 350 people were cut from the workforce. In conjunction with the closure, energy efficiency investments were made at Hallsta Paper Mill, allowing the ageing solid fuel boilers to be phased out.

Following the restructuring, the Swedish units have the capacity to produce 1 150 000 tonnes of printing paper, with speciality paper accounting for around 75 per cent of that figure. Speciality paper products are based on virgin fibre, while recovered paper continues to play an important role in the production of newsprint.

At the paper mill in Madrid just over 300 000 tonnes of newsprint are produced, based on recovered paper and recovered water.

As a result of the changes, Holmen Paper now has a workforce of just over 1 100 employees, excluding personnel in the recovered paper business.

**EFFICIENCY.** Holmen Paper continuously implements initiatives focused on energy efficiency, boosting productivity and increasing capacity utilisation. The factory in Madrid is one of the world's most efficient paper mills, as well as leading the world among comparable mills when it comes to efficient use of water. Work is continuing in Madrid to make further efficiencies and to secure recovered paper streams through the wholly owned company Carpa.

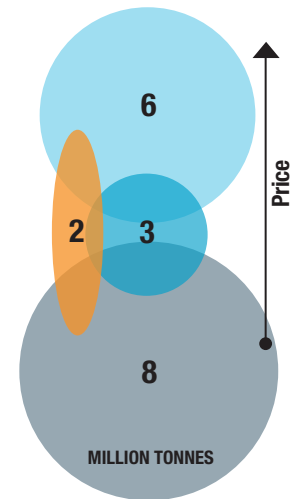
**ECOCYCLE.** Holmen Paper's speciality products are based on spruce virgin fibre sourced from sustain-

ably managed forests in Sweden. The unique properties of this raw material enable Holmen Paper to develop papers with high bulk and stiffness, which enables customers to choose lower and more cost-effective grammages. The manufacture of speciality products also constantly reintroduces virgin fibre into the recovered paper cycle in Europe, which is essential for the survival of the system.

Paper production at the mills is based around employing every part of the wood raw material, either in the manufacture of pulp or as a biofuel. At Braviken Paper Mill, energy and heat production is coordinated with Braviken Sawmill in an energy-efficient bio co-location. The sawmill's wood chips, a by-product, are also a key raw material for the paper mill. At Hallsta the investment in energy efficiencies, chiefly through increased heat recovery, means that the bark previously used as a fuel at the mill has now become a source of revenue that can be sold to external energy producers. Overall, the measures at Hallsta and Braviken are reducing the need for fossil fuel at the mills, while also enabling Holmen Paper to support bio-based heat generation by external energy producers.

Over the year, the paper mill in Madrid has succeeded in converting its production to 100 per cent recovered water. This is the culmination of focused work over many years to achieve a water supply that is sustainable in the long term.

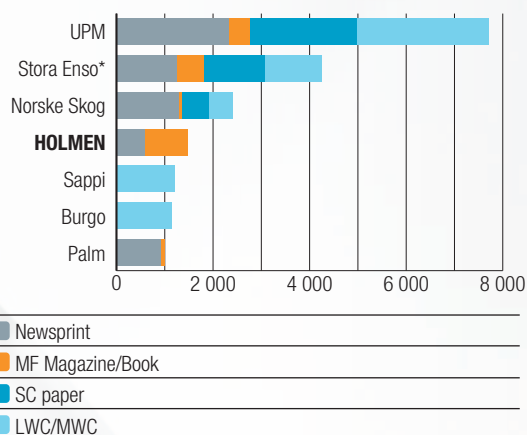
## EUROPEAN PRINTING PAPER MARKET 2013



<b>LWC/MWC</b> Magazines, product catalogues and direct mail.	<b>6</b>
<b>SC paper</b> Magazines, product catalogues and direct mail.	<b>3</b>
<b>MF Magazine/Book</b> Magazines, supplements, catalogues, direct mail and books.	<b>2</b>
<b>Newsprint</b> Newspapers and direct mail.	<b>8</b>

## LEADING PRODUCERS 2013

Printing paper, capacity in Europe, '000 tonnes



\* Considering the announced closure as per January 24, 2014.





**WHAT ARE YOUR COMPETITIVE ADVANTAGES?**

We have two of the market's strongest product brands, an organisation with a clear focus on quality and service, and cost-effective, technologically advanced production facilities. We offer renewable paperboard products based on raw materials from sustainably managed forests.

**HOW CAN YOU FURTHER STRENGTHEN YOUR POSITION?**

Invercote and Incada are high-performing paperboard products that facilitate creative, attractive and appealing packaging solutions. We create value for our customers through continued product development and new service concepts.

**WHAT TRENDS ARE YOU SEEING IN THE MARKET?**

The market for packaging is growing globally as economies grow and consumption patterns change. The consolidation of brand owners is making competition tougher and customers are becoming increasingly demanding.

**WHAT IMPACT ARE THE ENERGY INVESTMENTS MAKING?**

These investments have helped establish an excellent production economy and significant environmental benefits. As customers live up to their pledges on sustainable development, our relative competitiveness is growing.

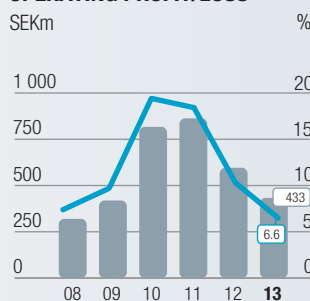
**WHAT IS THE STRATEGY FOR THE FUTURE?**

Iggesund Paperboard has highly committed employees and products with a strong market position. We will be accelerating our work to ensure improved competitiveness and organisational efficiency, as well as growing organically in priority product segments.

*Annica Bresky,  
CEO Iggesund Paperboard*

**FACTS**

	2013	2012
Net sales, SEKm	4 618	4 967
Operating profit/loss, SEKm	433	596
Investments, SEKm	660	1 523
Operating capital, SEKm	6 863	6 177
Average number of employees	1 473	1 541
Share of sales in Europe, %	79	79
Deliveries, '000 tonnes	469	485

**OPERATING PROFIT/LOSS**

■ Operating profit/loss  
■ Return on operating capital

**NET SALES AND OPERATING MARGIN**

■ Net sales  
■ Operation margin

**OPERATIONS IN 2013**

Iggesund Paperboard's deliveries amounted to 469 000 tonnes for the year, 16 000 tonnes lower than in 2012. The decrease was primarily due to production losses from maintenance shutdowns.

Iggesund Paperboard's operating profit for 2013 was SEK 433 million (596). The decline was due to a stronger Swedish krona, a major maintenance shutdown and production disruptions. Start-up of the biofuel boiler in Workington at the end of the first quarter has made a positive contribution to earnings.

## Market

Over time, rising prosperity levels in Asia have combined with urbanisation to create an ever increasing demand for packaging solutions. Asia is the biggest global market for paperboard, followed by North America.

In Europe, the paperboard market for consumer packaging grew by around 5 per cent during the year to 8.6 million tonnes. For the products that Iggesund Paperboard manufactures, solid bleached board (SBB) and folding box board (FBB), the market rose by 4 per cent to 2.7 million tonnes. The largest markets in Europe were Germany at 23 per cent and the UK at 11 per cent of consumption. October saw price increases announced in both SBB and FBB.

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.

## Products

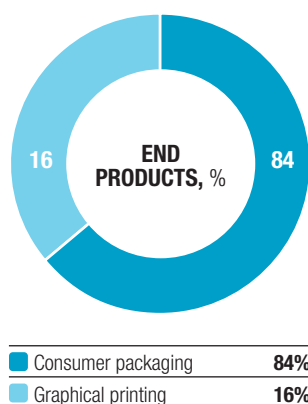
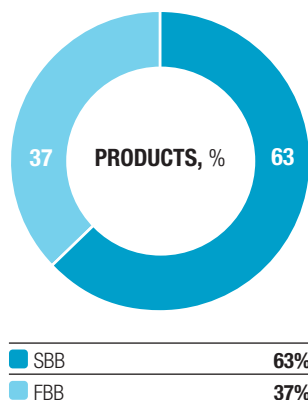
**MARKET POSITION.** Iggesund Paperboard is one of the world's market leaders when it comes to high-performance paperboard for consumer packaging and graphic production. In Europe, Iggesund Paperboard's total market share for SBB and FBB is 15 per cent. The main customer categories are converters, who 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.

2013 saw Invercote placed in the spotlight in various ways as it celebrated its 50th anniversary, while The Black Box Project was awarded gold in the prestigious Best of Business-to-Business Communication Award. The Black Box Project, which challenges designers and creators to make something interesting out of Invercote, has attracted a great deal of attention in the design world. Since its inception in 2011, the project has helped strengthen the Invercote brand internationally via events conducted in seven cities in Europe and the US.

**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 very highest of standards – all the way from the customer's industrial processes to the final consumer experience and recycling.

**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, helps to maintain their high status among both designers and producers in the graphics industry. The 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.

## Development

**FUTURE PACKAGING.** Iggesund Paperboard is one of Europe's leading manufacturers of virgin fibre-based paperboard, in a market that the company has noticed is becoming increasingly driven by sustainability. All the raw material purchased for Iggesund Paperboard's mills comes from sustainably managed forests, resulting in high-performance, renewable consumer paperboard. As well as bringing unique properties to the products, virgin fibre is also a necessary addition to the recovered fibre cycle in society. At the end of its useful life, when the fibre is no longer reusable in paperboard production, it becomes a biofuel for the generation of energy.

**PRODUCT DEVELOPMENT.** In the autumn, Iggesund Paperboard announced an extensive upgrade of its Incada folding box board. The development initiative – the largest since Incada was launched in 2001 – manifests itself in a new generation of whiter, brighter and stiffer paperboard. This additional stiffness allows customers to choose lower grammages while still retaining all the desired protective properties. The already good capacity to handle smell and taste has been further refined, as has runnability in the customers' processes. The upgrade of Incada will secure and strengthen the brand's position in the market.

**ENERGY SUPPLY.** The new biofuel boiler at the mill in Workington was commissioned on 28 May. Worth SEK 1.1 million, this investment makes the mill almost entirely free from fossil fuels, setting the standard for the industry. The move has attracted a great deal of positive attention, culminating in November when Iggesund Paperboard won the title 'Investment Project of the Year' at the UK Packaging Awards 2013.

The plant is estimated to produce 325 GWh of electrical energy and 420 GWh of thermal energy per year, which comfortably meets the mill's entire energy requirement. The surplus electricity produced in-house, around 30 per cent, is then sold to the national grid.

The biofuel boiler is fired primarily with wood chips and roundwood, but also with bark. In parallel with construction of the biofuel boiler, the mill has initiated the 'Grow your income' concept, which aims to stimulate local farmers to grow energy crops that in the long term could form a supplementary fuel source.

The investment in energy measures at Iggesund Mill in Sweden has also yielded tangible results. The new recovery boiler and turbine that entered service in 2012 have almost entirely replaced the need to purchase electricity from external sources. Compared with the previous boiler, emissions of sulphur and particulates have more or less halved and the high steam pressure has increased overall energy efficiency at the mill.

The new recovery boiler has driven production capacity for fully bleached sulphate pulp up to 370 000 tonnes per year, with the potential to upgrade to 420 000 tonnes in the future.

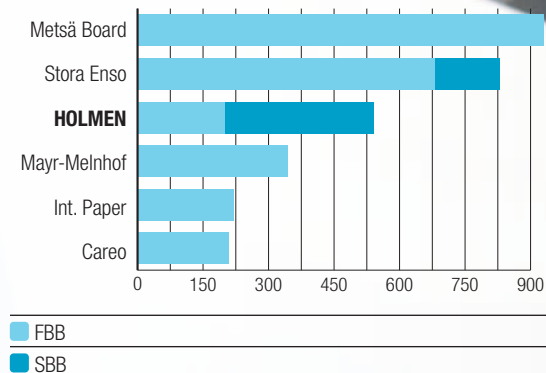
**AQUATIC ENVIRONMENT.** Iggesund Mill has taken several steps to reduce its emissions. The third major step, chemical treatment of wastewater, was brought on stream in 2009 and the positive effects are clear for all to see – the mill's production and emissions are cleaner than ever. Chemical oxygen

demand is down sharply, and the level of nutrient salts such as phosphorus and nitrogen has been almost halved. There is now no demonstrable difference between fish caught near the mill and fish from unaffected reference areas.

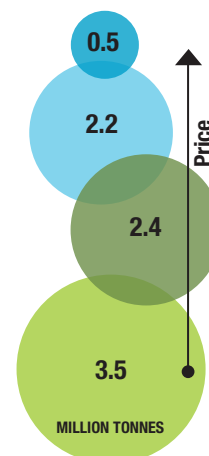
**EFFICIENCIES.** Work continued on improving the efficiency of the organisation during 2013. One effect of this work was to reduce the workforce at both mills.

### LEADING PRODUCERS 2013

FBB and SBB, capacity in Europe, '000 tonnes

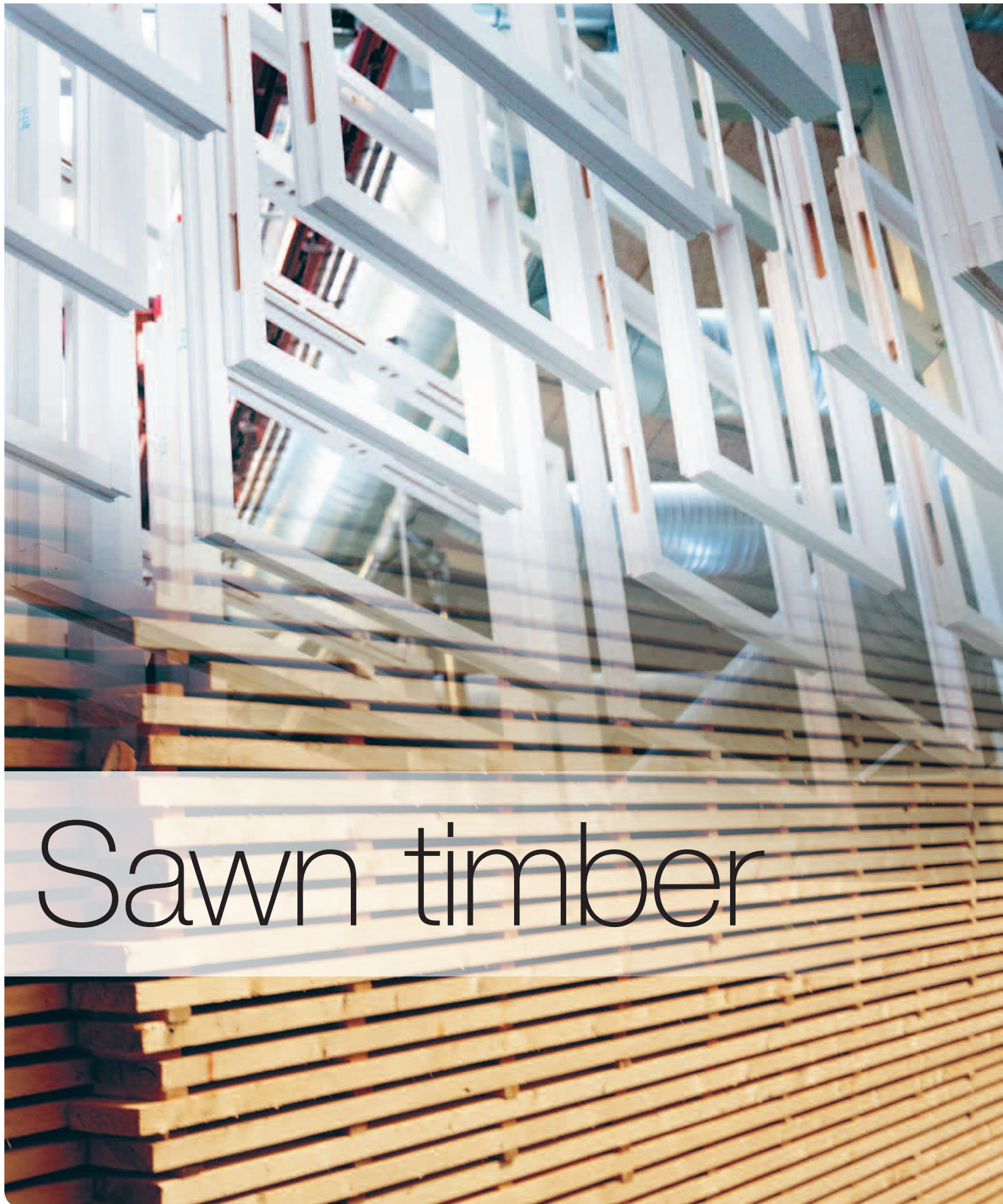


### EUROPEAN PAPERBOARD MARKET 2013



- SBB** Premium products, graphical products, perfume, confectionary and cigarettes. **0.5**
- FBB** Confectionary, pharmaceuticals, cigarettes, frozen goods skin care and hygiene articles. **2.2**
- SUB/LPB (solid unbleached board and liquid packaging board)** Beverages, daily products and dry goods. **2.4**
- WLC (white lined chipboard)** Dry goods and household products. **3.5**





**WHAT IS THE STRATEGY GOING FORWARD?**

We are confident in our strategy of delivering high quality base products for joinery and construction, produced at two large-scale sawmills integrated with a paper mill and a paperboard mill respectively. This makes us well prepared for an upturn in the market.

**WHAT ARE THE BIGGEST CHALLENGES?**

The challenge is to improve profitability while remaining in an expansion phase following the investment in Braviken Sawmill.

**WHAT IS YOUR ASSESSMENT OF TIMBER-FRAME CONSTRUCTION GLOBALLY?**

More and more homes are being constructed in wood across Europe. In the US, which builds the most timber-framed houses in the world, the market is recovering from previously low levels. Japan has also enjoyed a strong 2013. At the moment, China uses Nordic sawn timber chiefly in furniture and joinery, but the potential is enormous. Exports from Sweden are growing rapidly, but from a low base.

**HOW IS THE INVESTMENT IN BRAVIKEN SAWMILL HELPING?**

The investment has broadened our product portfolio and enabled us to capture market share in what is a new segment for us, spruce construction timber. This has been made possible due to the new sawmill's capacity to produce high quality base products that are perfectly prepared for the next processing stage.

**HOW ARE ALL THE ADVANTAGES OF WOOD BEING PROMOTED TO THE WORLD?**

The industry organisation Swedish Wood conducts marketing work in Sweden and in all the major markets of Europe. Work has also intensified in Asia to improve the prospects for Swedish sawn timber in joinery and construction.



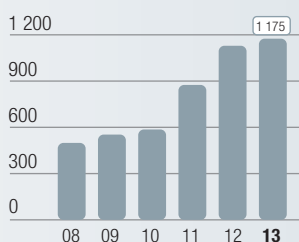
*Johan Padel,  
CEO Holmen Timber*

**FACTS**

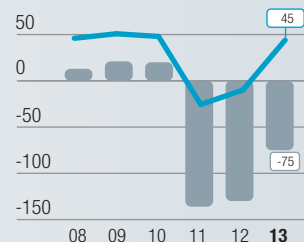
	2013	2012
Net sales, SEKm	1 175	1 129
EBITDA, SEKm	45	-10
Operating profit/loss, SEKm	-75	-130
Investments, SEKm	21	9
Operating capital, SEKm	1 361	1 416
Average number of employees	203	207
Share of sales in Europe, %	79	74
Deliveries, '000 m <sup>3</sup>	686	660

**NET SALES**

SEKm

**OPERATING PROFIT/LOSS**

SEKm



■ Operating profit/loss, excl. items affecting comparability  
■ EBITDA

**OPERATIONS IN 2013**

Holmen Timber delivered 686 000 cubic metres during the year, which was 4 per cent higher than in 2012. Holmen Timber's operating loss in 2013 was SEK -75 million (-130). Production increased and raw material costs fell, which together with slightly higher selling prices improved the result, while the stronger Swedish krona had a negative effect.



## Market

**EUROPE** continued to battle with a weak construction market in 2013. The main country bucking the trend was Germany, but the UK also showed a surprising acceleration in housebuilding over the year. In Scandinavia and the rest of Europe, however, activity remained weak, with a slight rise after the summer. Overall, demand in Europe remained at around the same level as in the previous year, at 80 million cubic metres.

Raw material prices remained at a historically high level, which put pressure on profitability.

**NORTH AFRICA AND THE MIDDLE EAST** showed lower demand in 2013 than in the previous year, with Swedish exports dropping 15 per cent to around 2.5 million cubic metres. The market was affected by the political situation in the region. The pace of construction has slowed in the Middle East, and not as many projects are now being started. This downturn is, however, seen as a temporary dip. The demographics, low average age and a growing economy, are likely to drive up demand in the longer term.

North Africa and the Middle East accounted for a quarter of Swedish sawn timber exports in 2013. The products from Sweden comprise pine joinery timber for doors, windows, furniture and so on.

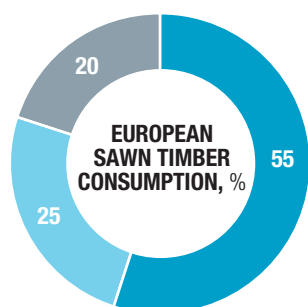
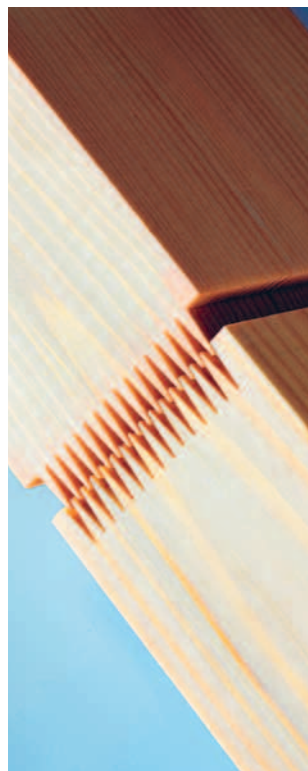
**THE US** market remained on an upward trajectory in 2013. Production of both residential and commercial properties rose, albeit from a low base. The price situation in the US market raises the prospect of increased exports from Europe, particularly of spruce construction timber.

**ASIA.** Japan has a tradition of timber-frame construction and has long been a key importer of sawn timber for housebuilding. However, the great potential lies in China, where demand is rising. Here, the market is dominated by timber for furniture and joinery. Russia and Canada lead the sawn timber exports to China, accounting for around 80 per cent, but exports from Europe and Scandinavia are expected to grow.

## Products

**MARKET POSITION.** During the economic downturn, Holmen Timber has positioned itself strongly for an upturn. The commissioning of Braviken Sawmill in 2011 allowed Holmen to capture market share in a brand new product area – spruce construction timber. Holmen Timber is thus able to provide a good range of the high quality base products that the construction, joinery and packaging industries demand. With its two modern facilities, Holmen Timber has a production capacity that currently stands at 900 000 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 existing markets are Scandinavia, the UK, Germany, France and the Netherlands.



Construction timber	55%
Joinery timber	25%
Packaging timber	20%



**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

**HOLMEN TIMBER** aims to be Scandinavia's most cost-effective producer of base products in sawn timber, with a focus on quality and customer satisfaction. The investment in modern and efficient sawmills with a secure wood supply and high productivity allows for large-scale and cost-effective production. Flexibility and high technical standards in the processes deliver high quality products with the right properties for industrial finishing. Holmen Timber's approach of maintaining close contact with customers and sustainable production in every detail lays the foundation for long-term and profitable customer relations.

**PRODUCT DEVELOPMENT** focuses primarily on optimising the product portfolio in terms of lengths, dimensions and quality. The drive is to meet demanding customer requirements while at the same time developing production efficiency, minimising wastage and maximising the yield from each log. Balancing the different needs requires rational production and stock management as well as precise planning of loading and logistics.

**BRAVIKEN SAWMILL** is one of the largest and most modern sawmills in Scandinavia, designed for efficient and large-scale manufacturing of spruce construction timber. The raw material is sourced from forest companies and private forest owners in the vicinity and then processed into high quality products on the rational production line. Brought on stream in early 2011, the sawmill is the most productive in Scandinavia, with a capacity of 550 000 cubic metres.

**IGGESUND SAWMILL** manufactures pine joinery timber that is 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. Extensive investments in technology in recent years have contributed to high productivity, minimal waste and products that are better adapted to the next processing stage. Here, centre-free products are cut directly on the saw line without the subsequent splitting stage. This brings major drying benefits and contributes to the sawmill's high productivity. Annual production capacity amounts to 350 000 cubic metres.

**ENERGY EFFICIENCY.** The whole of the tree is put to use in Holmen's Iggesund and Braviken bio-co-locations. Chips from the sawmill production line act as a raw material for pulp production at the paper and paperboard mills. By-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.

### Wood building the future

**SUSTAINABLE.** There are numerous reasons why the forest and its products have a key role to play in achieving construction that is sustainable in the long term. First and foremost, wood products are renewable and part of the planet's natural ecocycle. Secondly, wood is beneficial to the climate in that it captures and stores carbon dioxide. Thirdly, manufacturing wood products requires relatively little energy, and in addition the by-products can be used as biofuel. Fourthly, the forest is a renewable resource when managed from a long-term perspective. Eco-

labelled timber certified by FSC® and PEFC is already an established standard in several European markets, and demand is also growing in other parts of the world.

**EFFICIENT.** Modern timber-frame construction offers opportunities to build more quickly and more efficiently than when using traditional methods and materials. The path from decision to building work is shorter, as is the time until completion. Complex structural elements can be prefabricated before being delivered to the construction site ready for assembly. The controlled and protected production process creates the best possible conditions for high and consistent quality.









### WHAT IS YOUR STRATEGY?

To promote growth in the forest and thus increase its value through effective and sustainable forestry. Our size makes it possible to drive this work forward in a cost-effective manner.

### HOW CAN GROWTH BE PROMOTED IN THE FOREST?

Good management increases growth. The key point is to establish good quality regeneration. All the links in the chain are important, including cleaning and thinning, and to further encourage growth suitable stands can be fertilised. It is also crucial to protect the forest from pine weevils, moose and so on that inhibit growth.

### WHAT EXTERNAL FACTORS MOST AFFECT YOU?

Alongside market factors, we are affected by national and international political reviews and decisions, such as the All Party Committee on Environmental Objectives' examination of sustainable land use. We maintain ongoing dialogues with a range of stakeholders, not least the reindeer husbandry community and people interested in nature and outdoor pursuits.

### HOW DO YOU SEE FUTURE DEMAND FOR WOOD DEVELOPING?

Forest raw materials offer substantial climate and environmental benefits. A rising population brings greater demand for renewable resources. The demand for timber is going to remain strong. Although a great deal of paper is recycled, there is still a constant need for levels of virgin fibre to be topped up.

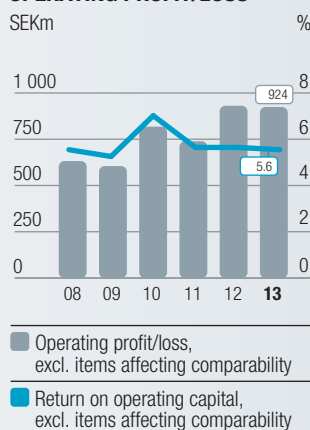
### HOW WILL YOU ACHIEVE YOUR OBJECTIVE OF INCREASING PRODUCTIVITY?

In part through continuous development of methods, techniques and skills, not least via a long-term focus on research. For instance, Holmen is working with the Forestry Research Institute of Sweden (Skogforsk) to support innovators in converting forest technology ideas into finished prototypes.

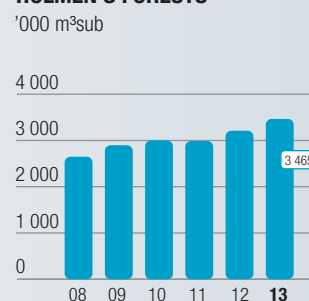
### FACTS

	2013	2012
Earnings from operations, SEKm	660	581
Operating profit/loss incl. change in value of forests, SEKm	924	931
Investments, SEKm	54	169
Operating capital, SEKm	16 813	16 663
Average number of employees	422	440
Harvesting in own forests, '000 m <sup>3</sup> sub	3 465	3 211
Productive forest land, '000 hectares	1 034	1 033
Volume of wood, million m <sup>3</sup> growing stock, solid over bark	120	119

### OPERATING PROFIT/LOSS



### HARVESTING IN HOLMEN'S FORESTS



## OPERATIONS IN 2013

Holmen Skog's earnings from operations for 2013 were SEK 660 million (581). Harvesting was high and costs fell, which was partly offset by selling prices being 6 per cent lower on average. Operating profit, which includes a change in value of SEK 264 million, totalled SEK 924 million (931). The change in value was just under SEK 100 million lower than in 2012 as a result of a higher volume of harvesting.

Holmen Skog acquired a total of 11.3 (11.4) million m<sup>3</sup>sub of wood of which 5.9 (6.1) million m<sup>3</sup>sub was sold to external customers. 3.5 (3.2) million m<sup>3</sup>sub of wood was harvested from its own forests, including 0.1 (0.1) million m<sup>3</sup>sub of forest fuel. Holmen's Swedish production units consumed a net of 5.0 (4.9) million m<sup>3</sup>sub of wood.

During the fourth quarter approximately 1 million m<sup>3</sup>sub of wood fell on Holmen's land as a result of storms. The volume is within the normal harvesting plan, but will result in increased costs in dealing with this wood.



*Sören Petersson,  
CEO Holmen Skog*



## Market

**THE VOLUME OF WOOD** in Swedish forests has increased by around 80 per cent since the 1920s. The country has 28 million hectares of forest land, with a total volume of wood in the region of 3 100 million m<sup>3</sup> growing stock, solid over bark. Just under 70 million m<sup>3</sup>sub is harvested each year, which accounts for around 70 per cent of the annual growth. Pulpwood and saw timber each account for 45 per cent of the harvest. The remaining 10 per cent is firewood for energy production. Sweden's forest industry consumes around 80 million m<sup>3</sup>sub of wood per year. Around 8 million m<sup>3</sup>sub is imported, primarily from the Baltic States. The pulp and paper industry accounts for almost 60 per cent of consumption and around 40 per cent goes to the sawmill industry.

**MARKET DEVELOPMENTS.** Pulpwood supply and demand remained at normal levels in 2013. Demand for timber was also normal but supply was restricted, particularly in southern Sweden where prices rose to much higher levels than in other regions. Supply of forest fuel has been higher than consumption.

## Value of the forest

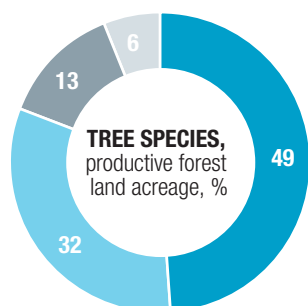
**GROWTH.** The growth of the forest and its value are dependent to a large extent on how it is managed. A significant portion of growth in Holmen's forests takes place in young and middle-aged stands that are not yet sufficiently mature for harvesting. Holmen's goal is to increase growth in its own forests by 25 per cent by 2050 (base year 2007: 4.4 million m<sup>3</sup> growing stock, solid over bark per year).

**FOREST HOLDINGS.** Holmen owns a total of 1 266 000 hectares of land. Under the international definition of forest land, the total area of forest land is 1 153 000 hectares, including 218 000 hectares or 19 per cent of formally and voluntary set-aside forest. Of that forest land, an estimated 1 034 000 hectares is productive. The total volume of wood is 120 million m<sup>3</sup> growing stock, solid over bark, corresponding to 118 m<sup>3</sup> growing stock, solid over bark, per hectare of productive forest land.

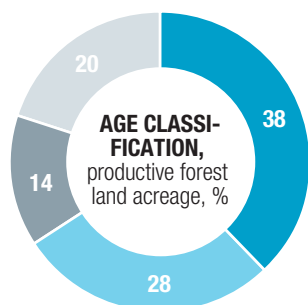
**HARVEST.** Annual harvesting is governed by a long-term plan based on forest inventories that are conducted every 10 years. The latest plan dates from 2011. The planned annual harvest is 3.2 million m<sup>3</sup>sub up to 2021, of which around 0.2 million m<sup>3</sup>sub is branches and treetops for use as biofuel. Over the next 100 years, the harvesting volume is expected to rise to around 4 million m<sup>3</sup>sub per year.

**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.

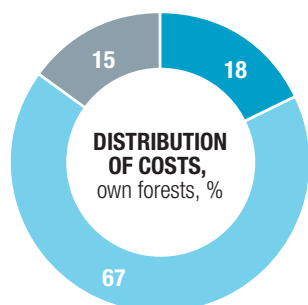
The valuation is based on a long-term trend price that is on a par with the average price over the past 10 years. This price is adjusted upwards by 2 per cent per year. The cost forecast is based on present-day levels and is adjusted upwards by just over 2



Scots pine	49%
Spruce	32%
Broadleaves	13%
Lodgepole pine	6%



0–30 years	38%
31–60 years	28%
61–90 years	14%
91+ years	20%



Silviculture	18%
Harvesting	67%
Fixed costs	15%

per cent per year. The cash flows are discounted using an interest rate of 5.5 per cent.

The carrying amount as at 31 December 2013 was SEK 16 517 million. A deferred tax liability of SEK 3 654 million is stated in relation to that figure, which means that the growing forest, net after tax, is recognised at SEK 12 863 million. For more details, see Note 11, page 81.

## Growth and development

**SILVICULTURE AND REGENERATION.** The annual cost of silviculture is around SEK 160 million. This includes measures under Holmen's forest stewardship programme aimed at increasing the rate of growth in its own forests. In addition to regeneration measures, these include cleaning, fertilising, draining and root rot treatment.

Holmen's quality assurance of forest regeneration encompasses the whole chain from research and development to new planting. The nursery in Friggesund has gradually been expanded over the past four years, with production rising to 16 million seedlings per year, which is sufficient to plant out almost 7 000 hectares of forest.

The pine weevil is a pest that attacks newly planted seedlings. Holmen is now scaling back its use of insecticides, focusing instead on testing and evaluating new solutions.

During the year, tests were carried out with seedlings produced using a technique that involves selecting seeds with good properties and then mass-producing these. The next step is to make the technique cost-effective and workable on a large scale.

**MOOSE GRAZING DAMAGE** is a significant problem due to an imbalance between the game population and the supply of feed. Holmen estimates losses of around 400 000 m<sup>3</sup> growing stock, solid over bark per year due to moose grazing. The national moose management strategy that was introduced in 2012 maps out the way forward and is based on collaboration between the various stakeholders. Holmen maintains an ongoing dialogue with hunters and works actively to achieve the culling targets.

**INCREASED PRODUCTIVITY.** There is a constant stream of collaborations in research, innovation and product development to promote sustainability and efficiency in forestry. During the autumn 2013 production began of a new, longer timber truck with a larger load capacity. This is part of a project called *En trave till* (One more pile), which aims to reduce the number of transport runs, cut overall diesel consumption and thus reduce emissions of fossil carbon dioxide.

## Forestry

**ACTIVE AND SUSTAINABLE.** Holmen operates sustainable forestry with a focus on high growth. The volume of wood is built up over a period of around 70–90 years and after harvest a new growth cycle begins. The most important silviculture measures come in the years immediately after harvest. The soil is prepared and the land is reforested through planting or sowing. The forest is cleaned and thinned in order to select trees with the best potential for continuing their growth. Around 10–30 years before the next harvest, forest can also be fertilised to further

boost growth. Holmen fertilises around 8 000 hectares per year. Holmen's *Guidelines for Sustainable Forest Management* provide a handbook for its own forestry and also for private forest owners who deliver 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 is steadily rising.

**THE FOREST AS A SOCIAL ASSET.** Developing the social assets of the forest is a natural part of future-oriented forestry. Holmen Skog defines the term as 'The assets in the forest that have an effect on people's quality of life'. One point of departure for the work is that social assets exist in every type of forest. People should also be able to walk, exercise, relax and pursue outdoor interests in forests that are actively managed. Holmen is therefore working to make its forests more accessible to the public, for example by opening up more of the rural roads used for forestry purposes. Holmen is also working actively to put up maps and set up picnic spots and shelters. A related initiative involves promoting awareness of Sweden's Right of Common Access and each individual's responsibility not to destroy the countryside or leave litter.

**BIODIVERSITY.** Holmen's objective is to manage the forest so that all the species in Sweden's forest landscape can thrive. Holmen's natural and cultural considerations are described in *Ecological landscape plans*. The nature conservation measures that Holmen carries out include everything from consideration for nature during harvesting and silviculture to active initiatives in nature conservation areas.

One example of the latter is prescribed burning. Fires are part of the natural order in the forest. In our age of effective fire prevention, however, they are rare, as are the species of flora and fauna that thrive in forests subject to fire. Prescribed burning is therefore a method of promoting biodiversity. It is also one of Holmen's voluntary undertakings as part of its forestry certifications.

**SOIL DAMAGE** during harvesting is one of forestry's greatest challenges. 'Logging without a trace' is Holmen's method for more structured logging work that minimises soil damage. The method is based on careful planning of routes and laying the main tracks where the ground has most load-bearing capacity. Where required, natural materials such as brushwood and logs are used in the first instance to improve this load-bearing capacity. Holmen began rolling out the method in its operations in 2013.

#### HOLMEN'S FORESTS 2013

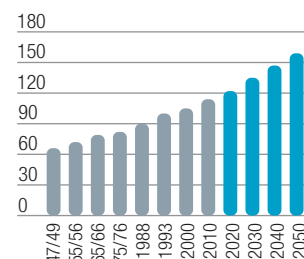
Total land acreage	1 266 000 ha
Total forest land acreage*	1 153 000 ha
- of which nature conservation areas	218 000 ha
Productive forest land**	1 034 000 ha
<b>Total volume of wood, on productive forest land</b>	<b>120 000 000 m<sup>3</sup> growing stock, solid over bark</b>

\* Analysis 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 per cent and trees with a minimum height of 5 metres at maturity.

\*\* Forest land that on average can produce 1 m<sup>3</sup> growing stock, solid over bark per hectare and year (on average during the growth period of the forest stand).

#### VOLUME OF WOOD

m<sup>3</sup> growing stock, solid over bark, per hectare productive forest land



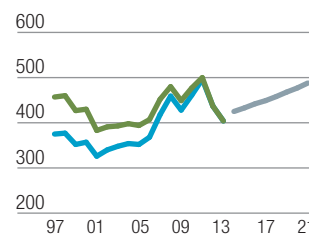
■ Assessment of tax  
■ Forecast

#### ECOSYSTEM SERVICES

The value of nature for humankind underpins the concept of ecosystem services. The forest provides numerous ecosystem services. The production of fibre raw material is one example that already has a market value. The forest's capacity to capture and store carbon dioxide, improve biodiversity and deliver social assets are examples of areas that may offer business potential. Various processes are under way in Sweden and internationally to survey, develop and evaluate ecosystem services. During 2013, Holmen Skog launched a survey of the ecosystem services offered by its own forest holdings.

#### PRICES

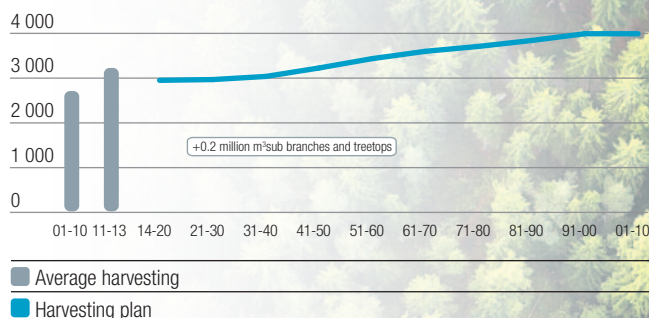
SEK/m<sup>3</sup>sub



■ Real  
■ Nominal  
■ Price used in valuation (nominal)

#### HARVESTING

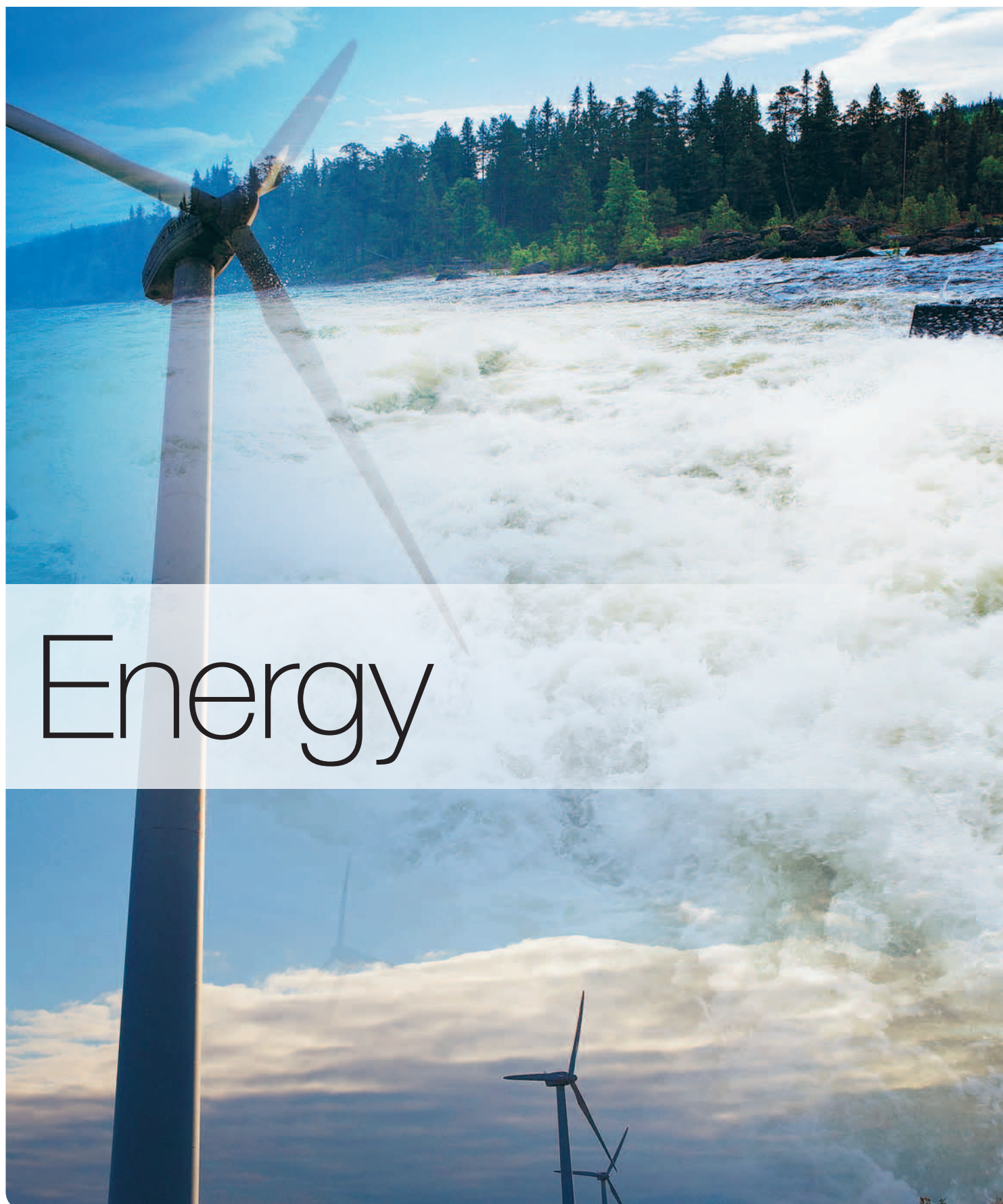
'000 m<sup>3</sup>sub/year



#### MAP

■ Holmen's forest holdings  
■ Holmen's Swedish industrial sites







### WHAT IS THE STRATEGY FOR HOLMEN ENERGI MOVING FORWARD?

We will be optimising production at our hydro power stations and developing wind power on the Group's land.

### WHAT EXTERNAL FACTORS IMPACT MOST ON YOU?

The single most significant factor is the electricity price which, in addition to the balance between supply and demand, is affected by water resources, availability of nuclear power and the cost of energy raw materials and emission allowances. In addition to the electricity price, the expansion of wind power is dependent on the regulatory system.

### HOLMEN'S WIND POWER IS GROWING. HOW DO YOU SEE THIS TREND?

We see wind power as an excellent complement to hydro power and are continuing our investment in this area. However, it is important to bear in mind that the licensing and case management processes take time and affect the pace of expansion.

### WILL WE SEE MORE WIND POWER INVESTMENTS LIKE THE ONE IN VARSVIK?

We will be continuing to work on developing wind power projects on the Group's land that we can construct together with partners in a similar way to Varsvik.

### WHAT, IN YOUR VIEW, ARE THE KEY PROJECTS FOR 2014 AND BEYOND?

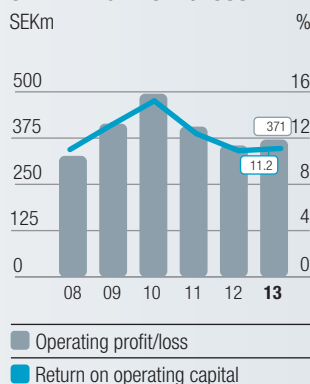
Our plans include two wind power projects on our own land – one in Västernorrland and one in Västerbotten. In one case, the environmental permit has already been approved.



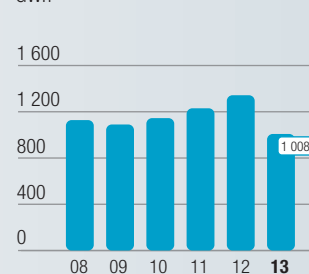
**Arne Wallin,**  
CEO Holmen Energi

FACTS	2013	2012
Operating profit/loss, SEKm	371	355
Investments, SEKm	46	26
Operating capital, SEKm	3 357	3 261
Average number of employees	11	17
Company-generated hydro power, GWh	1 008	1 343

### OPERATING PROFIT/LOSS



### PRODUCTION, COMPANY-GENERATED HYDRO POWER



## OPERATIONS IN 2013

Holmen Energi's operating profit in 2013 was SEK 371 million (355). This figure includes SEK +102 million associated with the establishment of a jointly owned wind power company in the second quarter. Hydro power production was 10 per cent lower than normal and 25 per cent lower than the very high level in the previous year. This was partly offset by higher selling prices for electricity. Higher property tax affected the result by SEK -32 million.

## Market

The levels of precipitation in 2013 contributed to lower production than average at the Swedish hydro power stations. Demand for energy across the country shrank somewhat overall, among both households and energy-intensive industries. Spot prices were, on average, slightly higher than in the previous year, while the price of electricity forwards saw a further fall.

A total of 148 (160) TWh of electricity was produced in Sweden during 2013, of which hydro power made up 61 (77) TWh. Nuclear power produced 64 (61) TWh and wind power production accounted for 10 (7) TWh. The remaining 14 (15) constituted thermal energy.

The average spot price (system price) in 2013 was SEK 329 (272)/MWh, which was 21 per cent higher than in the previous year. The expectation is for the future electricity prices in the Nordic region to be on a par with present prices. The price of electricity forwards over the coming year dropped by 10 per cent or so to around SEK 300/MWh.

## Own energy assets

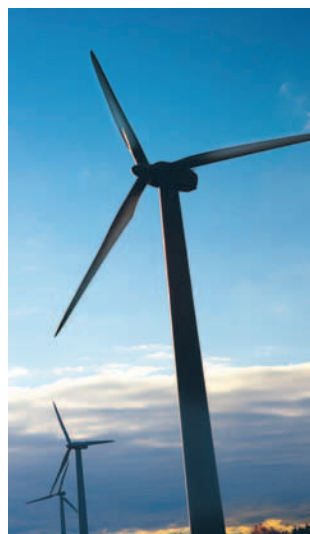
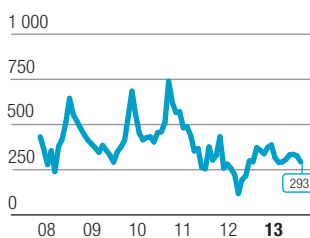
Holmen Energi is responsible for the Group's hydro and wind power plants. Electricity production at the 21 wholly and partly owned hydro power stations, together with the electricity production at the larger mills, corresponds to around 40 per cent of the Group's electricity consumption. The remainder 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 3 909 (4 095) GWh in 2013.

## Development

**WIND POWER.** Holmen's ambition is to develop wind power on its own land together with partners. The

### ELECTRICITY SPOT PRICE, price area Stockholm (SE3)

SEK/MWh



goal is to create the best possible conditions for profitable investment. The strategy is based on conducting wind surveys at several locations and securing production permits for the most suitable locations.

In 2013, Holmen decided to build and run a wind farm on its own land in Varsvik, in the Municipality of Norrtälje. The wind farm is owned through a joint venture, Varsvik AB, which has Holmen and Eurofideme 2 as 50 per cent shareholders. Eurofideme 2 is part of Mirova, which manages sustainable investments for Natixis Asset Management, one of the largest businesses of its type in the world. The wind farm will comprise 17 wind turbines with a total installed power of 51 MW and expected annual production of up to 165 GWh. Construction work began in autumn 2013 and the turbines are expected to be brought online as they are completed over the course of autumn 2014.

Wind surveys are under way at several sites in Sweden (see map).

Permit applications have been submitted to build wind turbines on Holmen's land in the Municipality of Skellefteå. Surveys are taking place jointly with Statkraft in the County of Östergötland.

In 2012 an environmental permit was issued for around 70 wind turbines in total on Holmen's land in the Municipality of Örnköldsvik, at Blodrotberget and Blackfjället. Following an appeal, the environmental permit entered into force in October 2013.

The permit process is under way for wind power at the mill in Workington, UK.

An application has been submitted jointly with E.ON for a permit to build 70 wind turbines in total, distributed across a further three areas in the Municipality of Örnköldsvik, chiefly on Holmen land. Environmental permits have been granted for two of the areas, while the licensing process for the third continued during 2013.

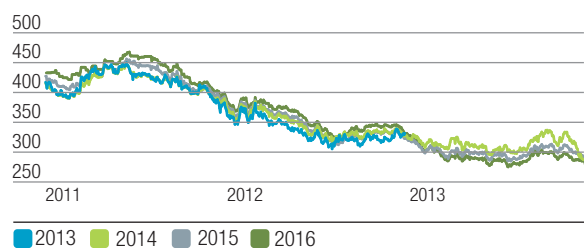


The wind power company VindIn AB is owned by a number of electricity-intensive companies in Sweden, including Holmen. VindIn generates energy from five wind turbines in Skutskär and a further 30 in Örnsköldsvik. Production in 2013 stood at 190 GWh, with Holmen's share amounting to 33 GWh.

**PEAT EXTRACTION.** Holmen sees peat as an interesting complement to biofuel. Peat is considered a slowly renewable resource, which makes it possible to add value to certain land assets within Holmen that are not productive forest land. Peat is in plentiful supply in Sweden and a redundant peat field can be re-stored as a wetland or planted with forest. Having opened its first peat field outside Örnsköldsvik in 2009, Holmen was able to harvest 84 (45) GWh of peat in 2013 thanks to the warm, dry summer. The year also saw the launch of a feasibility study into a new peat field in the County of Västerbotten, which has the potential to deliver the equivalent of 144 GWh in fuel during each of the field's estimated 25 years of productive life. If the results of the feasibility study are positive, an application for an environmental permit could be submitted to Västerbotten County Administrative Board in early 2014.

#### FORWARD PRICES

SEK/MWh

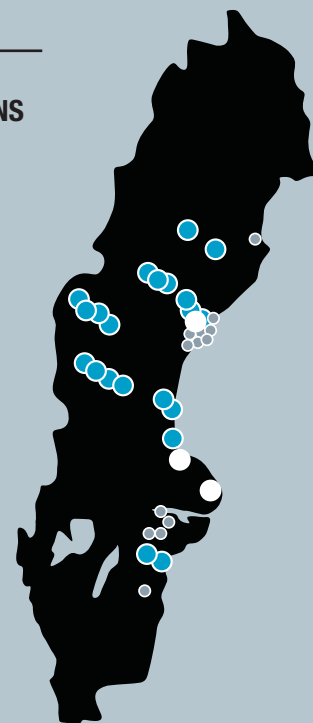


#### HOLMEN IS WHOLLY OR PARTLY OWNER OF

**21** HYDRO POWER STATIONS  
**3** WIND FARMS



The permit process is under way for wind power at the mill in Workington, UK.



- Hydro power stations
- Wind farms
- Wind survey sites

#### RIVERS AND POWER STATIONS

		HOLMEN'S PRODUCTION SHARE %	GW	YEAR OF CONSTRUCTION
<b>Umeälven</b>	Harrsele	49.4	470	1957–58
	Tuggen	21.5	97	1962
<b>Gideälven</b>	Stennäs	9.9	3	1985–96
	Gammelbyforsen	9.9	1	—
	Björna	9.9	8	—
	Gideå	9.9	9	—
	Gidböle	9.9	7	—
	Gideåbacka	9.9	7	—
<b>Faxälven</b>	Linnvasselv	7.2	14	1961–74
	Junsterforsen	100	115	—
	Gäddede	30	23	—
	Bågede	100	70	—
<b>Iggesundsån</b>	Pappersfallet	100	7	1915
	Iggesunds kraftstation	100	22	2009
<b>Ljusnan</b>	Sveg	20	30	1949–75
	Byarforsen	20	17	—
	Krokströmmen	8.7	45	—
	Långströmmen	11	29	—
	Ljusne Strömmar	7.4	17	—
<b>Motala Ström</b>	Holmen	100	112	1990
	Bergsbron-Havet	100	10	1927



# 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 balance 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 mainly all thermal energy that it requires at its own mills using a highly integrated production process. The procurement of raw materials is underpinned through back-

ward 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 predominantly uses physical supply agreements at fixed prices, supplemented with financial hedges. In 2013, the company's net purchases of electricity amounted to 2 610 GWh, of which 2 543 GWh was in Sweden. The prices for the estimated net consumption of electricity in Sweden during 2014–2015 are fully hedged. For 2016–2018 prices are 60 per cent hedged and for 2019–2021 they are 40 per cent hedged. Gains on financial hedges are recognised in the income statement when they expire; for 2013 they totalled SEK -5 million (1). The fair value of outstanding financial hedges at 31 December 2013 amounted to SEK -90 million (-11), 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 in the table to the left. The table is based on income and expenses for 2013.

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 prices and electricity production at the hydro plants is normally higher during the first and fourth quarters.

#### EARNINGS SENSITIVITY

A one percentage-point change

SEKm	DELIVERIES	PRICES
<b>PRODUCTS</b>		
Printing paper	20	70
Paperboard	23	45
Sawn timber	3	12

#### COMPANY'S OWN RAW MATERIALS

Wood from company forests*	9	14
Company-generated electricity*	4	4

#### EARNINGS SENSITIVITY

A one percentage-point change

SEKm	COSTS
Wood*	26
Recovered paper	6
Pulp	1
Electricity*	14
Other energy	3
Chemicals	11
Delivery costs	13
Other variable costs	6
Employees	23
Other fixed costs	14

\* 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 12 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.

## 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 from changes in exchange rates, net flows are hedged using forward foreign exchange contracts.

The net flows in euro, US dollars and sterling for the coming four months are always hedged. These normally correspond to trade receivables and outstanding orders. The Board can decide to hedge flows for a longer period if this is deemed suitable in light of the products' profitability, competitiveness and the currency situation.

At the beginning of 2013, flows in euro, dollar and sterling were partly hedged for 2013. Gains/losses on currency hedges are recognised in operating profit/loss as and when the hedged item is recognised. In 2013 they amounted to a gain of SEK 1 million (221). The hedging of estimated net flows is shown in the table below.

TRANSACTION EXPOSURE AT 31 DECEMBER 2013, SEKm*	12-MONTH ESTIMATED NET FLOWS	2014 HEDGES SEKm	RATE**	%
EUR/SEK	3 360	1 290	8.87	40
USD/SEK	1 110	300	6.50	30
GBP/SEK	1 370	360	10.50	30
Other/SEK	400	-		
EUR/GBP	750	470	0.86	60

\* 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 1 million (55) at 31 December 2013. SEK -12 million (6) was recognised in the income statement for 2013, and the remainder in other comprehensive income as hedge accounting is applied, all of which relates to 2014. The fair value of hedges for investment purchases is recognised in other comprehensive income until expiry, at which point the gain/loss is added to the cost of the non-current asset that was hedged. The fair value of outstanding hedges for investment purchases amounted to SEK -1 million at 31 December 2013. During the period, the cost of hedged items increased by SEK 1 million.

**Translation exposure.** 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.

## Earnings sensitivity

Calculated on the basis of existing hedges and the exchange rates at the turn of 2013/2014 (euro: 8.9, US dollar: 6.5 and sterling: 10.7), exchange rate differences are expected to have a positive impact of roughly SEK 100 million on consolidated operating profit for 2014 compared to 2013. 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 2014 of SEK 40 million compared to 2013.

Disregarding currency hedges, a one percentage-point weakening of the Swedish krona in relation to the currencies would have the following effects on operating profit, as shown in the table to the right:

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.

## EARNINGS SENSITIVITY

A one percentage-point change

SEKm	NET
SEK/EUR	34
SEK/USD	14
SEK/GBP	11
SEK/other currencies	4



31 DEC. 2013 SEKm	NET ASSETS	EQUITY HEDGE
EUR	1 970	1 218
GBP	1 756	186
Other	22	-

Gains on equity hedges amounted to SEK -39 million (88) in 2013 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 -121 million (134) on consolidated equity. The fair value of outstanding equity hedges at 31 December 2013 was SEK 6 million (43), of which SEK 9 million relates to loans and SEK -3 million to financial derivatives. A one percentage-point weakening of the Swedish krona would have a positive impact of SEK 23 million on equity, including the translation of foreign subsidiaries and taking account of currency hedges.

## INTEREST RATES

*Changes in the market interest rate affect the cost of financing.*

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 3.1 per cent in 2013. At the turn of 2013/2014, the average borrowing cost was 2.5 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 negative impact of about SEK -25 million on profit/loss for 2014. 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 61 million, calculated according to the size of the debt at 31 December 2013. The fair value of the derivatives used to manage the fixed interest periods amounted to SEK -29 million (-78) at 31 December

FIXED INTEREST PERIODS, NET FINANCIAL DEBT 31 DECEMBER 2013, SEKm						
	TOTAL	-1 YEAR	1-3 YEARS	3-5 YEARS	>5 YEARS	OTHER
SEK	-4 624	-3 050	-500	-400	-607	-67
EUR	-909	-189	-713	-	-	-8
GBP	-652	-489	-	-	-	-164
Other currencies	69	69	-	-	-	0
<b>Net financial debt</b>	<b>-6 116</b>	<b>-3 657</b>	<b>-1 213</b>	<b>-400</b>	<b>-607</b>	<b>-238</b>

The Other column refers to pension provisions; see Note 17 on page 87.



2013, which was recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement in 2014 and later. With existing interest rate hedges, a one percentage-point increase in market interest rates would have a SEK 49 million impact on equity.

## 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 to take correct and long-term business decisions relatively independently of the state of the economy and external financing possibilities. The target for the debt/equity ratio has been adjusted to a maximum of 0.5. The target was previously for a debt/equity ratio of between 0.3 and 0.8. 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.

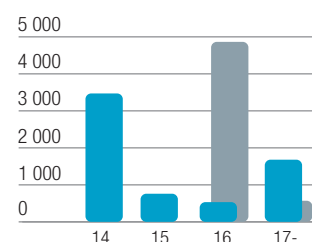
Net financial debt declined by SEK 474 million during the year and stood at SEK 6 116 million at 31 December 2013, consisting of financial liabilities and interest-bearing pension provisions of SEK 6 443 million, cash and cash equivalents of SEK 275 million and financial receivables of SEK 52 million. Three bond loans were issued during the year, totalling SEK 1 700 million. Furthermore, two bond loans and three bank loans amounting to a total of

SEK 2 000 million were repaid. At 31 December 2013, current borrowings were SEK 3 470 million. The Group has a contractually agreed credit facility of EUR 400 million (SEK 3 564 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 the debt/equity ratio was 0.29. Standard & Poor's long-term credit rating on Holmen is BBB and the short-term rating is A-2. In autumn 2013, the outlook was revised down from stable to negative. Holmen's Swedish commercial paper programme has 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 3 397 million in commercial paper and SEK 1 512 million in bonds was outstanding.



## FINANCIAL LIABILITIES

SEKm



Financial liabilities

Credit facilities

The maturity structure of financial liabilities and assets with undiscounted amounts is shown in Note 13 on page 83-85.



## CREDIT

### *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 2013 the Group's trade receivables totalled SEK 2 103 million, of which 42 per cent (49) 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 2013. During the year, credit losses on trade receivables in the form of provisions and impairment losses had a negative SEK 20 million (negative 15) impact on earnings. At 31 December 2013, trade receivables of SEK 39 million (62) were past due for more than 30 days. After individual assessment of all trade receivables, a provision of SEK 47 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 2013, the Group had outstanding derivative contracts with a nominal amount of about SEK 7 billion and a fair value of SEK -125 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 540 million at 31 December 2013. 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, long-term planning 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.

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 for operations set by the environmental authorities 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 discontinued 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.

The following points are examples of how Holmen continually works on preventing and managing the environmental risks that may arise:

- Self-monitoring so that conditions regarding emissions imposed by environmental authorities are fulfilled.
- Checks of bodies of water outside 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 the 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 based on a code of conduct.
- Self-monitoring of compliance with power industry guidelines for dam safety.
- Studies and remediation measures are carried out at discontinued sites in consultation with environmental authorities.



# Sustainability report

## DRIVING FORCES AND PRIORITIES

Sustainability is one of the cornerstones of Holmen's strategy. In every part of the business, sustainability and long-term profitability are always top of the agenda – all the way from seedling production and silviculture to research into the new products of the future, based on forest raw material.

**HOLMEN IN SOCIETY.** The natural and renewable raw materials from the forest underpin Holmen's entire business. The strategy is to process these raw materials sustainably into products and energy that fulfil important functions in society and generate value for customers, shareholders and other stakeholders.

Holmen sees active sustainability work as a significant part of its business and as a driver of long-term value creation. Through its business, Holmen makes its own contribution to the important transition to a bio-based social economy. This involves moving from an economy built on fossil raw materials to a resource-efficient economy that involves renewable raw materials and makes sustainable use of ecosystem services from land and water. Ecosystem services are all the utilities that ecosystems provide and that society benefits from. The most important services in Holmen's forests are the production of renewable raw material, plus the capacity to capture and store carbon dioxide and to clean water in a natural ecocycle. The fact that the forest also offers social assets in the form of recreation and active outdoor pursuits is becoming increasingly relevant in today's modern society.

Holmen's newly formed New Business Development unit is tasked with identifying future business opportunities based on wood raw material. This will enable products that have a negative impact on our environment to be replaced with more sustainable alternatives.

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.

**RESPONSIBILITY TO THE WIDER WORLD.** The demands and expectations of customers and the wider world are key incentives for sustainability work across all the Group's operations. The safety and security of



### HOLMEN APPEARS IN THE GLOBAL COMPACT 100

Autumn 2013 saw the launch of the UN's Global Compact 100, a new global stock index which takes into account both sustainable business and financial performance. The list details the 100 companies around the world judged to be the best at creating good returns through sustainable business practices. Holmen is one of five Swedish companies listed, and the only forest industry company based in Sweden.

employees, coupled with environmental adaptations to production processes and products, constitute the central pillars of this work. Ambitious sustainability work is therefore a natural engine for strengthening the Group's profitability in the long term.

Clear communication concerning Holmen's sustainability work is a key to trust, and Holmen's website – [www.holmen.com](http://www.holmen.com) – provides exhaustive information on this work.

**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, the right to establish trade unions, environmental responsibility and anti-corruption.

2013 saw work intensify on surveying the risks associated with Holmen's supply chain. The purchasing policy was revised and a code of conduct was drawn up for suppliers. In early 2014, the purchasing organisation is being trained in the new system for evaluating suppliers. Overall, this entails suppliers continuing to follow Holmen's requirements concerning sustainability and other issues.

Holmen's production takes place in Europe and in 2013 almost 90 per cent of the Group's turnover related to sales in this market. There are also some sales to the US and countries in Africa and Asia. Holmen's anti-corruption policy gives clear guidance for employees on how to maintain good business practices when dealing with external contacts.

Holmen's website comments on how the Group complies with and works to the Global Compact principles. Work done on sustainability is presented to the Global Compact each year in the form of the sustainability report.

**STARTING POINTS.** Holmen has long conducted its sustainability work in a systematic manner, with policies, certified management systems, targets and follow-up systems in place to ensure that:

- Holmen makes efficient use of resources in its production
- Holmen's products are adapted to the ecocycle and are recyclable
- Holmen's impact on its immediate vicinity and the wider environment is constantly monitored
- Holmen offers a safe work environment where employees are able to develop

**ENVIRONMENT.** Holmen's production facilities are required to obtain permits for their operations. Applicable environmental conditions and regulations combine with Holmen's environmental and energy policy to form the basis for the Group's environmental work. The focus is on the significance of energy and climate change issues for the business and wider society. Holmen's operations have certified management systems for the environment, energy and quality. The Group has common guidelines for sustainable forestry, plus its forestry is certified under environment management systems and in line with criteria issued by PEFC and FSC®.

**EMPLOYEES.** Health and safety is paramount at Holmen. Holmen's vision is to be a zero-accident company. The personnel policy and the policy for gender equality and diversity reflect the Group's stance on what constitutes sound human resources policy, the equal value of all people and its endeavour to bring about a more even gender distribution. Since skills supply is a critical issue for Holmen, guidelines are in place for its internal labour market. Clear and value-based leadership increases the potential to attract, develop and retain employees, which is one of the keys to continuing profitable growth.

**TARGET-DRIVEN WORK.** Holmen maintains sustainable development targets relating to the environment and energy. There are also targets for the organisation and employees.

The targets in the area of energy and the environment are of a long-term nature, focusing on increasing growth of the renewable forest raw material, reducing use of fossil fuels and increasing the proportion of company-produced renewable electrical energy. The overall aim of the targets is to secure a raw material base and cut energy costs. The targets are also important from a social perspective, since they have a positive impact on the climate.

Targets for the organisation and employees are both short and long-term in nature. Holmen's employee survey *Holmen Inblick* is conducted on a regular basis and forms an important tool for evaluating leadership and working conditions. The Inblick index is compiled as an overall result of the survey and running targets are in place to improve the index.

Health and safety is a priority issue for Holmen, whose long-term target is for the company to have zero accidents. Short-term targets are set along the way to reduce the number of industrial accidents. One qualitative target is for all operations to introduce certified occupational health and safety management systems before the end of 2015.

**INTERNAL DIVISION OF RESPONSIBILITY.** The Board and Group management regularly address current sustainability issues. Overall responsibility lies with the

CEO and the heads of the business areas. Operational responsibility for the environment rests with the mill and forest region managers. Holmen's director of environmental and sustainable affairs coordinates the work, including follow-up of targets and outcomes. The annual external reporting of sustainability work and outcomes in line with GRI is an important complement to the internal reporting and follow-up work.

**MATERIALITY ANALYSIS.** During the year, Holmen conducted a mapping of what internal decision-makers consider the most important aspects of sustainability for the Group. The questions asked were based on the ten principles of the UN Global Compact. The results are to act as the starting point for a continued focus on sustainability work and its communication. The survey will be supplemented with contributions from external stakeholders.

The materiality analysis is an important component in promoting Holmen's sustainability work and its importance for the company's business, and long-term profitability, among both internal and external stakeholders. The 2013 survey was also a first step towards future reporting in line with GRI G4. Overall the analysis shows a consensus concerning the potential within Holmen's business: an offering based on renewable raw materials adds value and has an important place in a future bio-based social economy.

The majority of respondents feel that Holmen is performing well, but that the company needs to continue working actively to maintain and strengthen its position. The materiality analysis largely confirms that the areas in which Holmen is currently working are the most relevant.

**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.

As a result of its systematic sustainability work, Holmen has been included in several sustainability indexes over a number of years. Appearing in such indexes is a mark of quality and shows that the company is able to manage risks and opportunities alike. Both are key parameters for consideration by investors. The UN's Global Compact 100 is described on page 36. A selection of other company indexes in which Holmen is included follows to the right.

## SUSTAINABILITY INDEXES



**FTSE4Good**

**FTSE4GOOD INDEX SERIES**

[www.ftse.com/ftse4good](http://www.ftse.com/ftse4good)

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**STOXX® GLOBAL ESG LEADERS INDICES**

[www.stoxx.com](http://www.stoxx.com)



[www.vigeo.com](http://www.vigeo.com)



[www.vigeo.com](http://www.vigeo.com)



[www.indexes.nasdaqomx.com](http://www.indexes.nasdaqomx.com)

## CARBON DISCLOSURE PROJECT (CDP)

The CDP is an international federation that, as of 2013, represented around 700 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. Holmen has participated in this survey since 2007.

In 2013, a total of 780 companies around the world were invited to complete the CDP questionnaire on the risks and opportunities for silviculture from a climate perspective (the CDP's forests programme). Holmen was one of the almost 20 per cent of companies to respond to the survey.  
[www.cdproject.net](http://www.cdproject.net)



**HOLMEN WAS THE ONLY SWEDISH FOREST INDUSTRY COMPANY ON THE UN'S NEW GLOBAL COMPACT 100 LIST. HOW WAS THIS ACHIEVED?**

It is essentially the result of many years of targeted work on environmental and personnel issues. Having Holmen held up as a responsible company is a highly positive signal to all stakeholders.

**WHAT WAS THIS YEAR'S MILESTONE IN TERMS OF SUSTAINABILITY?**

Holmen's energy and climate-related targets are extremely ambitious, which made the commissioning of the new biofuel boiler in Workington particularly important. This investment practically eliminates the need for fossil fuels at the mill.

**HOLMEN HAS DRAWN UP A CODE OF CONDUCT FOR SUPPLIERS. WHY?**

It allows us to set clear sustainability requirements for our suppliers. By complying with the code of conduct, our suppliers will be able to make a greater contribution to sustainable development.

**HAS INTEREST IN SUSTAINABILITY ISSUES CHANGED?**

In recent years, customers and financial investors have become increasingly interested in the sustainability work of companies. We welcome questions and evaluations, as they can provide us with useful insights to help Holmen develop its working practices.

**WHAT ARE THE PRIORITY AREAS FOR THE FUTURE?**

The focus is on achieving the company's sustainability targets. The raw material and energy-related targets have a bearing on the environment and climate, while for the organisation/employees the priority target is to reduce the number of industrial accidents.

*Lars Strömberg,  
Director of Environmental  
and Sustainable Affairs*



**INFORMATION ABOUT WORK ON SUSTAINABILITY**

Holmen's sustainability reporting comprises the sustainability information in the section on business operation on pages 4-35 and the reporting on financial management, environmental responsibility, employees and other stakeholders on pages 36-47 and on pages 95-97, plus Holmen's GRI register (Global Reporting Initiative) and various links on Holmen's website. The website also provides extensive supplementary information on Holmen's work in the field of sustainability. This includes descriptions of environmental work in the various business areas and statistical tables. Holmen has opted to conduct its reporting in line with version 3.1 of the GRI. The auditors' assurance report is published on Holmen's website.

**REPORTING AT GRI LEVEL A+**

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.



# 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 being drawn up to support such a move. Forest-based products of the type 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 bio-energy. 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 bio-based social economy of the future.

**RESEARCH, DEVELOPMENT, INNOVATION.** The Group conducts research and development (R&D) both within Holmen and externally. A new unit, New Business Development (NBD), has been set up as a means of combining and focusing Holmen's resources on developing new lines of business. With the advent of the new organisation, the business areas are responsible for development within their own core operations, while responsibility for all other development has been transferred to NBD. R&D by the business areas is focused on functional products and energy and resource-efficient processes. NBD builds up knowledge, identifying and initiating future business opportunities based on sustainability-driven research, innovation and product development. The general aim is for wood-based alternatives to replace many traditional products in the long term in areas such as fuel, textiles and construction materials.

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 a key player in this work, but if true breakthroughs are to be achieved, this must happen in collaboration with other stakeholders. External R&D activities are therefore often jointly run at industry-wide level and in collaboration with universities and research institutions.

Since 2012, Holmen has been co-owner of an R&D company in Israel focused on the production of nanocrystalline cellulose (NCC) from wood raw material. It is thought that NCC could prove useful in products such as paper and paperboard, imbuing them with entirely new properties. NCC will also be a key component of new products.

Group investments in research and development in 2013 totalled around SEK 110 million, of which around a quarter comprised external costs.



## PRIORITISED DEVELOPMENT

### PRINTING PAPER

- Lower energy consumption
- Increased production capacity
- Resource-efficient product solutions
- Fossil-free Swedish units

### PAPERBOARD

- Paperboard as an information carrier
- Linking up paperboard and packaging
- Customers' converting processes
- Optimised utilisation of fibre
- Better grammage to stiffness ratio
- Bio-based barrier materials
- Greater energy efficiency

### SAWN TIMBER

- X-ray log sorting for custom quality for different purposes

- Lower energy use during drying
- Developing the drying process for better product properties

### ENERGY

- Upgrading hydro power
- Wind power

### WOOD

- Higher growth
- More efficient harvesting and transport
- Less site damage in forest
- Improved regeneration

### NEW BUSINESS DEVELOPMENT

- New products from wood raw material
- Use of the industry's by-products/waste



# HOLMEN'S EMPLOYEES

Attracting, developing and retaining employees who are courageous, committed and responsible lays the foundation for Holmen's continued success. The combined skills and abilities of the employees are an engine of profitable growth, underpinned by Holmen's core values.

**WORK ON VALUES.** The drive to create a stronger Holmen requires something that unites the company and its employees, that fires everyone with enthusiasm, and that promotes the creation of shared objectives that everyone can understand and work towards.

At the end of 2012, Group management initiated comprehensive work on values. Following an initial process involving all parts of the company, Holmen's core values were born: Courage, Commitment and Responsibility.

There are numerous benefits to having clear values. They strengthen ties across business area and national boundaries, as well as boosting collaboration within and between teams. They facilitate easier decision-making and provide support during processes of change. They convey what Holmen stands for and thus contribute to long-term business relations and successful recruitment. And last but not least, the core values are a guide and a benchmark in an industry that is undergoing revolutionary change and major restructuring around the globe. Ultimately, the core values are there to help improve competitiveness, which is supported by value-based leadership and employeeship.

**STRONG EMPLOYER BRAND.** The Group conducts long-term strategic work on promoting Holmen as an employer. Holmen has a far-reaching and ambitious partnership with schools and local businesses aimed at developing both the local community and the company. This may involve study visits from schools, work placements for a taste of the company after upper secondary school or participation in the *Teknikspränget* programme for young engineers.

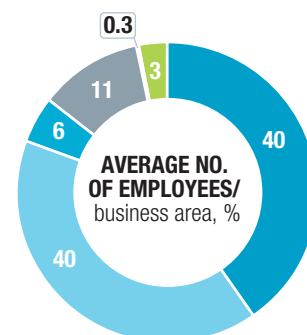
Holmen also maintains close collaborations with several universities and colleges, where study visits, mentoring programmes, summer jobs, work placements and degree project positions are offered.

**TRAINEE PROGRAMME.** In February 2014, Holmen once again invited applications for its popular trainee programme. Each programme is tailored to the background and experience of the participants. Every trainee at Holmen is given specific duties in one of the business areas, with the programme also including a training element that is common to all participants.

**HOLMEN INDUCTION PROGRAMME.** Holmen offers an in-depth induction programme for academics, specialists and managers, where participants meet the heads of the business areas and specialists from across the Group. The aim of the programme is to improve knowledge of the company as a whole and to encourage networking.

**FUTURE CAREER POTENTIAL.** Within Holmen, skills development is taken for granted as part of the job. This may be organised in several ways, for example through training courses or changes in duties, new roles or participation in projects. Internal mobility is encouraged and many employees have a number of different positions at Holmen under their belt. A regular in-house mentoring programme is popular with employees, as it contributes to professional and personal development.

**CHANGES.** Holmen has an unfaltering focus on improving the efficiency of the organisation and achieving optimum working methods. In the event of changes to the organisation that affect the number of employees, Holmen supports 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.



Total: 3 718

Holmen Paper	1 501
Iggesund Paperboard	1 473
Holmen Timber	203
Holmen Skog	422
Holmen Energi	11
Group common	108



# VALUE-BASED LEADERSHIP

Holmen works actively to promote value-based leadership, where managers motivate their employees by showing courage, creating commitment and delegating responsibility. Such an approach leads to greater participation and dynamism, resulting in a more change-oriented organisation.

**LEADER TRAINING.** The Group's managers receive continuous training. New managers undergo brief leadership training and are given a local mentor to ensure they make a good start. Within a year, they participate in Holmen's basic leadership programme, whose purpose is to further develop value-driven leadership.

*New Manager* is a short training course that managers undergo when first appointed. The course provides the new managers with a common view of leadership at Holmen that makes it easier for them to quickly establish themselves in their role.

*Manager at Holmen* is a development programme that also sets out guidelines on what is expected of the managers. The programme 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.

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*.

**MENTORING PROGRAMME.** Strong managers are important role models in the organisation, which is why they are involved in Holmen's mentoring programme. 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.

**TALENT REVIEW.** Each year managers, key personnel and employees with high potential are identified and comprehensive successor planning is carried out as part of a systematic process. 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.

**EMPLOYEE SURVEY.** *Holmen Inblick* is the name of Holmen's employee survey, which also contains an evaluation of the managers at Holmen. The survey was first launched in 2003 and has been carried out regularly at all the units ever since. 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 leadership and working conditions have steadily improved over the years.

The Inblick index is the combined result of the survey as a whole. In 2013, the Inblick index was 655 units, compared with the previous figure of 642, which means that the ongoing improvement in the results is continuing despite the uncertain economic times and restructuring of the business.





# SPOTLIGHT ON THE WORK ENVIRONMENT

**HEALTH AND SAFETY** remains a priority issue for Holmen. The Group's work environment policy was revised in 2013. The company's work environment network is intensely active and extra resources have been allocated to introduce benchmarking across Holmen focused on internal learning, greater collaboration and transparency. A key focus of activities in recent years has been on improving the safety culture by changing behaviours at work. The improvement in reporting accidents, incidents and risk observations has led to a rise in the number of incidents and risk observations. This forms an important part of the company's preventive health and safety work. Certified management systems (OHSAS 18000) have been introduced at the mill in Workington and Hallsta Paper Mill to address health and safety issues. During the year, Group management decided that by the end of 2015 all operations within Holmen are to have obtained OHSAS 18000 certification.

In recent years the company has seen a positive trend concerning the number of industrial accidents. Work is now moving forward to achieve Holmen's vision of being a zero-accident company.

**THE RATE OF SICKNESS** absence in 2013 was 3.6 (3.4) per cent. Long-term sick level (more than 60 days) remains at a low level of 1.3 (1.1). The good health index is a measure of the share of employees with no sick leave during the year. The index for 2013 lies at 47 per cent, a figure that has remained the same for the past five years. The rate of sickness absence at Holmen is on a par with the rest of the industry.

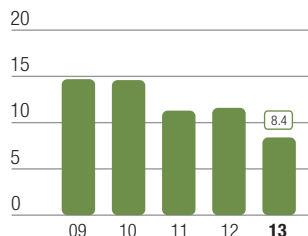
**EQUALITY AND DIVERSITY.** The Group's belief in the equal value of all people runs through every part of its business. Holmen aims to be a company where everyone is treated with respect and never harassed or demeaned – no form of discrimination is accepted.

Increasing the proportion of women across all levels of the organisation is an important and ongoing task. Mixed teams generally perform better and strengthen Holmen as a company. The proportion of female managers has risen over the past few years, and now one in five of Holmen's managers are women. Of the total new staff employed in 2013, 37 per cent were women.

**UNION COOPERATION**, which is essential to Holmen's progress, is based on close collaboration with the union organisations in a spirit of trust. 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.

## INDUSTRIAL ACCIDENTS

more than 8 hours of absence, per million hours worked



## TARGET

### INDUSTRIAL ACCIDENTS

Zero-accident company. Interim target to bring industrial accidents down to 6.0 per 1 million hours worked by the end of 2014. Base year 2012: 11.6 industrial accidents.

### INBLICK INDEX

Following the completion of Holmen's 2013 employee survey, work is being focused on three areas where targets for improvement have been set.

- Individual: employee responsibility and initiative
- Organisation: organisational efficiency, teamwork and process, climate of renewal
- Leadership and management: developing leadership

The Inblick index is compiled as an overall result of the three areas. A new target for the Inblick index will be set before the next employee survey.



## TOOLS FOR HR WORK

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, which was revised in 2013, 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.



# ENVIRONMENTAL RESPONSIBILITY

Over the years, Holmen has increasingly integrated environmental and energy considerations into its planning of production and investment. This is driven by Holmen's ambitions in the environmental sphere, along with the requirements laid down by environmental legislation and the environmental authorities. Compliance with rules and conditions concerning the environment is ensured through ongoing improvement work within the framework of the production plants' environmental and energy management systems, and through statutory supervision by the authorities.

The main environmental impact of the plants consists of emissions to air and water and the generation of noise and waste. In order to verify compliance with the emission regulations set by the environmental authorities, emissions to water and air are measured daily. Information on prioritised environmental parameters is provided in the table on page 96.

Holmen's operations are characterised by resource-efficient use of renewable raw materials and energy. Recovery of energy, chemicals and fibre is central to the work of minimising the environmental impact of the production processes as far as possible. Raw materials from forests and the ensuing products store carbon dioxide and act as a substitute to materials that impact on the climate. Overall, this puts Holmen in pole position to become an important player in the task of developing a bio-based, sustainable social economy. Holmen works on preventing and managing any environmental risks that may arise, see Risk management, pages 32–35.

**OUTLOOK.** In September 2013, the Intergovernmental Panel on Climate Change (IPCC) published a new report asserting that human activity is increasingly likely to be the cause of global warming. Measures to deal with this issue are urgently required.

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 just over 20 per cent compared with 2005. Furthermore, by 2020, the proportion of energy consumption represented by renewables should increase 20 per cent relative to the 2005 figure.

Holmen is in favour of the EU's targets and action programmes. However, the Group's ambitions in the climate and energy area go further.

**SUSTAINABLE DEVELOPMENT TARGETS.** Holmen has been working on Group-wide sustainable

## TARGET FOR SUSTAINABLE DEVELOPMENT

	TARGET	OUTCOME 2013	REMARKS
Increased rate of growth in Holmen forests	2050: increase of 25%	— <sup>1)</sup>	Base year 2007: 4.4 million m <sup>3</sup> growing stock, solid over bark
Reduce the use of fossil fuels in the Group	2020: decrease of 75%	52% <sup>2)</sup>	Base year 2005
Increased production of renewable electricity, relative to electricity consumed by Holmen	2020: 67%	36%	Base year 2005: 31%

<sup>1)</sup> Measures for increased growth have been identified and set in motion. An assessment will be made as part of the next harvesting review in 2021.

<sup>2)</sup> Estimate based on the quantity of fossil fuel used at the mills, at the CHP plant located next to Holmen Paper Madrid and at the CHP plant that used to be located next to the mill in Workington.

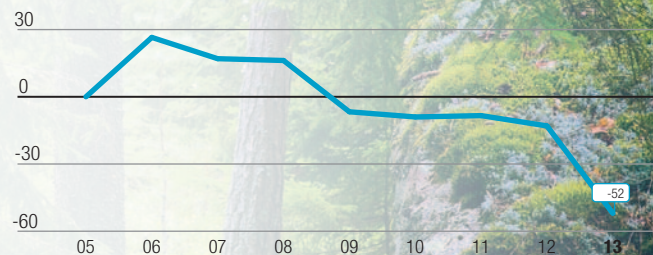
development targets for several years. There is a keen focus on increasing the production and use of products manufactured from renewable raw materials sourced from Holmen's own forests. From a production and climate perspective, the target of 25 per cent growth in Holmen's forests within 40 years is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

The Group is working towards a goal of reducing use of fossil fuels at the mills. The target for 2020 is a fall of 75 per cent compared with 2005. By 2013, the use of fossil fuels across the Group had fallen by 52 per cent compared with 2005.

The third climate-related sustainability target requires company-generated renewable

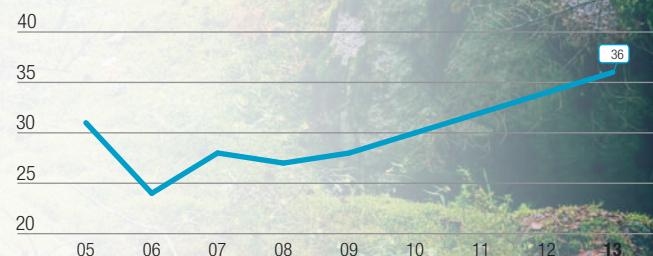
### USE OF FOSSIL FUELS

(base year 2005), %



### PROPORTION OF OWN RENEWABLE ELECTRICITY PRODUCTION RELATIVE TO HOLMEN'S ELECTRICITY USE

(base year 2005), %





## ENVIRONMENTAL PERMITS FOR THE GROUP'S PRODUCTION FACILITIES

Hallsta Paper Mill <sup>1)</sup>	2000
Braviken Paper Mill <sup>2)</sup>	2002
Holmen Paper Madrid <sup>3)</sup>	2006
Iggesund Mill <sup>4)</sup>	2013
Workington Mill <sup>3)</sup>	2002
Iggesund Sawmill <sup>5)</sup>	1994
Braviken Sawmill <sup>2)</sup>	2010

1) Environmental Protection Act. 2) Environmental Code. 3) Permit under IPPC. 4) 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 has held an environmental permit under the Environmental Code since 1999. 5) An application for a new permit under the Environmental Code was submitted to the Environmental Licensing Delegation of the County Administrative Board in 2013.

## CERTIFICATIONS FOR MANAGEMENT SYSTEMS

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

1) Certificates can be viewed on the Holmen website at [www.holmen.com/certificates](http://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 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) Braviken Sawmill began production 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 and FSC®.

electrical energy to increase as a proportion of total electricity consumption by Holmen. Relative to the base year 2005, when the proportion was 31 per cent, the target for 2020 is that the proportion shall be more than doubled to 67 per cent. For 2013, the figure was 36 per cent of Holmen's electricity needs.

As a result of the energy investments completed at Iggesund Mill and at the mill in Workington, use of fossil fuels is down substantially. Energy efficiency projects are also under way at Hallsta Paper Mill and Braviken Paper Mill. These measures are making a contribution to increasing the proportion of company-produced renewable electricity, as are the ongoing and planned initiatives within the Holmen Energi business area regarding wind power.

**ENVIRONMENTAL ACTIVITIES IN 2013.** Several environmental projects, analyses and actions were carried out during the past year. Here is a selection.

**FORESTRY.** A document called *Logging without a trace* was drawn up during the year. This describes a method for reducing the amount of site damage caused by working vehicles in the forest. Training in the method has been given to Holmen's own employees and its contractors.

The work began by updating Holmen Skog's ecological landscape plans. A model for updating and evaluating the voluntary set-aside areas has been developed, and is accompanied by a GIS tool. The model is based on a national strategy for voluntary set-asides, the natural assets of the forest stand and maximising conservation benefits.

Holmen Skog launched a survey of the ecosystem services that its own forest holdings might offer. Production of fibre raw material is

one example of such a service that has a market value. The aim of the survey is to identify additional business opportunities.

**ENERGY AND CLIMATE.** The recovery boiler and turbine at Iggesund Mill that came online in 2012 mark an important step in the drive to run the mill without using fossil fuels or externally purchased electricity. 2013 saw Iggesund Paperboard fire up the new biofuel boiler and turbine in Workington. The plant became operational in March, converting the mill to fossil free energy and making it self-sufficient in electricity in a single stroke.

Hallsta Paper Mill began an initiative to find efficiencies in its energy supply in 2013. This involved improving heat recovery from the paper machines and pulp production.

At Braviken Paper Mill, energy and heat production is coordinated with Braviken Sawmill in an energy-efficient bio co-location.

**WATER USE.** Following extensive studies, trials and construction work, in 2013 Holmen Paper Madrid succeeded in replacing all water for its production with recovered wastewater. This is wastewater that is treated at a municipal water treatment plant in accordance with very exacting requirements.

**TREATMENT PLANTS.** During 2013, Iggesund Mill began using new equipment for the destruction of weak gases.

**SAFER PRODUCTION.** The equipment at Iggesund Mill for producing chlorine dioxide was upgraded in 2013. The use of liquid sulphur dioxide ceased, which also eliminated the risk of accidental emissions of sulphur dioxide into the environment.

**TRANSPORT.** In 2013, 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.

The first trial version of a new, longer timber truck with a larger load capacity was delivered towards the end of the year. The project, called *En trave till* (One more pile), aims to reduce the number of transport runs, cut diesel consumption and reduce emissions of fossil carbon dioxide.

**BY-PRODUCTS AND WASTE.** Of the waste and by-products generated by Holmen's operations, as much as 99 per cent was utilized for various purposes. Bark and tree offcuts constituted around 70 per cent of the by-products created and used for energy production in Holmen's own plants or dispatched for external energy production. A little more than 30 per cent was used for other purposes. The remainder was sent to landfill. Efforts to identify acceptable measures – in terms of profitability and environmental conservation – to close landfill sites at Iggesund Mill and Hallsta Paper Mill continued in 2013.

**DISCONTINUED OPERATIONS.** In consultation with the environmental authorities, studies were conducted at contaminated discontinued industrial sites where Holmen has operated in the past. In 2013, studies relating to the sawmills at Stocka, Håstaholmen and Lännaoholm, the sulphite mills at Strömsbruk, Domsjö and Lodbby, the former mechanical pulp mill in Bureå and two landfill sites in Hälsingland reached various stages. 2013 also saw investigations begin at a decommissioned surface treatment plant in Iggesund.

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. As such, in 2013 the environmental authorities announced that the area could be left without any further measures.

**ECOLABELLING.** In 2013 Holmen Paper became licensed to use the EU Ecolabel on its products in the category of graphic paper from the mills in Braviken and Hallsta and newsprint from the mill in Madrid. To be awarded this ecolabel, the products have to meet stringent requirements concerning the use of fibre raw material, chemicals and energy.

**PERMITS.** At the end of 2013, 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 61 (62) 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 17 (16) per cent in 2013.

In 2013, the EU's member states became subject to new regulations concerning industrial emissions, with the entry into force of the Industrial Emissions Directive (IED). The new legislation entails more stringent requirements for using the best available technology. During the year, Holmen began work to adapt operations at its pulp and paper mills to the new legislation and the tighter emission controls that are expected.

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 spring 2013, Holmen Timber submitted 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 is covered by a permit for water operations, which includes environmental conditions. The County Administrative Boards may request a review under the terms of the Environmental Code.

A permit was granted back in 2012 for wind turbines at Varsvik in the Municipality of Norrtälje. A company owned 50 per cent by Holmen is currently constructing 17 wind turbines that are planned to be operational by autumn 2014.

Environmental permits were also granted in 2013 for wind turbines at Blodrotberget and Blackfjället in the Municipality of Örnsköldsvik. In 2013, a permit application was submitted to the Land and Environment Court for wind turbines at Blåbergsliden in the Municipality of Skellefteå.

The permit process is under way for wind power 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 been allocated emission allowances to cover the trading



period 2013–2020. Holmen has produced renewable electricity for several years and, by participating in electricity certificate trading, this has generated revenues. 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.

## 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 2013, operations at the Group's production sites were certified according to energy, quality and environmental management 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.

Documentation of all certifications can be viewed on the Holmen website.

**THE ENVIRONMENTAL AND ENERGY POLICY** contains general principles for the environmental issues prioritised by Holmen and its stakeholders. 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

The purpose of calculating a product's carbon footprint is to show what quantity of greenhouse gases the product generates during its lifecycle. The carbon footprint can be said to be a measure of the product's climate impact.

Holmen calculates carbon footprints for the emissions of fossil carbon dioxide generated by the Group's products during manufacture. It is more difficult to calculate, per product, the positive impact on the climate to which Holmen's operations contribute; for example in terms of capturing and storing carbon dioxide in Holmen's own forests and the reduction in carbon dioxide emissions achieved when building materials and fossil fuels are substituted by sawn timber and biofuels from Holmen. Both the emissions from production and the positive effects on the climate must be taken into account to be able to describe the impact of the business on the climate.

It is also important to make a distinction between fossil and biogenic carbon dioxide. Biogenic carbon dioxide is a natural part of the carbon's ecocycle and as such can be seen as climate neutral. Fossil carbon dioxide is released when oil and coal are burned. These materials are not part of the carbon's natural ecocycle, as they have been stored in the Earth's crust for millions of years. During combustion, these materials add new carbon dioxide to the atmosphere.

**THE FOREST.** For 2013 it was estimated that Holmen's forests absorbed approximately 4 350 000 tonnes of carbon dioxide in their annual growth. According to the present harvesting plan (2011–2021) around 80 per cent of this growth will be harvested and used for products. Based on growth data for the past five years, it is estimated that about 610 000 tonnes is captured in the annual increase in stocks. The objective of the Group to increase growth in its own forests means that these forests will increasingly capture carbon dioxide in the foreseeable future. In the forest there is also a release of greenhouse gases from earlier drained peat lands of approximately 300 000 tonnes per year. The result is that Holmen's operations contribute positively to the climate by increasing the net amount of carbon dioxide captured in the forests by around 310 000 tonnes.

**EMISSIONS.** Holmen's carbon footprint has been worked out on the basis of calculations for its products. Using data on the most significant fossil carbon dioxide emissions, the figure amounted to 640 000 tonnes for 2013. This can be seen as the negative impact that Holmen's operations have on the climate. In 2012 a new recovery and energy plant was commissioned at Iggesund Mill. In addition, a new biofuel boiler

came on line at the mill in Workington in 2013. These investments have reduced the use of fossil fuels and will bring further reductions in subsequent years as the investments make their full impact.

**SUBSTITUTION EFFECTS.** Holmen's products store carbon dioxide until the end of their lifecycle, when the gas is released as biogenic carbon dioxide during combustion for energy recovery. Production of sawn timber in 2013 equates to 590 000 tonnes of carbon dioxide stored in products that have a lifetime of over 50 years. Carbon dioxide is also bound up in manufactured paper and paperboard products. The lifetime of these products is, however, too short to make calculating captured carbon dioxide meaningful from a climate perspective.

Holmen's 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 2013 production of sawn timber, may amount to around 620 000 tonnes of carbon dioxide.

Biofuel from Holmen's forests and by-products from production are used to generate energy. For 2013, the energy content of the biofuel equated to around 1 100 GWh. Paper products recovered after being used multiple times, together with spent sawn timber products, also make excellent biofuels with a high energy content. Replacing fossil fuels with Holmen's spent products, biofuels or by-products avoids emissions of fossil carbon dioxide.

Since the substitution effects lie outside Holmen's operations, it is difficult to make a calculation of just how much fossil carbon dioxide is avoided. This is particularly the case with the combustion of paper and paperboard products and sawn timber at the end of their useful life. Holmen's operations also bring reductions in the use of fossil fuels in wider society through the provision of renewable fuels.

Within the Group there is currently a strong focus on innovation in a move to find new and profitable business streams with products that are able to replace alternatives currently based on oil. It will then be possible to ascribe these products with their own substitution effect.

**WEIGHTED ASSESSMENT.** Calculations of Holmen's carbon footprint indicate that the Group's operations and products have a positive effect on the climate by virtue of the carbon dioxide captured in its forests and products. In addition, the biofuels, by-products and spent products are an excellent substitute for fossil fuels, enabling society to reduce its emissions of fossil carbon dioxide.

The Group's investment in renewable energy has positive effects on the climate that will increase as more and more energy is derived from bio-based materials. A key contributor in this respect is the Group's commitment to producing its own wind power. Overall, this will bring a reduction in the carbon footprint of the products and the Group as a whole.



## HOLMEN'S CARBON FOOTPRINT 2013

	CO <sub>2</sub> '000 TONNES
Emissions of fossil carbon dioxide during manufacture of products – negative climate effect	640 <sup>1)</sup>
Capture of carbon in increasing volume of wood – positive climate effect	310 <sup>2)</sup>
Storage of carbon in sawn timber – positive climate effect	590
Emissions which can be prevented via substitution of materials with an impact on climate by Holmen's sawn timber – positive climate effect	620

1) Includes emissions from nurseries and forestry (4 per cent), production (40 per cent), recovered paper management (2 per cent), transport (31 per cent), manufacture of purchased input goods (17 per cent) and purchased energy (6 per cent). The share of 640 000 tonnes fossil carbon dioxide is stated in brackets. Data on purchased input goods is based on 2012 figures.

2) Release of greenhouse gases from earlier drained Holmen-owned peat land, amounting to approx. 300 000 tonnes/year, has been deducted.

# DIALOGUE WITH KEY STAKEHOLDERS

Holmen has identified its stakeholders based on their relationship with the company, what impact the company has, and what players affect Holmen. Some of the stakeholders, such as employees, customers, suppliers, local residents, financiers and authorities, are associated with day-to-day operations. Others, such as potential employees and customers, owners, analysts, decision-makers and the media, are important for the long-term development of the company. Here follows a presentation of Holmen's relations with some of its key stakeholders.

**EMPLOYEES.** It is through the competence and commitment of its employees that Holmen is able to create and sell its products. Looking after the wellbeing of employees, meeting their wishes for development and respecting their views is extraordinarily important in making Holmen a sustainable company in the long term. Holmen takes a systematic approach to identifying and meeting its employees' needs. The employees are able to influence and develop Holmen through ongoing dialogues between managers and employees, an employee survey, various committees and employee representatives on the Board. The priority issues are health and safety, leadership, equality and skills provision.

A whistle-blower function is in place to allow employees and other stakeholders to report suspected improper conduct. A case was reported in 2013 concerning improper conduct by one of Holmen Skogs's contractors. New checks and procedures have been drawn up for use during contract negotiations.

**CUSTOMERS AND BUSINESS PARTNERS.** Holmen's customers have high expectations of products and services, good business practices and sound handling of relevant sustainability issues. Traceability along the wood supply chain is one example of a key sustainability issue. Demand for products that offer good performance in terms of climate and the environment has risen over the years – something that

Holmen sees as a positive trend. Day-to-day customer relations are supplemented with customer satisfaction surveys. Over the years 2012 and 2013, around 1 500 stakeholders expressed their opinions on Holmen.

**SUPPLIERS AND PURCHASING.** Purchasing of goods and services is coordinated with the aim of exercising greater control and reducing costs. Over the past couple of years, Holmen has worked to develop relations with suppliers to ensure a good minimum standard with regard to relevant sustainability issues. In 2013, the purchasing policy was revised to give greater weight to sustainability in dealings with suppliers and contractors. A code of conduct is being introduced for Holmen's suppliers as a crucial element of its purchasing work.

**PUBLIC AUTHORITIES.** The majority of Holmen's operations require environmental permits. It is important that the authorities have a good insight into and trust in Holmen's conduct. 2013 saw work continue on obtaining a new environmental permit for the sawmill in Iggesund and for several wind turbines. Local residents are given opportunities to have their say in relation to permit applications. The mills also have contact with local residents as part of day-to-day operations.

**SHAREHOLDERS, INVESTORS AND ANALYSTS.** Holmen's handling of relevant sustainability issues has an increasing impact on the market's view of the company's long-term capacity to create value. Holmen's participation in the UN Global Compact, the Carbon Disclosure Project (CDP), continuous assessment of its sustainability work and reporting in line with GRI are an effective way of providing relevant data for the analysis of Holmen. In recent years, sustainability has gained increasing weight in the assessments made by investors and analysts looking to establish relationships with sustainable companies.

## STAKEHOLDERS BY RELATIONSHIP



## HOLMEN'S OPERATIONS IN 2013

per stakeholder category, based on the Group income statement

		SEKm
Customers	Sales of paper, paperboard, sawn timber, wood and electricity	17 216
Suppliers	Purchases of products and services, along with depreciation, etc.	-13 797
Employees	Wages, salaries and social security costs	-2 350
Lenders	Interest	-198
State	Taxes	-160
Shareholders	Net profit/loss	711
	Board's dividend proposal	756

# Corporate governance report

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 is a requirement pursuant to the Swedish Annual Accounts Act. This corporate governance report complies with the rules and instructions stipulated in the Swedish Code of Corporate Governance.

## Shareholders

**AT YEAR-END** Holmen had 27 692 shareholders. Swedish private individuals made up the largest category of owners, comprising 25 801 shareholders. This corresponds to 93 per cent of the total number of shareholders. The largest owner at year-end, 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. See pages 55–57 for further information on the shares and ownership structure.

## General meetings of shareholders

**THE NOTICE** convening the annual general meeting is sent no earlier than six and no later than four weeks before the meeting. The notice contains: a) information about registering intention to attend and entitlement to participate in and vote at the meeting; b) a numbered agenda of the items to be addressed,

## ANNUAL GENERAL MEETING 2013

The 2013 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 company's view on the future use of wood as a raw material, requirements placed on suppliers and how these are followed up, profitability in the sawmill business and issues linked to ongoing negotiations on staff reductions. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. Leif Törmvall of Alecta and Richard Torgerson of Folksam 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 2014 meeting.

c) 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 by letter, telephone, e-mail or the company's website. Notices convening an Extraordinary General Meeting (EGM) called to deal with changes to the company's articles of association shall be sent no earlier than six and no later than four weeks before the meeting.

**PROPOSALS FOR SUBMISSION** to the 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 meeting is provided on the website. It was announced on 11 April 2013 that the 2014 AGM would take place in Stockholm on 8 April 2014.

## Nomination committee

**COMPOSITION AND MANDATE.** 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 2013 and 2014 AGMs is shown in the table. The nomination committee's mandate is to submit proposals for the election of Board members and the Board chairman, for the Board fee and auditing fees and, where applicable, for the election of auditors. The committee's proposals are presented in the notice convening the AGM.

**NOMINATION COMMITTEE PROPOSALS.** Ahead of the 2014 AGM the nomination committee proposes that the Board consist of eight members elected by the AGM. The nomination committee proposes the re-election of the current Board members: Fredrik Lundberg (who is also proposed for re-election as chairman of the Board), Carl Bennet, Carl Kempe, Lars G Josefsson, Louise Lindh, Ulf Lundahl and Göran Lundin. It also proposes the election to the Board of Henrik Sjölund, who will take up the position as President and CEO of Holmen on 9 April 2014. Magnus Hall has declined re-election.

## KEY REGULATIONS

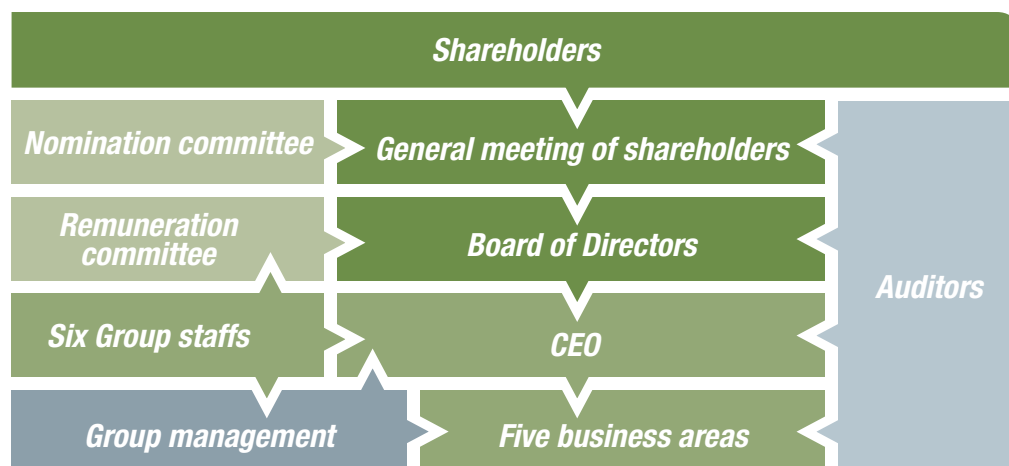
### External rules

- 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.





### BOARD MEETINGS IN 2013

The Board held ten meetings in 2013, 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. One meeting was held in conjunction with the opening of the new recovery boiler at Iggesund Mill. One meeting dealt with the Group's budget for 2014. 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.

### BOARD MEMBERS AS OF THE 2013 AGM

BOARD MEMBERS	POSITION	ELECTED	ATTENDANCE	FEE	INDEPENDENT OF THE:	
					COMPANY	MAJOR SHAREHOLDERS
Fredrik Lundberg*	Chairman	1988	10/10	600 000 SEK	Yes	No
Carl Kempe	Deputy chairman	1983	10/10	300 000 SEK	Yes	No
Carl Bennet*	Member	2009	10/10	300 000 SEK	Yes	No
Lars G Josefsson	Member	2011	10/10	600 000 SEK	Yes	Yes
Louise Lindh	Member	2010	10/10	300 000 SEK	Yes	No
Ulf Lundahl	Member	2004	10/10	300 000 SEK	Yes	No
Göran Lundin	Member	2001	10/10	300 000 SEK	Yes	Yes
Magnus Hall	Member, President and CEO	2004	10/10	—	No	Yes
<b>Total</b>					<b>7/8</b>	<b>3/8</b>

\* 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

**Business concept, strategy and goals**

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, business development human resources, legal affairs, technology and public relations.

**Business plan, budget, forecast and action plans**

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.

**Business processes**

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.

**Results, reporting, follow-up**

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

## COMPOSITION OF THE NOMINATION COMMITTEE

NAME	REPRESENTING	BEFORE AGM:		INDEPENDENT OF THE:	
		2013	2014	COMPANY	LARGEST SHAREHOLDER (IN TERMS OF VOTES)
Mats Guldbrand	L E Lundbergföretagen*	x (chairman)	x (chairman)	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Alice Kempe	Kempe Foundations*	x	x	Yes	Yes
Hans Hedström	Carnegie funds*	x	x	Yes	Yes

\* At 31 August 2013, L E Lundbergföretagen controlled 61.1 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Carnegie funds (Sweden) controlled 1.8 per cent.

**Composition of the Board**

**ANNUAL ELECTIONS.** 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, or restrictions on how long members can serve on the Board.

**THE 2013 AGM** re-elected Fredrik Lundberg, Carl Bennet, Magnus Hall, Lars G Josefsson, Carl Kempe, Louise Lindh, Ulf Lundahl and Göran Lundin to the Board. Fredrik Lundberg was re-elected chairman. Hans Larsson had declined re-election. At the statutory first meeting of the new Board in 2013, Carl Kempe was elected deputy chairman and Lars Ericson, the company's general counsel, was appointed secretary of the Board.

Over and above the eight members elected by the AGM, the local labour organisations have a statutory right to appoint three members and three deputy members.

Of the eight AGM-elected members, seven are deemed independent of the company as defined by the Code. The CEO is the only Board member with an operational position in the company. Further information about the members of the Board is provided on pages 52–53.

**The Board's activities**

**INFORMATION AND WORKING PROCEDURES.** 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. The latter relate 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.

**EVALUATION.** The Board evaluates its activities each year, and the nomination committee has been informed of the content of the 2013 evaluation. This will serve as a basis for planning the Board's work in the next few years.

**Remuneration**

**ACTIVITY.** The Board has appointed a remuneration committee consisting of Fredrik Lundberg and Carl Bennet. 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 2013 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 2014 AGM. They are presented in Note 4 on page 74.

The 2013 AGM approved the Board and payment of the auditors' fee as invoiced.

**OPTIONS PROGRAMME.** In 2008, the Group's employees were invited to acquire call options on class B shares in Holmen at market price. The exercise period for issued call options expired in 2013 without any options being exercised.

**Group management**

**RESPONSIBILITY AND COMPOSITION.** 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 includes 12 individuals: the company's CEO, the heads of the five business areas and the heads of the six Group staffs.

**MEETINGS IN 2013.** Group management met on eight occasions in 2013, 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. The Group-wide evaluations that were carried out during the year were discussed at the meetings, as well as in separate workshop sessions.

Information on the CEO and other members of Group management is provided on page 54.

## Audit

**KPMG**, which has been Holmen's auditor since 1995, was re-elected by the 2013 AGM as auditor for a period of one year. Authorised accountant George Pettersson was appointed as the principal auditor. KPMG audits Holmen AB and almost all of its subsidiaries.

**THE AUDIT PROCESS.** The examination of internal procedures and control systems begins in the second quarter and continues thereafter until year-end. The interim report for January–September is subject to review by the auditors. The examination and audit of the final annual accounts and the annual report take place in January–February.

**DUTIES OF THE BOARD.** 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 confirming that the company's organisation is structured to enable satisfactory supervision of accounting, management of funds and other aspects of the company's financial circumstances. In 2013 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 2013 is stated in Note 5 on page 75. 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.

**PURPOSE AND STRUCTURE.** Holmen's internal control activities have two purposes: to ensure

that the Group lives up to its objectives for financial reporting (see box) and to 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 evaluated and developed in 2013. The self-assessments that are completed each year by all Group units have been revised. Training courses and workshops have been conducted at several of the Group's units.

**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.

**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. 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 Risk management on pages 32–35).

Where risks are identified, control requirements are developed that must then be adhered to.

**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.

The self-assessments that are completed by all Group units set out what control require-

## 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.

ments 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.

**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 action plans for those control requirements that are not met. The self-assessments are followed up on a continual basis and discrepancies are reported to the steering group for internal control each quarter. Reporting to Group management takes place once a year. 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



*From the left: Tommy Åsenbrygg, Kenneth Johansson, Daniel Stridsman, Martin Nyman, Carl Bennet, Carl Kempe, Louise Lindh*

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

**Kenneth Johansson** Söderköping. Born in 1958. Member since 2004. Representative of the employees, L.O. Section chairman of the Swedish Paper Workers Union branch 53, Holmen Paper Braviken.

**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.

**Martin Nyman** Iggesund. Born in 1978. Deputy member since 2010. Representative of the employees, L.O. Chairman of the Swedish Paper Workers Union branch 15, Iggesund.

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

**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 Kempe Foundations, MoRe Research AB, UPSC Berzelii Centre for Forest Biotechnology and Elforest AB. Own and related parties' shareholdings: 386 000 shares.

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





*Fredrik Lundberg, Magnus Hall, Ulf Lundahl, Lars G Josefsson, Göran Lundin, Karin Norin and Steewe Björklundh.*

**Fredrik Lundberg** Chairman. Djursholm. Born in 1951. Member since 1988. Master of Engineering and B. Sc. in Economics. D. Eng. h.c. and D. Econ. h.c. President and CEO of L E Lundbergföretagen AB.

Other significant appointments: Chairman of the board of Hufvudstaden AB and Indutrade 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: 834 724 shares  
Shareholding of L E Lundbergföretagen: 27 622 000 shares.

**Magnus Hall** Stockholm. Born in 1959. Member since 2004. M.Sc. in Industrial Engineering and Management. President and CEO.

Other significant appointments: Chairman of the boards of Innventia AB, BasEl i Sverige AB, Industrikraft i Sverige AB and the Association for Generally Accepted Principles in the Securities Market. Deputy chairman of Linköping University, Swedish Forest Industries Federation and Industriarbetsgivarna. Board member of Svenskt Näringsliv and member of The Royal Swedish Academy of Engineering Sciences, IVA.

Own and related parties' shareholding: 28 698 shares.

**Ulf Lundahl** Lidingö. Born in 1952.

Member since 2004. B.A. in Legal Science and B.Sc. in Economics.

Other significant appointments: Chairman of the board of Fidelio Capital. Board member: Husqvarna AB, Indutrade AB and SHB Regionbank Stockholm.

Shareholding: 4 000 shares.

**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, Brookfield Renewable Energy and Hand in Hand International. Member of The Royal Swedish Academy of Engineering Sciences, IVA.

Shareholding: 5 000 shares.

**Göran Lundin** Norrköping. Born in 1940.

Member since 2004. 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.

**Karin Norin** Forsa. Born in 1950.

Member since 2009. Representative of the employees, PTK.

Chairman of Unionen Holmen-Iggesund.

**Steewe Björklundh** Hudiksvall. Born in 1958.

Member since 1998.

Representative of the employees, LO. Chairman of the GS Union at Iggesund Sawmill.

**Auditors:** KPMG AB

**Principle auditor:** George Pettersson *Authorised public accountant*



# Group management



Standing from the left Ola Schultz-Eklund, Anders Jernhall, Staffan Jonsson, Annica Bresky, Magnus Hall, Ingegerd Engquist, Sören Petersson, Ingela Carlsson and Lars Ericson. Sitting from the left: Håkan Lindh, Arne Wallin and Henrik Sjölund.

**Magnus Hall** President and CEO.

Born in 1959. Joined Holmen in 1985. Own and related parties' shareholding: 28 698 shares. 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 53.

**Ola Schultz-Eklund** Director of Business Development and Innovation. Born in 1961. Joined Holmen in 1994.

**Anders Jernhall** Executive Vice President. CFO. Born in 1970. Joined Holmen in 1997. Shareholding: 3 500 shares.

**Staffan Jonsson** Director of Technology. Born in 1958. Joined Holmen in 1997. Shareholding: 275 shares.

**Henrik Sjölund** CEO Holmen Paper. Born in 1966. Joined Holmen in 1993.

**Annica Bresky** CEO Iggesund Paperboard. Born in 1975. Joined Holmen in 2013.

**Arne Wallin** CEO Holmen Energi. Born in 1954. Joined Holmen in 1988.

**Håkan Lindh** CEO Holmen Timber. Born in 1964. Joined Holmen in 1994.

**Ingegerd Engquist** Director of Human Resources. Born in 1968. Joined Holmen in 2006. Own and related parties' shareholding: 100 shares.

**Ingela Carlsson** Director of Communications. Born in 1962. Joined Holmen in 2008.

**Lars Ericson** Director of Legal Affairs. Company secretary. Born in 1959. Joined Holmen in 1988.

**Sören Petersson** CEO Holmen Skog. Born in 1969. Joined Holmen in 1994. Shareholding: 3 000 shares.

*Johan Padel took up the position of CEO in Holmen Timber on 1 February 2014.*

*Magnus Hall will step down as President and CEO at the Annual General Meeting in April 2014 and will be succeeded by Henrik Sjölund.*



# Shareholder information

During 2013, the price of Holmen's class B shares rose by SEK 42 or 22 per cent. Earnings per share equalled SEK 8.5 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 rose by SEK 42, or 22 per cent, to SEK 233.9. During the same period the Stockholm Stock Exchange rose by 23 per cent. Holmen's market capitalisation of SEK 19.7 billion (16.2) 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 235.3, on 27 December and the lowest closing price, SEK 172.8, was recorded on 24 June. The daily average number of class B shares traded was 247 000, which corresponds to a value of SEK 48 million. The daily average number of class A shares traded was 500. Some 70 per cent of trading took place on Nasdaq OMX Nordic. The Holmen shares have also been traded on other trading platforms, such as BATS Europe, Burgundy, Chi-X and Turquoise.

## Earnings per share

Diluted earnings per share equalled SEK 8.5 (22.1) Holmen's diluted earnings per share have averaged SEK 17.1 over the past 10 years.

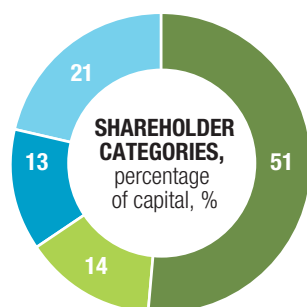
## Dividends

Decisions on dividends are based on an appraisal of the Group's profitability, future investment plans and financial position. The Board proposes that the AGM, to be held on 8 April 2014, approve a dividend of SEK 9 (9) per share. The proposed dividend corresponds to 3.6 per cent of equity. Over the past 10 years the dividend has averaged 5 per cent of equity. This means that 70 per cent of earnings per share have been paid out each year.

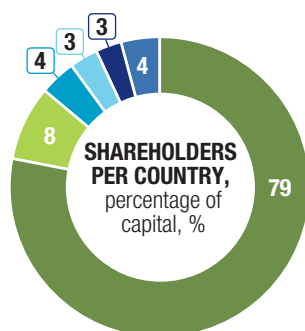
- The final date for trading in Holmen shares including right to dividend: 8 April 2014.
- Record date for dividend: 11 April 2014.
- Payment date for dividend: 16 April 2014.

## 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



Swedish institutions	51%
Swedish private individuals	14%
Swedish equity funds	13%
Foreign shareholders	21%



Sweden	79%
US	8%
Luxembourg	4%
UK	3%
Norway	3%
Other countries	4%

has 760 000 repurchased class B shares held in treasury. Each class A share carries 10 votes, and each B share one vote. In other respects, the shares carry the same rights. Neither laws nor the company's articles of association place any restrictions on the transferability of the shares.

## Ownership structure

Holmen had a total of 27 692 shareholders at year-end 2013. In absolute numbers, Swedish private individuals made up the largest category of owners: 25 801 shareholders. This corresponds to 93 per cent of the total number of shareholders. Shareholders registered in Sweden own 79 per cent (81) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the US and Luxembourg, accounting for 8 per cent and 4 per cent of the capital, respectively. The largest owner at year-end 2013/2014, with 61.6 per cent of the votes and 32.9 per cent of the capital, was L E Lundbergföretag AB.

## Share buy-backs

The company has no specific target for share buy-backs. There is a mandate to repurchase up to 10 per cent of all the company's shares. Any buy-backs are regarded as a complement to dividend payments to adjust the capital structure when circumstances have been deemed favourable. The 2013 Annual General Meeting renewed the Board's mandate to decide on the acquisition of up to 10 per cent of the company's shares through the acquisition of class B shares. Shares corresponding to 0.9 per cent of the total number of shares were repurchased in 2008 to secure the company's commitments under the terms of the options programme (see below). The Board proposes that the 2014 AGM also authorise the Board to repurchase and transfer up to 10 per cent of all shares in the company through the acquisition of class B shares.

## Options programme

In 2008, the Group's employees were invited to acquire call options on class B shares in Holmen at market price. The programme expired in June 2013 without any options being exercised.

## DATA PER SHARE

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Diluted earnings per share, SEK <sup>1)</sup>	8.5	22.1	47.1	8.4	12.0	7.6	17.8	17.2	14.8	15.1
Dividend, SEK	9 <sup>5)</sup>	9	8	7	7	9	12	12	11	10
Dividend as % of:										
Equity	4	4	3	3	4	5	6	6	6	5
Closing listed price	4	5	4	3	4	5	5	4	4	4
Profit for the year	106	41	17	83	58	118	67	70	74	66
Return, equity, % <sup>1)</sup>	3	9	23	4	6	4	9	9	8	8
Return, capital employed, % <sup>6)</sup>	5	7	9	6	7	6	10	10	9	10
Equity per share, SEK	248	248	235	201	196	186	200	196	189	184
Closing listed price, B, SEK	234	192	198	221	183	194	240	298	263	230
Average listed price, B, SEK	198	186	201	195	180	203	277	302	227	228
Highest listed price, B, SEK	235	204	251	226	206	242	316	336	266	264
Lowest listed price, B, SEK	173	169	156	173	135	170	228	255	190	210
Total closing market capitalisation, SEK '000 million	19.7	16.2	16.6	18.5	15.4	16.2	20.6	25.3	22.6	19.5
P/E-ratio <sup>2)</sup>	28	9	4	26	15	25	13	17	18	15
EV/EBITDA <sup>3)</sup> 6)	11	9	7	10	7	9	8	9	10	8
Closing beta value (48 months), B <sup>4)</sup>	0.7	0.9	0.8	0.8	0.7	0.5	0.9	1.0	0.7	0.6
Number of shareholders at year-end	27 692	28 440	28 899	28 339	30 425	29 745	30 499	32 189	33 320	36 899

1) See page 100: 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.

## SHARE STRUCTURE

Share	Votes	No. of shares	No. of votes	Quotient value	SEKm
A	10	22 623 234	226 232 340	50	1 131
B	1	62 132 928	62 132 928	50	3 107
Total number of shares		84 756 162	288 365 268		4 238
Holding of own B shares repurchased		-760 000	-760 000		
<b>Total number of shares outstanding</b>		<b>83 996 162</b>	<b>287 605 268</b>		

## Shareholder communication

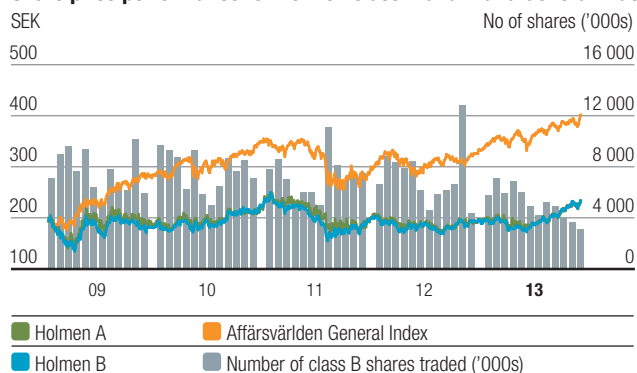
Holmen regularly provides information to the stock market via press conferences in connection with the publication of quarterly reports and on the occasion of the AGM. It also delivers information that is important to the stock market by publishing press releases. Holmen's website [www.holmen.com](http://www.holmen.com) 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 14 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.

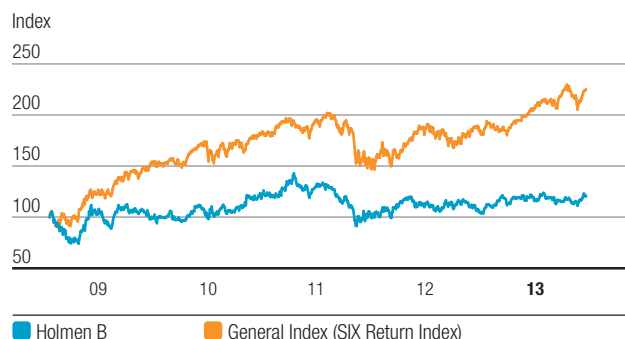


## Share price performance for Holmen class A and B and General Index



## Total Return of Holmen class B and General Index

Incl. reinvested dividends, no tax taken into amount



Source: Macrobond

## CHANGES IN SHARE CAPITAL 2000–2013

	Change in no. of shares	Total no. of shares	Change in share capital, SEKm	Total share capital, SEKm
2001 Withdrawal of shares repurchased	-8 885 827	79 972 451	-444	3 999
2004 Conversion and subscription	4 783 711	84 756 162	239	4 238

## SHAREHOLDER STRUCTURE AT 31 DECEMBER 2013

	% of capital	% of votes
L E Lundbergföretagen	32.9	61.6
Kempe Foundations	7.0	16.9
Carnegie funds (Sweden)	5.3	1.5
Lannebo funds	3.9	1.1
Alecta	3.6	1.0
Norges Bank Investment Management	2.8	0.8
DFA funds (USA)	2.1	0.6
SHB funds	1.4	0.4
SEB funds	1.1	0.3
Fredrik Lundberg	1.0	0.9
<b>Total</b>	<b>61.1</b>	<b>85.3</b>
Other	38.9	14.7
<b>Total*</b>	<b>100.0</b>	<b>100.0</b>
* Of which non-Swedish shareholders.	21.2	6.4

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



## OWNERSHIP STRUCTURE

No. of shares	Shareholders	Percentage of shares
1–1 000	25 514	6
1 101–100 000	2 104	16
100 001–	74	78
<b>Total</b>	<b>27 692</b>	<b>100</b>







# Financial statements



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# INCOME STATEMENT

GROUP, SEKm	NOTE	2013	2012
Net sales	2	16 231	17 852
Other operating income	3	984	621
Change in inventories		54	-34
Raw materials and consumables		-9 150	-9 802
Staff costs	4	-2 350	-2 499
Other operating costs	5, 20	-3 512	-3 550
Depreciation and amortisation according to plan	9, 10	-1 370	-1 313
Impairment losses	9, 10	-86	-153
Change in value of biological assets	11	264	350
Profit/loss from investments in associates and joint ventures	12	3	47
<b>Operating profit/loss</b>		<b>1 069</b>	<b>1 520</b>
Finance income	6	8	7
Finance costs	6	-205	-234
<b>Profit/loss before tax</b>		<b>871</b>	<b>1 294</b>
Tax	7	-160	559
<b>Profit/loss for the year</b>		<b>711</b>	<b>1 853</b>
Attributable to:			
Owners of the parent company		711	1 853
<i>Earnings per share (SEK)</i>	8		
basic		8.5	22.1
diluted		8.5	22.1
Average number of shares (million)	8		
basic		84.0	84.0
diluted		84.0	84.0

Operating profit amounted to SEK 1 069 million (1 520). Operating profit includes an impairment loss on non-current assets and restructuring costs within Holmen Paper (SEK -140 million). Operating profit for 2012 included 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).

Operating profit, excluding the above-mentioned items, declined by SEK 504 million to SEK 1 209 million. The decline is due to a stronger Swedish krona, lower selling prices for printing paper and production disruptions at Iggesund Paperboard.

Net financial items for 2013 totalled SEK -198 million (-227). During the year, interest costs of SEK 8 million (51) were capitalised in conjunction with major investment projects, reducing the recognised interest expense.

The average borrowing cost declined to 3.1 per cent (4.1), and average net debt was lower than in the preceding year.

Tax recognised totalled SEK -160 million (559) in 2013, which corresponds to 18 per cent of profit before tax. The tax figure is low because earnings from the establishment of a jointly owned wind power company do not give rise to tax. Tax recognised for 2012 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.



# STATEMENT OF COMPREHENSIVE INCOME

GROUP, SEKm	NOTE	2013	2012
<b>Profit/loss for the year</b>		711	1 853
<b>OTHER COMPREHENSIVE INCOME</b>			
Revaluations of defined benefit pension plans	17	72	-16
Tax attributable to items that will not be reclassified to profit/loss for the year	7	-15	-2
<b>Total items that will not be reclassified to profit/loss for the year</b>		<b>58</b>	<b>-18</b>
Cash flow hedging			
Revaluation		-69	62
Transferred from equity to the income statement		5	-198
Transferred from equity to non-current assets		0	59
Translation difference on foreign operations		109	-129
Hedging of currency risk in foreign operations		-39	88
Tax attributable to items that will be reclassified to profit/loss for the year	7	23	-5
<b>Total items that will be reclassified to profit/loss for the year after tax</b>		<b>28</b>	<b>-123</b>
<b>Total other comprehensive income</b>		<b>86</b>	<b>-141</b>
<b>Total comprehensive income</b>		<b>797</b>	<b>1 711</b>
Attributable to:			
Owners of the parent company		<b>797</b>	<b>1 711</b>

# BALANCE SHEET

GROUP AT 31 DECEMBER, SEKm	NOTE	2013	2012
<b>NON-CURRENT ASSETS</b>			
Intangible non-current assets	9	59	57
Property, plant and equipment	10	12 104	12 543
Biological assets	11	16 517	16 227
Investments in associates and joint ventures	12	1 961	1 821
Other shares and participating interests	12	9	13
Non-current financial receivables	13	28	39
Deferred tax assets	7	2	2
<b>Total non-current assets</b>		<b>30 680</b>	<b>30 702</b>
<b>CURRENT ASSETS</b>			
Inventories	14	3 140	3 221
Trade receivables	15	2 103	2 290
Current tax receivable	7	106	75
Other operating receivables	15	425	419
Current financial receivables	13	24	31
Cash and cash equivalents	13	275	308
<b>Total current assets</b>		<b>6 074</b>	<b>6 343</b>
<b>Total assets</b>		<b>36 753</b>	<b>37 046</b>
<b>EQUITY</b>			
	16		
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		-309	-338
Retained earnings incl. profit/loss for the year		16 645	16 632
<b>Total equity attributable to the owners of the parent company</b>		<b>20 854</b>	<b>20 813</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial liabilities	13	2 734	1 746
Pension provisions	17	238	355
Other provisions	7, 18	552	497
Deferred tax liabilities	7	5 804	5 504
<b>Total non-current liabilities</b>		<b>9 328</b>	<b>8 102</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	13	3 470	4 866
Trade payables	19	2 007	2 245
Current tax liability	7	28	3
Provisions	18	64	68
Other operating liabilities	19	1 002	950
<b>Total current liabilities</b>		<b>6 571</b>	<b>8 131</b>
<b>Total liabilities</b>		<b>15 899</b>	<b>16 233</b>
<b>Total equity and liabilities</b>		<b>36 753</b>	<b>37 046</b>

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



# CHANGES IN EQUITY

## GROUP, SEKm

	RESERVES					
	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TRANSLATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS INCL. PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
<b>Opening equity balance 1 Jan 2012</b>	<b>4 238</b>	<b>281</b>	<b>-238</b>	<b>24</b>	<b>15 469</b>	<b>19 773</b>
Profit/loss for the year	-	-	-	-	1 853	1 853
Other comprehensive income	-	-	-65	-59	-18	-141
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-65</b>	<b>-59</b>	<b>1 835</b>	<b>1 711</b>
Dividend paid	-	-	-	-	-672	-672
<b>Closing equity balance 31 Dec 2012</b>	<b>4 238</b>	<b>281</b>	<b>-303</b>	<b>-35</b>	<b>16 632</b>	<b>20 813</b>
Profit/loss for the year	-	-	-	-	711	711
Other comprehensive income	-	-	78	-50	57	86
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>78</b>	<b>-50</b>	<b>769</b>	<b>797</b>
Dividend paid	-	-	-	-	-756	-756
<b>Closing equity balance 31 Dec 2013</b>	<b>4 238</b>	<b>281</b>	<b>-224</b>	<b>-85</b>	<b>16 645</b>	<b>20 854</b>

# CASH FLOW STATEMENT

GROUP, SEKm	NOTE	2013	2012
<b>OPERATING ACTIVITIES</b>			
Profit/loss before tax	25	871	1 294
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 370	1 313
Impairment losses		86	153
Change in value of biological assets		-264	-350
Change in provisions		-16	-83
Other*		-119	24
Income tax paid		210	-434
<b>Cash flow from operating activities before changes in working capital</b>		<b>2 138</b>	<b>1 916</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>			
Change in inventories		93	314
Change in trade receivables and other operating receivables		173	241
Change in trade payables and other operating liabilities		-394	-217
<b>Cash flow from operating activities</b>		<b>2 011</b>	<b>2 254</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		-983	-1 824
Disposal of property, plant and equipment		137	14
Acquisition of intangible non-current assets		-7	-29
Acquisition of biological assets		-26	-110
Disposal of biological assets		3	4
Increase in non-current financial receivables		0	-1
Repayment of non-current financial receivables		3	38
Acquisition of shares and participating interests		-83	-12
Disposal of shares and participating interests		86	0
<b>Cash flow from investing activities</b>		<b>869</b>	<b>-1 920</b>
<b>FINANCING ACTIVITIES</b>			
Raised long-term borrowings		1 700	400
Repayments of long-term borrowings		-2 092	-924
Change in current financial liabilities	25	-36	1 059
Change in current financial receivables		9	1
Dividend paid to owners of the parent company		-756	-672
<b>Cash flow from financing activities</b>		<b>-1 175</b>	<b>-135</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-33</b>	<b>199</b>
Cash and cash equivalents at beginning of year		308	112
Exchange gains/losses on cash and cash equivalents		1	-3
<b>Cash and cash equivalents at end of year</b>		<b>275</b>	<b>308</b>

\* 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 2 011 million.

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

Three bond loans were issued during the year, totalling SEK 1 700 million. Two MTNs have matured and three bank loans have been repaid early or have matured. Dividends of SEK 756 million were paid to shareholders during the year.

	2013	2012
<b>CHANGE IN NET FINANCIAL DEBT</b>		
Opening net financial debt	-6 590	-6 259
Cash flow		
Operating activities	2 011	2 254
Investing activities (excl. non-current financial receivables)	-872	-1 956
Dividend paid	-756	-672
Revaluations of defined benefit pension plans	70	-16
Foreign exchange currency effects and changes in fair value	21	59
<b>Closing net financial debt</b>	<b>-6 116</b>	<b>-6 590</b>



# PARENT COMPANY

INCOME STATEMENT, SEKm	NOTE	2013	2012
Net sales	2	14 443	15 895
Other operating income	3	720	525
Change in inventories		32	-44
Raw materials and consumables		-8 703	-9 472
Staff costs	4	-1 893	-1 995
Other external costs	5, 20	-4 148	-3 871
Depreciation and amortisation according to plan	9, 10	-35	-34
<b>Operating profit/loss</b>		<b>417</b>	<b>1 004</b>
Profit/loss from investments in Group companies	6, 23	15	-1 111
Profit/loss from investments in associates	6	0	0
Interest income and similar income	6	15	5
Impairment losses on value of shares and participating interests	6	-5	-
Interest expense and similar costs	6	-238	-189
<b>Profit/loss after financial items</b>		<b>204</b>	<b>-291</b>
Appropriations	24	824	-798
<b>Profit/loss before tax</b>		<b>1 028</b>	<b>-1 089</b>
Tax	7	-201	95
<b>Profit/loss for the year</b>		<b>828</b>	<b>-994</b>

STATEMENT OF COM- PREHENSIVE INCOME, SEKm	NOTE	2013	2012
<b>Profit/loss for the year</b>		<b>828</b>	<b>-994</b>
<b>Other comprehensive income</b>			
Cash flow hedges			
Revaluation		-32	22
Transferred from equity to the income statement		9	-151
Transferred from equity to non-current assets		0	59
Tax attributable to other comprehensive income	7	5	12
<b>Total items that will be reclassified to profit/loss for the year</b>		<b>-18</b>	<b>-58</b>
<b>Total comprehensive income</b>		<b>810</b>	<b>-1 053</b>

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

The item 'Appropriations' includes Group contributions of SEK 530 million. The item 'Interest expense and similar costs' in the income statement includes result of SEK -39 million on hedging equity in foreign subsidiaries.

CASH FLOW STATEMENT, SEKm	NOTE	2013	2012
<b>OPERATING ACTIVITIES</b>			
Profit/loss after financial items	25	204	-291
Adjustments for non-cash items			
Depreciation and amortisation according to plan		35	34
Change in provisions		-10	-34
Other*		591	1 327
Income tax paid		221	-402
<b>Cash flow from operating activities before changes in working capital</b>		<b>1 041</b>	<b>633</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>			
Change in inventories		148	332
Change in operating receivables		273	259
Change in operating liabilities		-341	-295
<b>Cash flow from operating activities</b>		<b>1 122</b>	<b>929</b>
<b>INVESTING ACTIVITIES</b>			
Shareholders' contribution paid		-37	-12
Acquisition of property, plant and equipment		-11	-53
Disposal of property, plant and equipment		7	7
Acquisition of intangible non-current assets		-3	-
Increase in external non-current financial receivables		0	0
Repayment of external non-current financial receivables		0	0
Acquisition of shares and participating interests		-56	0
Disposal of shares and participating interests		86	0
<b>Cash flow from investing activities</b>		<b>-16</b>	<b>-58</b>
<b>FINANCING ACTIVITIES</b>			
Raised external long-term borrowings		1 700	-
Repayments of external long-term borrowings		-2 091	-523
Change in other financial liabilities	25	-10	1 094
Change in other financial receivables		-480	720
Dividends paid to owners of the parent company		-756	-672
Group contributions received		531	7
Group contributions paid		-1	-1 300
<b>Cash flow from financing activities</b>		<b>-1 105</b>	<b>-675</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>1</b>	<b>197</b>
Cash and cash equivalents at beginning of year		213	16
<b>Cash and cash equivalents at end of year</b>		<b>213</b>	<b>213</b>

\* Other adjustments primarily consist of impairment losses on the 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. As of 2013 Group contributions are recognised as appropriations. Comparative figures have been recalculated.

<b>BALANCE SHEET</b> at 31 December, SEKm	<b>NOTE</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible non-current assets	9	10	10
Property, plant and equipment	10	2 589	2 612
Financial non-current assets			
Shares and participations	12, 23	12 499	13 082
Non-current financial receivables	13	2 715	2 325
<b>Total non-current assets</b>		<b>17 814</b>	<b>18 029</b>
<b>Current assets</b>			
Inventories	14	2 477	2 630
Operating receivables	15	2 050	2 346
Current tax receivable	7	-	405
Current investments	13	24	31
Cash and cash equivalents	13	213	213
<b>Total current assets</b>		<b>4 764</b>	<b>5 624</b>
<b>Total assets</b>		<b>22 578</b>	<b>23 653</b>

<b>BALANCE SHEET</b> at 31 December, SEKm	<b>NOTE</b>	<b>2013</b>	<b>2012</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	16		
Share capital		4 238	4 238
Statutory reserve		1 577	1 577
Revaluation reserve		100	100
Non-restricted equity			
Retained earnings incl. hedge reserve		2 740	4 508
Profit/loss for the year		828	-994
<b>Total equity</b>		<b>9 483</b>	<b>9 428</b>
<b>Untaxed reserves</b>			
	24	<b>1 771</b>	<b>2 064</b>
<b>Provisions</b>			
Pension provisions	17	39	60
Tax provisions	7, 18	45	45
Other provisions	18	651	626
Deferred tax liability	7	538	531
<b>Total provisions</b>		<b>1 274</b>	<b>1 262</b>
<b>Liabilities</b>			
Non-current financial liabilities	13	3 948	3 107
Current financial liabilities	13	3 464	4 860
Current tax liabilities	7	4	-
Operating liabilities	19	2 635	2 931
<b>Total liabilities</b>		<b>10 051</b>	<b>10 898</b>
<b>Total equity and liabilities</b>		<b>22 578</b>	<b>23 653</b>
<b>COLLATERAL AND CONTINGENT LIABILITIES</b>			
Collateral	21	142	6
Contingent liabilities	21	93	77

**CHANGES IN EQUITY, SEKm**

	<b>RESTRICTED EQUITY</b>			<b>NON-RESTRICTED EQUITY</b>			
	SHARE CAPITAL	STATUTORY RESERVE	REVALUATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS	PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
<b>Opening equity balance 1 Jan 2012</b>	<b>4 238</b>	<b>1 577</b>	<b>100</b>	<b>-66</b>	<b>4 116</b>	<b>1 189</b>	<b>11 153</b>
Appropriation of profits	-	-	-	-	1 189	-1 189	-
Profit/loss for the year	-	-	-	-	-	-994	-994
Other comprehensive income	-	-	-	-58	-	-	-58
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-58</b>	<b>1 189</b>	<b>-2 183</b>	<b>-1 053</b>
Dividend paid	-	-	-	-	-672	-	-672
<b>Closing equity balance 31 Dec 2012</b>	<b>4 238</b>	<b>1 577</b>	<b>100</b>	<b>-125</b>	<b>4 633</b>	<b>-994</b>	<b>9 428</b>
Appropriation of profits	-	-	-	-	-994	994	-
Profit/loss for the year	-	-	-	-	-	828	828
Other comprehensive income	-	-	-	-18	-	-	-18
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-18</b>	<b>-994</b>	<b>1 822</b>	<b>810</b>
Dividend paid	-	-	-	-	-756	-	-756
<b>Closing equity balance 31 Dec 2013</b>	<b>4 238</b>	<b>1 577</b>	<b>100</b>	<b>-143</b>	<b>2 883</b>	<b>828</b>	<b>9 483</b>

# NOTES TO THE FINANCIAL STATEMENTS

Amounts in SEKm, unless 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, associates and joint ventures.

### COMPLIANCE WITH STANDARDS AND STATUTORY REQUIREMENTS

The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The Swedish Financial Reporting Board's recommendation (RFR 1 Supplementary Accounting Rules for Groups) has also been applied.

The parent company applies the same accounting policies as the Group except in the cases that are commented on separately under each section. The parent company's accounts are prepared in accordance with RFR 2 Accounting for Legal Entities. The differences between the policies applied by the parent company and those applied by the Group are due to restrictions in the parent company's ability to apply IFRS as a consequence of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act, and in some cases 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 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.

### ESTIMATES AND JUDGEMENTS IN THE FINANCIAL STATEMENTS

Preparing the financial statements in accordance with IFRSs requires the company's management to make estimates and judgements, as well as to make assumptions that affect the application of the accounting policies and the recognised amounts for assets, liabilities, income and costs. The actual outcome may deviate from these assessments and estimates.

These estimates and judgements are reviewed regularly. Changes in estimates are recognised in the accounts for the period in which the change is made if the change only affects that period, or in the period the change is made and in later periods if the change affects current and future periods. See also Note 26 'Critical accounting estimates and judgements'.

### CHANGES IN ACCOUNTING POLICIES

New or amended IFRSs effective as of 2013 are not judged to have any material impact on the Group's accounts.

#### Other comprehensive income

The format of the statement of comprehensive income has been changed to reflect the amended IAS1 Presentation of Financial Statements. The items under 'Other comprehensive income' are now divided up into two categories: items that can be reclassified, e.g. translation differences, gains/losses on cash flow hedges and hedging of currency risk in foreign operations; and items that cannot be reclassified, e.g. revaluations of defined benefit pension plans.

#### Financial instruments and fair value

Changes to IFRS7 and IFRS13 have not resulted in any impact on amounts, but do entail additional disclosures in the annual report, primarily under Note 13 Financial Instruments, but also Note 11 Biological Assets.

#### Pensions

The revised IAS19 has not resulted in any impact on amounts, but does entail additional disclosures in the annual report, see Note 17. The calculated return on plan assets is based on the discount rate used for calculating the pension obligation. This means that net interest on the net pension liability/assets now comprises interest expense on the pension liability and interest income from the plan assets. The difference between the actual return and the amount included in net interest with regard to plan assets is recognised in 'Other comprehensive income'.

#### Parent company

Changes to statement UFR 9 of the Swedish Financial Reporting Board have been applied but have not resulted in any impact on amounts or disclosures in this annual report.

The amended RFR 2 and its alternative rule has been retroactively applied from 1 January 2013 for the comparative year 2012, which means that Group contributions are recognised as appropriations.

#### New and amended accounting policies applicable as of 2014

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 2014 in advance. New or amended IFRSs effective as of 2014 and 2015, such as changes to IFRS 10–12, 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 operations are monitored by the company's highest executive decision-maker, known as the management approach. The segmentation criterion is based on the Group's business areas. This corresponds to the Group's operating structure and the internal reporting to the CEO and the Board. The items in the profit, assets and liabilities of the operating segment are recognised in accordance with the profit (operating profit), assets and liabilities that are monitored by the company's highest executive decision-maker. See Note 2 for more details of the classification and presentation of operating segments.

## CLASSIFICATION

Essentially, non-current assets, non-current liabilities and provisions consist solely of amounts that are expected to be recovered or paid more than 12 months after the balance sheet date. Current assets, current liabilities and provisions essentially consist of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

## CONSOLIDATION PRINCIPLES

#### Subsidiaries

A subsidiary is a company over which the parent company, Holmen AB, exercises 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 determining 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 cost of the shares and the fair value of the acquired identifiable net assets is treated as goodwill. The subsidiary companies' income and expenses, and their assets and liabilities, are stated in the consolidated accounts as of the date when the Group gains control (acquisition date) until such time as the Group no longer has control. Intra-Group receivables and liabilities, transactions between companies in the Group and related unrealised gains are eliminated in their entirety.

#### Holdings recognised in accordance with the equity method

##### Associates

Shareholdings in associates, in which the Group controls a minimum of 20 per cent and a maximum of 50 per cent of the votes, or otherwise exercises a significant influence, are stated in the consolidated accounts in accordance with the equity method.

##### Jointly owned companies/joint ventures

Jointly owned companies are companies in which the holding amounts to 50 per cent of the votes. Depending on the conditions surrounding the ownership and decision-making, ownership is recognised as a joint venture in accordance with the proportional consolidation method or equity method. Conditions in the company owned jointly by Holmen are such that the holding is recognised in accordance with the equity method.

##### 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 consolidated surplus and deficit values. The Group's share of 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 'Share of profits of associates and joint ventures'. Dividends received from an associate reduce the carrying amount of the investment. Unrealised gains arising as a consequence of transactions with associates are eliminated in relation to the owned proportion of equity.



Dividends received from an associate or joint venture reduce the carrying amount of the investment. Unrealised gains arising as a consequence of transactions with associates and joint ventures are eliminated in relation to the owned proportion of equity.

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

## FOREIGN CURRENCY

### Transactions denominated in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange differences arising on such translations are stated in the income statement. Non-monetary assets and liabilities that are stated at historical cost are translated at the exchange rate prevailing on the transaction date.

### Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other consolidated surplus and deficit values, are translated in the consolidated accounts, from the foreign operation's functional currency, to the Group's reporting currency (Swedish kronor) at the balance sheet date. The income and expenses of foreign operations are translated into Swedish kronor at an average rate that is an approximation of the exchange rates prevailing at the date of each transaction. 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 IFRS.

## 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 capitalised in the consolidated accounts as part of the asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and that is relevant for the Group in connection with major investment projects.

## TAXES

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when underlying transactions are recognised in other comprehensive income or directly in equity, in which case the associated tax effect is also recognised in other comprehensive income or directly in equity. Current tax is the tax to be paid or received for the year in question, using the tax rates that have been decided on, or to all intents and purposes have been decided on at the balance sheet date. This also includes any adjustment to current tax attributable to previous periods. Deferred tax is calculated using the balance sheet method on the basis of temporary differences between 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 investments 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 carry-forwards are recognised only to the extent that it is likely they will be utilised and entail lower tax payments in the future. Deferred tax assets and deferred tax liabilities in the same country are recognised net to the extent that a right of set-off applies.

## EARNINGS PER SHARE

The calculation of earnings per share (EPS) is based on the Group's profit for the year attributable to the parent company's owners and the weighted average number of shares outstanding during the year.

## 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 date principle. Trade receivables are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has provided a product or service and there is a contractual obligation to pay, even if an invoice has not yet been received. A financial asset and a financial liability are only offset and recognised at a net amount where a legal right to offset the amounts exists and there is an intention to settle the items at a net amount or simultaneously realise the asset and settle the liability. Financial assets, excluding shares, and financial liabilities have been classified as current if the amounts are expected to be recovered or paid within 12 months of the balance sheet date. Shares have been classified as non-current if they are intended to be held in the operation permanently.

### Measurement of financial instruments

*Financial assets at fair value through profit/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/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 financial instruments receivable and dividend income as well as exchange differences on monetary items, which are recognised in profit/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/loss for the year. Shares and interests not related to Group companies or associates are measured at cost. Measurement at fair value could not be applied, because reliable fair values could not be established.

**Financial liabilities at fair value through profit/loss.** Financial liabilities are measured initially at the value of funds received after deduction of any transaction costs. Normally, the liabilities are measured on a current basis at amortised cost using the effective interest method. In those cases where funds received fall short of the repayment amount, the difference is allocated over the duration of the loan using the effective interest method. 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 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, at which point the accumulated changes in value are recognised in the income statement. In the parent company, changes in value are recognised in the income statement, as hedge accounting is not applied.

**Fair value estimation.** 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 calculated 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 cost of business combinations and the fair value of the acquired assets, assumed liabilities and contingent liabilities. It is valued at 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 cost less accumulated amortisation and impairment losses.

Intangible non-current assets also include patents, licences and IT systems, which are recognised at 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 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 any 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 realisable value 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 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 cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and is relevant for the Group 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/loss 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 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. Valuation is therefore carried out 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 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 securing 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 cost and production cost after deduction for necessary obsolescence, or net realisable value. The cost of inventories is calculated by using the First in, First out method (FIFO). The net realisable value is the estimated selling price in operating activities after deduction of the estimated costs of completion and effecting the sale. The 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 obligations

Obligations to pay premiums to defined contribution plans are recognised as a cost in the income statement as and when they are earned.

The Group's net obligation 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 high-quality corporate bond with a duration corresponding to the Group's pension obligations. If there is no active market for such corporate bonds, the market interest rate for government bonds with a corresponding duration is used instead. The calculation is performed by a qualified actuary using the projected unit credit method for the part of the pension obligations that is defined benefit.

When the present value of the obligations 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.

If the benefits provided by a plan are improved, the proportion of the improvement in the benefit that is attributable to the employees' employment during earlier periods is recognised as a cost in the income statement and is distributed on a straight-line basis over the average period until the benefits have been fully earned. If the benefit has been earned in full, a cost is recognised directly in the income statement. If any changes occur to a defined benefit plan, these are recognised when the change to the plan occurs. If the change occurs in conjunction with restructuring, this is recognised when the company recognises the associated restructuring costs. The changes are recognised directly in profit/loss for the year.

The interest cost on defined benefit obligations is recognised in profit/loss for the year under financial items. This is calculated as the net total of the upward adjustment of interest on the pension obligation and expected income on plan assets calculated according to the same interest factor (discount rate). Other components are recognised in operating profit/loss. The revaluation effects consist of actuarial gains and losses and the difference between the actual return on plan assets and the amount included in net interest. Revaluation effects are recognised in other comprehensive income.

Payroll tax constitutes part of the actuarial assumptions and is therefore recognised as part of net obligations.

Policyholder tax is recognised as it is incurred in profit/loss for the period to which the tax relates and is consequently not included in the calculation of liabilities. In the case of funded plans, this tax is levied on the return on plan assets and is recognised in other comprehensive income. In the case of unfunded plans or partially unfunded plans, this tax is levied on profit for the year.

In the parent company's accounts, different grounds are used for computation of defined benefit pension plans from those referred to in IAS 19. The parent company complies with the provisions of the Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations, because this is a condition for the right to make deductions for tax purposes. The main differences in relation to the rules in IAS 19 relate to how the discount rate of interest is established, the calculation of the defined benefit obligation on the basis of the current pay level without any assumption regarding pay increments in the future, and the recognition of all actuarial gains and losses in the income statement when they arise.

When there is a difference between how the pension cost is arrived at in the legal entity and in the Group, a provision or a receivable is recognised in the consolidated accounts in respect of payroll tax based on this difference. The present value of the provision or receivable is not calculated.

#### 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.

## 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

As of 2013, Group contributions are recognised in the parent company with retroactive application for the comparative year 2012 in accordance with RFR 2's alternative rule, i.e. Group contributions paid or received are recognised as appropriations.

Shareholder contributions are recognised as an increase in the item 'Investments in Group companies'. In addition, 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 whole number or equivalent. The absence of a value is indicated by a dash (-).



**NOTE 2. OPERATING SEGMENT REPORTING**

2013	HOLMEN PAPER	IGGESUND PAPERBOARD	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP-WIDE AND OTHER	ELIMINA- TIONS	TOTAL GROUP
Net sales								
External	7 148	4 618	1 175	2 901	382	7	-	16 231
Internal	-	-	-	2 793	1 265	-	-4 059	-
Other operating income	156	581	268	149	123	145	-438	984
Operating costs	-6 931	-4 321	-1 401	-5 149	-1 380	-272	4 497	-14 958
Depreciation and amortisation according to plan	-738	-445	-119	-34	-20	-15	-	-1 370
Impairment losses	-86	-	-	-	-	-	-	-86
Change in value of biological assets	-	-	-	264	-	-	-	264
Share of profits of associates	1	-	3	-	1	-2	-	3
<b>Operating profit/loss</b>	<b>-449</b>	<b>433</b>	<b>-75</b>	<b>924</b>	<b>371</b>	<b>-136</b>	<b>-</b>	<b>1 069</b>
<i>Operating profit/loss excluding items affecting comparability*</i>	<i>-309</i>	<i>433</i>	<i>-75</i>	<i>924</i>	<i>371</i>	<i>-136</i>	<i>-</i>	<i>1 209</i>
Operating margin excluding items affecting comparability, %	-4	9	-6	16	23			7
Return on operating capital excluding items affecting comparability, %	-6	7	-5	6	11			4
Operating assets	5 838	7 639	1 486	18 055	3 507	259	-360	36 424
Operating liabilities	1 028	776	125	1 243	150	692	-360	3 653
Operating capital	4 810	6 863	1 361	16 813	3 357	-433	-	32 772
Investments	85**	660	21	54	46	8	-	874

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

\*\* Including proceeds from the sale of the PM61 paper machine in Spain, which was shut down in 2011.

	GROUP		PARENT COMPANY	
<b>NON-CURRENT ASSETS PER COUNTRY</b>	<b>2013</b>	2012	<b>2013</b>	2012
Sweden	27 336	27 445	15 098	15 698
UK	1 835	1 523	-	-
Spain	1 464	1 654	-	-
Other	6	28	-	-
<b>Total</b>	<b>30 641</b>	<b>30 649</b>	<b>15 098</b>	<b>15 698</b>

	GROUP		PARENT COMPANY	
<b>NET SALES BY PRODUCT AREA</b>	<b>2013</b>	2012	<b>2013</b>	2012
Printing paper	6 952	7 849	6 914	7 855
Paperboard	4 521	4 819	2 959	3 198
Pulp	87	88	182	177
Sawn timber	1 175	1 125	1 175	1 125
Wood	2 901	3 211	2 831	3 133
Energy	382	407	382	407
Other	213	354	0	0
<b>Total</b>	<b>16 231</b>	<b>17 852</b>	<b>14 443</b>	<b>15 895</b>

	GROUP		PARENT COMPANY	
<b>NET SALES BY MARKET</b>	<b>2013</b>	2012	<b>2013</b>	2012
Sweden	3 873	4 129	3 854	4 110
Germany	2 168	2 474	1 866	2 173
UK	1 996	2 329	1 488	1 734
Spain	1 042	1 096	836	850
Italy	786	770	752	737
The Netherlands	755	802	694	749
France	746	772	676	713
Rest of Europe	2 949	3 341	2 497	2 850
Rest of the world	1 917	2 139	1 780	1 978
<b>Total</b>	<b>16 231</b>	<b>17 852</b>	<b>14 443</b>	<b>15 895</b>

2012	HOLMEN PAPER	IGGESUND PAPERBOARD	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	-	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
Share of profits of associates	46	-	2	-	-1	-	-	47
<b>Operating profit/loss</b>	<b>-99</b>	<b>596</b>	<b>-130</b>	<b>931</b>	<b>355</b>	<b>-132</b>	<b>-</b>	<b>1 520</b>
<i>Operating profit/loss excluding items affecting comparability*</i>	<i>94</i>	<i>596</i>	<i>-130</i>	<i>931</i>	<i>355</i>	<i>-132</i>	<i>-</i>	<i>1 713</i>
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 refer to an impairment loss and restructuring costs in Holmen Paper.

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 is 1 480 000 tonnes of printing paper, 540 000 tonnes of paperboard and 900 000 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 3.2 million m<sup>3</sup>sub. 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 monitors 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	
	2013	2012	2013	2012
Sales of by-products	324	300	226	230
Certificates, renewable energy	285	54	129	74
Emission allowances	32	20	28	10
Sales of non-current assets	9	14	5	7
Rent and land lease income	24	18	21	17
Silviculture contracts	70	72	70	72
Other	241	142	241	116
<b>Total</b>	<b>984</b>	<b>621</b>	<b>720</b>	<b>525</b>

Of the sales of by-products in the Group, SEK 111 million (128) relates to rejects from production, SEK 88 million (86) to sawdust, bark, chips etc, and SEK 126 million (86) to external sales of energy.

Income from renewable energy certificates received from the production of renewable energy at the Group's mills amounted to SEK 285 million (54). The increase is due to a biofuel boiler that entered service in Workington in the first quarter of 2013.

The Group has been allotted emission allowances which have mainly been consumed within the own production. The surplus resulted in a gain of SEK 32 million (20).

**NOTE 4. EMPLOYEES, STAFF COSTS AND REMUNERATION TO SENIOR MANAGEMENT**

<b>WAGES, SALARIES AND SOCIAL SECURITY COSTS</b>	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Wages, salaries and other remuneration	1 642	1 743	1 287	1 356
Social security costs	635	684	554	586

**AGM'S GUIDELINES FOR DETERMINING SALARIES AND OTHER REMUNERATION FOR SENIOR MANAGEMENT**

The 2013 AGM decided on the following guidelines for determining the salaries and other remuneration of the CEO and other senior management, namely the heads of the business areas and heads of Group staffs who report directly to the CEO.

**Salary and other benefits**

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 from 65 years of age shall be either defined benefit or defined contribution. Pension drawn from 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 management shall be made by the AGM.

**Remuneration committee**

A remuneration committee appointed from among the members of the Board shall handle matters 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 for senior management shall be laid down in a pay policy adopted by the remuneration committee.

**Deviations 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 deviation, information thereon and the reasons therefor shall be submitted to the next AGM.

**OPTIONS PROGRAMME**

The 2008 AGM approved the Board's proposal to introduce an options programme for the Holmen Group's employees, which resulted in the company inviting employees to acquire call options at market price. The call options expired in June 2013 without any options being exercised. The programme was not replaced by a new programme.

**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 2013, the fee amounted to SEK 2 400 000 (2 700 000). The chairman received a fee of SEK 600 000 (600 000), and each of the other six (seven) members (except for the CEO) received SEK 300 000 (300 000).

**Senior management**

The CEO's salary and other benefits for 2013 amounted to SEK 7 874 220 (7 879 492). In 2013, 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 4 246 531 (4 059 786). No variable remuneration was paid.

In 2013, the salaries and other benefits of the other senior management, i.e. the heads of the five business areas and the heads of the six (five) Group staffs who report directly to the CEO, amounted to a total of SEK 22 224 504 (20 529 489). 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 10 995 369 (9 347 752) in 2013. 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 obligations in respect of the Board and senior management**

Holmen's pension obligations over and above the ITP plan for the CEO amounted to SEK 23 million (22) at 31 December 2013 and for other members of senior management to SEK 37 million (53), calculated in accordance with IAS 19. The Group also has a SEK 7 million (7) obligation for one Board member, Göran Lundin, former CEO of Holmen. The pension obligations are secured using plan assets managed by an independent pension fund.



	AVERAGE NUMBER OF FULL-TIME EQUIVA- LENTS	OF WHICH WOMEN	AVERAGE NUMBER OF FULL-TIME EQUIVA- LENTS	OF WHICH WOMEN
	2013		2012	
<b>Parent company</b>				
Sweden	2 770	536	2 930	563
Spain	12	7	9	5
<b>Group companies</b>				
Estonia	14	4	17	5
France	17	7	30	7
Germany	22	8	25	7
Hong Kong	5	1	5	1
Italy	7	3	8	4
The Netherlands	96	33	100	35
Poland	7	4	6	3
Portugal	1	-	1	-
Singapore	5	3	5	3
Spain	310	64	353	80
Switzerland	5	1	4	1
UK	440	44	446	44
USA	7	3	7	3
<b>Total</b>				
<b>Group companies</b>	<b>936</b>	<b>173</b>	<b>1 006</b>	<b>192</b>
<b>Total Group</b>	<b>3 718</b>	<b>716</b>	<b>3 945</b>	<b>760</b>

The decrease in the number of employees during the year is primarily due to restructurings.

	GROUP		PARENT COMPANY	
<b>PROPORTION OF WOMEN, %</b>	<b>2013</b>	2012	<b>2013</b>	2012
Board (excl. deputy members)	18	17	18	17
Senior management	25	18	25	18
Total	19	19	20	19

## NOTE 5. AUDITORS' FEE AND REMUNERATION

The audit firm KPMG was elected by the 2013 Annual General Meeting as Holmen's auditors for a period of one year. KPMG audits Holmen AB and almost all of its subsidiaries.

	GROUP		PARENT COMPANY	
<b>REMUNERATION TO KPMG</b>	<b>2013</b>	2012	<b>2013</b>	2012
Audit assignments	6	6	4	4
Tax advice	3	2	1	1
Other services	0	1	-	0
<b>Total</b>	<b>9</b>	<b>9</b>	<b>5</b>	<b>6</b>
Other auditors	0	0	-	-
<b>Total</b>	<b>9</b>	<b>10</b>	<b>5</b>	<b>6</b>

"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	
	2013	2012	2013	2012
<b>FINANCE INCOME</b>				
Dividend income from Group companies	-	-	671	261
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss for the year				
- Held for financial risk management*	-11	-4	-11	-4
Cash and cash equivalents	-5	5	-5	5
Other financial receivables	21	3	20	3
Interest income	4	4	12	3
<b>Total finance income</b>	<b>8</b>	<b>7</b>	<b>686</b>	<b>267</b>
<b>FINANCE COSTS</b>				
Impairment losses on value of shares in Group companies	-	-	-656	-1 373
Impairment losses on other shares and participating interests	-5		-5	-
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss for the year				
- Held for financial risk management*	-	-3	-12	47
Other financial liabilities	-	1	-27	39
<b>Total net profit/loss</b>	<b>-5</b>	<b>-2</b>	<b>-700</b>	<b>-1 287</b>
Interest costs**	-200	-232	-199	-275
<b>Finance costs</b>	<b>-205</b>	<b>-234</b>	<b>-899</b>	<b>-1 562</b>
<b>Net financial items</b>	<b>-197</b>	<b>-227</b>	<b>-213</b>	<b>-1 294</b>

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

\*\* SEK -27 million (-38) 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 -27 million (-38). 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 32–35.

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

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Exchange gains/losses on trade receivables and trade payables	6	-126	6	-126
Net gain/loss on derivatives stated in working capital	-5	218	-8	198
Interest income on trade receivables	1	3	1	3
Interest costs on trade payables	-10	-17	-10	-17

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

## NOTE 7. TAXES

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<b>TAXES STATED IN INCOME STATEMENT</b>				
Current tax	134	-362	-188	-3
Deferred tax	-294	921	-13	98
<b>Total</b>	<b>-160</b>	<b>559</b>	<b>-201</b>	<b>95</b>

Tax recognised totalled SEK -160 million, corresponding to 18 per cent of profit before tax. The low tax rate is due to the fact that the income from the establishment of a jointly owned wind power company is not taxable.

## NOTE 7. TAXES, CONT.

	GROUP				PARENT COMPANY			
	2013		2012		2013		2012	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit/loss before tax	871		1 294		1 028		-1 089	
Tax at applicable rate	-192	22.0	-340	26.3	-226	22.0	286	26.3
Difference in tax rate in foreign operations	-3	0.4	1	-0.1	0	0.0	0	0.0
Non-taxable income and non-deductible costs	8	-0.9	-3	0.2	28	-2.7	-283	-26.1
Standard interest on tax allocation reserve	-5	0.6	-8	0.6	-5	0.5	-8	-0.7
Effect of unstated loss carry-forwards and temporary differences	14	-1.6	0	0.0	0	0.0	0	0.0
Tax attributable to previous periods	2	-0.2	-3	0.2	1	-0.1	0	0.0
Change to tax rate on deferred tax assets/liabilities	16	-1.8	911	-70.4	0	0.0	100	9.2
Other	1	-0.1	2	-0.1	1	-0.1	0	0.0
<b>Effective tax</b>	<b>-160</b>	<b>18.4</b>	<b>559</b>	<b>-43.2</b>	<b>-201</b>	<b>19.5</b>	<b>95</b>	<b>8.7</b>

## TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	GROUP						PARENT COMPANY					
	BEFORE TAX		AFTER TAX		BEFORE TAX		BEFORE TAX		AFTER TAX		BEFORE TAX	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Cash flow hedges	-64	14	-50	-77	18	-59	-23	5	-18	-70	12	-58
Translation differences on foreign operations	109	-	109	-129	-	-129	-	-	-	-	-	-
Hedging of currency risk in foreign operations	-39	9	-30	88	-23	65	-	-	-	-	-	-
Revaluations of defined benefit pension plans	72	-15	58	-16	-2	-18	-	-	-	-	-	-
<b>Other comprehensive income</b>	<b>78</b>	<b>8</b>	<b>86</b>	<b>-135</b>	<b>-6</b>	<b>-141</b>	<b>-23</b>	<b>5</b>	<b>-18</b>	<b>-70</b>	<b>12</b>	<b>-58</b>

## TAXES AS STATED IN BALANCE SHEET

	GROUP		PARENT COMPANY			GROUP		PARENT COMPANY	
	2013	2012	2013	2012		2013	2012	2013	2012
Deferred tax asset	2	2	-	-	<b>DEFERRED TAX LIABILITIES</b>				
Current tax receivable	106	75	-	405	Non-current assets				
<b>Total tax receivables</b>	<b>108</b>	<b>77</b>	<b>-</b>	<b>405</b>	Biological assets*	3 654	3 587	542	542
					Property, plant and equipment	1 760	1 397	-2	-2
					Tax allocation reserve	389	552	-	-
					Transactions subject to hedge accounting	-24	-10	-40	-35
					Other, including deferred tax assets stated net among deferred tax liabilities	24	-23	39	27
					<b>Total deferred tax liabilities</b>	<b>5 804</b>	<b>5 504</b>	<b>538</b>	<b>531</b>
					Provisions for taxes	155	86	45	45
					Current tax liability	28	3	4	-
					<b>Total tax liabilities</b>	<b>5 987</b>	<b>5 593</b>	<b>587</b>	<b>576</b>

\* 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				
	OPENING	STATED IN	STATED IN OTHER	TRANSLA-	CLOSING	OPENING	STATED IN	STATED IN OTHER	CLOSING	
	BALANCE	THE INCOME	COMPRE-	TION DIF-	BALANCE	BALANCE	THE INCOME	COMPRE-	BALANCE	
		STATEMENT	HENSIVE	FERENCES			STATEMENT	HENSIVE		
			INCOME	AND OTHER				INCOME		
<b>2013</b>										
Biological assets*	-3 587	-67	-	-	-3 654	-542	0	-	-542	
Property, plant and equipment	-1 397	-358	-	-5	-1 760	2	0	-	2	
Pension provisions	68	-14	-15	0	40	-	-	-	-	
Tax allocation reserve	-552	163	-	-	-389	-	-	-	-	
Other	-34	-18	14	0	-38	8	-12	5	1	
<b>Deferred net tax liability</b>	<b>-5 502</b>	<b>-294</b>	<b>-1</b>	<b>-5</b>	<b>-5 802</b>	<b>-531</b>	<b>-13</b>	<b>5</b>	<b>-538</b>	

	GROUP					PARENT COMPANY				
	OPENING	STATED IN	STATED IN OTHER	TRANSLA-	CLOSING	OPENING	STATED IN	STATED IN OTHER	CLOSING	
	BALANCE	THE INCOME	COMPRE-	TION DIF-	BALANCE	BALANCE	THE INCOME	COMPRE-	BALANCE	
		STATEMENT	HENSIVE	FERENCES			STATEMENT	HENSIVE		
			INCOME	AND OTHER				INCOME		
<b>2012</b>										
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	
<b>Deferred net tax liability</b>	<b>-6 436</b>	<b>921</b>	<b>17</b>	<b>-3</b>	<b>-5 502</b>	<b>-640</b>	<b>98</b>	<b>12</b>	<b>-531</b>	

\* 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 consolidated income statement relates primarily to a change in temporary differences. The amount recognised in other comprehensive income includes deferred tax related to changes of SEK 14 million in hedging reserves (18) and an impact of SEK -15 million from the revaluation of defined benefit pension plans (-2).

At year-end there were tax loss carry-forwards 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 540 million relates to loss carry-forwards, of which approximately SEK 420 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.

In December the Supreme Administrative Court ruled that no leave to appeal would be granted with regard to the depreciation deduction that Holmen's subsidiary Modo Capital was disallowed. Holmen paid the disputed amount in 2010 and this ruling therefore does not have an impact on earnings or cash flow.

**NOTE 8. EARNINGS PER SHARE (EPS)**

	GROUP	
	2013	2012
Total number of shares outstanding, 1 January	83 996 162	83 996 162
Buy-back of company's own shares during the year	-	-
<b>Total number of shares outstanding, 31 December</b>	<b>83 996 162</b>	<b>83 996 162</b>
Shareholders' share of profit for the year, SEKm	711	1 853
Average number of shares	83 996 162	83 996 162
<b>EPS for the year, SEK</b>	<b>8.5</b>	<b>22.1</b>

Shares in the company were repurchased in 2008 to secure the company's commitments as part of the options programme for the Holmen Group's employees as decided by the 2008 AGM. A total of 760 000 class B shares were repurchased, 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. The option price was SEK 20 per option and the exercise price of the options was SEK 224.50 per share. The exercise period for call options expired in 2013 without any options being exercised.

**NOTE 9. INTANGIBLE NON-CURRENT ASSETS**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<b>ACCUMULATED ACQUISITION COST</b>				
Opening balance	140	111	23	23
Investments	10	29	3	-
Disposal and retirement of assets	0	0	-	-
Translation differences	1	-1	-	-
<b>Total</b>	<b>151</b>	<b>140</b>	<b>26</b>	<b>23</b>
<b>AMORTISATION AND IMPAIRMENT LOSSES, ACCUMULATED</b>				
Opening balance	82	85	13	9
Amortisation for the year	8	8	3	4
Impairment losses for the year	-	-10	-	-
Translation differences	1	-1	-	-
<b>Total</b>	<b>92</b>	<b>82</b>	<b>16</b>	<b>13</b>
<b>Residual value according to plan at end of year</b>	<b>59</b>	<b>57</b>	<b>10</b>	<b>10</b>

Intangible non-current assets mostly consist of IT systems of SEK 39 million (43). These assets were largely acquired from external sources. They have determinable useful lives and are amortised over 5–20 years. No goodwill applies for the Group.

## NOTE 10. PROPERTY, PLANT AND EQUIPMENT

GROUP	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		WORK IN PROGRESS AND ADVANCE PAYMENTS TO SUPPLIERS		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Accumulated acquisition cost</b>										
Opening balance	117	100	6 455	6 108	28 181	28 367	1 075	538	35 828	35 112
Investments	17	17	95	416	952	544	27	632	1 091	1 609
Reclassifications	3	0	161	15	835	21	-999	-36	-	-
Disposal and retirement of assets	-	-	-11	-29	-239	-566	-11	-37	-261	-631
Translation differences	1	0	58	-55	189	-185	16	-22	264	-262
<b>Total</b>	<b>137</b>	<b>117</b>	<b>6 758</b>	<b>6 455</b>	<b>29 918</b>	<b>28 181</b>	<b>108</b>	<b>1 075</b>	<b>36 922</b>	<b>35 828</b>
<b>Accumulated depreciation and impairment losses</b>										
Opening balance	-	-	3 286	3 117	19 999	19 480	-	-	23 285	22 596
Depreciation for the year according to plan	-	-	142	136	1 219	1 169	-	-	1 362	1 305
Impairment losses for the year	-	-	1	91	85	72	-	-	86	163
Disposal and retirement of assets	-	-	-7	-30	-86	-582	-	-	-94	-612
Translation differences	-	-	31	-28	148	-139	-	-	179	-167
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3 454</b>	<b>3 286</b>	<b>21 363</b>	<b>19 999</b>	<b>-</b>	<b>-</b>	<b>24 817</b>	<b>23 285</b>
<b>Residual value according to plan at end of year</b>	<b>137</b>	<b>117</b>	<b>3 304</b>	<b>3 169</b>	<b>8 555</b>	<b>8 182</b>	<b>108</b>	<b>1 075</b>	<b>12 104</b>	<b>12 543</b>

PARENT COMPANY	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Accumulated acquisition cost</b>								
Opening balance	90	89	141	138	262	250	493	477
Investments	0	1	0	-	11	52	11	53
Reclassifications	-	-	-	3	-	-3	-	-
Disposal and retirement of assets	0	0	-1	0	-28	-38	-29	-38
<b>Total</b>	<b>90</b>	<b>90</b>	<b>140</b>	<b>141</b>	<b>245</b>	<b>262</b>	<b>475</b>	<b>493</b>
<b>Accumulated depreciation according to plan</b>								
Opening balance	-	-	128	127	170	166	297	293
Depreciation for the year according to plan	-	-	1	1	30	30	31	31
Disposal and retirement of assets	-	-	-1	-	-25	-26	-26	-26
<b>Total</b>	<b>-</b>	<b>-</b>	<b>127</b>	<b>128</b>	<b>175</b>	<b>170</b>	<b>302</b>	<b>297</b>
<b>Accumulated revaluations</b>								
Opening balance	2 415	2 415	1	1	-	-	2 416	2 416
Depreciation for the year according to plan	0	0	0	0	-	-	0	0
<b>Total</b>	<b>2 415</b>	<b>2 415</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>2 416</b>	<b>2 416</b>
<b>Residual value according to plan at end of year</b>	<b>2 506</b>	<b>2 506</b>	<b>13</b>	<b>14</b>	<b>70</b>	<b>92</b>	<b>2 589</b>	<b>2 612</b>



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'. During the year impairment losses of SEK -86 million were applied to property, plant and equipment in the Holmen Paper business area following the closure of capacity. In 2012 impairment losses of SEK -290 million were applied to property, plant and equipment owing to a decrease in the estimated recovery value of the Group's Spanish operations as a result of a deterioration in market conditions. In addition, an impairment loss that was applied in 2010 was reversed, which increased the value of property, plant and equipment by SEK 127 million. This reversal was due to a paper machine that was shut down in 2010 being sold in 2012.

In 2013, 50 per cent of the holding in Varsvik AB, which was previously recognised as a subsidiary, was divested. The remainder of this holding is recognised as a joint venture. Parts of the French operations were also divested. These divestments are recognised in the table under the line item 'Disposal and retirement of assets'.

The Group's investment commitments for approved and ongoing projects amounted to SEK 670 million (856) at 31 December 2013. In 2013 the company's capitalised borrowing costs totalled SEK 8 million (51). An interest rate of 3.5 per cent (4.0) 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 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. Fair value measurement is based on measurement level 3. 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.

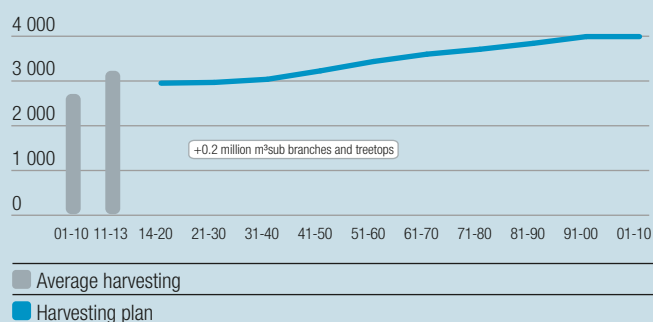
In total, Holmen owns 1 034 000 hectares of productive forest land, with a volume of standing forest totalling 120 million m<sup>3</sup> growing stock, solid over bark. According to the harvesting plan, valid from 2011, harvesting will amount to 3.2 million m<sup>3</sup>sub per year, of which 0.2 million m<sup>3</sup>sub 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<sup>3</sup>sub 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 a par with the average price over the past 10 years but slightly higher 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 are reported at SEK 16 517 million before tax. A deferred tax liability of SEK 3 654 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, is stated at SEK 12 863 million.

### HARVESTING

'000 m<sup>3</sup>sub/year



The change in the value of the growing forests can be broken down as follows:

GROUP	2013	2012
Opening balance	16 227	15 771
Acquisition of growing forest	25	107
Sales of growing forest	0	0
Change due to harvesting	-601	-574
Change in fair value	865	924
<b>Carrying amount at end of year</b>	<b>16 517</b>	<b>16 227</b>

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 2013, this amounted to SEK 264 million (350).

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

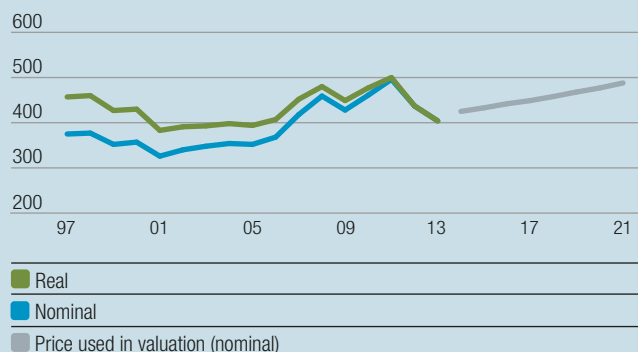
### Change in value (SEKm)

GROUP	BEFORE TAX	AFTER TAX
Annual change, +0.1 % per year		
Harvesting rate	720	560
Price inflation	1 100	860
Cost inflation	-630	-490
Change in level, +1 %		
Harvesting	240	190
Prices	370	290
Costs	-240	-190
Discount rate, +0.1 %	-440	-340

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).

### PRICES

SEK/m<sup>3</sup>sub



The Nominal price series shows the average selling price for Holmen. The Real series shows nominal prices recalculated at 2013 monetary value using historical Swedish CPI.

**NOTE 12. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER SHARES AND PARTICIPATING INTERESTS**

	GROUP		PARENT COMPANY			GROUP		PARENT COMPANY	
	2013	2012	2013	2012		2013	2012	2013	2012
<b>ASSOCIATES</b>					<b>JOINT VENTURES</b>				
Carrying amount at start of year	1 821	1 815	125	123	Carrying amount at start of year	-	-	-	-
Investments	-	12	-	2	Investment and revaluation	139	-	82	-
Share in profits of associates	5	47	-	-	Share in joint venture result	-2	-	-	-
Dividends received	-	-47	-	-	Interests received	-1	-	-	-
Translation difference	6	-6	-	-					
Impairment losses	-7	-	-	-	<b>Carrying amount at end of year</b>	<b>136</b>	<b>-</b>	<b>82</b>	<b>-</b>
<b>Carrying amount at end of year</b>	<b>1 825</b>	<b>1 821</b>	<b>125</b>	<b>125</b>					

The parent company's opening balance includes accumulated impairment losses of SEK 34 million.

During the year 50 per cent of the holding in Varsvik AB was divested, which until the divestment had been recognised as a subsidiary. The remaining holding in Varsvik AB, which amounts to 50 per cent, is recognised as a joint venture as of 2013.

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<b>OTHER SHARES AND PARTICIPATING INTERESTS</b>				
Carrying amount at start of year	13	13	6	6
Investments	1	-	-	-
Disposals	-	0	-	0
Translation difference	0	0	-	-
Impairment losses	-5	-	-5	-
<b>Carrying amount at end of year</b>	<b>9</b>	<b>13</b>	<b>1</b>	<b>6</b>

**PARENT COMPANY AND GROUP HOLDINGS OF SHARES AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

	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
					2013			2012	
<b>ASSOCIATES</b>									
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	-	1 472 724
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	1 856	20 993	36.0	1 856	18 475
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	52 322	17.7	46 260	49 558
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	-	345	21.1	-	9 347
Baluartes Sociedade de Recolha e Recuperação de Desperdícios, Lda, Portugal		Alcochete	2	50.0	-	37 939	50.0	-	35 710
SAS Saica Natur sud, France		Lorp-Sentaraille	678	24.0	-	17 669	24.0	-	20 017
Peninsular Cogeneración S.A., Spain		Madrid	4 500	50.0	-	109 629	50.0	-	101 990
					<b>125 232</b>	<b>1 825 137</b>		<b>125 232</b>	<b>1 821 337</b>
<b>JOINT VENTURE</b>									
Varsvik AB	556914-9833	Stockholm	250	50.0	82 470	135 807	-	-	-
<b>Total</b>					<b>207 702</b>	<b>1 960 944</b>		<b>125 232</b>	<b>1 821 337</b>

\* The percentage of ownership agrees with the percentage of votes for the total number of shares.

**PARENT COMPANY AND GROUP HOLDINGS OF SHARES AND INVESTMENTS IN OTHER COMPANIES**

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTEREST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLI- DATED AC- COUNTS, SEK THOUSANDS	INTEREST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLI- DATED AC- COUNTS, SEK THOUSANDS
<b>Parent company</b>					<b>2013</b>			<b>2012</b>	
Industrikraft i Sverige AB	556761-5371	Stockholm	100 000	20.0	107	107	20.0	5 000	5 000
Miscellaneous shares owned by the parent company					647	647		645	645
<b>Total</b>					<b>754</b>	<b>754</b>		<b>5 645</b>	<b>5 645</b>
<b>Group</b>									
SweTree Technologies AB	556573-9587	Umeå	79 391	2.8	-	7 627	2.6	-	6 920
Miscellaneous shares						340			340
<b>Total</b>					<b>754</b>	<b>8 720</b>		<b>5 645</b>	<b>12 904</b>

\* The percentage of ownership agrees with the percentage of votes for the total number of shares.

The holdings in Brännälvens Kraft AB, Gidekraft AB, Harrsele AB and Vattenfall Tuggen AB refer to hydro power assets, 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 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 in the Holmen Energi business area.

The interests in 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 and joint ventures owned by the Group and parent company respectively is specified on the right. The table shows the owned portion of the associates and the joint venture.

	GROUP		PARENT COMPANY	
<b>ASSOCIATES</b>	<b>2013</b>	2012	<b>2013</b>	2012
Income	1 118	1 179	711	738
Profit/loss	4	18	1	-28
Assets	851	828	439	413
Liabilities	530	502	343	303
Equity	321	341	96	125
<b>JOINT VENTURE</b>	<b>2013</b>	2012	<b>2013</b>	2012
Income	0	-	0	-
Profit/loss	-3	-	-3	-
Assets	99	-	99	-
Liabilities	71	-	71	-
Equity	28	-	28	-

**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 essentially have fixed interest periods of under three months, and thus involve a very limited interest rate risk.

**Cash and cash equivalents** refers to bank balances and investments that can be readily converted into cash for a known amount and with a duration of no more than three months from the date of acquisition, which also means that the interest rate risk is negligible. Cash and cash equivalents are placed in bank accounts or as current deposits at banks.

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

Financial liabilities are largely 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 34. SEK 3 507 million of the parent company's liabilities are due for payment within one year. In addition to the financial assets and liabilities identified above, the pension liability (see Note 17) is also included in net financial debt.

All of the Group's derivatives are covered by ISDA or FEMA agreements, which entails a right for Holmen to offset assets and liabilities in relation to the same counterparty in the case of a credit event. Assets and liabilities are not offset in the report. Recognised derivatives totalled SEK 32 million (71) on the asset side and SEK -156 million (-106) on the liabilities side.

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 value in the balance sheet, and are instead stated at their amortised cost. For loans recognised at amortised cost, fair value is calculated on the basis of discounted cash flows and belongs to measurement level 2. All variables are taken from market listings for calculations. The Group has no loans that are recognised at fair value in profit/loss. In the case of trade receivables, trade payables and other items not affected above, 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 value for shares and interests, they have been excluded from the tables. For further information on financing, see the section on Risk, on page 34.

**MATURITY STRUCTURE, UNDISCOUNTED AMOUNTS\***

	2014	2015	2016	2017	2018-
<b>FINANCIAL LIABILITIES</b>					
Derivatives	-17	-9	-	-	-29
Other financial liabilities	-3 512	-778	-554	-1 043	-533
<b>FINANCIAL RECEIVABLES</b>					
Derivatives	6	-	-	-	2
Other financial liabilities	281	9	1	-	3

\* 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/LOSS		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE- FOR-SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	DERIVATIVES													
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>FINANCIAL INSTRUMENTS IN- CLUDED IN NET FINANCIAL DEBT</b>														
<b>NON-CURRENT RECEIVABLES</b>														
Derivatives	-	-	5	-	-	-	-	-	-	-	5	-	5	-
Other financial receivables	-	-	-	-	23	39	-	-	-	-	23	39	23	39
	-	-	5	-	23	39	-	-	-	-	28	39	28	39
<b>CURRENT FINANCIAL RECEIVABLES</b>														
Accrued interest	-	-	-	-	1	2	-	-	-	-	1	2	1	2
Derivatives	5	5	1	4	-	-	-	-	-	-	6	9	6	9
Other financial receivables	-	-	-	-	17	20	-	-	-	-	17	20	17	20
	5	5	1	4	18	22	-	-	-	-	24	31	24	31
<b>CASH AND CASH EQUIVALENTS</b>														
Current deposit of cash and cash equivalents	-	-	-	-	12	87	-	-	-	-	12	87	12	87
Bank balances	-	-	-	-	263	221	-	-	-	-	263	221	263	221
	-	-	-	-	275	308	-	-	-	-	275	308	275	308
<b>NON-CURRENT LIABILITIES</b>														
MTN loans	-	-	-	-	-	-	-	-	-1 512	-300	-1 512	-300	-1 529	-327
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 203	-1 389	-1 203	-1 389	-1 221	-1 412
Derivatives	-	-	-19	-57	-	-	-	-	-	-	-19	-57	-19	-57
	-	-	-19	-57	-	-	-	-	-2 715	-1 689	-2 734	-1 746	-2 769	-1 796
<b>CURRENT LIABILITIES</b>														
Commercial paper programme	-	-	-	-	-	-	-	-	-3 383	-3 381	-3 383	-3 381	-3 383	-3 381
Bank account liabilities	-	-	-	-	-	-	-	-	-26	-10	-26	-10	-26	-10
Current portion of long-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-6	-7	-18	-21	-	-	-	-	-	-	-25	-28	-25	-28
Accrued interest	-	-	-	-	-	-	-	-	-25	-46	-25	-46	-25	-46
MTN loans	-	-	-	-	-	-	-	-	-	-1 343	-	-1 343	-	-1 370
Other current liabilities	-	-	-	-	-	-	-	-	-11	-58	-11	-58	-11	-59
	-6	-7	-18	-21	-	-	-	-	-3 445	-4 838	-3 470	-4 866	-3 470	-4 894
<b>FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT</b>														
Other shares and participating interests	-	-	-	-	-	-	9	13	-	-	9	13	-	-
Trade receivables	-	-	-	-	2 103	2 290	-	-	-	-	2 103	2 290	2 103	2 290
Derivatives (recognised among operating receivables)	2	9	19	52	-	-	-	-	-	-	21	61	21	61
Trade payables	-	-	-	-	-	-	-	-	-2 007	-2 245	-2 007	-2 245	-2 007	-2 245
Derivatives (recognised among operating receivables)	-15	-3	-98	-18	-	-	-	-	-	-	-112	-21	-112	-21
<b>Total financial instruments</b>	<b>-14</b>	<b>4</b>	<b>-111</b>	<b>-40</b>	<b>2 420</b>	<b>2 659</b>	<b>9</b>	<b>13</b>	<b>-8 167</b>	<b>-8 772</b>	<b>-5 863</b>	<b>-6 136</b>	<b>-5 907</b>	<b>-6 227</b>

Parent company	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT/LOSS		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE- FOR-SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	DERIVATIVES													
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>FINANCIAL INSTRUMENTS IN- CLUDED IN NET FINANCIAL DEBT</b>														
<b>NON-CURRENT RECEIVABLES</b>														
Derivatives	-	-	5	-	-	-	-	-	-	-	5	-	5	-
Receivables from Group companies	-	-	-	-	2 632	2 299	-	-	-	-	2 632	2 299	2 632	2 299
Other financial receivables	-	-	-	-	79	26	-	-	-	-	79	26	79	26
	-	-	5	-	2 711	2 325	-	-	-	-	2 715	2 325	2 715	2 325
<b>CURRENT FINANCIAL RECEIVABLES</b>														
Accrued interest	-	-	-	-	1	2	-	-	-	-	1	2	1	2
Derivatives	5	5	1	4	-	-	-	-	-	-	6	9	6	9
Receivables from Group companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	-	17	19	-	-	-	-	17	19	17	19
	5	5	1	4	18	21	-	-	-	-	24	31	24	31
<b>CASH AND CASH EQUIVALENTS</b>														
Current deposit of cash and cash equivalents	-	-	-	-	-	74	-	-	-	-	-	74	-	74
Bank balances	-	-	-	-	213	139	-	-	-	-	213	139	213	139
	-	-	-	-	213	213	-	-	-	-	213	213	213	213
<b>NON-CURRENT LIABILITIES</b>														
MTN loans	-	-	-	-	-	-	-	-	-1 512	-300	-1 512	-300	-1 529	-327
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 201	-1 387	-1 201	-1 387	-1 218	-1 409
Liabilities to Group companies	-	-	-	-	-	-	-	-	-1 215	-1 363	-1 215	-1 363	-1 215	-1 363
Derivatives	-	-	-19	-57	-	-	-	-	-	-	-19	-57	-19	-57
	-	-	-19	-57	-	-	-	-	-3 928	-3 050	-3 948	-3 107	-3 982	-3 156
<b>CURRENT LIABILITIES</b>														
Commercial paper programme	-	-	-	-	-	-	-	-	-3 383	-3 381	-3 383	-3 381	-3 383	-3 381
Bank account liabilities	-	-	-	-	-	-	-	-	-25	-10	-25	-10	-25	-10
Current portion of long-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-6	-7	-18	-21	-	-	-	-	-	-	-25	-28	-25	-28
Accrued interest	-	-	-	-	-	-	-	-	-25	-46	-25	-46	-25	-46
Liabilities to Group companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MTN loans	-	-	-	-	-	-	-	-	-	-1 343	-	-1 343	-	-1 370
Other current liabilities	-	-	-	-	-	-	-	-	-6	-52	-6	-52	-6	-53
	-6	-7	-18	-21	-	-	-	-	-3 440	-4 832	-3 464	-4 860	-3 464	-4 888
<b>FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT</b>														
Other shares and participating interests	-	-	-	-	-	-	1	6	-	-	1	6	-	-
Trade receivables	-	-	-	-	1 790	2 035	-	-	-	-	1 790	2 035	1 790	2 035
Derivatives (recognised among operating receivables)	3	9	21	53	-	-	-	-	-	-	23	62	23	62
Trade payables	-	-	-	-	-	-	-	-	-1 738	-2 119	-1 738	-2 119	-1 738	-2 119
Derivatives (recognised among operating receivables)	-16	-7	-174	-134	-	-	-	-	-	-	-190	-141	-190	-141
<b>Total financial instruments</b>	<b>-15</b>	<b>-</b>	<b>-185</b>	<b>-155</b>	<b>4 733</b>	<b>4 594</b>	<b>1</b>	<b>6</b>	<b>-9 106</b>	<b>-10 001</b>	<b>-4 573</b>	<b>-5 556</b>	<b>-4 608</b>	<b>-4 633</b>

**NOTE 14. INVENTORIES**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Raw materials and consumables	966	922	644	653
Timber and pulpwood	277	325	260	303
Finished products and work in progress	1 295	1 227	996	982
Felling rights	448	590	434	546
Electricity certificates and emission allowances	155	157	144	146
<b>Total</b>	<b>3 140</b>	<b>3 221</b>	<b>2 477</b>	<b>2 630</b>

During the year, impairment losses on inventories had a positive impact on earnings as a result of a reversal of previous years' impairment losses and amounted to SEK 60 million (-79) for the Group and SEK 50 million (-84) for the parent company.

**NOTE 15. OPERATING RECEIVABLES**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Trade receivables				
Group companies	-	-	59	91
Associates	43	36	39	33
Other	2 060	2 253	1 692	1 911
<b>Total trade receivables</b>	<b>2 103</b>	<b>2 290</b>	<b>1 790</b>	<b>2 035</b>
Current receivables				
Group companies	-	-	-	-
Associates	16	35	7	5
Other	168	199	124	141
Derivatives	21	61	23	62
Prepayments and accrued income	219	124	105	102
<b>Total other operating receivables</b>	<b>425</b>	<b>419</b>	<b>259</b>	<b>311</b>
<b>Total operating receivables</b>	<b>2 528</b>	<b>2 709</b>	<b>2 050</b>	<b>2 346</b>

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 47 million (34) at 31 December 2013 and it has been recognised, net, together with trade receivables. During the year, the provision was changed by SEK -1 million (-2) as a result of actual credit losses, and by SEK 15 million (11) 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 35.

**NOTE 16. EQUITY, PARENT COMPANY**

<b>SHARE CAPITAL</b>	31 DEC 2013		
	NUMBER	QUOTIENT VALUE	SEKm
Registered 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		
<b>Total number of shares outstanding</b>	<b>83 996 162</b>		

<b>SHARE CAPITAL</b>	31 DEC 2012		
	NUMBER	QUOTIENT VALUE	SEKm
Registered 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		
<b>Total number of shares outstanding</b>	<b>83 996 162</b>		
<b>Issued call options, B shares</b>	<b>758 300</b>		

The company's share capital consists of shares issued in two classes: class A, each of which carries 10 votes, and class B, each of which carries one vote, but there are no other differences in rights between the two share classes.

At 31 December 2013 the Group's own shareholding was 760 000 shares (760 000). None of the Group's own shares were sold during the year.

The exercise period for issued call options expired in 2013 without any options being exercised.

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK -200 million (-155) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK -125 million (-36) 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 at a maximum of 0.5.

The Board proposes that the AGM, to be held on 8 April 2014, approves a dividend of SEK 9 per share. The proposed dividend totals SEK 756 million. The preceding year, the dividend paid was SEK 9 per share (SEK 756 million).

The debt/equity ratio was 0.29 (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 32–35.



## 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 obligations arising out of the pension schemes in the UK are placed in trusts. The defined benefit obligations over and above the ITP plan for Group management in Sweden are secured by means of a pension fund. These obligations are recognised in the consolidated accounts as defined benefit plans in accordance with IAS 19. Most of the defined benefit pension obligations 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.

	GROUP		PARENT COMPANY	
<b>COST RECOGNISED IN PROFIT/LOSS FOR THE YEAR</b>	2013	2012	2013	2012
Defined benefit plans				
Staff cost	-27	-21	-15	-1
Finance income	-	-	-	-
Finance costs	-13	-15	-2	0
Total defined benefit plans stated in profit/loss for the year	-39	-36	-16	-1
Defined contribution plans				
Staff cost	-124	-150	-115	-139
<b>Total recognised in profit/loss for the year</b>	<b>-163</b>	<b>-185</b>	<b>-131</b>	<b>-141</b>

<b>COST RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>	2013	2012
Return on plan assets excl. interest income	68	91
Actuarial gains and losses from changes in demographic assumptions	-	19
Actuarial gains and losses from changes in financial assumptions	2	-125
Payroll tax	2	-1
<b>Total recognised in other comprehensive income</b>	<b>72</b>	<b>-16</b>

The change in the defined benefit obligations and the change in plan assets are specified in the table below. Some 90 per cent of the obligations relate to the pension plans in the UK. The obligations arising out of the pension schemes in the UK are placed in trusts. These are governed by a board consisting of representatives from Holmen and the beneficiaries. Holmen's UK subsidiary has a commitment to cover the deficit that exists over a period of time as agreed between the trust and the company in consultation with its actuary. This period is currently 8 years and is subject to review every 3 years.

	GROUP		PARENT COMPANY	
<b>OBLIGATIONS</b>	2013	2012	2013	2012
Obligations at 1 January	-1 963	-1 843	-193	-181
Current service cost	-27	-21	-26	-11
Payroll tax	-5	-	-	-
Interest costs	-78	-82	-2	0
Actuarial gains/losses	2	-107	-	-
Contribution by plan participants	-5	-5	-	-
Benefits paid	95	100	41	37
Transferred from provisions	-4	-38	-4	-38
Settlements	0	0	-	-
Exchange differences	-32	32	-	-
<b>Obligations at 31 December</b>	<b>-2 016</b>	<b>-1 963</b>	<b>-183</b>	<b>-193</b>

Of the Group's total obligations, SEK 42 million (68) refers to those that are not funded, while the rest are wholly or partially funded obligations. Of the parent company's obligations, SEK 39 million (60) are secured under the act on safeguarding pension obligations, Tryggandelagen.

The weighted average duration is 18 years.

	GROUP		PARENT COMPANY	
<b>PLAN ASSETS</b>	2013	2012	2013	2012
Fair value of assets at 1 January	1 608	1 485	133	131
Interest income	66	67	-	-
Expected return excl. interest income	68	91	-	-
Real return (parent company)	-	-	11	9
Contribution by employer	53	59	-	-
Contribution by plan participants	5	5	-	-
Benefits paid	-53	-72	-	-7
Exchange differences	31	-28	-	-
<b>Fair value of assets at 31 December</b>	<b>1 777</b>	<b>1 608</b>	<b>144</b>	<b>133</b>
<b>Pension provisions, net</b>	<b>-238</b>	<b>-355</b>	<b>-39</b>	<b>-60</b>

Plan assets by type are as shown below:

	GROUP		PARENT COMPANY	
<b>PLAN ASSETS</b>	2013	2012	2013	2012
Equity	903	786	50	53
Bonds	856	806	94	80
Current fixed income investments	19	16	0	0
	<b>1 777</b>	<b>1 608</b>	<b>144</b>	<b>133</b>

The plan assets do not include any financial instruments issued by Group companies or assets used by the Group. Of shares, 54 per cent relate to the UK, 42 per cent to the rest of Europe and the US and 4 per cent to the rest of the world. Of bonds, 40 per cent relate to government bonds and 60 per cent to corporate bonds.

<b>KEY ACTUARIAL ASSUMPTIONS, GROUP (WEIGHTED AVERAGE), %</b>	2013, 31 Dec	2012, 31 Dec
Discount rate	4.5	4.2
Rate of salary increase	4.0	3.6
Rate of price inflation	3.2	2.8

The discount rate for pension obligations was established on the basis of high-quality corporate bonds. A discount rate of 2.6 per cent (3.5) and salary levels at the balance sheet date were used for calculating the amount of the parent company's pension obligation.

The table below shows how the obligation would be affected in the event of a change in key actuarial assumptions (- reduces debt, + increases debt).

<b>SENSITIVITY ANALYSIS</b>	2013, 31 Dec
Discount rate (+ 0.5%)	-160
Rate of salary increase (+ 0.5%)	33
Rate of price inflation (+ 0.5%)	136
Mortality (+1 year in life expectancy)	55

The Group's payments into the funded defined benefit plans in 2014 are expected to amount to SEK 53 million.

### Multi-employer plans

The year's premiums for pension insurance policies taken out with Alecta amounted to SEK 31 million (35) and 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 2013, Alecta's collective consolidation level was 148 per cent (129).

**NOTE 18. OTHER PROVISIONS**

GROUP	PROVISIONS FOR TAXES		OTHER PROVISIONS		TOTAL	
	2013	2012	2013	2012	2013	2012
Carrying amount at start of period	86	65	479	564	566	629
Provisions during the period	70	21	82	75	152	97
Utilised during the period	-1	0	-101	-159	-102	-159
Translation differences	0	0	0	-1	0	-1
<b>Carrying amount at end of period</b>	<b>155</b>	<b>86</b>	<b>461</b>	<b>479</b>	<b>616</b>	<b>566</b>
Of which non-current part of the provisions	155	86	397	411	552	497
Of which current part of the provisions	0	0	64	68	64	68
<b>PARENT COMPANY</b>						
Carrying amount at start of period	45	45	626	653	671	698
Provisions during the period	0	0	214	178	214	178
Utilised during the period	0	0	-189	-205	-189	-205
<b>Carrying amount at end of period</b>	<b>45</b>	<b>45</b>	<b>651</b>	<b>626</b>	<b>696</b>	<b>671</b>
Of which non-current part of the provisions	45	45	470	457	515	502
Of which current part of the provisions	0	0	181	170	181	170

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 future reforestation measures to be taken after completion of final harvesting (SEK 219 million); the measures are normally carried out within three years of harvesting.

In 2013, new provisions made were primarily for restructuring within Holmen Paper. At the end of 2013, provisions of around SEK 49 million had been made to cover restructuring costs. These are mainly expected to be paid out in 2014.

**NOTE 19. OPERATING LIABILITIES**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Trade payables				
Group companies	-	-	135	330
Associates	17	68	-	-
Other	1 990	2 177	1 603	1 790
<b>Total trade payables</b>	<b>2 007</b>	<b>2 245</b>	<b>1 738</b>	<b>2 119</b>
Current liabilities				
Group companies	-	-	0	0
Associates	14	24	14	23
Other	172	172	139	144
Derivatives	112	21	190	141
Accruals and deferred income	704	732	554	504
<b>Total other operating liabilities</b>	<b>1 002</b>	<b>950</b>	<b>897</b>	<b>812</b>
<b>Total operating liabilities</b>	<b>3 009</b>	<b>3 194</b>	<b>2 635</b>	<b>2 931</b>

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 195 million (217), goods delivered but not yet invoiced of SEK 171 million (87) and discounts of SEK 40 million (46). Of these amounts, SEK 14 million relates to associates.

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

**NOTE 20. OPERATING LEASES**

In 2013, the Group's lease payments amounted to SEK 23 million (26), and the parent company's to SEK 8 million (8). The Group's lease agreements mainly relate to trucks and cars. No new lease agreements of any significance for the business were entered into during the 2013 financial year. No leased equipment was subleased.

The breakdown of future lease payments is as follows:

	GROUP			PARENT COMPANY		
	2014	2015–2019	2020–	2014	2015–2019	2020–
Future lease payments	19	21	0	6	3	0
Present value of future lease payments	19	20	0	6	3	0

The contracts have remaining durations ranging from 1 to 6 years. The Group's future lease payments for existing lease agreements amounted to SEK 44 million at the end of the previous year. Those in the parent company amounted to SEK 12 million.

Apart from lease agreements, Holmen has time charter contracts in respect of ships that are used to distribute the company's products. A contract entered into in 2010 for one ship ended at year-end 2013. Contracts for two other ships were entered into on 1 January 2014 and these contracts have a remaining term of 2 years.

## NOTE 21. COLLATERAL AND CONTINGENT LIABILITIES

	PROPERTY MORTGAGES	OTHER COLLATERAL	TOTAL COLLATERAL	TOTAL COLLATERAL
<b>GROUP</b>			<b>2013</b>	<b>2012</b>
For own liabilities				
Financial liabilities	6	136	142	6
<b>Total</b>	<b>6</b>	<b>136</b>	<b>142</b>	<b>6</b>
<b>PARENT COMPANY</b>				
For own liabilities				
Financial liabilities	6	136	142	6
<b>Total</b>	<b>6</b>	<b>136</b>	<b>142</b>	<b>6</b>

	GROUP		PARENT COMPANY	
<b>CONTINGENT LIABILITIES</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Surety on behalf of Group companies	-	-	32	32
Other contingent liabilities	113	100	61	45
<b>Total</b>	<b>113</b>	<b>100</b>	<b>93</b>	<b>77</b>

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.

The holding in a jointly owned company, Varsvik AB, was pledged during the year and amounted to SEK 136 million at the end of the year.

## NOTE 22. RELATED PARTIES

Of the parent company's net sales of SEK 14 443 million (15 895), 0.7 (0.6) per cent relates to deliveries to Group companies. The parent company's purchases from Group companies amounted to SEK 1 448 million (1 692).

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 2013 amounted to SEK 1 353 million (1 471). 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 57). Holmen rents office premises for SEK 7 million (10) from Fastighets AB L E Lundberg, which is a group company within L E Lundbergföretagen AB. In 2013, 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 terms. The equity holdings in associates that produce hydro and wind power entitle the Group to buy the electricity produced at cost price in relation to the shareholding, which means that the associate only earns a limited profit. Purchased electricity is sold to external customers at market price, and the earnings are stated in the consolidated accounts within the 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	
<b>GROUP</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Associates	242	250	272	332	0	1	70	87	93	115
Joint venture	-	-	-	-	-	-	-	-	-	-
<b>PARENT COMPANY</b>										
Subsidiaries	95	89	1 488	1 692	676	255	1 519	1 827	2 691	2 393
Associates	242	250	153	212	1	1	53	18	80	71
Joint venture	-	-	-	-	1	-	-	-	57	-

For fees and remuneration paid to members of the Board, see Note 4.



**NOTE 23. INVESTMENTS IN GROUP COMPANIES**

	PARENT COMPANY	
<b>ACCUMULATED ACQUISITION COST</b>	<b>2013</b>	2012
Carrying amount at start of year	16 682	16 672
Purchase	0	0
Shareholder's contribution	11	10
Sales	-10	-1
Transferred to 'Associates' and 'Joint ventures'	-5	-
Transfers	466	-
<b>Closing balance at 31 December</b>	<b>17 144</b>	<b>16 682</b>
<b>ACCUMULATED REVALUATIONS</b>		
Carrying amount at start of year	2 299	2 299
Transfers	-2 299	-
<b>Closing balance at 31 December</b>	<b>-</b>	<b>2 299</b>

	PARENT COMPANY	
<b>ACCUMULATED IMPAIRMENT LOSSES</b>	<b>2013</b>	2012
Carrying amount at start of year	6 030	4 658
Impairment losses for the year	656	1 373
Transfers	-1 833	-
<b>Closing balance at 31 December</b>	<b>4 853</b>	<b>6 030</b>
<b>Carrying amount at end of year</b>	<b>12 291</b>	<b>12 951</b>

The parent company's impairment losses on investments in Group companies are stated in the income statement in the line item for 'Profit/loss from investments in Group companies' and relate in 2013 mainly to holdings in the business operations in Spain and the Netherlands. During the year a sheeting unit in France and 50 per cent of the holding in the subsidiary Varsvik AB were divested. The remaining holding in Varsvik AB amounting to 50 per cent is classified as a joint venture as of 2013. Transfers between cost, write-ups and impairment losses have been made as changes resulting from mergers and liquidations in previous years were recognised net as part of the cost. The effect of these transfers is zero.

**Parent company's direct holdings of investments in subsidiaries**

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTEREST, %*	CARRYING AMOUNT SEK THOUSANDS	INTEREST, %*	CARRYING AMOUNT SEK THOUSANDS
				<b>2013</b>		2012	
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	8 867 852
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	100	50
Varsvik AB	556914-9833	Umeå	-	-	-	100	10 050
Stavro Vind AB	556953-6153	Stockholm	500	100	7 050	-	-
Other Swedish Group companies					874		874
<b>Total Swedish holdings</b>					<b>8 993 165</b>		<b>8 996 165</b>
Holmen S.A.S., France		Paris	-	-	-	100	5 192
Holmen France S.A.S., France		Paris	10 000	100	3 593	-	-
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	1 732 340	100	2 377 265
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	24 498	100	35 214
AS Holmen Mets, Estonia		Tallinn	500	100	-	100	-
Iggesund Paperboard Inc, USA		Lyndhurst	1 000	100	6 899	100	6 899
Iggesund Paperboard Asia (HK) Ltd, China		Hong Kong	4 000 000	100	4 812	100	4 812
Other non-Swedish Group companies					1 433		1 433
<b>Total non-Swedish holdings</b>					<b>3 297 462</b>		<b>3 954 703</b>
<b>Total</b>					<b>12 290 627</b>		<b>12 950 867</b>

\* The percentage of ownership agrees with the percentage of votes for the total number of shares are the same. \*\* Indirect holdings.

**NOTE 24. UNTAXED RESERVES**

	PARENT COMPANY		
	31 Dec. 2013	APPRO- PRIATIONS	31 Dec. 2012
<b>ACCUMULATED DEPRECIATION AND AMORTISATION IN EXCESS OF PLAN</b>			
Intangible non-current assets	1	-2	3
Property, plant and equipment	0	-1	1
<b>Total</b>	<b>1</b>	<b>-3</b>	<b>5</b>
<b>TAX ALLOCATION RESERVE</b>			
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
Assessment of tax 2013	0		0
Assessment of tax 2014	280	280	0
	<b>1 770</b>	<b>-290</b>	<b>2 060</b>
<b>Total</b>	<b>1 771</b>	<b>-293</b>	<b>2 064</b>

Group contributions are recognised as appropriations from 2013 and with retroactive application for the comparative year 2012. Group contributions received amounted to SEK 531 million (7) and Group contributions paid amounted to SEK -1 million (-1 300). Total appropriations of profit amounted to SEK 824 million.

**NOTE 25. CASH FLOW STATEMENT**

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<b>INTEREST RECEIVED PAID AND DIVIDENDS RECEIVED</b>				
Dividend received	-	-	671	261
Interest received	4	4	5	3
Interest paid	-201	-228	-195	-221
<b>Total</b>	<b>-197</b>	<b>-224</b>	<b>481</b>	<b>43</b>

**CHANGE IN CURRENT LIABILITIES**

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2013, a number of different short-term loans amounting in total to SEK 8 121 million (7 729) were raised within the Group's commercial paper programme, and SEK 8 120 million (6 623) was repaid. For a specification of cash and cash equivalents, see Note 13.

**NOTE 26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

When preparing financial reports the company's management is required to make estimates and judgements that have an effect on the stated amounts. The estimates and judgements that, in the view of the company's management, are of importance for the amounts stated in the annual 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 2013 was SEK 16 517 million and the attributable deferred tax liability was SEK 3 654 million, giving a net value of SEK 12 863 million.

**TAX**

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 238 million on the basis of defined benefit pension obligations valued at SEK 2 016 million and plan assets of SEK 1 777 million provided to cover them. The value of pension obligations 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 responsibility for environmental measures that cannot at present be quantified but that could involve costs in the future. See Note 21.

**IMPAIRMENT TESTING**

Impairment testing is 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.

In 2013 impairment losses of SEK 86 million were recognised on property, plant and equipment in the Holmen Paper business area as a result of the closure of capacity.

# PROPOSED APPROPRIATION OF PROFITS

	SEK
The following earnings of the parent company are at the disposal of the Annual General Meeting:	
Net profit for the 2013 financial year	827 750 806
Retained earnings	2 740 097 907
	<b>3 567 848 713</b>
The Board of Directors proposes that a dividend of SEK 9 per share (83 996 162 shares) be paid to the shareholders	755 965 458
and that the remaining amount be carried forward	2 811 883 255

The Board of Holmen AB has proposed that the 2014 Annual General Meeting resolve in favour of paying a dividend of SEK 9 per share, which is unchanged compared to the preceding year, making a total of SEK 756 million. The proposal complies with the Board's policy, in that decisions on dividends are to be based on an appraisal of the Group's profitability, future investment plans and financial position.

The proposed dividend corresponds to 106 per cent of net profit for 2013 for the Group and means that 3.6 per cent of equity in the Group at 31 December 2013 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 – at a maximum of 0.5. The debt/equity ratio at 31 December 2013 was 0.29. Payment of the proposed dividend would raise the debt/equity ratio by around 0.05.

Holmen AB's equity at 31 December 2013 amounted to SEK 9 483 million, of which non-restricted equity was SEK 3 568 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 -200 million on equity. The Group's equity at 31 December 2013 amounted to SEK 20 854 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 21 February 2014. The Group's consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting that will be held on 8 April 2014.

Stockholm, 21 February 2014

**Fredrik Lundberg**  
Chairman

**Lars G Josefsson**  
Board member

**Ulf Lundahl**  
Board member

**Carl Bennet**  
Board member

**Carl Kempe**  
Deputy chairman

**Göran Lundin**  
Board member

**Steeve Björklundh**  
Board member

**Louise Lindh**  
Board member

**Karin Norin**  
Board member

**Kenneth Johansson**  
Board member

**Magnus Hall**  
Board member and  
Chief Executive Officer

Our audit report was submitted on 24 February 2014.

KPMG AB

**George Pettersson**  
Authorised public accountant



# AUDIT REPORT

To the annual meeting of the shareholders of 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 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4–92.

### 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 the Annual Accounts Act and of the consolidated 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 judgement, 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 2013 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 2013 and of their financial performance and cash flows for the year 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 2013.

### 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, 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 and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit 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 a 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 Managing Director 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 24 February 2014

KPMG AB

**George Pettersson**

Authorised public accountant

# ASSURANCE REPORT

Holmen's sustainability reporting, as provided on pages 36–47 and 95–97 of the Holmen Annual Report, including the sustainability report for 2013 and in Holmen's GRI register on Holmen's website, has been subject to a separate limited review in accordance with RevR 6 Assurance of Sustainability Reports, issued by FAR.

For a complete assurance report for sustainability reporting, please see the Holmen

website. In that report, KPMG concurs with Holmen's expressed reporting level regarding 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.

Stockholm 24 February 2014

KPMG AB

**George Pettersson**  
Authorised public accountant

**Åse Bäckström**  
Expert member, FAR

# ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of Holmen AB will be held at Vinterträdgården, Grand Hôtel (the Royal entrance), Stockholm, 3.00 p.m. CET on Tuesday 8 April.

## 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](http://www.holmen.com)

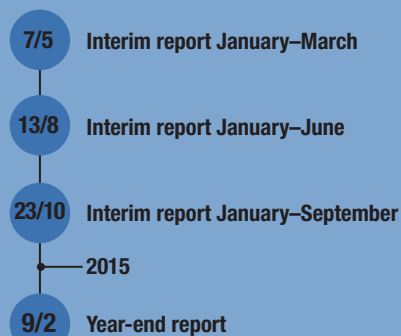
How to order printed material:

- [www.holmen.com](http://www.holmen.com)
- Holmen AB, Group Communications, P.O. Box 5407, SE-114 84 Stockholm, Sweden
- e-mail [info@holmen.com](mailto:info@holmen.com)
- telephone +46 8 666 21 00



## CALENDAR

For 2014 Holmen will publish the following financial reports:



## 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 Wednesday 2 April 2014.
- notify the company of their participation by no later than Wednesday 2 April 2014.

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](mailto:info@holmen.com)
- Holmen's website [www.holmen.com](http://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 Wednesday 2 April 2014 to be entitled to participate in the Annual General Meeting.

## Dividend

The Board has proposed that a dividend of SEK 9 (9) per share be paid to shareholders. The Board has proposed Friday 11 April 2014 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 Wednesday 16 April 2014. Shareholders are requested to inform their account operator of any change of name and/or address.

# 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.

The new biofuel boiler in Workington was commissioned in 2013. The plant became operational in March, converting the mill to fossil-free energy and making it self-sufficient

in electricity. As a result of this, emissions of fossil carbon dioxide from the mill as well as from purchased energy fell significantly compared with 2012.

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 environmental data reported for 2012 has 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.

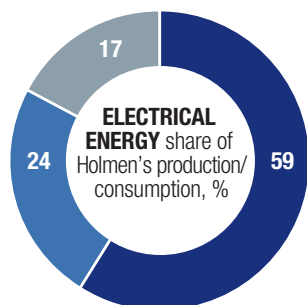
Holmen reports its expenditure on environmental protection in accordance with guidelines from Statistics Sweden (SCB).

PERSONNEL	2013	2012	2011	2010	2009
<i>EMPLOYEES</i>					
Average number	3 718	3 945	4 041	4 241	4 577
of whom women, %	19.3	19.3	19.2	19.0	18.6
of whom temporary employees, %	7.7	6.9	6.6	6.7	6.6
Average age*	46.8	45.9	46.1	45.8	46.3
<i>SICKNESS ABSENCE, %</i>					
Total	3.6	3.4	3.5	3.5	3.7
of which longer than 60 days	1.3	1.1	1.2	1.1	1.4
Good health index (share of employees with no sick leave during the year)	47	48	48	47	47
<i>GENDER EQUALITY*, %</i>					
Women managers out of total number of managers	25.0	20.3	19.1	16.5	15.8
Women joining the company out of total new employees	37	24	26	18	27
<i>EDUCATION*, %</i>					
Compulsory education	18	17	18	19	19
Upper secondary school	58	60	60	60	61
Higher education, at least 2 years	25	23	22	21	20
Graduates, proportion of new employees	26	26	19	15	29
Women as proportion of recruited graduates	53	67	68	68	38
<i>STAFF TURNOVER*, %</i>					
Staff turnover	11.5	8.5	8.9	9.3	10.7
of which given notice	6.2	2.7	3.5	3.7	6.5
of which retiring	1.7	2.6	1.9	3.9	2.5
of which leaving at own request	3.6	2.9	3.5	1.7	1.6
New employees	3.4	3.6	4.4	3.3	3.5
<i>NUMBER OF INDUSTRIAL ACCIDENTS</i>					
Industrial accidents, more than 8 hours of absence, per million hours worked	8.4	11.6	11.3	14.6	14.7
<i>UNION COOPERATION, %</i>					
Employees covered by collective bargaining agreements	98	95	96	97	97
Rate of union membership	72	72	71	70	75
<i>EMPLOYEE SURVEY</i>					
Inblick index	655	-	642	-	623
Leadership index	60	-	55	-	58

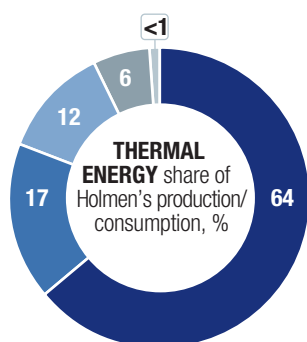
\* Refers to employees with open-ended contracts



PRODUCTION AND ENVIRONMENT	2013	2012	2011	2010	2009
<i>INTERNAL SUPPLY OF RAW MATERIALS</i>					
Harvesting in company forests, '000 m <sup>3</sup> sub	3 465	3 211	2 988	2 999	2 897
Electricity production, hydro and wind power, GWh	1 041	1 353	1 235	1 149	1 091
<i>PRODUCTION, '000 TONNES</i>					
Printing paper	1 545	1 658	1 673	1 713	1 715
Paperboard	478	492	480	474	471
Market pulp	50	35	42	40	48
Sawn timber, '000 m <sup>3</sup>	710	651	560	285	291
<i>RAW MATERIALS, '000 TONNES</i>					
Wood, million m <sup>3</sup> sub <sup>1)</sup>	5.25	5.19	4.94	4.44	4.49
Recovered fibre	543	630	683	790	813
Purchased pulp	99	108	118	118	128
Thermal energy, GWh	6 451	5 833 <sup>2)</sup>	5 602	5 839	5 634
Electrical energy, GWh	4 420	4 603	4 588	4 625	4 681
Water use, million m <sup>3</sup>	77	77	82	82	84
Process wastewater, cooling and seal water <sup>3)</sup> , million m <sup>3</sup>	75	74	80	55	57
Plastic granules/foiling material	2.6	2.3	2.1	2.3	2.4
Chemicals <sup>4)</sup>	146	145	140	153	125
Filler, pigment <sup>4)</sup>	178	175	177	204	195
<i>THERMAL ENERGY, GWh</i>					
Production at mills from recovered liquors, bark and wood residues <sup>5)</sup>	4 156	2 880 <sup>2)</sup>	2 874	2 942	2 916
Recovered in the TMP process <sup>6)</sup>	1 117	1 171	1 201	1 152	1 093
Natural gas, oil and purchased <sup>7)</sup>	1 178	1 783	1 527	1 744	1 625
<i>ELECTRICAL ENERGY, GWh</i>					
Company hydro power	1 008	1 343	1 230	1 145	1 090
Company wind power	33	10	5	4	1
Production at mills	769	563	440	481	384
Purchased <sup>7,8)</sup>	2 610	2 687	2 913	2 995	3 207
<i>EMISSIONS TO AIR, TONNES</i>					
Sulphur dioxide (counted as sulphur, S)	91	116	132	176	199
Nitrogen oxides	1 557	1 664	1 468	1 465	1 608
Particulates	52	84	120	98	91
Carbon dioxide, '000 tonnes					
-Fossil	254	330	259	302	251
-Biogenic	1 449	1 064	1 073	1 082	988
<i>EMISSIONS TO WATER, TONNES</i>					
COD (organic matter), '000 tonnes	20.4	18.9	19.8	19.2	19.9
Suspended solids, '000 tonnes	4.3	3.2	3.7	3.5	3.7
AOX (chlorinated organic matter)	46.5	47.7	54.3	53.6	54.3
Nitrogen	215	242	250	243	269
Phosphorus	15.0	15.7	15.7	14.7	19.4
<i>BY-PRODUCTS, '000 TONNES</i>					
To energy production, internally/externally	885	865	747	553	513
<i>WASTE, '000 TONNES</i>					
Utilised or for recovering <sup>9)</sup>	367	380	398	432	435
Hazardous <sup>10)</sup>	2.4	2.4	2.0	2.1	2.7
Sent to landfill (wet)	12	16	18	24	23
<i>DELIVERIES</i>					
Thermal energy, GWh <sup>11)</sup>	199	202	182	123	115
Tall oil, '000 tonnes <sup>12)</sup>	13.0	12.3	8.4	4.4	4.0



Purchased	59%
Company hydro power, wind power	24%
Electricity production at mills	17%



Biofuel	64%
Recovered thermal energy	17%
Natural gas	12%
Oil, LPG	6%
Purchased thermal energy	<1%

**ELECTRICAL ENERGY**

SHARE OF HOLMEN'S PRODUCTION/CONSUMPTION, %

	2013	2012	2011	2010	2009
Company hydro power/wind power	24	30	27	25	23
Electricity production at the mills	17	12	10	10	8
Purchased electricity	59	58	63	65	69

**THERMAL ENERGY**

SHARE OF HOLMEN'S PRODUCTION/CONSUMPTION, %

	2013	2012	2011	2010	2009
Biofuel	64	49	51	50	52
Recovered thermal energy	17	20	21	20	19
Natural gas	12	18	12	15	13
Oil, LPG	6	9	8	8	6
Purchased thermal energy	<1	4	8	7	10

**ENVIRONMENTAL PROTECTION**

COSTS/INCOME, SEK/m

	2013	2012	2011	2010	2009
Investments (remedial and preventive)	122 <sup>1)</sup>	60	91	50	129
Electricity and heat-saving investments	300 <sup>2)</sup>	576	211	52	34
Environmental taxes and charges <sup>3)</sup>	14	22	23	35	35
Internal and external environmental costs <sup>4)</sup>	178	196	202	188	197
Environmental cost of forestry <sup>5)</sup>	84	93	90	70	60
Emission allowances – income <sup>6)</sup>	32	20	40	26	24
Certificates renewable energy – income <sup>7)</sup>	285	54	31	56	71

1) Costs for treatment equipment for weak gases at Iggesund Mill form a significant part of the stated amount. The same applies to the refit of the screening unit at the same mill. Costs for the installation of new equipment for sludge management at Hallsta Paper Mill form another significant part of the stated amount.

2) Most of the stated amount comprises environmentally related parts of the new biofuel boiler at the mill in Workington. Another significant part of the stated amount derives from environment-related costs for the erection of wind turbines at Varsvik in the Municipality of Norrtälje. The amount also includes costs for measures to improve heat recovery at Hallsta Paper Mill, which have led to reduced electricity consumption in the boilers.

3) The stated amount includes costs for waste management, energy tax charged in Sweden on the use of fossil fuels, nitrogen oxide tax and inspection charges.

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 cost 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 84 million.

6) The Group has been allotted emission allowances which, for the most part, have been used for its own production. The surplus allowances have been sold.

7) Income from renewable energy certificates received from the production of renewable energy at the Group's mills. The increase compared with previous years is due to the biofuel boiler that entered into service at the mill in Workington in the first quarter of 2013.

**Comments on the table on page 96**

- At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the sawmills to the nearby mills.
- Figure adjusted in 2012.
- Process wastewater 56 million m<sup>3</sup>. Cooling and seal water 19 million m<sup>3</sup>.
- 100 per cent active substance. Total quantity of commodities was 226 000 tonnes for chemicals and 245 000 tonnes for filler and pigment.
- In mid-2012 the mill in Workington took over the energy plant from which energy was previously purchased. At the time, the energy produced was based on natural gas, a fossil fuel. At the beginning of 2013, this plant was replaced by a biofuel boiler. The new boiler now provides the mill's total energy requirements in the form of thermal and electrical energy. The supply of energy has changed and consequently, the data for 2013 is not comparable with the data reported in previous years.
- 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.
- 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.
- In 2013, emissions of fossil carbon dioxide from production of purchased electric energy totalled approximately 35 000 tonnes.
- By-products used, for example, as filling material, construction material or for the production of soil products.
- 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. Such waste is included in the figures for hazardous waste. In 2013 the amount of this waste was 1 118 tonnes.
- Thermal energy, 182 GWh, from Iggesund Mill and Braviken Paper Mill to Iggesund Sawmill and Braviken Sawmill respectively. 17 GWh thermal energy from Hallsta Paper Mill and Iggesund Mill to the district heating network of the local communities.
- For delivery to the chemical industry.

# TEN-YEAR REVIEW, FINANCE

SEKm	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>INCOME STATEMENT</b>										
Net sales	16 231	17 852	18 656	17 581	18 071	19 334	19 159	18 592	16 319	15 653
Operating costs	-13 919	-15 224	-15 501	-15 077	-15 191	-16 614	-15 637	-15 069	-13 287	-12 631
Profit from investments in associates and joint ventures	3	47	84	28	45	50	12	11	20	25
Depreciation and amortisation according to plan	-1 370	-1 313	-1 260	-1 251	-1 320	-1 343	-1 337	-1 346	-1 167	-1 156
Change in value of forests	264	350	-	52	16	-16	89	115	82	61
Items affecting comparability*	-140	-193	3 593	264	-	-361	557	-	-	-
<b>Operating profit/loss</b>	<b>1 069</b>	<b>1 520</b>	<b>5 573</b>	<b>1 596</b>	<b>1 620</b>	<b>1 051</b>	<b>2 843</b>	<b>2 303</b>	<b>1 967</b>	<b>1 952</b>
Net financial items	-198	-227	-244	-208	-255	-311	-261	-247	-233	-206
<b>Profit/loss before tax</b>	<b>871</b>	<b>1 294</b>	<b>5 328</b>	<b>1 388</b>	<b>1 366</b>	<b>740</b>	<b>2 582</b>	<b>2 056</b>	<b>1 734</b>	<b>1 746</b>
Tax	-160	559	-1 374	-684	-360	-98	-1 077	-597	-478	-471
<b>Profit/loss for the year</b>	<b>711</b>	<b>1 853</b>	<b>3 955</b>	<b>704</b>	<b>1 006</b>	<b>642</b>	<b>1 505</b>	<b>1 459</b>	<b>1 256</b>	<b>1 275</b>
Diluted earnings per share, SEK	8.5	22.1	47.1	8.4	12.0	7.6	17.8	17.2	14.8	15.1
<b>NET SALES</b>										
Holmen Paper	7 148	8 144	8 631	8 142	9 303	10 443	10 345	10 140	8 442	7 814
Iggesund Paperboard	4 618	4 967	5 109	4 849	5 023	4 860	5 100	5 240	4 860	4 877
Holmen Timber	1 175	1 129	875	586	553	499	589	465	460	492
Holmen Skog	5 694	6 061	6 348	5 585	4 799	5 443	4 775	4 042	3 858	3 780
Holmen Energi	1 648	1 728	1 807	1 932	1 628	1 834	1 590	1 691	1 480	1 258
Elimination of intra-group net sales	-4 051	-4 178	-4 113	-3 513	-3 236	-3 745	-3 239	-2 986	-2 781	-2 568
<b>Group</b>	<b>16 231</b>	<b>17 852</b>	<b>18 656</b>	<b>17 581</b>	<b>18 071</b>	<b>19 334</b>	<b>19 159</b>	<b>18 592</b>	<b>16 319</b>	<b>15 653</b>
<b>OPERATING PROFIT/LOSS</b>										
Holmen Paper	-309	94	228	-618	340	280	623	754	631	487
Iggesund Paperboard	433	596	863	817	419	320	599	752	626	809
Holmen Timber	-75	-130	-136	20	21	13	146	80	13	5
Holmen Skog	924	931	739	818	605	632	702	643	537	586
Holmen Energi	371	355	406	495	414	327	272	197	301	178
Group-wide costs and eliminations	-136	-132	-120	-200	-178	-159	-56	-123	-141	-113
	<b>1 209</b>	<b>1 713</b>	<b>1 980</b>	<b>1 332</b>	<b>1 620</b>	<b>1 412</b>	<b>2 286</b>	<b>2 303</b>	<b>1 967</b>	<b>1 952</b>
Items affecting comparability*	-140	-193	3 593	264	-	-361	557	-	-	-
<b>Group</b>	<b>1069</b>	<b>1 520</b>	<b>5 573</b>	<b>1 596</b>	<b>1 620</b>	<b>1 051</b>	<b>2 843</b>	<b>2 303</b>	<b>1 967</b>	<b>1 952</b>
<b>CASH FLOW</b>										
Profit/loss before tax	871	1 294	5 328	1 388	1 366	740	2 582	2 056	1 734	1 746
Adjustment items	1 056	1 057	-2 561	811	1 163	1 797	629	1 225	914	1 031
Income tax paid	210	-434	-557	-704	-334	-192	-390	-664	-516	-378
Changes in working capital	-127	338	-109	28	678	-686	-345	-259	339	-68
<b>Cash flow from operating activities</b>	<b>2 011</b>	<b>2 254</b>	<b>2 101</b>	<b>1 523</b>	<b>2 873</b>	<b>1 660</b>	<b>2 476</b>	<b>2 358</b>	<b>2 471</b>	<b>2 331</b>
<b>Cash flow from investing activities</b>	<b>-869</b>	<b>-1 920</b>	<b>-1 733</b>	<b>-1 597</b>	<b>-818</b>	<b>-1 124</b>	<b>-1 315</b>	<b>-947</b>	<b>-3 029</b>	<b>-1 195</b>
<b>Cash flow after investments</b>	<b>1 142</b>	<b>334</b>	<b>368</b>	<b>-74</b>	<b>2 054</b>	<b>536</b>	<b>1 161</b>	<b>1 411</b>	<b>-558</b>	<b>1 136</b>
Share buy-back	-	-	-	-	-	-138	-	-	-	-
New share issue through conversion and subscription	-	-	-	-	-	-	-	-	-	474
Dividend paid	-756	-672	-588	-588	-756	-1 017	-1 017	-932	-848	-3 199

\* 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 earnings of the fire at Braviken Paper Mill.

2010: Impairment losses on fixed assets of SEK -555 million, restructuring 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.

2013: Impairment loss on non-current assets and restructuring costs of SEK -140 million.



For a ten-year review of data per share, see page 56.

SEKm	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>BALANCE SHEET</b>										
Non-current assets	28 680	28 828	28 313	24 058	23 610	24 329	24 099	23 258	23 702	21 354
Deferred tax assets	2	2	194	210	304	342	301	354	352	273
Associates, joint ventures, shares and participating interests	1 970	1 834	1 828	1 760	1 780	1 836	1 753	1 742	1 739	1 754
Current assets	5 774	6 005	6 642	6 950	6 075	7 268	6 549	6 138	5 709	5 149
Financial receivables	52	69	128	262	225	175	147	165	132	92
Cash and cash equivalents	275	308	112	193	182	653	394	484	580	367
<b>Total assets</b>	<b>36 753</b>	<b>37 046</b>	<b>37 217</b>	<b>33 432</b>	<b>32 176</b>	<b>34 602</b>	<b>33 243</b>	<b>32 141</b>	<b>32 214</b>	<b>28 989</b>
Equity	20 854	20 813	19 773	16 913	16 504	15 641	16 932	16 636	16 007	15 635
Deferred tax liability	5 804	5 504	6 630	5 910	5 045	4 819	5 482	5 030	5 143	5 177
Financial liabilities and interest-bearing provisions	6 443	6 967	6 499	6 227	6 091	8 332	6 518	6 634	7 351	5 335
Operating liabilities	3 653	3 762	4 313	4 383	4 536	5 809	4 311	3 841	3 713	2 842
<b>Total equity and liabilities</b>	<b>36 753</b>	<b>37 046</b>	<b>37 217</b>	<b>33 432</b>	<b>32 176</b>	<b>34 602</b>	<b>33 243</b>	<b>32 141</b>	<b>32 214</b>	<b>28 989</b>
<b>OPERATING CAPITAL</b>										
Holmen Paper	4 810	5 608	6 606	6 954	8 789	10 237	9 971	11 541	11 452	9 659
Iggesund Paperboard	6 863	6 177	5 041	4 313	4 114	4 254	4 180	3 935	3 965	3 871
Holmen Timber	1 361	1 416	1 507	1 192	396	366	345	208	230	231
Holmen Skog	16 813	16 663	16 278	12 597	11 384	11 415	11 264	9 001	8 919	8 842
Holmen Energi	3 357	3 261	3 253	3 235	3 207	3 006	2 960	2 965	2 958	2 930
Group-wide and other	-433	-220	-217	93	-963	-1 654	-630	-354	-87	-118
<b>Operating capital</b>	<b>32 772</b>	<b>32 905</b>	<b>32 469</b>	<b>28 385</b>	<b>26 929</b>	<b>27 623</b>	<b>28 090</b>	<b>27 297</b>	<b>27 437</b>	<b>25 415</b>
Deferred tax liability, net	-5 802	-5 502	-6 436	-5 700	-4 741	-4 477	-5 181	-4 676	-4 791	-4 904
<b>Capital employed</b>	<b>26 970</b>	<b>27 403</b>	<b>26 032</b>	<b>22 684</b>	<b>22 188</b>	<b>23 146</b>	<b>22 909</b>	<b>22 621</b>	<b>22 646</b>	<b>20 511</b>
<b>KEY FIGURES</b>										
<b>OPERATING MARGIN, %*</b>										
Holmen Paper	-4	1	3	-8	4	3	6	7	7	6
Iggesund Paperboard	9	12	17	17	8	7	12	14	13	17
Holmen Timber	-6	-12	-16	4	4	3	24	17	3	1
Group	7	10	11	8	9	7	12	12	12	12
<b>RETURN ON OPERATING CAPITAL, %*</b>										
Holmen Paper	neg	2	3	neg	4	3	5	6	6	5
Iggesund Paperboard	7	10	19	20	10	8	15	19	16	20
Holmen Timber	neg	neg	neg	3	6	4	64	38	6	2
Holmen Skog	6	6	6	7	5	6	8	7	6	7
Holmen Energi	11	11	13	15	13	11	9	7	10	6
Group	4	5	7	5	6	5	8	8	7	8
<b>KEY FIGURES</b>										
Return on capital employed, %*	4	7	9	6	7	6	10	10	9	10
Return on equity, %	3	9	23	4	6	4	9	9	8	8
Debt/equity ratio	0.29	0.32	0.32	0.34	0.34	0.48	0.35	0.36	0.41	0.31
<b>DELIVERIES</b>										
Printing paper, '000 tonnes	1 574	1 651	1 668	1 732	1 745	2 044	2 025	2 021	1 764	1 731
Paperboard, '000 tonnes	469	485	474	464	477	494	516	536	492	501
Sawn timber, '000 m <sup>3</sup>	686	660	487	285	313	266	262	248	229	195
Harvesting own forests, '000 m <sup>3</sup>	3 465	3 211	2 988	2 999	2 897	2 649	2 575	2 618	2 334	2 608
Own production of hydro power, GWh	1 008	1 343	1 230	1 145	1 090	1 128	1 193	934	1 236	1 054

\* 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 lightweight 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<sub>2</sub>)

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, excl. items affecting comparability.

## Equity/assets ratio

Equity expressed as a percentage of total assets.

## 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.

## LWC

Lightweight coated wood-containing paper. Mainly used for magazines and catalogues.

## m<sup>3</sup> 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<sup>3</sup>sub

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.

## 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<sub>x</sub>)

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<sub>2</sub>)

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, biodiesel and other products.

## TMP

Thermo-mechanical pulp. Obtained by heating spruce chips and then grinding them in refiners.

## 100% HOLMEN-PRODUCED PAPER

This entire annual report is made using Holmen's own products.

The cover is printed on **Invercote Creato**, manufactured at Iggesund Mill. This is a paperboard with high whiteness and a smooth, matt surface. Both sides are fully coated. The paperboard is built up in several layers, making it ideal for graphical products where the focus is on designing and embossing the surface for first-class results.

The insert is printed on **Holmen TRND**, which is manufactured at Hallsta Paper Mill. This is an uncoated, matt magazine paper that offers a wide range of options in terms of bulk, grammage and shade. Holmen TRND is made from virgin fibre.



### BRAVIKEN PAPER MILL

**Raw materials:** Spruce pulpwood and recovered paper.

**Process:** TMP and DIP.

**Products:** MF Magazine, book paper, newsprint and catalogue paper.

**Production capacity:** 600 000 tonnes/year.

**Average no. of employees:** 492.



### BRAVIKEN SAWMILL

**Raw materials:** Spruce saw logs.

**Process:** Sawmilling.

**Products:** Spruce sawn timber.

**Production capacity:** 550 000 m<sup>3</sup>/year.

**Average no. of employees:** 87.



### HALLSTA PAPER MILL

**Raw materials:** Spruce pulpwood.

**Process:** TMP.

**Products:** MF Magazine and book paper.

**Production capacity:** 550 000 tonnes/year.

**Average no. of employees:** 574.



### 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:** 865.



### IGGESUND SAWMILL

**Raw materials:** Pine saw logs.

**Process:** Sawmilling.

**Products:** Pine sawn timber.

**Production capacity:** 350 000 m<sup>3</sup>/year.

**Average no. of employees:** 101.



### HOLMEN PAPER MADRID

**Raw materials:** Recovered paper.

**Process:** DIP.

**Products:** Newsprint.

**Production capacity:** 330 000 tonnes/year.

**Average no. of employees:** 166.



### 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:** 416.

**The cover** is printed on Invercote® Creato 260 gsm. It is matt laminated and partially UV-varnished. **The insert** is printed on Holmen TRND, 2.0 - 80 gsm.

**Layout:** BYN Kommunikationsbyrå AB. **Graphic production:** Gylling Produktion AB.

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