



HOLMEN

Annual report 2010

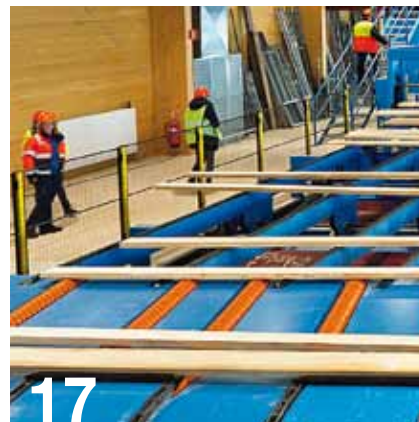
including sustainability report



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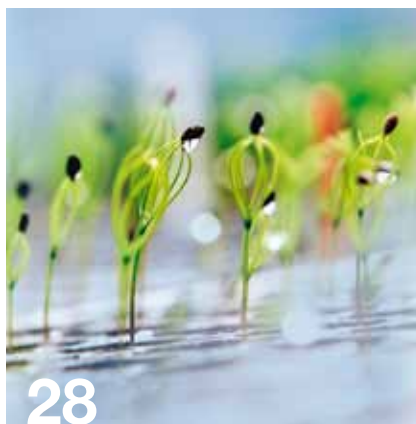
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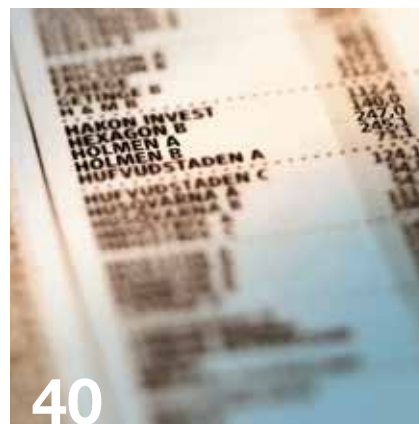
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18



28



40

1597 SEKm ↑

Group investments 2010

1332 SEKm ↓

Operating profit excl. items affecting comparability

4241 ↓

Average number of employees in Group 2010

Reports

For 2011 Holmen will publish the following financial reports:

Interim report, January–March	6 May
Interim report, January–June	17 August
Interim report, January–September	26 October
Year-end report for 2011	2 February 2012

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, are published in Swedish and English and they are sent automatically to the shareholders who have indicated their wish to receive them. They are also available on the website: www.holmen.com

How to order printed material:

- at the website: www.holmen.com
- by post: Holmen AB /Group Public Relations, P.O. Box 5407, SE-114 84 Stockholm, Sweden
- by e-mail: info@holmen.com
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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 2010 financial year. **The annual report and audit report comprise pages 4–85.** The results of the year's operations and the financial position of the parent company and the Group are presented in the administration report and the accompanying income statements and balance sheets, together with the notes and supplementary information. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

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

The past year

All our operations, with the exception of our printing paper business, improved their earnings in 2010. The more favourable climate for paperboard and sawn timber as well as good conditions for Holmen Skog and Holmen Energi made a positive contribution to our progress. Despite this, the year ended with a decrease in earnings due to the substantial deterioration in earnings at Holmen Paper, resulting from low newsprint prices combined with high costs of recovered fibre.

In light of the weak result for 2010 and major investment commitments ahead but a stable financial situation in spite of this, the Board proposes an unchanged dividend of SEK 7 per share.

Our products

Demand for newsprint in Europe rose somewhat towards the end of the year, but was weak for the year as a whole. The demand was about 15 per cent lower than the peak level achieved in 2006. Through exports outside Europe, capacity utilisation in the industry stayed at a relatively high level. The very low profitability during the year is mainly a result of sales prices, which were dramatically lower for newsprint in 2010 than in 2009.

Newsprint will continue to be a key product for Holmen, but we are seeing growing evidence that our focus on niche products is a step in the right direction. Demand is rising most in our MF Magazine product area, in which we increased our deliveries. The introduction of our new products was well received in the market. We consider that customers who buy magazine paper will increasingly look for alternative products in order to cut their costs in competition with other media.

The past year was positive for our paperboard operation, with price rises for both folding boxboard and solid bleached board. Greater demand and higher capacity utilisation teamed with an improved sales mix contributed to an excellent result. Our concentration on more demanding products reinforces our position as a leading supplier of paperboard for consumer products. This focus is important for the continued development of the business.

The harsh winters of recent years have entailed production disruptions and delays



in deliveries of sawn timber. Price increases contributed to improved earnings, while the market in Europe was hesitant towards the end of 2010 due to the general economic situation and because the expected upturn in construction activities had not yet taken off. The new sawmill at Braviken was commissioned at the turn of 2010/2011. The facility complements our other operations well and makes Holmen a complete supplier of sawn timber products. The aim is to increase volume substantially in coming years. A high

level of productivity in large-scale facilities is a key strategy for Holmen.

Our raw materials operations

Strong demand for timber and pulpwood at attractive prices generated high earnings from our forest assets. We also harvested a great deal in our own forests, which is a completely natural strategy when prices are high. Substantial purchases of wood were made, partly to meet the future needs for spruce saw timber at the new sawmill, at which the

supply plan has proved effective. The work to boost growth in our forests through new silviculture measures progressed during the year. We started work on producing an inventory of our forest holdings, which will form the basis of a new harvesting plan that will be drawn up in 2011.

The recovered paper market gradually grew stronger during the year and prices rose continually. This had a very adverse impact on costs, particularly in Spain. The underlying variation in one of our most significant cost components is the reason why we are aiming to secure shorter pricing periods in contracts with newsprint customers.

Holmen Energi achieved its best earnings of all time, which is largely attributable to high electricity prices, but also to increased production. Our peat production operation is ongoing – albeit still on a modest scale – alongside hydro power, our largest source of income. Wind surveys for wind power on our own land took place throughout the year and are now being followed by applications for permits. Holmen benefits from electricity generated by wind power by being one of the owners of the company VindIn AB. The wind farm inaugurated at Skutskär in 2009 has produced positive results.

Sweden was hit by another cold winter, and electricity prices climbed to levels that rendered paper production impossible during the hours when the price peaked. This cannot be completely counteracted using the long-term contracts we have as a basis for our operations. Intermittent production as a result of variations in electricity prices also affected total productivity, mainly for Holmen Paper.

Lower costs and improved operations

Further reductions of the workforce at Hallsta Paper Mill were announced during the year; about 150 employees were given their notice, the aim being to lower fixed costs. By adapting one of the paper machines, PM 11, we increased potential for further development of our MF Magazine products.

The number of employees at the mill in Madrid was reduced during the autumn. A survey of PM 61, the smaller of the two paper machines, was conducted in parallel. The mill, at which production is based

entirely on recovered paper, was hit hard by the rising prices of raw materials and a weak domestic market for printing paper. During the autumn, temporary lay-offs and long production stoppages were implemented with the aim of stabilising the situation. At the beginning of 2011 we decided to shut down PM 61, which had been running at a loss for a long time. The modern newsprint machine still in operation has good potential of being profitable.

The change that took place at Iggesund Paperboard at the end of 2009, when one of the board machines at Workington Mill was shut down, proved successful. The objectives of greater competitiveness through lower fixed costs and a switch to a higher quality segment in which we also increased capacity, were achieved.

Investment and development

One of the most important decisions made during the year was to invest in a new recovery boiler and turbine at Iggesund Mill. This bolsters Holmen's sustainability focus and constitutes

the major step in our plan to modernise the mill's pulp and energy supplies, putting the plant in a position to become self-sufficient in electricity without the use of any fossil fuels. The installation is under way and is one of Sweden's largest current industrial investments. The equipment is due to be commissioned in June 2012.

Apart from the major sawmill and recovery boiler projects, investments were kept at a limited level – particularly at Holmen Paper.

Via the Holmen Biorefinery Development Centre, a unit set up in 2009, we are working on identifying new profitable business based on forest raw material, as well as residual and by-products. Several promising projects are being conducted, meaning that we will be seeing other products from the forest besides paper and paperboard in the not too distant future. Biogas produced through anaerobic digestion of our wastewater is an interesting possibility.

Sustainability – part of everyday operations

This is the first annual report in which we have included an extensive section on our sustainability activities. Such activities are regarded as a natural part of our everyday work, and Holmen meets the requirements

for the highest sustainability reporting level, GRI A+. We also attract considerable positive attention in the world around us. Holmen features in several international corporate indexes and environmental funds that value companies from a sustainability perspective, and that aim to make it easier for investors and other stakeholders to identify companies that run ambitious sustainability activities. Our commitment to and membership of the UN Global Compact is an important starting point. This means that Holmen takes a clear stance on issues concerning human rights, social and environmental responsibility and the right to form trade unions.

My ambition is naturally also for Holmen to be known as a company that has a good HR policy and that offers its employees stimulating tasks. We therefore attach substantial importance to improving leadership.

Outlook

The conditions for growth in profit are favourable in 2011. Ongoing price negotiations for newsprint in Europe indicate significant increases, although the demand trend is difficult to estimate.

The market for paperboard remains good, and implemented price rises should have an impact on profit during 2011. For sawn timber, supply currently exceeds demand, which risks putting pressure on prices. The commissioning of the new sawmill at Braviken will initially have an adverse impact on earnings. Wood prices remain high, which may mean another good year for Holmen Skog, while Holmen's industrial operations continue to feel the burden of the high cost of wood. The level in the water reservoirs is lower than usual, which will negatively affect the company's production of hydro power during the first few months of the year.

For several years, Holmen has taken tough measures to arrive at its current position as a strong, highly competitive company that has good potential to develop its business. I would like to highlight all employees at Holmen who have contributed in various ways to the future-focused, yet also difficult, changes that have characterised the past year. Thanks to their efforts, we are now stronger as we enter a new phase in our development.

Stockholm, 18 February 2011



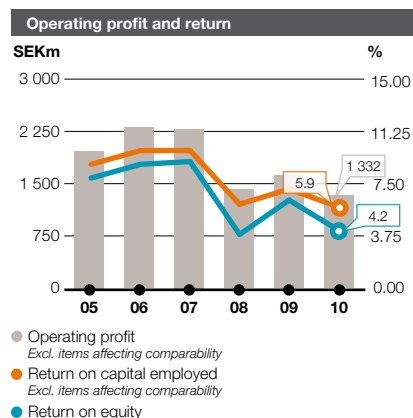
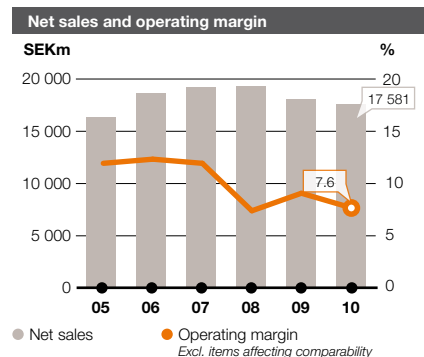
Magnus Hall
President and CEO

The year in brief

Facts	2010	2009
Net sales, SEKm	17 581	18 071
Operating profit, SEKm	1 596	1 620
Operating profit excl. items affecting comparability, SEKm	1 332	1 620
Profit for the year, SEKm	704	1 006
Earnings per share, SEK	8.4	12.0
Dividend per share, SEK	7*	7
Return on capital employed, %**	5.9	7.2
Return on equity, %	4.2	6.4
Debt/equity ratio, times	0.34	0.34
Investments, SEKm	1 597	818
Average number of employees	4 241	4 577

*Proposal of the Board.

**Excl. items affecting comparability.



The Group's operating profit for 2010, excluding items affecting comparability, was SEK 1 332 million (1 620), corresponding to a return on capital employed of 5.9 per cent. The result for printing paper operations fell considerably, while profitability in the other parts of the Group improved. The year's investments amounted to SEK 1 597 million and mainly comprised the new sawmill at Braviken and a new recovery boiler and turbine at Iggesund Mill. Net financial debt increased by SEK 89 million, to SEK 5 772 million. At year-end, the debt/equity ratio was 0.34 (0.34). The Board proposes an unchanged dividend of SEK 7 per share.

Tough year for printing paper

Falling prices and high recovered fibre costs entailed a loss in Holmen's printing paper operation.

Strong growth for paperboard

Demand for paperboard was robust and it was possible to introduce several price rises. Profit doubled.

High prices for wood and electricity

Strong demand for pulpwood and timber boosted prices to historically high levels, and earnings from the company's own forests were very high. Electricity prices were periodically also very high, leading to good results for Holmen's own hydro power.

Investment in recovery boiler

In the spring, Holmen decided to invest in a new recovery boiler and turbine at Iggesund Mill. This doubles the mill's production of electricity, and the production of pulp can gradually be increased. This SEK 2.3 billion investment is one of the largest current industrial investments in Sweden and makes it possible to run the operation without using fossil fuels and purchased electrical energy.

New sawmill

The construction of Braviken Sawmill kept to schedule and production started at the turn of 2010/2011. Construction using wood has a positive climate impact. The new sawmill, a billion-kronor investment largely made of wood, will be the largest and most modern sawmill in Scandinavia.

Measures at Holmen Paper

Holmen Paper is implementing further efficiency improvements and measures to maintain a high level of competitiveness and improve profitability. Holmen VIEW, a new grade of paper for magazines and catalogues, was launched. Negotiations were started about cutting staff by 150 people at Hallsta Paper Mill. At the beginning of 2011, Holmen decided to shut down PM 61, the smaller of the two paper machines at the mill in Madrid. This machine accounts for just under 10 per cent of the business area's production capacity. About 170 people are affected.

Wind power investment

Wind power surveys are under way on Holmen's land in Hallstavik and Örnköldsvik. The process is continuing with applications for permits. Expansion via the partly owned wind power company VindIn is progressing.

GRI A+

All of Holmen's information on sustainability was audited by an external party for the first time. Holmen's reporting achieved A+ according to the guidelines issued by the Global Reporting Initiative (GRI) for sustainability reporting.



Holmen in brief

- Holmen, head office
- Production sites
- Sales offices, forest regions and purchasing company
- ⊗ Sheeting units

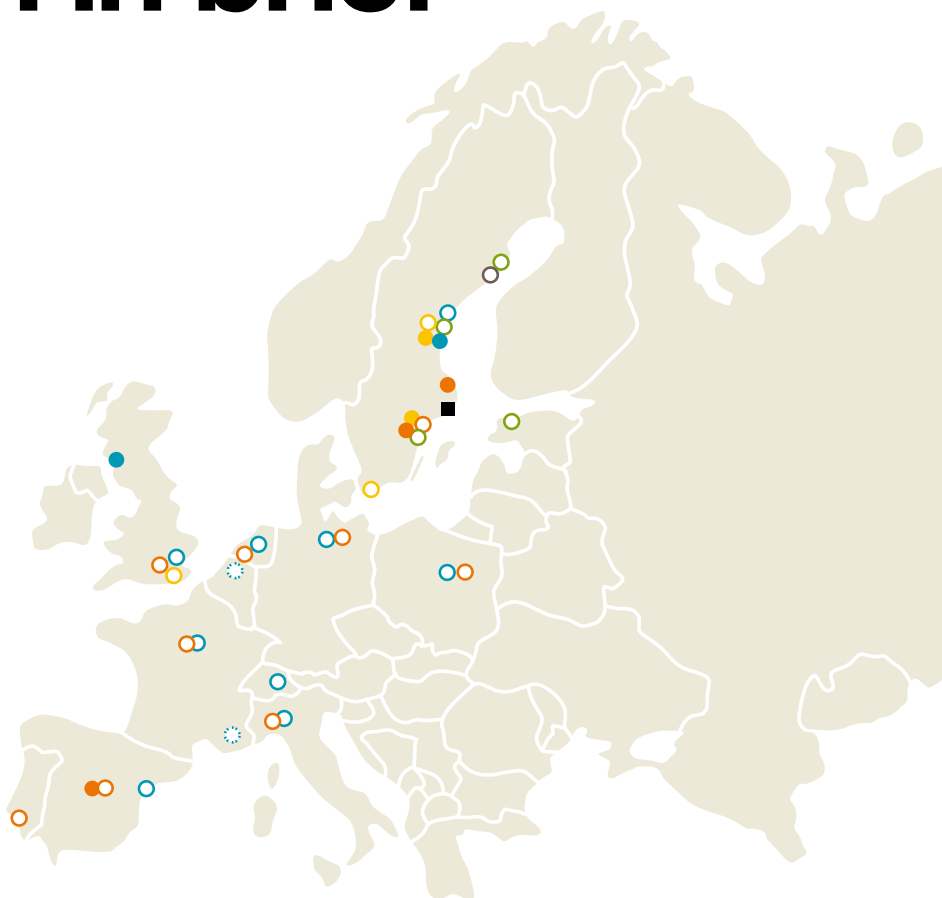
- Holmen Paper
- Iggesund Paperboard
- Holmen Timber
- Holmen Skog
- Holmen Energi

Operations outside Europe

Holmen Paper: sales office in the US.

Iggesund Paperboard: sales offices in Hongkong, Singapore and the US.

Holmen Timber: sales in North Africa and the Middle East via Uni4 Marketing AB.



Holmen is a forest industry group that manufactures printing paper, paperboard and sawn timber and runs forestry and energy production operations. The company's extensive forest holdings and its high proportion of energy production are strategically important resources that reinforce Holmen's position and future growth.

Holmen's operations consist of three product-oriented and two raw-material-oriented business areas, which are to be developed through organic growth.

Holmen's manufacturing operations in the product-oriented areas are based on renewable raw materials from sustainably managed forests. The Holmen Paper business area manufactures printing paper for daily newspapers, magazines, catalogues, directories/manuals, advertising print and books. The paper is manufactured at two mills in Sweden and one in Spain. Iggesund Paperboard produces board for consumer packaging and graphics printing at one mill in Sweden and one in the UK. Holmen Timber produces sawn timber at two Swedish sawmills.

Holmen Skog is responsible for managing and developing the Group's land holdings, which comprise around 1.3 million hectares – of which 1 million are used for forestry. The normal annual volume of wood harvested in company forests is some 2.5 million cubic metres.

Holmen Energi is in charge of the Group's hydro power production and of developing energy-related operations. During a normal year, hydro power production amounts to around 1 100 GWh.

Holmen's forest and energy assets are highly valuable to the company, helping to give it a stable foundation. In addition to generating even and high earnings, they create advantages in supplying raw materials to

the product-oriented business areas. Forest raw materials and the energy area also have immense development potential. The Group is about 60 per cent self-sufficient in wood, and self-sufficiency in electricity is around 30 per cent. A significant proportion of the thermal energy required is covered by bioenergy produced at the company's own facilities.

The Group has five production plants in Sweden and one each in the UK and Spain. The forests and hydro power facilities are located in Sweden. Around 90 per cent of sales take place in Europe via Holmen's own sales companies.

Holmen's two classes of shares are listed in the Large Cap segment on the Nasdaq OMX Nordic Exchange.

Raw-material-oriented business areas	Product-oriented business areas	Products and markets
Holmen Skog Operations: Responsible for managing Holmen's forests, for wood supply to the Group's Swedish units and for trade in wood. Land holding: 1 264 000 hectares. Volume of wood: 120 million m ³ standing volume.	Holmen Paper Products: White and coloured newsprint as well as paper for directories, manuals, catalogues, books and magazines. Customers: Daily newspapers, retailers, book and magazine publishers, catalogue, directory and manual publishers and printers. Mills: Hallsta Paper Mill, Braviken Paper Mill and Holmen Paper Madrid. Production capacity/year: 1 750 000 tonnes.* Number of paper machines: 7.* <small>*) After shut-down of PM 61.</small>	The paper is used for newspapers, magazines, manuals, catalogues, directories, advertising print and books. Main market: Europe.
Holmen Energi Operations: Responsible for the Group's hydro power stations, coordination of its energy matters, and electricity supply to its Swedish units. Number of wholly and partly owned hydro power stations: 21. Number of partly owned wind farms: 1. Production capacity/year (hydro power): 1 112 GWh.	Iggesund Paperboard Products: Solid bleached board and folding boxboard for consumer packaging and graphics printing. Customers: Converters of paperboard for packaging as well as printers and wholesalers. Mills: Iggesund Mill and Workington Mill. Production capacity/year: 530 000 tonnes. Number of board machines: 3.	The board is used in packaging for consumer products and for graphics printing. Main market: Europe.
	Holmen Timber Product: Pine joinery timber and spruce construction timber. Customers: Joinery and furniture industries, manufacturers of solid-wood flooring, planing mills, builders' merchants, house construction firms, the packaging industry and manufacturers of roof trusses and glue-laminated wood. Sawmills: Braviken Sawmill and Iggesund Sawmill. Production capacity/year: 860 000 cubic metres.	Sawn timber is used for window frames, flooring, doors, joists, roof trusses, glue-laminated wood and buildings. Main markets: Scandinavia, Western Europe, North Africa and the Middle East.

Holmen has a total capacity to manufacture about 2.3 million tonnes* of printing paper and paperboard each year. The company is Europe's fifth largest manufacturer of printing paper, with production capacity of 1 750 000 tonnes* per year. With capacity of 530 000 tonnes of solid bleached board and folding

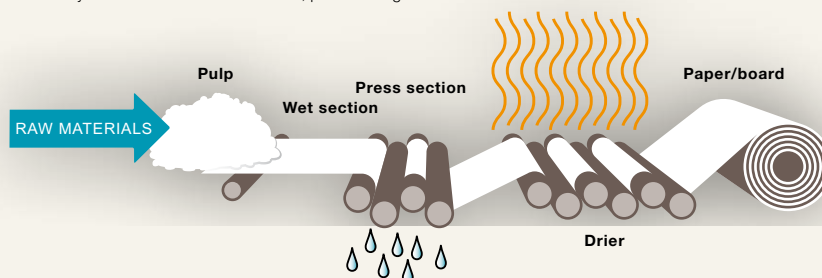
boxboard, Holmen is the third largest producer in Europe. The company's production capacity for sawn timber is 860 000 cubic metres a year. The annual volume of wood harvested in company forests is 2.5 million cubic metres. Production of hydro power totals 1.1 TWh.

*) Following the shut-down of paper machine PM 61.

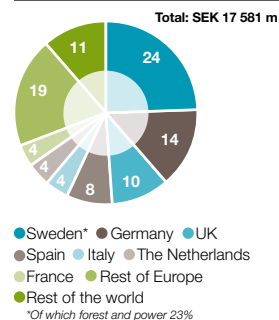
The production process

This highly simplified diagram illustrates the production process in a paper and board machine. In reality, the machines differ quite significantly. The raw materials consist mainly of wood and/or recovered paper, electricity and chemicals. The pulp, produced by chemical or mechanical means, passes along a

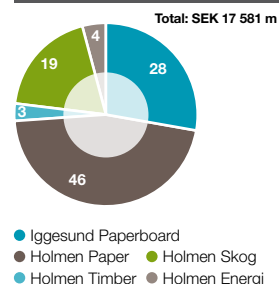
web in the machine – firstly through a wet section, then a press section and finally the paper/board is dried on the web, which at that stage runs between numerous cylinders. It is finally rolled on reels and cut to the reel or sheet sizes that the customers have ordered.



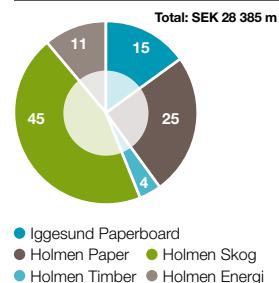
Net sales/market, %



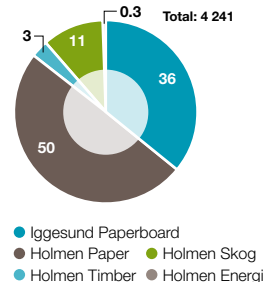
Net sales/business area, %



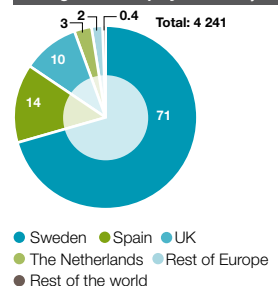
Operating profit/business area, %



Average no. of employees/business area, %



Average no. of employees/country %





Business concept & strategy



Strategy: Grow and develop our five business areas

Sustainable and profitable business activities • Strong financial position • Key market is Europe • Quality, productivity and cost focus • Committed in leadership and skilled workforce.

RAW-MATERIAL-ORIENTED

Forests
& wood

Electric
power &
energy

PRODUCT-ORIENTED

Printing
paper

Paperboard

Sawn timber

25 per cent ↑

higher growth rate in Holmen's forests in 30 years' time.

BUSINESS CONCEPT

Product-oriented business areas

Holmen Paper manufactures printing paper for daily newspapers, magazines, catalogues, directories/manuals, advertising print and books at two mills in Sweden and one in Spain. Just under half of sales comprise niche products in the areas of improved newsprint, directory paper and book paper, where the market share in Europe is 27 per cent. The greater part of other sales is made up of standard newsprint, with a market share of 8 per cent in Europe. Holmen Paper has a strong position among European newspaper publishers, who account for more than half its sales. Retailers, printers and book, catalogue and directory/manual publishers are examples of other significant customer segments.

Iggesund Paperboard produces paperboard for consumer packaging and graphics printing at one Swedish and one UK mill. Iggesund Paperboard is a market leader in the top quality segments in Europe. The market share in Europe for paperboard based on solid bleached board and folding box board

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

is 15 per cent. The largest customer segment consists of converters who make consumer packaging. Wholesalers and printers who buy board for graphics products are also key customers.

Holmen Timber produces sawn timber at two Swedish sawmills that are integrated with the Group's paperboard and printing paper production, respectively. Braviken Sawmill was commissioned at the turn of 2010/2011 and produces spruce construction timber for the building sector. The sawmill at Iggesund uses pine as its raw material and focuses on joinery products for exposed applications. The main markets are Europe, North Africa and the Middle East. Holmen Timber is a relatively small operator in Europe and has a market share of less than one per cent for sawn timber.

Raw-material-oriented business areas

Holmen Skog has responsibility for managing and developing the Group's forest assets. The company's forest holdings amount to one million hectares of productive forest land in Sweden and the volume of wood

amounts to 120 million m³ standing volume. Sales take place to sawmills and paper and pulp producers in Sweden. Holmen Skog is also responsible for supplying wood to the Group's Swedish industrial facilities.

Holmen Energi manages the Group's hydro power assets and develops the Group's energy operations. Hydro power production during a normal year amounts to 1.1 TWh and the power is sold in the Swedish electricity market. Holmen Energi is also responsible for supplying the Group's Swedish industrial operations with electricity.

STRATEGY

Development and quality

Holmen operates on large, well-established markets, namely its product markets for paper, paperboard and sawn timber, and its raw materials markets for wood and energy. The Group's strategic focus is to expand, to develop and to remain a strong supplier with efficient production. Most of the growth is organic and takes place by improving products and/or increasing production volumes in existing product areas.

Development also necessitates reorganisation and the closure of unprofitable production facilities – measures that have characterised Holmen Paper in recent years. Production of standard newsprint has decreased. Instead, more advanced grades of paper have been developed. Iggesund Paperboard has adapted production to prioritise top-quality paperboard. Sawn timber is continually developed in close cooperation with customers and specialised subcontractors. The new Braviken Sawmill is an efficient and technologically advanced sawmill for construction timber.

Holmen's own wood and energy production is continually developing and expanding. The silviculture measures taken are expected to result in gradual increases in annual wood production (harvesting) to achieve a rise of 20 per cent in 40 years' time. Good potential is also expected for increasing the growth rate in the Group's forests by roughly 25 per cent in 30 years' time through improved silviculture. This will lead to higher harvesting levels in the future. In production of energy, the company believes that there is real potential for developing new, profitable production of wind power and biofuel. The aim is to be able to produce 1 TWh of electricity from wind power per year.

Productivity and profitability

The overall ambition of the Group's operations is to provide a customer offering that contains attractive, high-quality products as well as good service. This is to be done cost-effectively to maintain Holmen's position as a competitive supplier. Large-scale, efficient production facilities and skilled employees create high productivity and efficient use of input goods and capital. Effective interaction between marketing, product development and production increases is essential to achieve successful long-term investments, economies of scale and development. Basic volumes of certain products are combined with selective ventures involving improved or more advanced products for both existing and new categories of customers.

Alongside efficient production processes, the cost of raw materials and transport has an important impact on competitiveness. The main raw materials in the processes for

producing printing paper, paperboard and sawn timber are fibre in the form of wood, recovered paper and pulp, and energy in the form of electricity and heat. Holmen produces more than 95 per cent of the pulp and thermal energy that it requires at its own mills using a highly integrated process. The procurement of other raw materials is underpinned through backward integration along the production chain by owning forests, hydro power plants and recovered-paper procurement units. The Group is around 60 per cent self-sufficient in wood. The Group produces around 30 per cent of the electrical energy that it requires. Moreover, the prices of 50 per cent of the electricity supplies are hedged through long-term supply contracts. Significant volumes of recovered paper are purchased via wholly and partly owned paper collection companies.

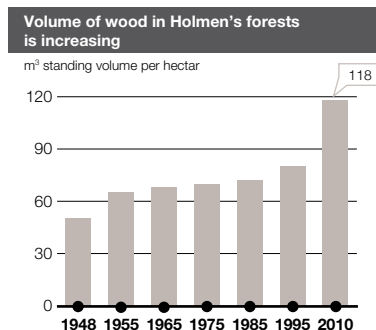
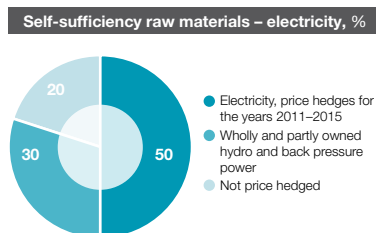
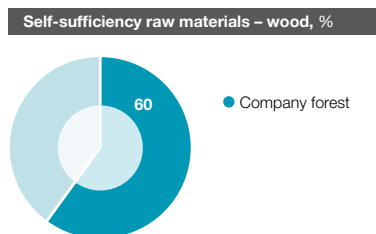
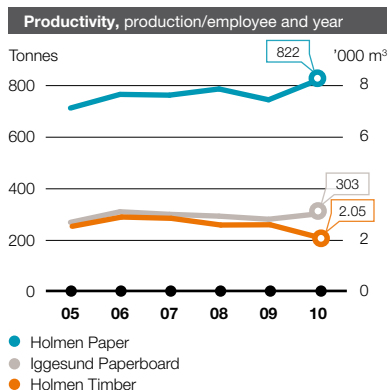
Sustainability

Aspects of sustainability are an integral part of all decisions made at Holmen. This brings the company closer to its set goals every day. Holmen is essentially already part of the sustainable society through its operations, by being a successful and profitable company that manufactures products from natural raw materials. The raw materials – wood and recovered paper – and the products are recyclable and adapted to the ecocycle.

Healthy profitability and a strong financial position are key factors that create conditions for development that is sustainable in the long term. This in turn creates employment opportunities and makes it possible to buy input goods, pay taxes and pay a return to Holmen's owners and financiers. Profitability is also a prerequisite for investments that allow the company to evolve in line with gradual changes in market conditions. In this way, Holmen's financial targets support long-term and sustainable financial growth.

The Group is a participant in the UN's Global Compact and thus supports international guidelines relating to human rights, social conditions, the environment and labour rights. Holmen is to respect ethical and social standards, be a good business partner and community player, and motivate and develop its employees through committed leadership.

The company's Human Resources, HR,



activities are governed by guidelines, laws and agreements. The main emphasis is on skills supply, leadership and organisation. The goals for the HR work focus on developing leadership, the organisation and employees. To reach these goals, various types of measures are implemented, and the development programme *Manager at Holmen* was one such measure implemented in 2010. A further reduction in the number of industrial accidents is important – not only for current employees, but also for future recruitment possibilities. As a minimum, the proportion of women managers is to correspond to the proportion of all women employed in the Group. Most goals are followed up via the

employee survey that the Group conducts every two years. The results provide a foundation for strategic HR activities and local action plans.

Environmental activities are organised and managed based on Holmen's environmental policy. The policy clarifies the significance of energy and climate issues to the business.

The overall goal of the Group's environmental activities is to make efficient use of electrical energy and heat, reduce emissions of fossil carbon dioxide and increase energy self-sufficiency. A number of long-term targets have been set for these areas. In addition, the Group's ambition is to increase the rate of growth in its own forests and the

extraction of biofuels.

Goal-oriented work is required to attain these targets. While the Group-wide environmental targets are long-term, there are short-term environmental targets at local level in the Group's units. These are monitored within the framework of the certified management systems applied.

Holmen's work on sustainable development is described in more detail on pages 22–34 and in the separate publication *Holmen and sustainability*.

Business outlook

2010 was a difficult year in the printing paper operations due to a large drop in prices at the start of the year, at the same time that the costs of recovered paper, a key raw material, rose substantially. Profitability in the Group's other operations rose, however, which partly compensated for the decrease in profit from printing paper.

The situation for 2011 has changed, and the conditions for healthy profit growth are favourable. Ongoing price negotiations for newsprint in Europe indicate significant increases, although the demand trend is difficult to estimate. The market for paperboard

remains good, and implemented price rises should have an impact on profit during 2011. For sawn timber, supply currently exceeds demand, which risks putting pressure on prices. The commissioning of the new sawmill at Braviken will initially have an adverse impact on profit. Wood prices remain high, which may mean another good year for Holmen Skog, while Holmen's own industrial operations continue to feel the burden of high costs of wood. The level in the water reservoir is lower than usual, which will negatively affect the company's own production of hydro power during the

first few months of the year.

The currency situation is important to the Group. The krona is now considerably stronger against the euro and the dollar, which is negative. Thanks to currency hedges at sound levels, the stronger krona is not expected to have a major impact on the Group's profit for 2011. Investments are estimated to remain high in 2011 as a result of final payments for the construction of Braviken Sawmill and the ongoing investment in a new recovery boiler and turbine at Iggesund Mill.





Financial targets

FINANCIAL TARGETS



Holmen's **profitability** shall consistently exceed the market cost of capital.



The **financial position** shall be strong with a debt/equity ratio within the interval of 0.3–0.8.



Decisions on **dividends** shall be based on an appraisal of the Group's profitability, future investment plans and financial position.

PROFITABILITY. Holmen's profitability target is a return that is consistently higher than the market cost of capital, and this target is used to govern the business. At Group level, the key figure 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. For a long time, profitability has exceeded the cost of capital, but as a result of the difficult situation for printing paper, profitability has been unsatisfactory in recent years.

Holmen's business is capital intensive and much expansion is the result of investing in additional capacity, improved production and more efficient use of energy. Investments are often combined with cost rationalisation measures. To assess the profitability of investments, a model is used to calculate the present value of cash flows; that is, estimated future cash flows are discounted by the weighted cost of capital, which totals about 11 per cent (before tax) for investments in the product-oriented business areas.

Computing the cost of capital involves weighting the cost of borrowed capital and equity and multiplying the result by the capital invested in the business. The cost of equity is computed as interest plus a premium based on the level of risk for the operation, with capital invested in product-oriented business areas being assigned a higher risk premium (5 per cent) than capital invested in raw-material oriented business areas (2 per cent).

In evaluating operating activities, the cost of capital is determined annually based on short-term market interest rates; in 2010 it was a 5.5 per cent (before tax), on average.

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

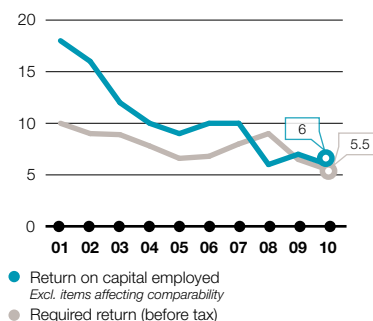
DIVIDEND. Decisions on ordinary dividends are based on a total appraisal of the Group's profitability, future investment plans and financial position.

The Board has proposed that the 2011 Annual General Meeting (AGM) resolves in favour of dividend of SEK 7 per share, corresponding to 3.5 per cent of equity. During the past decade, the ordinary dividend has averaged 5.3 per cent of equity. As a result, around 67 per cent of earnings per share have been paid out in ordinary dividends each year.

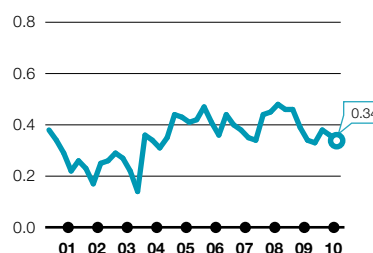
In addition to ordinary dividends, Holmen paid extra dividends for the 1998, 2000 and 2003 financial years.

In recent years, the AGM has authorised the Board to buy back up to 10 per cent of all the shares in the company. During 2008, Holmen bought back 760 000 class B shares. These share buy-backs were linked to the Group's incentive scheme. There is no specific target for share buy-backs. Holmen has used them as a complement to dividends as a means of adjusting the capital structure when conditions were deemed favourable. Share buy-backs took place in 2000 and 2008.

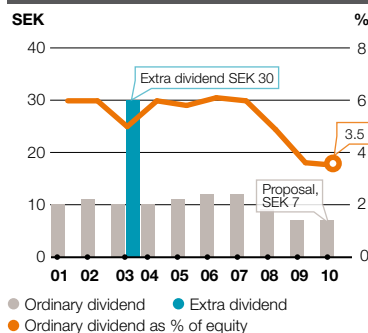
Profitability, return on capital employed, %

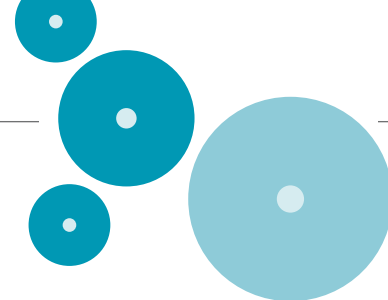


Capital structure, debt/equity ratio, times



Dividend, per share





Holmen Paper

Facts	2010	2009
Net sales, SEKm	8 142	9 303
Operating profit/loss, SEKm	-1 404	340
Operating profit excl. items affecting comparability,* SEKm	-618	340
Investments, SEKm	211	287
Operating capital, SEKm	6 954	8 789
Average number of employees	2 084	2 301
Share of sales in Europe, %	88	84
Deliveries, '000 tonnes	1 732	1 745

* Impairment losses and provisions, SEK 786 million



14 per cent ↑

higher deliveries of MF Magazine in Europe.

Holmen Paper is the fifth-largest manufacturer of wood-containing printing paper in Europe. Its share of the European market is 8 per cent for standard newsprint and 27 per cent for MF Special paper.

Operations in 2010

The year was characterised by very poor profitability due to the substantial drop in prices for printing paper at the start of the year that coincided with the large increase in the cost of recovered paper, a key raw material. Holmen Paper's operations continued to focus on quality enhancement and product development, in parallel with cost cuts and efficiency improvements.

The proportion of standard newsprint continued to decline, replaced by niche products within MF Special. The new product, Holmen VIEW, produced at Hallsta Paper Mill, was launched during the year.

The 100 redundancies at Braviken Paper Mill, which were announced in 2009, were carried out.

In June, negotiations began on further reducing the workforce at Hallsta Paper Mill by about 150 employees. Temporary lay-offs were made in Madrid in the autumn, and in October it was decided that 29 jobs would be cut permanently. The shortage of recovered paper entailed extensive production limitations in Madrid.

During the year, Holmen assessed various

options for the smaller of the two paper machines, PM 61, at the mill in Madrid, including adapting the machine for different products. In conjunction with preparation of the annual accounts, the Board decided to shut down PM 61, which represents just under 10 per cent of the business area's production capacity.

About 170 employees are affected. After the shutdown, the mill will have a capacity of 330 000 tonnes of newsprint on one machine.

Excluding items affecting comparability, an operating loss of SEK 618 million was generated for 2010, compared to an operating profit of SEK 340 million for 2009.

The deterioration was mainly due to lower sales prices. High prices of recovered paper and pulp also made a negative contribution.

In conjunction with the annual accounts, impairment loss of SEK 555 million was recognised on non-current assets in Spain and a SEK 231 million provision for restructuring costs was made.

Market

Despite a stronger economy, demand for

printing paper has not returned to previous levels. The European market for wood-containing printing paper amounted to 22 million tonnes in 2010, a recovery of just under 1 million tonnes, or 4 per cent, after falling by 15 per cent in 2009. On the whole, the price level in 2010 was much lower than in the previous year.

NEWSPRINT. About 9 million tonnes of the European market for wood-containing printing paper consist of newsprint. Paid-for daily newspapers account for the main part of consumption, while free newspapers represent just under 5 per cent.

Newsprint demand is increasingly affected by the widened range of electronic media and the change in media habits of consumers and advertisers. This has led to a structural decline in the western world, while demand is increasing in countries with vigorously growing economies, principally in Asia.

Global demand for newsprint rose by 1 per cent during 2010. European demand grew by 2 per cent, but the North American market displayed a further decline of 6 per cent.

Imports to Europe from North America

fell, while European exports to Asia rose.

Holmen Paper's newsprint deliveries decreased by 8 per cent, largely due to the reorganisation to focus on more improved products at Swedish mills and due to production limitations at the mill in Spain.

The prices for 2010 were cut substantially at the start of the year. Subsequently, the prices for new contracts – mainly outside Europe – were gradually increased.

MF SPECIAL. This contains the product groups MF Magazine, book paper and telephone directory paper.

Holmen Paper's deliveries within MF Magazine rose substantially during the year, especially in the brighter segments. Holmen Paper's strength lies mainly in the segments with low grammages and products with high brightness.

Holmen VIEW was launched during the year and is a new cost-effective alternative to coated paper for magazines and product catalogues.

Wood-containing book paper, which is mainly aimed at the market for paperback books, is a niche product that has become more important to Holmen Paper. Sales climbed 23 per cent in 2010. The European market for wood-containing book paper totals about 450 000 tonnes per year.

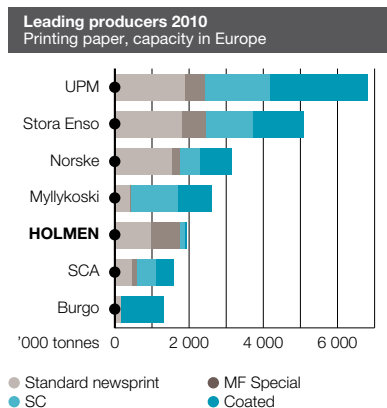
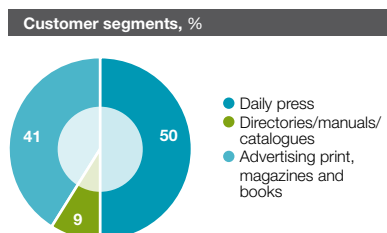
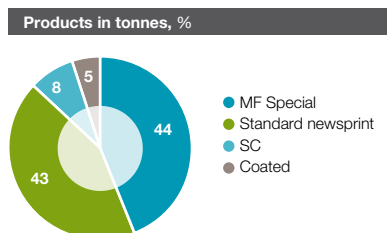
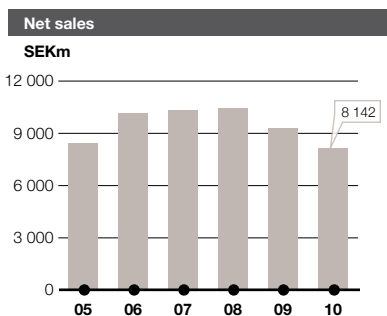
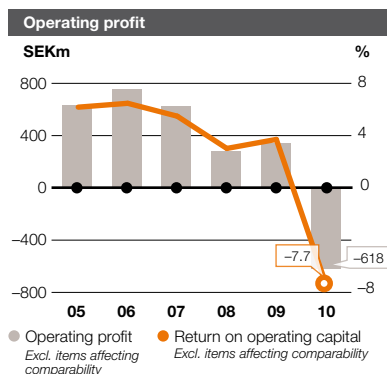
The market for telephone directory paper is dominated by a small number of buyers and suppliers. In total, Holmen Paper's deliveries decreased by just under 5 per cent, while its deliveries to Europe rose somewhat – in a market that is estimated to have declined by about 20 per cent.

MAGAZINE PAPER. In 2010, demand for magazine paper recovered, although not to historic levels. The European market for SC paper was down 1 per cent to 4 million tonnes, while coated paper rose by 11 per cent to 7 million tonnes. A historically low price for coated products has led to a clear shift from other grades to coated paper. Holmen Paper has relatively small volumes in SC and coated paper. Deliveries of SC paper decreased marginally, but deliveries of coated paper from Madrid increased somewhat.

Change and development

At Hallsta and Braviken, Holmen Paper's Swedish units, production is gradually being changed to comprise a higher proportion of niche products, at the same time that standard newsprint is being reduced to a volume that corresponds to what can be sold in nearby markets. Further steps are being taken towards increasing the proportion of virgin fibre in the pulp base to support this production change. Holmen Paper enjoys a strong position in MF Special with products such as Holmen Book, Holmen XLNT and Holmen VIEW.

Since 2008, capacity corresponding to 300 000 tonnes has been transferred from newsprint to these improved products. Following the closure of PM 61, the mill in Madrid focuses on newsprint produced for nearby markets.





Iggesund Paperboard

Facts	2010	2009
Net sales, SEKm	4 849	5 023
Operating profit, SEKm	817	419
Investments, SEKm	521	260
Operating capital, SEKm	4 313	4 114
Average number of employees	1 528	1 669
Share of sales in Europe, %	83	85
Deliveries, '000 tonnes	464	477



2.3 SEK billion

is being invested in a new recovery boiler at Iggesund Mill.

Iggesund Paperboard has a leading market position in solid bleached board in Europe, but is also a significant operator in folding boxboard. Taken together, Iggesund is the third-largest manufacturer in Europe in these product areas. The market share is 15 per cent.

Operations in 2010

The solid bleached board and folding boxboard market was robust in 2010. Deliveries from European producers to Europe rose by 8 per cent and to non-European markets by 13 per cent. Prices were increased during the year for both solid bleached board and folding boxboard.

Iggesund Paperboard's orderbook was very good, and capacity utilisation has been high at the mills in Iggesund and Workington. The upgrade of board machine BM 2 at Workington Mill was a success and led to further refinement of the product mix and higher productivity. The Swedish Paper Workers Union at Iggesund Mill went on strike in April, which involved a two-week stop to production. Financial compensation for this was obtained from the Confederation of Swedish Enterprise, but the consequences for Iggesund Paperboard's customers were significant.

In the first half of the year, a decision was taken to invest SEK 2.3 billion in a new recovery boiler and turbine at Iggesund Mill. This investment is an important step in modernising the mill's pulp and energy supply,

putting the plant in a position to become self-sufficient in electricity without the use of any fossil fuels. The new recovery boiler will be commissioned in June 2012.

Operating profit amounted to SEK 817 million, compared to SEK 419 million for 2009. An improved sales mix, higher prices and high productivity boosted the result. Staff and maintenance costs were reduced after the board machine was shut down at Workington Mill at the start of 2010.

Market

Global consumption of paperboard amounts to roughly 34 million tonnes per year. The European market for the grades produced by Iggesund Paperboard is approximately 2.7 million tonnes. Demand, which fell in 2009 due to a combination of the economic slowdown and financial unease, recovered in 2010. The largest European markets for solid bleached board and folding boxboard are Germany and the UK, with 22 per cent and 14 per cent of consumption respectively. Asia has overtaken North America as the largest market for solid bleached board and folding boxboard. Iggesund Paperboard's

share of the European virgin fibre board market is just under 15 per cent, and the company is the clear market leader in the solid bleached board segment in Europe.

Iggesund Paperboard concentrates its sales on two product segments: paperboard for packaging and paperboard for graphics printing. The main customer categories are converters, who make packaging, and wholesalers and printers, who buy paperboard for use in graphics printing.

Iggesund Paperboard's Invercote and Incada brands lead the European paperboard market. Invercote solid bleached board (produced at Iggesund Mill) is the number-one brand, and Incada folding boxboard (produced at Workington Mill) is ranked fourth.

PACKAGING BOARD. The type of board manufactured by Iggesund Paperboard has a variety of uses, including packaging for confectionery, pharmaceuticals, cosmetics, perfume and tobacco. The trend in private consumption therefore has a major impact on demand.

The requirements set on packaging, and thus also on packaging materials, are

constantly growing. Convenience, quality requirements and the need for brand-name profiling are giving rise to customised functions in packaging solutions. The appearance of packages in stores is an important factor that affects the choice of material and design.

In the chocolate and confectionery segment, Iggesund Paperboard benefits from the demands for packaging to be neutral in terms of odour and taste.

With its two grades of paperboard, Invercote and Incada, teamed with the finishing options created by the company's lamination facilities in Strömsbruk, Iggesund Paperboard offers the market's most comprehensive product portfolio suited to the needs of the packaging industry.

GRAPHICS BOARD. The graphics market uses paperboard for covers of publications, cards, advertising materials and other applications. The large number of end customers in the market means that the greater part of the volume is sold through a wide network of wholesalers.

The high and consistent quality of Invercote and Incada make them very versatile. They are particularly in demand for graphics printing thanks to their good colour reproduction.

Development

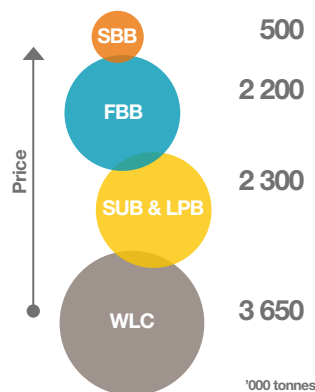
Productivity at Iggesund Paperboard's facilities has steadily increased. Marketing has intensified and the product mix has gradually become more advanced. Iggesund Paperboard has a tradition of continuously developing Invercote and Incada. Improvements have been achieved through several major rebuilding projects and a series of smaller investments to enhance efficiency, as well as an extensive product development programme. One of the key prerequisites for the development in recent and coming years was the adaption of board machine BM 2 that took place at Iggesund Mill in autumn 2007. This aims to give customers the possibilities of cre-

ating packaging with new and more advanced designs, using less material, yet maintaining the same protective properties.

In May 2010, Holmen's Board agreed to invest SEK 2.3 billion in a new recovery boiler and turbine at Iggesund Mill. The new facility will provide greater energy efficiency, increased pulp production and improved environmental performance.

A recovery boiler is an important component of a pulp mill. It produces thermal energy in the form of steam and is also part of the system that recovers chemicals during the pulp process. This makes an efficient recovery boiler crucial for the production capacity of a pulp mill. It will be possible to increase pulp production gradually from 355 000 to 420 000 tonnes per year. A larger supply of pulp means that in the long run the mill will also be able to raise its production of paperboard. Furthermore, the new recovery boiler will make it possible to increase the capacity for the mill to generate its own electricity from 210 GWh to 520 GWh. The mill is currently 50 per cent self-sufficient in electricity. The new facility will raise this figure to 100 per cent and will also create the conditions for eliminating fossil fuels entirely from the mill's production operations. The investment also includes equipment for capturing and incinerating weak gases, which will cut the emission to air of malodorous sulphur compounds. The plan is that the new recovery boiler will be taken into use in June 2012.

At the mill in Workington, an investment project for more efficient production and improved product quality began in autumn 2010. Around SEK 40 million will be invested in a refit of the mill's pulp line, which will include modernising the line's main refiner. The refit will boost production capacity as well as pulp and board quality. At the same time, energy consumption and maintenance costs will drop, paving the way for greater profitability. The refit is scheduled to be complete in March 2011.



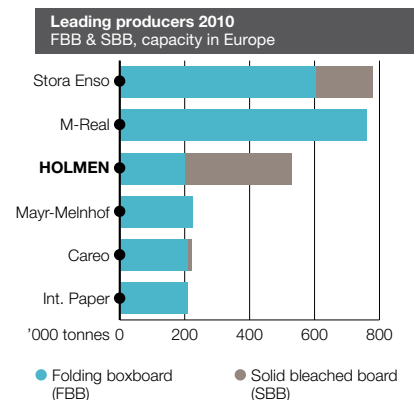
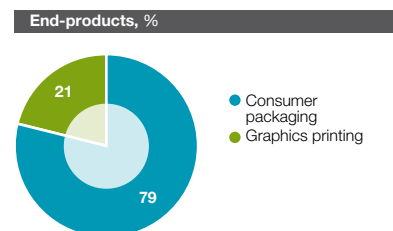
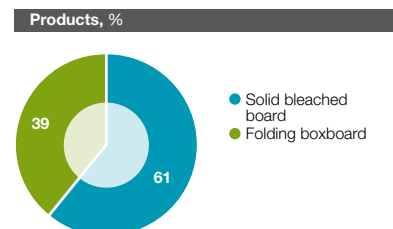
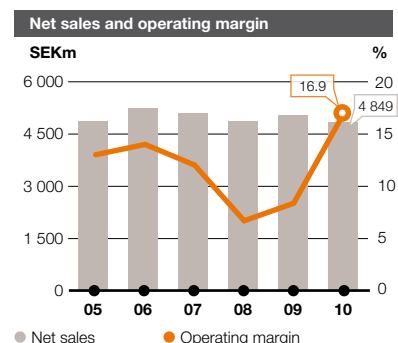
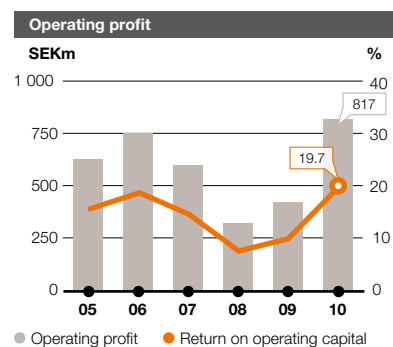
European paperboard market 2010

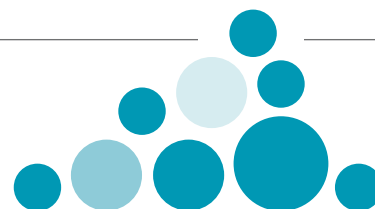
SBB (solid bleached board)
Prestigious products • Graphics products
Confectionery • Cigarettes

FBB (folding boxboard)
Confectionery • Pharmaceuticals • Cigarettes • Frozen goods • Skin care and hygiene articles

SUB & LPB (solid unbleached board & liquid packaging board)
Beverages • Dairy products • Dried goods

WLC (white lined chipboard)
Dried goods • Household products





Holmen Timber

Facts	2010	2009
Net sales, SEKm	586	553
Operating profit, SEKm	20	21
Investments, SEKm	800	110
Operating capital, SEKm	1 192	396
Average number of employees	139	114
Share of sales in Europe, %	55	57
Deliveries, '000 m ³	285	313



1.5 years or

18 months or 547 days or 13 128 hours was the time it took to build Braviken Sawmill.

Holmen Timber produces pine sawn timber at Iggesund Sawmill. Production at a new sawmill, Braviken Sawmill, for spruce construction timber, started at the turn of 2010/2011.

Operations in 2010

The market situation for sawn timber was hesitant at times during the year. Demand was low in many markets, while production gradually recovered from low to more normal levels. Sales prices were substantially higher than in 2009, but the rise in prices ceased towards the end of the year.

After a weak start to the year, partly due to the harsh winter, Holmen Timber's deliveries rose to a high level in the latter part of the year. Overall, however, deliveries fell by 9 per cent to 285 000 cubic metres.

The construction of the new Braviken Sawmill was an intensive process that spanned the whole of 2010. Piling and casting took place in February and the first buildings were erected in March. The calibration of all machines started in October and was completed in December. Commercial production started in January 2011.

Operating profit for 2010 was SEK 20 million, compared to SEK 21 million for 2009, and was positively affected by higher sales prices while higher raw material prices had the opposite effect. The figure in-

cludes costs of SEK 28 million for Braviken Sawmill.

Market

Consumption of sawn timber in Europe amounted to about 85 million cubic metres in 2010 – a slight increase on the previous year, but still 25 million cubic metres lower than the top level achieved in 2007.

Holmen Timber's share of the sawn timber market in Europe is less than one per cent, and the market is fragmented with numerous small operators. Iggesund Sawmill saws pine, and its customers are primarily in the joinery industry, including manufacturers of window frames, solid wooden floors and edge-glued panels, as well as planing mills. The key markets are Scandinavia, the UK, Algeria,

Saudi Arabia and Egypt, and the latter three of these markets have become increasingly significant. Sales to North Africa and the Middle East take place via the sales company Uni4 Marketing, of which Holmen Timber is one of four owners.

The customer base for Braviken Sawmill's spruce construction timber consists of builders' suppliers, planing mills and manufacturers of buildings and roof trusses. The main markets for the products from Braviken Sawmill are Scandinavia, the UK, Germany, France and the Netherlands.

Development

Braviken Sawmill, which is the largest in Scandinavia, has had the capacity to produce around 550 000 cubic metres of spruce construction timber a year since production started at the mill. The number of employees is about 110. During 2011, production is

Holmen will be a one-stop supplier of construction and joinery timber."

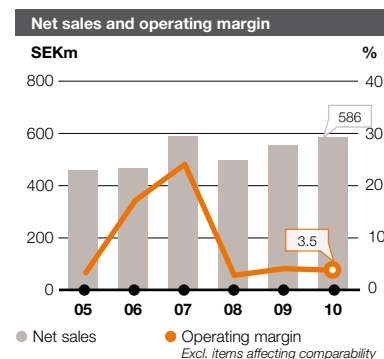
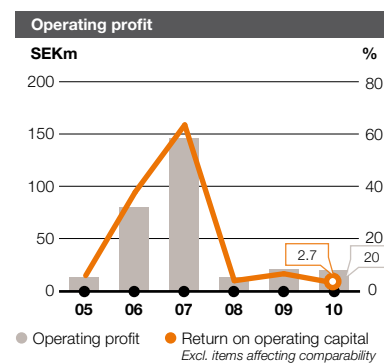
expected to amount to around 300 000 cubic metres, reaching 550 000 cubic metres in 2013.

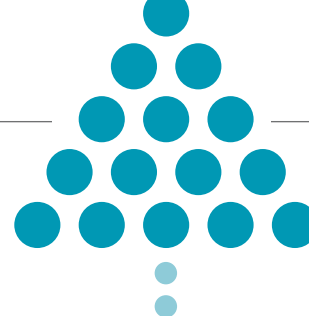
This corresponds to consumption of more than 1 million cubic metres of spruce timber per year. Since Holmen's own forests are mostly in northern Sweden, the majority of the timber will be sourced from external suppliers, chiefly private forest owners. The sawmill is designed to be able to produce 750 000 cubic metres, although this would require extra investments in expanded drying and planing capacity.

The combination of Holmen Paper's existing paper mill at Braviken and the new sawmill will result in significant synergies, not only through wood sourcing but also because the sawmill can utilise the infrastructure already in place at the site. It will also open the door to efficient energy solutions, as the Group will gain access to substantial supplies of biofuels from the sawmill and forest fuels in connection with harvesting. Excess heat from the paper mill can also be used in drying the sawn spruce.

In recent years, production at Iggesund Sawmill has risen steadily thanks to optimal use of drying capacity and investments in a new grading unit and a new log infeed. Iggesund already has the type of efficient integrated facility that is now being installed at Braviken. Woodchips and biofuel from the sawmill are delivered to the paperboard mill, where the woodchips are turned into board pulp and the biofuel is used for energy production. Heat from paperboard production is used to dry the sawn timber.

Holmen Timber is working on technical sales and product renewal to increase sales of value-added products. These products are classed as industrial wood and account for around a third of Iggesund Sawmill's total volumes. Finger-jointed window components that are free of knots have become a key product supplied to the window industry. The new production facilities at Braviken will make Holmen Timber a one-stop supplier of construction and joinery timber, reinforcing the business area and providing synergies in logistics and sales.





Holmen Skog

Facts	2010	2009
Operating profit, SEKm	1 868	605
Earnings from operations*	766	589
Investments, SEKm	-3	69
Operating capital, SEKm	12 597	11 384
Average no. of employees	442	446
Harvesting in own forests, million m ³	3,0	2,9
Productive forest land, '000 hectares	1 032	1 032
Wood volume, million m ³	120	119

* Result before change in value



1.3 million

hectares of forest are owned and managed by Holmen, of which 1 million is productive forest land.

Operations in 2010

The year started with continued strong demand for saw timber. Low stocks of pulpwood at the year's start, along with an increased rate of production in the forest industry boosted demand for pulpwood during the spring. Overall, the year was characterised by strong demand for timber and pulpwood. The access to forest fuel – mainly branches, treetops and bark – was generally good throughout Sweden.

As a result of the robust demand, pulpwood prices rose during the first six months and were subsequently stabilised at record levels equivalent to those recorded in 2008. The increase in timber prices that started in the second quarter of 2009 continued until the fourth quarter of 2010, when prices fell somewhat in southern and central Sweden. The prices of imported wood have risen over time in the same way as prices in Sweden. Exports of roundwood from Sweden were marginal.

Holmen Skog's operating profit reached SEK 1 868 million (605). Earnings from operations (before change in value) amounted to SEK 766 million (589). The improvement was due to higher prices and a high level of harvesting. The change in value was SEK 1 102

Holmen Skog is responsible for the Group's forests, which cover more than one million hectares of productive forest land in Sweden. The wood volume amounts to 120 million m³ standing volume.

million (16) and includes SEK 1 050 million as a result of altered price assumptions in the valuation of Holmen's own forests.

Market

The Swedish forest industry consumes about 80 million cubic metres (m³ solid volume under bark – m³ sub) of roundwood per year, the majority of which is harvested in Sweden. Half of this consists of saw timber, around 40 per cent comprises pulpwood and approximately 10 per cent is forest fuel. Competition for Swedish wood as a raw material is increasing, partly because of the greater need for biofuels used at thermal power stations.

The Baltic Sea region is now regarded as one single market in which pricing is largely the same.

Harvesting Holmen's own forests

Annual harvesting is based on a long-term harvesting plan that takes account of factors such as the age structure and growth of the forest. Calculations include future extractions of wood that correspond to a forest rotation period of about 100 years. About 18 per cent of Holmen's forest land is ex-

cluded from forestry in order to preserve the variety of forest types in the landscape and thereby also biological diversity. The harvesting plan is updated every 10 years. An inventory of Holmen's forests was launched in 2010. Using this as a basis, the long-term harvesting plan will be updated in 2011.

Wood supply

Most of Holmen's forests are located in northern Sweden where the Group does not have any industrial sites. Through its own logistical solutions and wood swap arrangements with other players, Holmen can utilise this wood in its own facilities, reducing the proportion of expensive imported wood.

The Holmen Group's Swedish units used 4.2 million (4.1) cubic metres of wood in 2010. Holmen Skog acquired a total of 10.8 million (9.9) cubic metres of wood, of which 6.2 million (5.6) cubic metres was sold to external customers. The Group harvested 3.0 million (2.9) cubic metres in its own forests.

Braviken Sawmill, at which production started at the turn of 2010/2011, will use around 0.6 million cubic metres of spruce saw timber during its first year; this will

subsequently increase to 1 million. As a stage in the preparations for the new sawmill, the purchasing concept BravikenGran was launched during the year, with the aim of securing the sawmill's wood supply.

Marketing and purchasing activities have been in progress throughout the year and have been mainly focused on the local wood market.

Development

INCREASED HARVESTING OPTIONS. A significant proportion of the growth in Holmen's forests takes place in young forests that are not ready for harvesting, so Holmen only harvests around 85 per cent of annual growth. As these young forests age, the extraction of wood can be increased to the same level as growth.

The effects of the silviculture programme introduced in 2006 are also notable. It is estimated that the programme will be able to raise the growth rate in the Group's forests by about 25 per cent in 30 years' time. This also means that Holmen will be able to increase harvesting by the same amount in future. The most important measures in the programme are greater use of lodgepole pine, forest land fertilisation and improved reforestation. The investment in Friggesund nursery decided on during the year plays a key part in this work, because it will lead to more efficient cultivation of seedlings and open up opportunities for the technology of

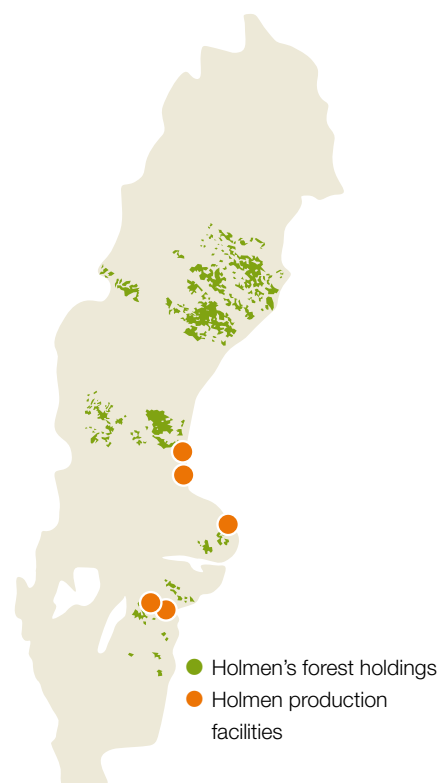
the future for the improvement of seedlings.

NATURE CONSERVATION METHODS UNDER DEVELOPMENT. In collaboration with researchers at the Swedish University of Agricultural Sciences, a project is under way to develop methods of nature conservation in forests. Various ways of helping to increase the biological values of forest land are being tested as part of this project. The water environments of forests are important to biodiversity. During the year, Holmen trained about 1 000 employees and contractors to minimise the impact on water in daily work.

GREATER TRANSPORT EFFICIENCY.

Holmen expects to reduce its energy consumption in harvesting and transporting wood by approximately 15 per cent in the next few years. This will take place through various measures, including using harwarders for harvesting, a combined machine that uses less fuel than traditional forwarders and harvesters, as well as a through transition to electric hybrid power. A project through which to increase the loading capacity of timber trucks is in progress to reduce the number of transport runs.

MORE FOREST FUEL. Holmen Skog is helping to develop technology for harvesting forest fuel in response to the growing demand for this fuel. Holmen increased deliveries of forest fuel during the year.

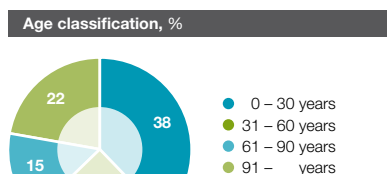
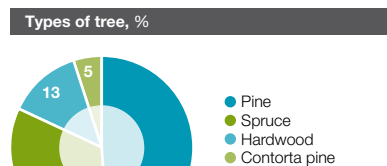
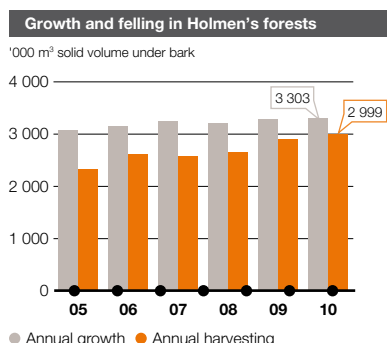
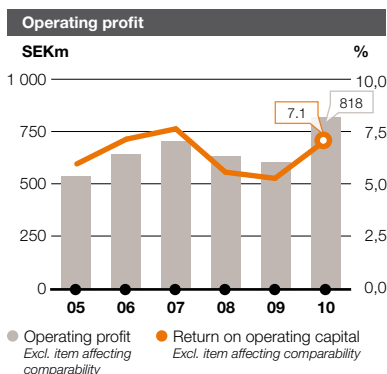


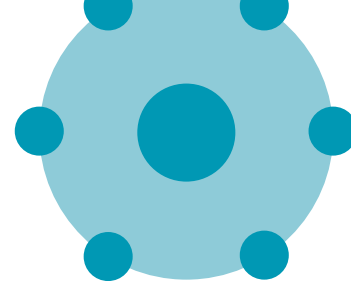
Holmens forest holdings 2010

Land holdings	1 264 000 hectares
Productive forest land	1 032 100 hectares
– of which areas of land set aside	68 500 hectares
Volume of wood, per hectare	118 m ³ standing volume

Valuation of forest assets

Holmen's forest holdings are recognised at fair value according to IAS 41. They are valued by estimating the present value of expected future cash flows, which consist of future revenue from wood extraction, less the costs of harvesting, reforestation and other silviculture work. The harvesting plan and an estimate of future price and cost development form the basis of the calculation. Holmen has set aside large areas of productive forest land for nature conservation. The value of the growing forest on this land is not included in the carrying amount of forest assets. Similarly, revenue from hunting and other leasing is not included. Also see note 11 on page 71.





Holmen Energi

Facts	2010	2009
Operating profit, SEKm	495	414
Investments, SEKm	65	88
Operating capital, SEKm	3 235	3 207
Average number of employees	11	10
Company-generated hydro power, GWh	1 145	1 090



30 per cent

of the Group's electricity needs are met through own production.

Holmen Energi is responsible for the Group's energy assets and energy supply. During a normal year, hydro power production amounts to around 1 100 GWh of electricity. The business area runs development projects linked to energy.

Operations in 2010

The production of hydro power amounted to 1 145 GWh (1 090) during the year, which was 3 per cent higher than during a normal year. Operating profit reached SEK 495 (414) million; the improvement mainly stems from higher volumes and higher prices.

Market

A total of 145 TWh of electricity was produced in Sweden during 2010, 66 TWh of which came from hydro power. The hydrological balance, which is the quantity of water stored in the Nordic countryside, was at a historically low level at the end of the year. The average spot price in 2010 was SEK 543/MWh, which was 38 per cent higher than in the previous year. Electricity prices rose at the start of the year to exceptionally high levels following the combination of extremely cold temperatures and low production of nuclear power. Very high electricity prices were also noted in November/December. The highest electricity price recorded during the year was SEK 13 757/MWh for one hour and SEK 4 969/MWh for one day. Measured as an average over a

month, the highest spot price was SEK 931/MWh in February and the lowest was SEK 383/MWh in May.

Energy supply

Holmen Energi is in charge of supplying the Group's Swedish mills with electricity. Holmen's total consumption amounted to 4 625 GWh (4 680) in 2010 – mostly used by its Swedish newsprint mills. The Group's own production, at its 21 wholly and partly owned hydro power stations together with the back pressure power production at Holmen's large mills, corresponds to around 30 per cent of the Group's electricity consumption; the remainder is purchased.

The Group's exposure to fluctuations in electricity prices is limited through long-term, fixed-price supply agreements, complemented with financial price hedges (see page 36). Market prices apply to Holmen's own electricity production.

Development

NEW SOURCES OF ENERGY. Holmen Energi is running a series of development projects aimed at establishing new profitable

business operations in the area of energy. Wind power and peat harvesting are two such examples. The aim is to produce 1 TWh of electricity from wind farms in the future, mainly located in forested areas on Holmen's own land. There are major advantages of building facilities on the company's land. Selecting the best locations for wind increases the profitability of the projects and reduces the risk, because Holmen itself consumes a large amount of electricity. Land leased for wind power generates revenue. Forestry operations within wind farms will be able to continue more or less as normal.

Wind power surveys have been conducted on Holmen's land in areas around Örn-sköldsvik and near the mill in Hallstavik since 2009. The results of the surveys are positive and the work is now continuing with applications for the necessary permits.

Energy peat has been produced on Holmen's land at Stormyrån north of Örn-sköldsvik since summer 2009. In 2010, volumes were more than doubled. The volume of peat produces 47 GWh of energy, which is an addition that corresponds to the annual energy needs of more than 1 800 detached

houses. Stormyran's annual future production is estimated at 70 GWh.

Peat consists of plant material that, owing to a lack of oxygen, has only partly decomposed into bogs and fens. The incomplete breakdown means that much of the energy content of the biological material is retained, enabling peat to be used as fuel. Peat harvesting provides a way of utilising several of the value-creating resources that the Group has at its disposal.

Holmen Biorefinery Development Centre was established in 2009 with the task of running long-term development work. The possibility of extracting bioenergy and green vehicle fuels in biorefineries linked to the Group's factories is being studied, as is the possibility of manufacturing chemicals and brand new types of fibre and lignin products.

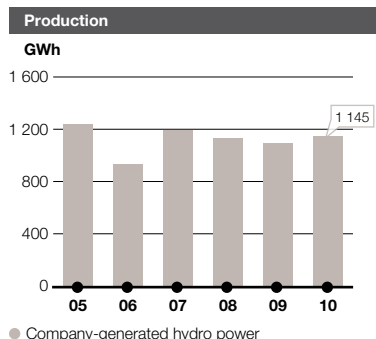
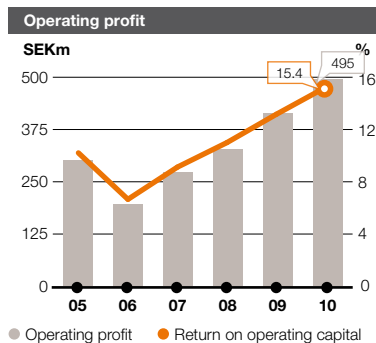
A survey is already under way at Hallsta Paper Mill, looking into a possible facility for production of biogas from wastewater. After being refined, the biogas can be sold as vehicle fuel.


ENERGY COOPERATION. A number of electricity-intensive companies in primary industries, including Holmen, set up VindIn AB in 2006, a company that develops, constructs and operates wind turbines in Sweden. VindIn's goal is to generate 1 TWh of electricity each year. The first wind farm is located at Skutskär and has been in use since October 2009. Its annual production

totals 28 GWh, of which Holmen's proportion comprises 4 GWh. An additional wind farm, Trättberget, is under construction and will produce around 180 GWh per year, of which Holmen is estimated to receive about 30 GWh. Permit applications for more wind farms have been submitted.

In collaboration with four other companies, Holmen has founded a company called Industrikraft i Sverige AB to secure fossil-free baseload power for the future. To this end, a letter of intent was signed with the power utility Vattenfall during autumn 2009.

ENERGY SAVINGS. Responsibility for improving energy efficiency is decentralised to the mills, but coordinated centrally. The new recovery boiler being constructed at Iggesund Mill is the key to the mill's long-term plan to be self-sufficient in electricity and to be 100 per cent run on biofuel. At Braviken, co-location of the existing paper mill and the new sawmill will produce significant benefits. Existing infrastructure can be used jointly and opportunities will be created for efficient energy solutions. An old oil-fired boiler is being replaced with a new electric boiler at Hallsta Paper Mill. This will radically reduce dependency on oil and improve the efficiency of the way in which energy consumption is controlled. The pulp line at Workington Mill is being rebuilt, which among other things will reduce energy consumption.



A photograph of a dense forest with tall, straight trees and a mossy ground. The trees are mostly evergreens, and the ground is covered in a thick layer of green moss and ferns. Sunlight filters through the canopy, creating dappled light on the forest floor.

INFORMATION ABOUT WORK ON SUSTAINABILITY

The description of economic development, social responsibility and environmental responsibility in the annual report is supplemented by the publication *Holmen and sustainability*, which gives a more detailed account of this work. The Holmen website contains further information, including descriptions of environmental work in the various business areas and a complete GRI register. Together, this constitutes Holmen's GRI report.



Principles for sustainability efforts



Sustainability work is integral to Holmen's operation and its strategy for growth and creation of value. These efforts are driven by a desire to improve competitiveness, reduce costs and level of risk, motivate and involve staff, and make sure that production does not adversely affect people or the environment. The Group's forestry meets exacting environmental requirements. The environmental impact of its facilities meets the requirements of authorities. The products are recyclable and adapted to the ecocycle.

Healthy profitability and a strong financial position create the necessary basis for development that is sustainable in the long term. Holmen has a clear role to play in the sustainable society by being a successful and profitable company.

Beyond its core operation, Holmen contributes to economic development through investments, research and development and through co-operation with companies and organisations in several of the places where the Group operates.

The brand

The expectations and demands of customers and the world at large for products and manufacturing processes to be made environmentally sound are becoming ever clearer. Active sustainability efforts are made in all the Group's operations to meet these demands. In the long term this is deemed to boost the company's profitability.

Holmen's operation is based on the natural and renewable raw materials provided by the forests. The business concept is to process these raw materials into products and energy that fulfil important functions in society and generate added value for customers, shareholders and other stakeholders. Sustainable development is a bed-rock of the operation. Economic development, environmental responsibility and social responsibility form a trinity, each part of which has a significant bearing on the future ability of the Group to develop.

Active sustainability efforts strengthen the brand and goodwill, while contributing towards raising the level of expertise. Retaining key customers and jointly enhancing commercial relations with them are good examples of such strategic values.

Internal management processes

The Board and Group management regularly address current sustainability issues. The Group CEO has ultimate responsibility. A special group led by the Director of Sustainable and Environmental Affairs and consisting of representatives of the Group staff units co-ordinates the work on sustainability, which is described in detail in the publication *Holmen and sustainability*. Holmen has published sustainability-related information annually since 2004.

Holmen has been following the Global Reporting Initiative's (GRI) recommendations for sustainability reporting since 2006. Account has been taken of GRI's 10 reporting principles in compiling Holmen's sustainability report.

Policies

Holmen's policies and guidelines are jointly to be regarded as a guidance tool – code of conduct – focused on sustainable development. With the legislation in each country, it provides a framework and governs Holmen's actions in different areas.

Holmen's production takes place in the

EU, where the majority of the products are also sold. There are some sales to the US and countries in Africa and Asia. In all countries, Holmen complies with local laws and agreements, and observes good business practice. Holmen also endeavours to ascertain how the Group's stakeholders deal with issues relating to the environment and personnel.

Altogether there are around 20 Group-wide policies and guidelines, broken down into the areas of environmental responsibility, social responsibility and economic development. Policies and guidelines more than three years old are reviewed and revised as necessary.

Global Compact

Holmen is a member of the UN Global Compact. As such, the Group has taken a clear stance on issues related to human rights, social conditions, the environment and the right to establish trade unions. *Holmen and sustainability* comments on how the Group fulfils and works on the 10 principles that make up the Global Compact.

There is little risk of anything in Holmen's operations conflicting with the UN Declaration on Human Rights, because all production takes place in the EU, where such matters are closely regulated. A renewed analysis will be made in 2011 of whether any of its suppliers or customers in countries where risks exist are failing to comply with the Global Compact.



Sustainable products



70 per cent

of the thermal energy needed in production comes from biofuels and recovered thermal energy.

Profitability in the company is based on manufacturing products for which there is demand in society. Printing paper, paperboard and sawn timber are basic materials in people's everyday lives. The starting point is the renewable raw material provided by the forests.

Renewable raw material

Wood – the natural and renewable raw material – is a factor of strength for Holmen. Products and biofuel are made from renewable raw materials sourced from sustainably managed forests. Holmen's products can replace other products made from materials that are finite or have an impact on climate. Paper and paperboard can additionally be recovered as material and/or bioenergy. Sawn timber makes an excellent biofuel at the end of its useful life.

Sustainable production processes

Holmen aims to take long-term responsibility throughout the production chain:

- 18 per cent of Holmen's forested land is excluded from forestry in order to preserve the variations of forest types in the landscape and consequently also biodiversity. All wood can be traced back to its origin.
- Active forestry has increased the stock of wood in the forests by 7 per cent in the last 10 years.

- Recovered paper is used at Braviken Paper Mill and Holmen Paper Madrid.
- Biofuels and recovered thermal energy provide 70 per cent of the thermal energy needed in production.
- Hydro power generated by the company and back-pressure power at the mills meet around a third of electrical energy needs.

Research, development, innovation

The Group conducts research and development both in-house at business area level



and externally. Internal R&D is focused on functional products and energy and resource-efficient processes. This has led to a steady decline in specific use of raw materials and energy, while the characteristics of the products have been refined.

Holmen has had a process in place for handling ideas that have potential to provide new business outside the established core operations since 2009. An innovation council is tasked with piloting the projects through to finished products.

Alongside the R&D efforts made in the business areas there is a Holmen Biorefinery Development Centre (HBC). Focusing on innovations and the opportunities that exist within Holmen, based firmly on the forest raw material, Holmen assesses business potential in the biorefinery area. The principle is that in future it will be possible to use wood to produce everything that is currently based on oil. Holmen is examining opportunities for profitable deals in the areas of transport biofuels, biogas, new materials, chemicals and biomass fuels.

A Group-wide team is investigating ways of identifying environmentally sound uses for the waste that arises in operations. The focus is on identifying product areas in which various materials can be regarded as a valuable resource and therefore lead to new business.

The external R&D activities are jointly run with other players – often at an industry-wide level, and in collaboration with universities and institutes of technology. The main emphasis is on product development and enhancing process efficiency, although forest growth and improving the efficiency of forestry are also important focal areas. Co-operation is in progress, for instance, with Svenska Innventia, MoRe Research, SweTree Technologies, the Royal Institute of Technology, Umeå University, Mid Sweden University, Karlstad University, the Swedish University of Agricultural Sciences and Skogforsk. Holmen co-operates with the University of Manchester in the UK and the Universidad Complutense de Madrid in Spain.

Group investments in research and development in 2010 totalled around SEK 100 million, of which around a quarter consisted of external costs.



Prioritised development

Printing paper

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

Paperboard

- Surface treatment
- Greater energy efficiency
- Paper physics (printing/shaping)
- Better fibre utilisation
- Lower weight
- Biological barrier materials
- Improved visual characteristics

Sawn timber

- Drying of sawn timber
- Construction timber

Energy

- Wind power
- Biogas
- Utilisation of residual products from industrial production

Wood

- Higher growth
- More efficient felling and transport
- More biofuel
- Improved seedlings

Other products

The feasibility of using biorefinery technology to make other products from forest raw materials besides traditional ones is being investigated. The principle is that in future it will be possible to use wood to produce everything that is currently based on oil.



Positive climate effects

Holmen contributes to a positive effect on climate by prioritising work on environmental goals in the following areas:

- Reduced use of fossil fuels at the Swedish units.
- More efficient use of energy.
- Increased rate of growth in Holmen's forests.
- Increased extraction/deliveries of biofuel.
- Increased production of electricity from wind power.



-285 000

tonnes of fossil carbon dioxide. That's how much lower emissions are when Holmen's "carbon footprint" is added up.

The issue of climate change highlights the need to rationalise energy use in the world and to make greater use of renewable energy sources. The forest industry has long been a pioneer in this area and is already a major user of bioenergy.

Forest management and use of forest products are the most important contribution of the forests in efforts to tackle global warming.

The forests provide raw materials and bioenergy that, unlike those based on oil, do not add new quantities of fossil carbon dioxide to the atmosphere. Society is therefore increasingly turning its attention to the forests as part of the solution to the problem of climate change.

Managed forests better than unmanaged forests

A managed forest is planted, cleaned, thinned and felled at regular intervals. A stock of wood is built up over a period of about 70 years. Most is then harvested, and a new growth cycle can begin.

An unmanaged forest is allowed to develop freely over 300 years. The stock of wood is built up just once – and then changes insignificantly over time. The trees act as a carbon sink, but in the unmanaged forest the substitution effect goes completely unused. It is this effect that represents the most important role of the forests with regard to

climate, as wood is used as a substitute for other materials. There is a dual effect:

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

Increasing stock of wood = carbon sink

Holmen's forestry has positive effects in relation to climate change. This is because of a steadily increasing volume of wood that binds more and more carbon dioxide in the trees, and the fact that wood and bioenergy are replacing products and sources of energy that have an impact on climate. In the longer term this positive climate impact can be further strengthened.

There are several reasons for the increasing stock of wood. The most important one is that a significant portion of growth takes place in young forests that are not yet sufficiently mature for harvesting. Holmen therefore only removes around 85 per cent

of annual growth. As these younger forests grow to a harvestable age, it will become possible to increase the removal of wood to put it on a par with growth. There is twice as much wood on the same acreage today as there was 60 years ago. It also contains twice as much carbon.

Holmen's forest stewardship also contributes considerably to the increasing volume of wood. This means that naturally occurring flora and fauna are given the conditions they need for their long-term survival in the forest landscape. In the 2010 evaluation by the analysis company EIRIS of 1 800 companies around the world, Holmen was ranked, together with eight other companies, in the biodiversity leaders group with regard to policy and working practices for handling risks to biodiversity.

More wood also creates opportunities to make more products capable of replacing those that have an adverse impact on climate. The quantity of bioenergy that can replace fossil-based energy sources is increasing to the same degree. There is strong justification for concluding that Holmen's positive impact on climate will increase.



Carbon footprint

A carbon footprint reveals the quantity of greenhouse gases that a product generates during its entire lifecycle. The calculation begins with the raw material and ends with the disposal or recycling of the product. The carbon footprint can thus be said to be a measure of the product's climate impact.

Holmen's carbon footprint

The combined impact of the operation on climate can be calculated by establishing:

- The greenhouse gas emissions caused by production.
- The products' capture of carbon dioxide.
- The ability of the products to replace materials and sources of energy that have an impact on climate and the fossil carbon dioxide that is consequently avoided.

Holmen makes these calculations in accordance with the guidelines issued by the industry association CEPI.

Calculations of Holmen's carbon footprint clearly indicate that the Group's operations

have positive effects in relation to climate change. Carbon dioxide capture and the effects of substitution are greater than Holmen's emissions of fossil-based carbon dioxide.

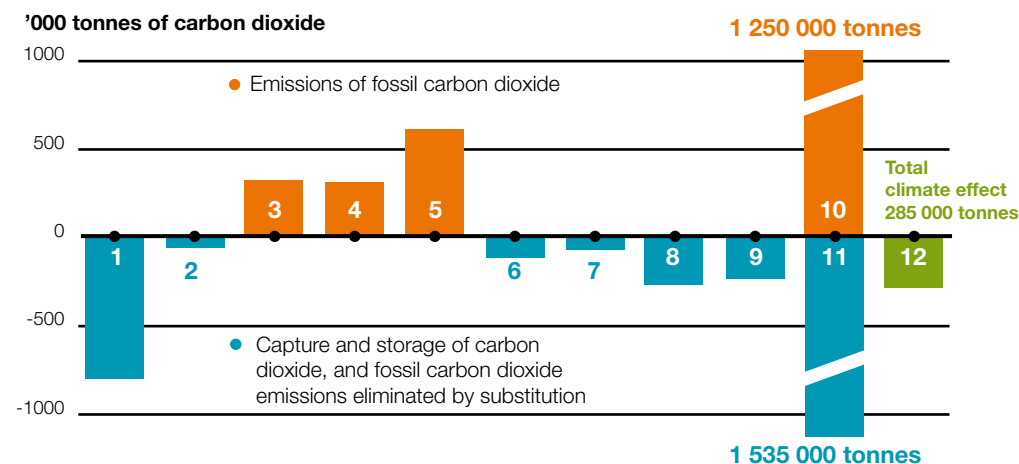
The positive effect on climate will gradually be further strengthened by the environmental goals stated above.

The Group's production of sawn timber is increasing sharply with the start-up of the new sawmill at Braviken. This will more than double the substitution effect of the sawn timber and increase the quantity of carbon dioxide held in temporary storage.

Six basic facts about forests and climate

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

The carbon footprint of the Holmen Group



The data are based on information from page 88 and calculations of carbon footprints for the Group's products. The data for the increasing stock of wood and estimated effects are the average for 2005–2010. The calculations are based on guidelines issued by the European industry organisation CEPI.

Secondary biofuel, which consists of using paper products and sawn timber that are burnt, is not included in the calculation above. It is not possible to establish exactly how much is involved. Holmen has made a cautious estimate that 20 per cent of the Group's paper and paperboard (based on 2010 production) and sawn timber (based on the Group's production during the 1960s) is finally burnt as a substitute for oil. The effect is calculated as the quantity of fossil carbon dioxide avoided, and is approximately 540 000 tonnes. The actual figure is probably significantly higher.



Environmental responsibility



Environmental targets

	TARGET	OUTTURN UP TO 2010	REMARKS
Reduce the use of fossil fuels at the Swedish units	2020: decrease of 90 %	55 %	Reference year 2005
Improve efficiency of energy use (MWh/product unit)	2020: 15 %	5.2 %	Reference year 2005
Increased rate of growth in Holmen forests	25 % within 30 years	–	Reference year 2007. Estimated effect of growth-increasing measures in progress is just over 20 %
Increase extraction/deliveries of biofuel	2020: 1.5 TWh	1.25 TWh	Reference year 2006: 0.42 TWh
Production of electricity from wind power	2020: 1 TWh	4 GWh	Reference year 2010

55 per cent ↓

decreased emissions of fossil carbon dioxide from the Swedish mills since 2005.

Environmental efforts are concerned with working proactively to reduce the Group's environmental and climate impact and ensuring compliance with rules and conditions in the environmental area.

The environmental standards at Holmen's sites are high. This is a result of investments made in process and treatment equipment, and continuous improvements implemented within the framework of the environmental and energy management systems at the sites and statutory supervision conducted by authorities. The main environmental impact of the sites consists of emissions to air and water and the generation of noise and waste. As considerable attention is currently being focused on energy and climate change, fossil fuel and biofuel issues are of great interest.

Holmen's environmental impact has gradually diminished over a long period as a result of several different measures. The trend per tonne of final product has been favourable for many years for several of the prioritised environmental aspects, such as emissions to water and air. This can be seen in the diagrams on page 29 and the table on page 88.

Efforts to improve energy efficiency and reduce the use of fossil fuels are increasing for reasons related to climate change and resources. Holmen is therefore making active efforts to identify and implement energy-

saving measures and to increase its level of self-sufficiency in energy.

Environmental goals

The Group-wide environmental goals (see table above) contribute to a focus on climate and energy issues.

Emissions of fossil carbon dioxide from several of the units increased in 2010 in comparison with 2009. A severe winter at the start and end of the year meant that oil combustion was required to provide the units with thermal energy. Very high electricity prices, together with stoppages due to market conditions in Holmen Paper, also contributed to increased dependence on oil. These factors also meant that efforts to rationalise energy use were made more difficult, and the outturn for 2010 remained at the 2009 level.

Environmental efforts in 2010

Several projects, investigations and measures related to the environment were carried out during the past year. Here is a selection:

Forestry

- Together with five Swedish forest companies, Holmen is taking part in an industry-wide initiative to enhance the sustainability efforts of forestry in line with FSC (Forest Stewardship Council) requirements. This co-operation, which began in 2010, focuses on combining economics, the environment and social values in forestry, and on strengthening the concept internationally.
- In order to be able to fulfil the goal to reduce the impact of forestry on water-courses and lakes, Holmen Skog provided training for all its own personnel and those of its contractors who plan and implement measures in the forests. Altogether nearly 1 000 people were trained.
- A new FSC standard came into effect in June 2010. This makes greater demands on offering consultation to local interests affected by rejuvenation felling and on giving greater consideration to endangered species. Holmen Skog is working on putting the new standard into practice.
- The updated version of the PEFC standard for forest stewardship was adopted at the



Environmental permits for the Group's production facilities

Hallsta Paper Mill ¹⁾	2000
Braviken Paper Mill ²⁾	2002
Iggesund Mill ^{1,3)}	2003
Iggesund Sawmill ¹⁾	1994
Braviken Sawmill ²⁾	2010
Workington Mill ⁴⁾	2002
Holmen Paper Madrid ⁴⁾	2006

1) Environmental Protection Act

2) Environmental Code

3) In addition to this, operations subject to notification requirements take place at the production unit in Strömsbruk, as well as port activity (at Skärnäs Terminal) alongside Iggesund Mill, which requires an environmental permit (obtained in 1999²⁾)

4) IPPC

beginning of 2011. Holmen has a seat on the PEFC Board and played an active part in this work.

Energy and climate

- Calibration continued on the line for energy-efficient production of thermo-mechanical pulp at Braviken Paper Mill, commissioned in 2008. The need for electrical energy has decreased by just under 20 per cent in comparison with the previous line.
- Holmen is investing in a new recovery boiler with a turbine and gas treatment at Iggesund Mill. This will make it possible to run the entire operation without the use of fossil fuels or purchased electricity. The investment totals SEK 2.3 billion.
- A second cogeneration plant was commissioned at Holmen Paper Madrid. Emissions of nitrogen oxides have decreased as a result.
- Hallsta Paper Mill is investigating the possibility of installing a facility for producing biogas from wastewater. After being refined, the biogas can be sold as a transport fuel.
- At Workington Mill an investment is being made in refitting the mill's pulp line. This will reduce energy consumption by 10 per cent.
- An environmental study was conducted at Workington Mill on the prospects of installing an energy boiler for biofuel.
- A 50-year-old oil-fired boiler is being replaced with a new electric boiler at Hallsta Paper Mill.

Wastewater treatment plants

- The wastewater treatment plant at Iggesund Mill dating from 1977 was supplemented by a chemical flotation facility in 2009. Emissions have decreased by as much as 25–40 per cent for different types of substances in the past year.

- Action taken in the wastewater treatment plant at Workington Mill has led to a reduction in emissions.

Transport

- Holmen is taking part in industry-wide efforts to reduce the impact of transport on climate. Joint sustainability criteria for procuring transport services were established in 2010.
- A rail-based transport solution for finished products was introduced for the Swedish mills during the year. As well as lowered costs, this means reduced emissions to air.

Waste

- Efforts to identify ways of making good use of the waste that arises in operations from the point of view of profitability and the environment were stepped up in 2010. The volume of waste sent to landfill represents only 2 per cent of the waste that arises in Holmen operations.

Discontinued operations

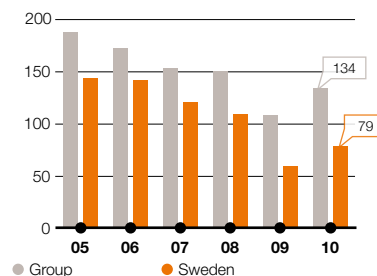
- Studies were conducted in consultation with the authorities at contaminated discontinued industrial sites where Holmen has operated in the past. In 2010, studies relating to the sawmills at Stocka, Håstaholmen and Länholm, the sulphite mills at Strömsbruk, Domsjö and Loddby and at the former mechanical pulp mill in Bureå had reached various stages.
- Wargön Mill closed at the end of 2008. Demolition took place in 2010. The land was sold. Supervisory authorities took decisions at the end of the year on the remedial measures required for the industrial site. Holmen will take measures in 2011.

Permits for operation

At the end of 2010, Holmen was running production operations at seven facilities that

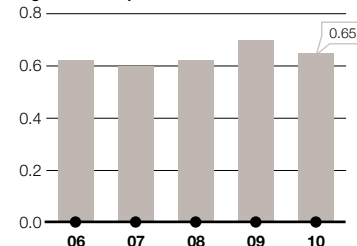
Emissions to air, fossil carbon dioxide

Kg/tonne end product



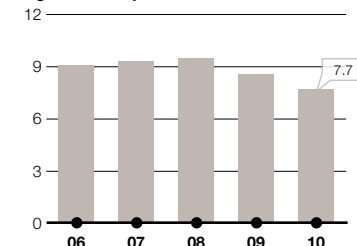
Emissions to air, nitrogen oxides

Kg/tonne end product



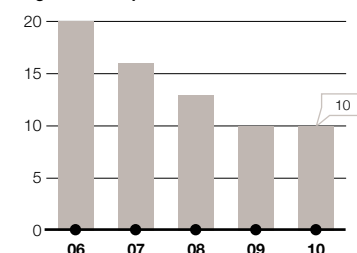
Emissions to water, COD (organic matter)

Kg/tonne end product



Waste, sent to landfill

Kg/tonne end product





Certifications for management systems:

CERTIFICATIONS ¹⁻²⁾ , YEAR	ENVIRONMENT	ENERGY	QUALITY
Hallsta Paper Mill	2001	2005	1993
Braviken Paper Mill	1999	2006	1996
Holmen Paper Madrid	2002	2009/10 ³⁾	2000
Iggesund Mill ⁴⁾	2001	2005	1990
Workington Mill	2003	2008 ⁵⁾	1990
Iggesund Sawmill	1999	2006	1997
Braviken Sawmill	— ⁶⁾	— ⁶⁾	— ⁶⁾
Holmen Skog	1998	—	—

1) Certificates can be found on the Holmen website.

2) Environment/ISO 14001, Energy/SS 627750, Quality/ISO 9001.

3) Certification to SS 627750 and UNE 216301. In 2010 certification to European standard EN 16001.

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

5) Energy management system introduced. Certification will take place when international standard has been adopted.

6) Auditing for certification of the management systems will take place in April 2011.

require environmental permits. The permits include conditions on permitted production volumes and permitted emissions to air and water.

Five of the facilities are located in Sweden, with sales equivalent to 57 (58) per cent of Group net sales. The two remaining facilities are Workington Mill in the UK and the mill in Madrid in Spain, whose share of Group sales was 19 (21) per cent in 2010.

An application for a new environmental permit at the paperboard mill in Iggesund was submitted in early 2011. Equivalent work began in 2010 for Iggesund Sawmill. It is intended that the permits will provide opportunities for increased production in the future. No other major permits need to be renewed or revised in 2011. An application for an environmental permit was submitted at the end of 2010 for biogas production at Hallsta Paper Mill.

The production of electric power at Holmen's wholly and partly owned hydro power stations requires a permit for water operations (rules under the Swedish Environmental Code), which includes environmental conditions. A review may be requested under the terms of the Environmental Code. Permits are held for all the power plants. A review is in progress for the equivalent of 2 per cent of the Group's production capacity.

Permit applications were submitted in 2010 for wind turbines at Blodrotberget and Blackfjället in the Municipality of Örnsköldsvik and at Varvsvik in the Municipality of Norrtälje.

Certifications

At the end of 2010, operations at the company's facilities were certified according to quality, environmental and energy management systems. In addition, all the facilities at which wood raw material is used had chain-of-custody certificates for used wood raw material.

The forestry operations are certified in accordance with environmental management systems and additionally were the subject of certification under the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification schemes (PEFC).

Information on chain-of-custody certification, the proportion of environmentally certified forests in Sweden in 2010 and the proportion of certified wood at Holmen sites can be found in *Holmen and sustainability*.

Policy instruments

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 Swedish mills are also active in trading electricity certificates. Holmen has been producing renewable electricity for several years. This has yielded revenue. Holmen takes part in voluntary programmes for energy efficiency and reduced climate impact in Sweden and the UK. These programmes give the energy-intensive industries 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 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.

How the work is done

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 policy. All the units at Holmen apply certified environmental management systems. Holmen's forestry is certified in accordance with the international PEFC and FSC forest standards. At the production sites, various types of rules are integrated as key elements in the planning of production and investments.

The Group Board, the CEO and the heads of the business areas have overall responsibility. Operational responsibility is held by mill managers and forest region managers. Holmen's Director of Environmental and Sustainable Affairs chairs Holmen's environmental council, monitors activities relating to the Group's environmental goals and runs joint action groups.

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

HOLMEN'S GUIDELINES FOR SUSTAINABLE FORESTRY indicate how the forests are to be managed from the points of view of both production and the environment. The requirements in the PEFC and FSC forestry standards are built into the total of 60 guidelines.



Social responsibility



Holmen's operations in 2010

broken down into stakeholders based on the Group income statement

		SEKm
Customers	Sales of paper, paperboard, sawn timber, wood and electricity	18 443
Suppliers	Purchases of products, materials and services, along with depreciation, etc.	-14 158
Employees	Wages, salaries and social security costs	-2 689
Lenders	Interest	-208
State	Taxes	-684
Shareholders	Net profit	704
	Board's dividend proposal	588

16 per cent ↑

The proportion of women managers at Holmen.
The number has doubled since 2003.

Holmen conducts a continuous dialogue with its stakeholders, which raises the Group's awareness of what the stakeholders expect from it – and vice-versa. This in turn is an important basis on which to identify strengths and weaknesses and enhance sustainability efforts. There are Group-wide goals in prioritised areas such as leadership, the working environment and gender equality.

Customers and business partners

Customers have expectations of Holmen with regard to products and services, good business practice and the way in which the company deals with key sustainability issues. Holmen demands the same of its suppliers. The Group also continuously monitors how customers perceive the company by conducting surveys. The results are converted into action plans where necessary.

Suppliers and purchasing

The purchase of goods and services is co-ordinated at Holmen with the aim of reducing total costs. The requirements of quality and sustainability are emphasised in the purchasing policy.

Shareholders, investors and analysts

Holmen's shareholders, investors and analysts are informed about economic, en-

vironmental responsibility and social issues in the Group through publications, analyst meetings and the website.

At the Group's Annual General Meeting, shareholders have an opportunity to put questions to the Board and company management on such matters as Holmen's sustainability efforts.

Society

Holmen maintains regular contact with authorities, other land users and the rest of the business community. The general public, the media and opinion leaders are regularly informed about the Group's activities. Permits for operations are continuously reviewed, and local residents are consulted in cases where Holmen's industrial sites are located close to communities.

The land holdings in large areas of northern Sweden overlap Sami winter grazing land for reindeer. Holmen consults the Sami communities to arrive at solutions that meet both

parties' requirements as closely as possible.

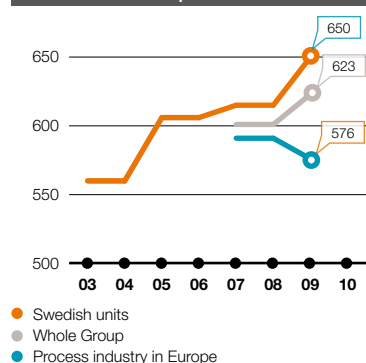
The operations are of great significance to employment in the places where the company is active. The Group has a total of around 3 000 employees in Sweden. Further jobs are created at subcontractors. Studies carried out by the Group show that the average Holmen employee generates another 3.0 jobs elsewhere in this way. A total of around 12 100 jobs were created in Sweden, approximately 900 more than in the previous year. The rise since last year is explained by increased purchase of forest raw material from private forest owners. Converted, this has led to an increase in the number of full-time equivalent jobs among the suppliers of raw material. The workforce reductions Holmen has made in recent years have, however, had a negative impact.

Social assets

The forests also represent significant social assets. A large number of people enjoy them



The Inblick index improved



The Inblick index is calculated by the employees completing a questionnaire containing questions in eight areas:

- Skills
- Co-operation and process
- Motivation
- Organisational efficiency
- Responsibility and initiative
- Learning
- Authority
- Climate of renewal

If everyone gives maximum scores to the questions in each area, the total value of the Inblick index is 1 000.

HR targets¹⁾

	TARGET	OUTTURN	REMARKS
Inblick index	650 (2011)	623 (2009)	(600=good, 700=excellent)
Leadership index	61 (2011)	58 (2009)	(60=good, 70=excellent)
Annual performance reviews, %	80 (2011)	62 (2009)	
Accidents at work leading to absence/1 000 employees	10 (2013)	24.8	Action programme started
Proportion of women managers, %	19 (2012)	16.5	Since 2006: +9 per cent

1) For history, see the table on page 87.

in their leisure time. All Swedish forests are open to the general public under the right of common access. Holmen land is used for hunting and angling and to aid general well-being. Recent research demonstrates clearly that forests and nature have a beneficial effect on people's physical and mental health.

Present and future employees

If a company is to be able to survive, it must satisfy the demands of its staff with regard to the working environment and opportunities for advancement. Holmen has an explicit aspiration to be an attractive and responsible employer by offering motivating and challenging work. High quality and service are only brought about by knowledgeable and motivated people. The company must create conditions and a working climate that enable the employees themselves to feel that they can take responsibility for their personal development.

Target fulfilment

Holmen has been setting targets for work in HR (Human Resources) for several years

(see table). The results are followed through key indicators and in *Holmen Inblick*, the Group's employee survey. The most recent survey was conducted in January 2011. The results were not available when this publication went to press, and certain results from the previous survey are therefore presented. The response rate was 76 per cent (2009: 78 per cent).

The Inblick index, leadership index and proportion of women managers have continuously improved or increased over the past 10 years. Holmen endeavours to raise both the leadership index and the proportion of performance reviews conducted. The target is zero managers with low leadership indexes in 2011.

Measures are being taken to reduce the number of industrial accidents. This is important not just for present-day employees but also for future recruitment opportunities.

Leadership development

Leadership issues come high on the company agenda, and there is a clearly defined strategy for this work. All managers take part in the development programme *Manager at Holmen*. The overarching purpose of the programme is to clarify Holmen's view of key leadership issues.

Employees who have what it takes to be promoted to higher positions and who are interested in such advancement are regularly identified. The aspiration is to fill at least 75 per cent of all managerial vacancies through internal recruitment.

More women managers

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

The proportion of women managers has doubled to 16 per cent since 2006. The aim is to reach at least 19 per cent by 2012. The proportion of women among appointments





to managerial positions has increased in recent years. Over the period 2008 to 2010, a total of 109 new managers were appointed at Holmen's Swedish units, of whom 32 were women, equivalent to 29 per cent.

The number of women in the management teams of the Group, business areas and mills has increased from 6 to 16 in the past five years. The management team at Iggesund Mill has steadily increased its number of women members, and in recent years has had a preponderance of women, six compared to five men. The Holmen Board includes two women, of whom one was elected by the AGM and the other is an employee representative.

Health and safety

The number of industrial accidents is at an unsatisfactorily high level. Activity in the company's working environment network has been stepped up in order to reverse this trend. A programme has been developed to improve the safety culture. This entails a great commitment to behaviour-based safety training (BBS) for all employees.

No Holmen employee has been involved in a fatal accident since the start of the new millennium.

The rate of sickness absence has steadily fallen over the past decade and in 2010 it was 3.5 (3.7) per cent. Long-term sick leave (more than 60 days) remains at a low level of 1.1 (1.4) per cent. Short-term absence in Sweden (1–14 days) has been below 2 per cent for several years. The rate of sickness absence at Holmen is on a par with the rest of the industry.

An attractive employer

The ability to attract, recruit, develop and retain committed and skilled employees is crucial to Holmen's ability to operate its business successfully, both today and in future.

In 2010 the *Framtidsresan* [Journey into the Future] theme day was held at 135 upper secondary schools together with the Swedish Forest Industries Federation. The Group also ran the annual continuing professional development course for some 30 social science teachers from all parts of the country.

In association with other forest companies, industry evenings are arranged for students at institutes of technology, as well as forest training programmes.

Development of skills

Skills development is a matter of becoming more proficient in one's occupation and gaining qualifications for new duties.

The business areas annually conduct training programmes to raise the skills levels of their employees.

A total of around 140 adepts have taken part in the Group's mentorship programme since it started in 2003; 15 adepts took part in 2010, each with their own mentor from a different unit in the Group.

In addition to local induction programmes, there is a Group-wide programme for newly recruited university graduates. 50 new recruits from five countries took part in 2010. The aim of the programme is to improve knowledge of the Group and offer participants an opportunity to network.

Workforce reductions

When changes or closures occur at industrial sites affecting the size of the workforce, Holmen endeavours to take clear social responsibility in order to mitigate the problems faced by those affected.

Over-staffing arises when the company's organisation is larger than is required for the long-term operation of the business in accordance with the established strategy. When this happens, the employer negotiates with the trade union organisations and tries to find consensus solutions so that redundancies are minimised.

As a consequence of low profitability, a decision was taken in June 2010 to reduce the workforce by 150 at Hallsta Paper Mill. In February 2011, 55 had left at their own request, either with redundancy settlements or by accepting the offer of early retirement.

The administrative processes in the Group are being reviewed with the aim of improving efficiency and reducing costs. As a consequence, facility management services have been transferred to an external consultancy. The IT function is centralised in Norrköping. A preliminary project is under way with the aim of improving the efficiency of accounting and related business administration in the Group.

At the beginning of 2011, the Board decided to close down the smaller paper machine at Holmen Paper Madrid, which results in a level of over-staffing of around 170 jobs.

Union co-operation

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

The level of union membership at Holmen was 85 per cent in the Swedish units in 2010. The equivalent figures for the UK and Spain were around 50 per cent and around 40 per cent.

How the work is done

HR work is governed by laws, contracts and internal policies. HR forms a natural part of the business areas' business plans. The work is co-ordinated by a management group for Human Resources (HR), which comprises the personnel managers of the business areas and is chaired by the Group's Director of Human Resources. The employee survey *Holmen Inblick* is an important tool for use in identifying what initiatives need to be taken in the area of HR.

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 gender equality policy was broadened in 2010 to also cover diversity.

BRIBERY AND CORRUPTION. The 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.

COLLABORATION WITH the trade unions takes place in the Holmen European Works Council and in consultation groups at each unit. Trade union representatives take part in project and working groups. The company's employees are represented on the Group Board by three members and three deputy members.



External assessments

Holmen has opted to base its sustainability reporting on the guidelines for sustainability reporting issued by the Global Reporting Initiative (GRI). The Group reports at reporting level A+. At Holmen's request, KPMG has performed a general review of the contents of the Group's GRI reporting and shares Holmen's expressed reporting level regarding the GRI guidelines. A complete GRI register and the auditors' assurance report can be found on the Holmen website.

Company indexes and funds

Active sustainability efforts and clear communication on them strengthen the brand and goodwill. Stakeholders' evaluations of sustainability efforts are important so that these efforts can be developed. This also raises the skill level in the company.



FTSE4GOOD INDEX SERIES. Companies in this index are notable for their well-developed environmental work and good relations with their stakeholders. Holmen has been included since 2005. www.ftse.com/ftse4good



FORUM ETHIBEL contains companies deemed to be above average in the areas of economic, social and environmental sustainability. The evaluation is made by the analyst company Vigeo. www.ethibel.org

Financial analysts have shown increased interest in sustainability issues in recent years.

Holmen is continuously evaluated by sustainability analysts and is included in a number of international sustainability indexes and funds. The purpose of these is to make it easier for investors to identify



STOREBRAND SRI. Companies that are world leaders in the areas of environmental and social responsibility qualify for Storebrand's *Best in Class* list. Holmen was ranked top of its sector category in the 2010 evaluation. www.storebrand.com



Robur

SWEDBANK ROBUR. Holmen is approved for inclusion in Swedbank Robur's Ethica and Banco fund families. Holmen is placed in the *Best Practice* category. www.swedbank.rob主.se

companies that operate responsibly in relation to economic, environmental and social aspects.

A selection of the company indexes and funds in which Holmen is included follows below. A full list is presented in *Holmen and sustainability* and on the Holmen website.



KEMPEN CAPITAL MANAGEMENT. Based on an assessment of business ethics, social and environmental aspects, Holmen was brought into the Kempen Socially Responsible Universe in 2010 and is included in the Kempen/SNS European Smaller SRI Index. www.kempen.nl



ASN AANDELENSFOND. Companies in this fund are characterised by well-developed efforts for human rights and environmental responsibility. The focus is on companies' work in relation to climate. Holmen was brought into the fund in 2010. www.asnbank.nl

Assurance report

The information on Holmen's work on sustainability, as presented on pages 23–34 of the administration report and on pages 87–89, has been the object of a separate general review in accordance with RevR 6 Assurance of sustainability reports, issued by Far.

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

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

George Pettersson
Authorised public accountant

Åse Bäckström
Expert member, Far





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

PRICE AND MARKET

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

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

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

In addition to wood and electricity, recovered paper, pulp and thermal energy are significant input goods in the production of printing paper and paperboard. Holmen produces more than 95 per cent of the pulp and thermal energy that it requires at its own mills using a highly integrated production process. The procurement of raw materials is underpinned through backward integration along the production chain by owning forests and hydro power production facilities. Significant volumes of recovered paper are purchased

via wholly and partly owned recovered paper collection companies. Purchases of other input goods to Group units are coordinated centrally, and the purchasing work is organised in product groups with a number of selected suppliers per group.

To reduce exposure to electricity price fluctuations, the Group uses physical supply agreements at fixed prices, as well as financial hedges. In 2010, the company's net purchases of electricity amounted to 2 995 GWh, of which about 2 580 GWh in Sweden. The prices for the estimated net consumption of electricity in Sweden during the 2011–2012 period are 85 per cent hedged. For 2013–2015, the price of about 80 per cent has been hedged. The hedges predominantly consist of physical fixed price contracts. In December, Holmen signed a new agreement for supplies of electricity for the 2016–2021 period at a fixed price corresponding to around 30 per cent of Holmen's net consumption in Sweden.

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.

Gains/losses on financial hedges are recognised in the income statement when they expire; for 2010 they totalled SEK -36 million (64). The fair value of outstanding financial hedges at 31 December 2010 amounted to SEK 28 million (57), which was recognised in other comprehensive income as hedge accounting is applied, of which SEK 21 million refers to 2011 and SEK 7 million to 2012. With the current hedging, a one percentage-point increase in the price of electricity would have a SEK 1 million impact on equity.

Earnings sensitivity

A one percentage-point change in deliveries, prices and costs is estimated to have the impact on operating profit/loss shown below. The table is based on income and expenses for 2010.

SEKm	DELIVERIES	PRICES
<i>PRODUCTS</i>		
Printing paper	21	79
Paperboard	24	48
Sawn timber	2	6

COMPANY'S OWN RAW MATERIALS

Wood from company forests*	9	13
Company-generated electricity*	6	6

SEKm	COSTS
Wood*	21
Recovered paper	9
Pulp	3
Electricity*	15
Other energy	4
Chemicals	12
Delivery costs	14
Other variable costs	6
Employees	25
Other fixed costs	13

* For wood and electricity, sensitivity regarding the Group's net purchases – taking account of the company's own production of raw materials – is SEK 8 million for wood and SEK 9 million for electricity. The price of the Group's net consumption of electricity, including facilities abroad, is around 80 per cent hedged for coming years.

Earnings during the year are relatively constant. The main seasonal effects are that staff and maintenance costs are lower during the third quarter, maintenance costs are higher in the fourth quarter and that a large part of electricity production at the hydro power plants takes place during the first and fourth quarters.

CURRENCIES

Transaction exposure

A significant proportion of Holmen's sales revenue is in currencies that are different from its costs.

To reduce the effect of exchange rate fluctuations on earnings, Holmen hedges its net flows, mainly using forward foreign exchange contracts, sometimes supplemented by currency options. The net flows in euro, sterling and US dollars for the coming four months are always hedged. These normally correspond to trade receivables and outstanding orders. The Board can decide to hedge flows for a longer period if this is deemed suitable in light of the products' profitability, competitiveness and the currency situation.

At the start of 2010, the Group had currency hedges for the main part of estimated payment flows in euro for 2010 and 2011, as well as parts of 2012, while the flows in sterling and dollars were partly hedged for 2010. Gains/losses on currency hedges are recognised in operating profit/loss as and when the hedged item is recognised, and in 2010 they amounted to a gain of SEK 227 million (loss of 408). The result was primarily due to the average hedging rate for euro being SEK 10.0 during the year, compared to the average spot exchange rate of SEK 9.5. Taking account of currency hedges, the average rates for the Group's net flows in 2010 were SEK 9.7 (9.5) for euro and SEK 7.2

(7.8) in US dollars. The hedging of estimated net flows is shown in the table below.

Earnings sensitivity

Calculated on the basis of existing hedges and the exchange rates at the turn of 2010/2011 (euro: 9.0 and dollar: 6.8), exchange rate differences are expected to have a positive impact of roughly SEK 100 million on consolidated operating profit for 2011 compared to 2010. 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 2011 by a further SEK 15 million compared to 2010.

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

SEKm	NET
SEK/EUR	45
SEK/USD	10
SEK/GBP	5
SEK/other currencies	3

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

Translation exposure

The reported profit/loss is affected by changes in exchange rates when the profits/losses of foreign subsidiaries are translated into Swedish kronor. Equity is affected by changes in exchange rates when assets and liabilities of foreign subsidiaries are translated into Swedish kronor.

Exposure that arises when the profits/losses of foreign subsidiaries are translated into Swedish kronor is not normally hedged. Hedging exposure that arises when the subsidiaries' assets and liabilities are translated into Swedish kronor (known as equity hedging) is judged from case to case and is arranged based on the value of net assets upon consolidation. The hedges take the form of foreign currency loans or forward foreign exchange contracts. During the year, the hedging of the Group's net assets in euro fell by SEK 1 816 million and stood at SEK 1 916 million at year-end.

Net assets and equity hedges, 31 December 2010, SEKm

	NET ASSETS	EQUITY HEDGES
EUR	2 681	1 916
GBP	1 394	575
Other	27	-

Gains on equity hedges amounted to SEK 472 million (254) in 2010 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 a negative impact of SEK 654 million (negative 255) on consolidated equity. The fair value of outstanding equity hedges at 31 December 2010 was SEK 88 million (-159), of which SEK 35 million relates to loans and SEK 54 million to financial derivatives.

A one percentage-point weakening of the Swedish krona would have a negative impact of SEK 33 million on equity, including the translation of foreign subsidiaries and taking account of currency hedges.

Transaction exposure at 31 December 2010, SEKm*

	12 MONTHS ESTIMATED NET FLOWS	2011 HEDGES			2012 HEDGES		
		SEKm	RATE**	%	SEKm	RATE**	%
EUR	4 540	3 400	10.63	75	990	10.45	20
USD	1 020	240	6.96	25			
GBP	550	140	10.75	25			
Other	360	100					
Total	6 470	3 880			990		

* 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 709 million (-93) at 31 December 2010. SEK 98 million (-48) was recognised in the income statement for 2010, and the remainder in other comprehensive income as hedge accounting is applied, of which SEK 538 million for 2011 and SEK 73 million for 2012. 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 -43 million at 31 December 2010. During the period, SEK -35 million affected the acquisition cost of hedged items.



INTEREST RATES

Changes in the market interest rate affect the finance cost.

The fixed interest periods for the Group's financial assets and liabilities are normally short. The Board can decide to lengthen the periods in order to limit the effect of a rise in interest rates. Derivatives in the form of interest rate swaps and FRAs are used to manage the fixed interest periods without altering underlying loans.

During the year, the interest for SEK 500 million was fixed for 5 years and SEK 600 million for 10 years, which increased the average fixed interest period to 28 months at the end of 2010. The net debt's fixed interest periods, the breakdown by currency and the average interest rate for various fixed rate periods are shown in the next 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 3.9 per cent in 2010. At the turn of 2010/2011, the average borrowing cost was 4.5 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 a negative impact of about SEK 19 million on profit/loss for 2011. 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 -58 million. The fair value of the

instruments used to manage the fixed interest periods amounted to SEK 14 million (-60) at 31 December 2010, which was recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement during 2011 and later. With existing interest rate hedges, a one percentage-point increase in market interest rates would have a SEK 27 million impact on equity.

Fixed interest periods, net financial debt, 31 December 2010, SEKm

	TOTAL	-1 YEAR	1-3 YEARS	3-5 YEARS	>5 YEARS	OTHER
SEK	-4 111	-1 403	-1 533	-500	-607	-68
EUR	-1 655	-1 189	-145	-315	-	-6
GBP	-50	88	-	-	-	-138
Other currencies	43	44	-	-	-	-1
Net financial debt	-5 772	-2 460	-1 677	-815	-607	-213
Average interest rate, %	4.5	4.2	5.5	3.7	3.4	5.3

The Other column refers to pension provisions; see note 17.

FINANCING

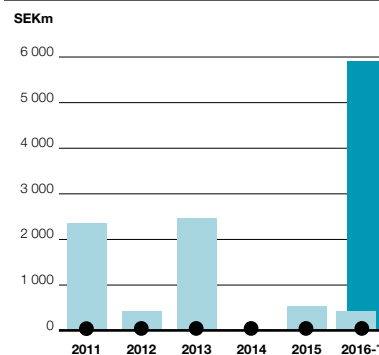
Group exposure to not being able to meet the need for future funding and refinancing of maturing loans.

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

Net financial debt rose by SEK 89 million during the year and stood at SEK 5 772 million at 31 December 2010, divided among financial liabilities and interest-bearing pension provisions of SEK 6 227 million, cash and cash equivalents of SEK 193 million and financial receivables of SEK 261 million. During the year, new long-term financing was raised amounting to SEK 500 million and an agreement for a new seven-year credit facility of SEK 570 million was signed. Other financing during the year was managed mainly via Holmen's commercial paper programme and short-term bank loans. At 31 December 2010, current borrowings were SEK 2 349 million, of which SEK 1 964 million in the commercial paper programme. A new five-year contractually agreed credit facility of EUR 400 million (SEK 3 600 million) was signed with a 10-bank syndicate in January 2011. This replaces a contractually agreed credit facility of EUR 600 million, originally due to mature in 2012. In addition, Holmen has a bilateral credit facility of SEK 1 300 million that matures in 2016, and a further facility of SEK 570 million that matures

in 2017. All credit facilities remained unutilised at year-end. They are available for use provided that the Group's debt/equity ratio is below 1.25; at year-end, this ratio was 0.34. Standard & Poor's long-term credit rating for Holmen is BBB with a stable outlook. The short-term rating is A-2/K-2. The Swedish commercial paper programmes have a facility amount of SEK 6 000 million. Commercial paper with a time-to-maturity of up to one year can be issued in both Swedish kronor and euro. Holmen's medium term note (MTN) programme, for issuing bonds, has a facility amount of SEK 6 000 million. Bonds with maturities of 1–15 years can be issued in both Swedish kronor and euro.

Financial liabilities



^{*)} Including a new long-term credit facility of EUR 400 million (SEK 3 600 million), maturing in 2016, which was signed with a group of 10 banks in January 2011. This replaces the EUR 600 million (SEK 5 400 million) credit facility.

- Financial liabilities
- Credit facilities

The maturity structure of financial liabilities and assets with undiscounted amounts is shown in note 13 on page 75.



CREDITS

▶ **Customers who are unable to fulfil their payment obligations** give rise to credit risk.

The risk that the Group's customers will not fulfil their payment obligations is limited by means of credit worthiness 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 2010 the Group's trade receivables totalled SEK 2 518 million, of which 47 per cent (50) were insured against credit losses. Exposure to individual customers is limited. Sales to the five largest customers accounted for 12 per cent of the Group's total turnover in 2010. During the year, credit losses on trade receivables in the form of provisions and impairment losses had a negative SEK 14 million (negative: 14) impact on earnings. At 31 December 2010, trade receivables of SEK 35 million (92) were past due for more than 30 days. After individual assessment of all trade receivables, a provision of SEK 20 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 2010, the Group had outstanding derivative contracts with a notional amount of about SEK 11 billion and a fair value of SEK 750 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 1 628 million at 31 December 2010. The maximum credit risk for other financial assets is estimated to correspond to their notional 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 the balance between preventive protection and insurance in each area is highly significant.

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

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 of insuring the holdings.

ENVIRONMENT

▶ **The main environmental impact** consists of emissions to air and water and the occurrence of noise and waste. There is a risk of incidents occurring and conditions being breached. Landfills and phased out operations may lead to costs for restoring the environment.

The organisation and management of the environmental activities are stipulated in Holmen's environmental policy. In disruptions, the environment takes precedence over production. In ongoing and concluded operations, the environmental impact must be acceptable to humans and the environment. 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. In product development and investments, the possibilities of combining efficient production with consideration to the environment and energy must be utilised.

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

- Internal controls of compliance with emission regulations issued by environmental authorities.
- Controls of how chemicals and waste are handled.
- Environmental risk analyses.
- Authority controls and inspections.
- Group-wide climate and energy targets.
- Certified environmental and energy management systems.
- Environmental certification and traceability certification pursuant to the FSC and PEFC forestry standards.
- All certified systems are checked regularly by external, certified auditors.
- Assessment of suppliers and transporters with regard to environmental aspects.
- Internal controls of compliance with the power industry's guidelines for dam safety.
- When industrial facilities are phased out, surveys and any remediation measures required are performed; the work is carried out in consultation with environmental authorities.





The share & shareholders



During 2010, the price of Holmen's class B shares rose by SEK 38 or 21 per cent. Earnings per share equalled SEK 8.4 and a dividend of SEK 7 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 38.4 (21 per cent), to SEK 221.4. During the same period the Stockholm stock exchange rose by 23 per cent. Holmen's market capitalisation of SEK 18.5 billion (15.4) represents some 0.5 per cent of the Stockholm stock exchange's total value. Holmen's class B shares reached their highest closing price for the year, SEK 226.3, on 22 December and the lowest closing price, SEK 172.5, was recorded on 7 May. The daily average number of class B shares traded was 367 000, which corresponds to a value of SEK 71 million. The daily average number of class A shares traded was 1 500.

Some 80 per cent of the trade took place on Nasdaq OMX Nordic. The Holmen share has also been traded on other trading platforms, such as BATS, Burgundy, Chi-X and Turquoise.

Return

During the past decade, the Holmen share has yielded a total return, including reinvested dividends, of around 6 per cent per year. During that same period, the Affärsvärlden General Index also returned some 6 per cent per year.

Earnings per share (EPS)

Diluted earnings per share equalled SEK 8.4 (12.0). Holmen's diluted earnings per share have averaged SEK 12.6 over the past five years.

Dividends

Decisions on dividends are to be based on an appraisal of the Group's profitability, future investment plans and financial position. The Board proposes that the AGM, to be held on 30 March 2011, approves a dividend of SEK 7 (7) per share. The proposed dividend corresponds to 3.5 per cent of equity. Over the past 10 years the ordinary dividend has averaged 5.3 per cent of equity. This means that 67 per cent of earnings per share have been paid out in ordinary dividends each year.

- The final date for trading in Holmen shares including right to dividend: 30 March 2011.
- Record date for dividend: 4 April 2011.
- Payment date for dividend: 7 April 2011.

Share structure

Holmen has 83 996 162 shares outstanding, of which 22 623 234 are class A shares and 61 372 928 are class B shares. The company also has 760 000 bought-back class B shares held in treasury. Each class A share carries 10 votes, and each B share one vote. In other respects, the shares carry the same rights. Neither laws nor the company's articles of association place any restrictions on the transferability of the shares.

Ownership structure

Holmen had a total of 28 339 shareholders at year-end 2010. In absolute numbers, Swedish private individuals made up the largest category of owners: 25 732 shareholders. This corresponds to 91 per cent of the total number of shareholders. Sharehold-

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
DATA PER SHARE										
Diluted earnings per share, SEK ¹⁾	8.4	12.0	7.6	17.8	17.2	14.8	15.1	17.5	23.6	26.4
Dividend, ordinary, SEK	7.5)	7	9	12	12	12	12	11	10	10
Dividend, extra, SEK	-	-	-	-	-	-	-	30	-	-
Ordinary dividend as % of:										
Equity	3	4	5	6	6	6	6	5	6	6
Closing listed price	3	4	5	5	4	4	4	4	5	4
Profit for the year	83	58	118	67	70	74	66	55	45	37
Return, equity, % ¹⁾	4	6	4	9	9	8	8	10	14	16
Return, capital employed, % ⁶⁾	6	7	6	10	10	9	10	12	16	18
Equity per share, SEK	201	196	186	200	196	189	184	192	188	176
Closing listed price, B, SEK	221.4	183	193.5	240	298	262.5	230	255.5	211.5	238.5
Average listed price, B, SEK	195	180	203	277	302	227	228	230	231	226
Highest listed price, B, SEK	226.3	205.5	242	316	335.5	266	264	271	266.5	297.5
Lowest listed price, B, SEK	172.5	135	169.5	228	255	190	210	187.5	192	171
Total closing market capitalisation, SEK '000 million	18.5	15.4	16.2	20.6	25.3	22.6	19.5	20.4	16.9	19
P/E-ratio ²⁾	26	15	25	13	17	18	15	14	9	9
EV/EBIT ^{3) 6)}	18	13	17	12	14	15	12	10	8	7
Closing beta value (48 months), B ⁴⁾	0.8	0.7	0.5	0.9	1.0	0.7	0.6	0.7	0.6	0.7
Number of shareholders at year-end	28 339	30 425	29 745	30 499	32 189	33 320	36 899	30 902	28 544	27 279

1) See page 92: 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 operating profit (EBIT). 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 and transferred activities.

ers registered in Sweden own 77 per cent (73) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the US and the UK, accounting for 8 per cent and 6 per cent of the capital, respectively.

The largest owner at year-end 2010/2011, with 52 per cent of the votes and 28 per cent of the capital, was L E Lundbergföretagen AB, which means that a Group relationship exists between L E Lundbergföretagen AB (corporate ID number 556056-8817), whose registered office is in Stockholm, and Holmen. The Kempe Foundations' holdings of Holmen shares amounted to 16.9 per cent of the votes and 7.0 per cent of the capital at the same point in time. No other individual shareholder controlled as much as 10 per cent of the votes.

The employees have no holdings of Holmen shares via a pension fund or similar system. There is no restriction on how many votes each shareholder may cast at the AGM.

Share buy-backs

The company has no specific target for share buy-backs. A mandate to buy back up to 10 per cent of all the company's shares has applied in recent years. Any buy-backs are regarded as a complement to dividend payments to adjust the capital structure when circumstances have been deemed favourable. The 2010 Annual General Meeting renewed the Board's mandate to decide on acquisition of up to 10 per cent of the company's shares.

Shares corresponding to about 0.9 per cent of the total number of shares were bought back in 2008 to secure the company's commitments under the terms of the incentive scheme (see below). The Board proposes that the 2011 AGM also authorises the Board to buy back and transfer up to 10 per cent of all shares in the company.

Incentive scheme

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

Analysts

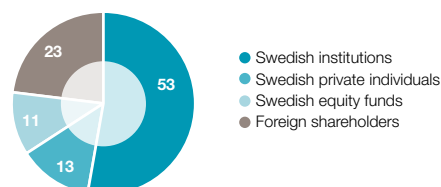
Analysts at 15 brokerage firms and banks monitor Holmen's development. This means that they publish analyses of Holmen on an ongoing basis. A list of these analysts is available on Holmen's website.



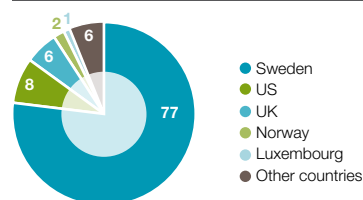
Ownership structure

NO. OF SHARES	SHARE-HOLDERS	PERCENTAGE OF SHARES
1 – 1 000	26 138	6
1 001 – 100 000	2 109	17
100 001 –	92	77
Total	28 339	100

Shareholder categories, percentage of capital



Shareholders per country, percentage of capital



Share structure

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

Changes in share capital 2000–2010

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

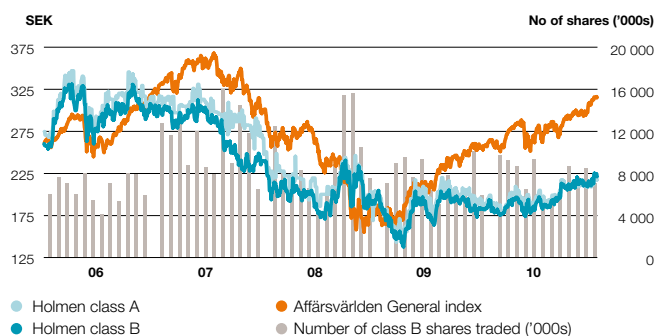
Shareholder structure at 31 December 2010¹⁾

	% OF CAPITAL	% OF VOTES
L E Lundbergföretagen	28.0	52.0
Kempe Foundations	7.0	16.9
Handelsbanken incl. pension fund	3.1	9.1
Alecta	3.6	1.0
Silchester International Investors	3.5	1.0
SEB funds	2.9	0.8
SHB funds	1.7	0.5
The Norwegian Government	1.7	0.5
Second Swedish National Pension fund	1.4	0.4
Lannebo funds	1.4	0.4
Total	54.2	82.7
Other	45.8	17.3
Total*	100.0	100.0
* of which non-Swedish shareholders	23.0	6.9

1) In February 2011, L E Lundbergföretagen increased its holdings to 31 per cent of the capital and 61 per cent of the votes by acquiring Handelsbanken's and its pension foundation's holdings.

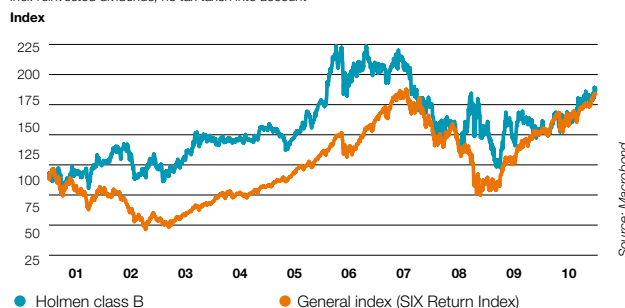
The 10 identified shareholders with the largest holdings in terms of capital ranked by the number of votes they control. Some large shareholders may have their holdings registered under nominee names, in which case they are included among "Other".

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



Total return of Holmen class B and General index

Incl. reinvested dividends, no tax taken into account



Source: Macrobond





Corporate governance report



10 times

Ten Board meetings were held during the year. At one of them, a visit was paid to Braviken Sawmill which was under construction at the time.

Laws and articles of association

First and foremost, Holmen AB is obliged to comply with the Swedish Companies Act, the rules accompanying its listing on Nasdaq OMX Nordic, Stockholm, and good stock market practice. The Code is an integral part of the stock exchange's regulations; it is part of self-regulation in Swedish business and is based on the "comply or explain" principle. This means that a company complying with the Code may deviate from individual rules but must report the reasons for each deviation. In its operations, Holmen shall also comply with the company's articles of association.

Shareholders

At year-end, Holmen AB had 28 339 shareholders. See pages 40–42 for information on the share and ownership structure.

General meetings of shareholders

The notice convening the Annual General Meeting (AGM) is sent no earlier than six and no later than four weeks before the meeting. The notice contains information

about registering intention to attend and entitlement to participate in and vote at the meeting, a numbered agenda of the items to be addressed, information on the proposed dividend and the main content of other proposals. Shareholders or proxies are entitled to vote for the full number of shares owned or represented and can notify the company of their intention to attend the AGM via the company's website and other means.

Notices convening an Extraordinary General Meeting (EGM) called to deal with the company's articles of association shall be sent no earlier than six and no later than four weeks before the meeting. Notices convening other EGMs shall be sent no earlier than six and no later than two 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.

The 2010 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 website. The entire Board, the Group management and the company's auditor were present. During the AGM, the shareholders had the opportunity to ask and obtain answers to questions. The topics raised included integration of sustainability aspects into Holmen's product and production strategy and purchasing and supplier strategy, the Group's wood supply, its target for the debt/equity ratio and its currency hedges. The Annual General Meeting adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability.

Marianne Nilsson from Swedbank Robur Fonder and Leif Törnvall from Alecia Pensionsförsäkring 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 2011 meeting.

It was announced on 25 March 2010 that the 2011 AGM would take place in Stockholm on 30 March 2011.

Composition of the nomination committee

NAME	REPRESENTING	BEFORE AGM:		INDEPENDENT OF THE:	
		2010	2011	COMPANY	LARGEST SHAREHOLDER (IN TERMS OF VOTES)
Mats Guldbrand	L E Lundbergföretagen*	x (Chairman)	x (Chairman)	Yes	No
Alice Kempe	Kempe Foundations*	x		Yes	Yes
Johan Kempff	Kempe Foundations*		x	Yes	Yes
Fredrik Lundberg	L E Lundbergföretagen* (Chairman of the Board)	x	x	Yes	No
Håkan Sandberg	Handelsbanken incl. pension fund*	x	x	Yes	Yes

* At 31 August 2010, L E Lundbergföretagen controlled 52.0 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Handelsbanken including the pension fund controlled 9.1 per cent.

Nomination committee

The AGM decided to set up a nomination committee to consist of the chairman of the Board and one representative from each of the three shareholders in the company that control the most votes at 31 August each year. The composition of the nomination committee for the 2010 and 2011 AGMs is shown in the table.

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

The nomination committee proposes to the 2011 AGM the re-election of the board members Fredrik Lundberg (who is also proposed for re-election as Chairman of the Board), Carl Bennet, Magnus Hall, Carl Kempe, Hans Larsson, Louise Lindh, Ulf Lundahl and Göran Lundin. Curt Källströmer has declined re-election. The nomination committee also proposes that the AGM elects Lars G Josefsson as a new board member.

The proposed Board fee is SEK 2 700 000 (previous year 2 475 000), including SEK 600 000 (550 000) for the chairman and SEK 300 000 (275 000) for each of the other members. The CEO does not receive a Board fee.

Composition of the Board

The members of the Board are elected each year by the AGM for the period until the end of the next AGM. According to the company's articles of association, the Board shall have 7–11 members, and they are to be elected at the AGM. The company's articles of association contain no other rules regarding the appointment or dismissal of Board members or regarding amendments to the articles. There is no rule regarding the maxi-

mum period a Board member may serve.

The 2010 AGM re-elected Fredrik Lundberg, Carl Bennet, Magnus Hall, Carl Kempe, Curt Källströmer, Hans Larsson, Ulf Lundahl and Göran Lundin to the Board. Louise Lindh was elected to the Board to replace Lillian Fossum, who declined re-election. Fredrik Lundberg was elected chairman. At the statutory first meeting of the new Board in 2010, Carl Kempe was elected deputy chairman and Lars Ericson, the company's general counsel, was appointed secretary of the Board. Over and above the nine members elected by the AGM, the local labour organisations have a statutory right to appoint three members and three deputy members.

Eight AGM-elected members are deemed independent of the company as defined by the Code. Of these, three are also deemed independent of the company's major shareholders. The largest shareholders, each controlling more than 10 per cent of the votes, are L E Lundbergföretagen and the Kempe Foundations. The CEO is the only Board member with an operational position in the company.

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

The Board's activities

The activities of the Board follow a plan that, among other things, is to ensure that the Board obtains all requisite information. Each year the Board decides on written working procedures and issues written instructions relating to the division of responsibilities between the Board and the CEO and the information that the Board is to receive continually on financial developments and other key events. Employees of the company participate in Board meetings to submit reports. The secretary of the Board is the company's general counsel.

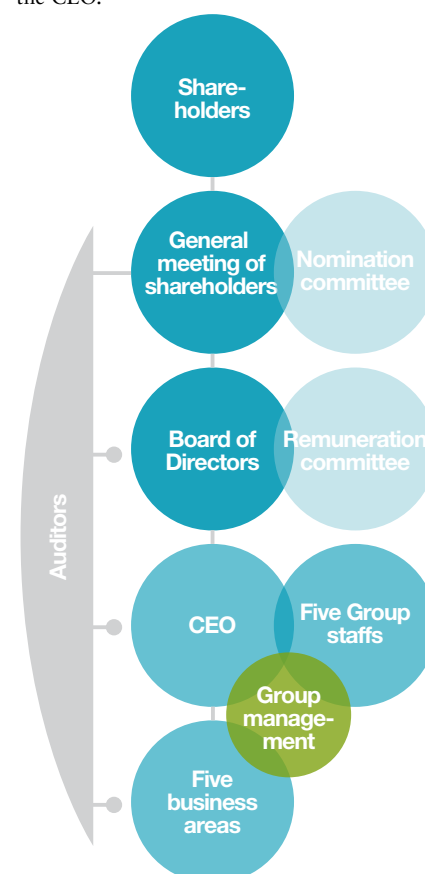
The Board held 10 meetings in 2010, four of which were in connection with

the company's publication of its quarterly reports. At one of these meetings, the Board visited Braviken Paper Mill and Braviken Sawmill, which was under construction. A two-day meeting was devoted to strategic business planning. One meeting dealt with the Group's budget for 2011. 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 and the company's internal control. Attendance levels at the Board meetings were very high.

The Board evaluates its activities each year, and the nomination committee has been informed of the content of the 2010 evaluation. This will serve as a basis for planning the Board's work in the next few years.

Group management

The Board has delegated operational responsibility for management of the company and the Group to the CEO. The Board annually decides on instructions covering the distribution of tasks between the Board and the CEO.



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

Group management met on 13 occasions in 2010, dealing with matters such as earnings trends and reports before and after Board meetings, business plans, budget, investments, internal control, policies and reviews of market conditions, general development of the economy and other external factors affecting the business. Projects relating to business areas and Group staffs were also discussed and decided on.

Information on the CEO and other members of Group management is provided on page 48-49.

Internal management processes

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

The Group uses annual, rolling, three-year business plans to break down goals and

strategies into action plans and activities that can be measured and evaluated. These business plans are important to the long-term strategic control of the Group. Annual budgets, forecasts and action plans are used for day-to-day management of operations.

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

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

Remuneration

The Board has appointed a remuneration committee consisting of Fredrik Lundberg and Hans Larsson. The committee held several meetings during the year at which it prepared matters pertaining to the remuneration and other employment conditions of the CEO and proposals for decisions. Remuneration and other employment conditions of 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 Group applies the principle that each manager's manager must approve decisions

on remuneration in consultation with the relevant personnel manager.

At the 2010 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 2011 AGM; they are presented in note 4 on page 64.

The 2010 AGM approved the Board fee and payment of the auditors' fee as invoiced.

In 2008, the Group's employees were invited to acquire call options on class B shares in Holmen at market price. One third of all employees bought a total of 758 300 call options. Holmen's commitments pursuant to this scheme were secured by buying back some of the company's own shares. See the section on the share and shareholders on page 41 for more details. The 2010 AGM renewed the Board's authorisation to decide on buying back up to 10 per cent of the company's total shares. No buy-backs took place in 2010.

Information about remuneration is provided in note 4 on pages 64-65.

Audit

KPMG, which has been Holmen's auditor since 1995, was elected by the 2008 AGM as

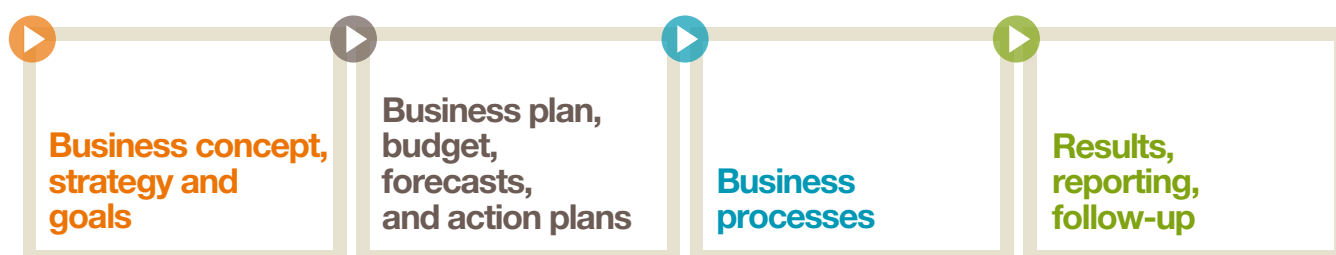
Board members as from the 2010 AGM

NAME BOARD MEMBERS	FUNCTION	ELECTED	COMMITTEES	INDEPENDENT OF THE: COMPANY	MAJOR SHAREHOLDERS	ATTENDANCE AT BOARD MEETINGS
Fredrik Lundberg	Chairman	1988	Remuneration committee	Yes	No	10/10
Carl Kempe	Dep. Chairman	1983		Yes	No	10/10
Carl Bennet	Member	2009		Yes	No	10/10
Curt Källströmer	Member	2006		Yes	Yes	10/10
Hans Larsson	Member	1990	Remuneration committee	Yes	Yes	10/10
Louise Lindh	Member	2010		Yes	No	9/10
Ulf Lundahl	Member	2004		Yes	No	10/10
Göran Lundin	Member	2001		Yes	Yes	10/10
Magnus Hall	Member, president and CEO	2004		No	Yes	10/10
Total				8/9	4/9	

REPRESENTATIVES OF THE EMPLOYEES

Steewe Björklundh	Member	1998
Kenneth Johansson	Member	2004
Karin Norin	Member	1999
Martin Nyman	Dep. member	2010
Daniel Stridsman	Dep. member	2010
Tommy Åsenbrygg	Dep. member	2009

INTERNAL MANAGEMENT PROCESSES



auditor for a period of four years. KPMG has since appointed George Pettersson, authorised public accountant, as the principal auditor for Holmen. KPMG audits Holmen AB and almost all of its subsidiaries.

The interim accounts are examined for the January–September period. The examination of internal procedures and control systems begins in the second quarter and is thereafter ongoing to year-end. The examination and audit of the final annual accounts and the annual report take place in January–February. The interim report for January–September is subject to review by the auditors.

Holmen allows the Board to perform duties that would otherwise be performed by an audit committee. The Board's reporting instructions include requirements that the members of the Board shall receive a report each year from the auditors on whether the company's organisation is structured to enable satisfactory supervision of accounting, management of funds and other aspects of the company's financial circumstances. In 2010 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 one occasion and to the CEO at another two meetings.

In addition to the audit assignment, Holmen has consulted KPMG on matters pertaining to taxation, accounting and investigations, and in some countries also on matters of business law. The remuneration paid to KPMG for 2010 is stated in note 5 on page 65. 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's responsibility for internal control is laid out in the Swedish Companies Act, and internal control related to financial reporting is covered by the Board's reporting instructions to the CEO. Holmen's financial reporting complies with the laws

and rules that apply to companies listed on the Stockholm stock exchange and the local rules in each country where the company operates. In addition to external rules and recommendations, financial reporting is also covered by internal instructions, directions and systems, as well as internal distribution of roles and responsibilities with the object of ensuring sound internal control over financial reporting. Financial reports are prepared quarterly and monthly in the Group and its business areas, units and subsidiaries. Forecasts and extensive analyses, along with comments, are provided in connection with the reports to help ensure the accuracy of the financial reports. Financial functions and controllers with functional responsibility for accounting, reporting and analysis of financial developments operate at Group level, at business area level and at major units.

The audit includes the annual statutory audit of Holmen AB's annual report, the statutory audit of the parent company and all subsidiaries (where so required), the audit of internal reporting packages, an audit of the final accounts and a review of one interim report. Reviews of the internal control system are used in this work.

Holmen's internal control activities aim to ensure that the Group lives up to its objectives for financial reporting (see box). These activities are based on a common set of instructions and common checklists for key procedures and processes for the Group's financial reporting. The structure adheres to guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for small listed companies in respect of internal control over financial reporting. COSO's guidelines contain 20 principles in five areas: control environment, risk assessment, control activities, information and communication, and follow-up. They have been modified to suit the estimated needs of Holmen's various operations. 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.

Holmen has no separate internal auditing function. The Board does not believe that specific circumstances in the business or other conditions exist to justify having such a function. In 2008 the company introduced a type of audit procedure in which experienced accountants and controllers in the Group examine the internal control procedures of other Group units.

Investor relations

Holmen's information to shareholders and other stakeholders is provided in the annual report, the year-end and interim reports and press releases. All are available on the company's website. The website also contains presentation materials for recent years and information on corporate governance. The provision of information by the company complies with an information policy established by the Board.

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.

Board of Directors



Fredrik Lundberg



Carl Kempe



Carl Bennet



Steewe Björklundh



Magnus Hall



Kenneth Johansson



Curt Källströmer



Hans Larsson



Louise Lindh



Ulf Lundahl



Göran Lundin



Karin Norin



Martin Nyman



Daniel Stridsman



Tommy Åsenbrygg

Group management



Magnus Hall



Ingela Carlsson



Lars Ericson



Thommy Haglund



Anders Jernhall



Sven Wird



Brynolf
Alexandersson



Björn Kwick



Håkan Lindh



Sören Petersson



Arne Wallin

Board of Directors

"Shareholding" refers to shares in Holmen AB.

Fredrik Lundberg Chairman. Djursholm. Born in 1951. Member since 1988. Master of Engineering and B.Sc. (Econ.). D. Econ h.c. and D. Eng. h.c. President and CEO of L E Lundbergföretagen AB. Other significant appointments: Chairman of the Boards of Cardo AB and Hufvudstaden AB. Deputy chairman of Svenska Handelsbanken AB. Board member: L E Lundbergföretagen AB, AB Industrivärden and Sandvik AB. Shareholding: 734 724 shares. Shareholding of L E Lundbergföretagen: 23 511 000 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 the Kempe Foundations, MoRe Research AB, UPSC Berzelli Centre for Forest Biotechnology, Elforest AB and the Swedish IASA committee. Own and related parties' shareholding: 385 125 shares.

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

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

Magnus Hall Stockholm. Born in 1959. Member since 2004. M.Sc. (Industrial Engineering). President and CEO. Other significant appointments: Chairman of the Swedish Forest Industries Federation. Chairman of the Board of BasEl i Sverige AB and

Industrikraft i Sverige AB. Board member of the Linköping University. Own and related parties' shareholding: 12 698 shares, 14 450 call options.

Kenneth Johansson Söderköping. Born in 1958. Member since 2004. Representative of the employees, L.O. Section chairman of Paperbranch 53, Holmen Paper Braviken. Shareholding: 500 call options. Related parties' shareholding: 500 call options.

Curt Källströmer Stockholm. Born in 1941. Member since 2006. Higher banking degree. Other significant appointments: Chairman of the Boards of Umeå School of Business. Board member: Stockholmsmässan AB, SBC AB, Wåhlin Fastigheter AB, Royal College of Music in Stockholm and AB Skrandan. Shareholding: 600 shares.

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

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

Ulf Lundahl Lidingö. Born in 1952. Member since 2004. B.A. in Legal Science and B.Sc. (Econ). Executive VP and deputy CEO of L E Lundbergföretagen AB. Other significant appointments: Board member: Brandkontoret, Indutrade AB, Cardo AB, Husqvarna AB and SHB Regional Bank Stockholm. Shareholding: 4 000 shares.

Göran Lundin Norrköping. Born in 1940. Member since 2001. Engineer. Other significant appointments: Chairman of the Board: Norrköpings

Tidningar AB. Board member: Lorentzen & Wettre AB and 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 Gävleborg and Unionen Holmen-Iggesund. Member of Unionen's delegation "Industry 1". Shareholding: 200 call options. Related parties' shareholding: 200 call options.

Deputy members

Martin Nyman Iggesund. Born 1978. Deputy member since 2010. Representative of the employees, L.O. Chairman of Paperbranch 15, Iggesund. Shareholding: 0 shares.

Daniel Stridsman Norrköping. Born 1979. Deputy member since 2010. Certified forester. Production manager Holmen Skog, region Norrköping. Representative of the employees, PTK. Chairman of Akademikerföreningen Holmen Skog. Other significant appointments: Deputy chairman of Skogsakademikerna. Shareholding: 200 call options. Related parties' shareholding: 200 call options.

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

Auditors

KPMG AB, Principal auditor: **George Pettersson**
Authorised public accountant

**As of 7 February 2011, the holding comprises 26 122 000 shares.*

"Shareholding" refers to shares in Holmen AB.

Group management

Magnus Hall President and CEO. Born in 1959. Joined Holmen in 1985. Own and related parties' shareholding: 12 698 shares, 14 450 call options. Magnus Hall has no significant shareholdings and no ownership in companies with whom the Group has important business relations. For further information about the CEO, see above.

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

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

Thommy Haglund Head of Group Human Resources. Born in 1950. Joined Holmen in 2001. Shareholding: 500 shares, 4 000 call options.

Anders Jernhall CFO, head of Group Finance. Born in 1970. Joined Holmen in 1997. Shareholding: 500 shares, 2 000 call options.

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

Brynolf Alexandersson Head of Holmen Energi. Born in 1957. Joined Holmen in 2007. Shareholding: 4 000 call options.

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

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

Sören Petersson Head of Holmen Skog. Born in 1969. Joined Holmen in 1994. Shareholding: 2 300 shares, 2000 call options.

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



Financial statements

Income statement

GROUP, SEKm	NOTE	2010	2009
Net sales	2	17 581	18 071
Other operating income	3	862	600
Change in inventories		0	-381
Raw materials and consumables		-9 800	-9 017
Staff costs	4	-2 689	-2 662
Other operating costs	5, 20	-3 616	-3 709
Depreciation and amortisation according to plan	9, 10	-1 251	-1 320
Impairment losses	9, 10	-555	-22
Change in value of biological assets	11	1 102	16
Interest in earnings of associates	12	-38	45
Operating profit		1 596	1 620
Finance income	6	12	12
Finance costs	6	-220	-267
Profit before tax		1 388	1 366
Tax	7	-684	-360
Profit for the year		704	1 006
Attributable to: owners of the parent company		704	1 006
Earnings per share (SEK)	8		
basic		8.4	12.0
diluted		8.4	12.0
Average number of shares (million)	8		
basic		84.0	84.0
diluted		84.0	84.0

Operating profit reached SEK 1 596 million (1 620). This figure includes revaluation of forests (SEK +1 050 million) as a result of changed price assumptions as well as impairment losses on property, plant and equipment in Holmen Paper's Spanish operation (SEK 555 million) and provisions for restructuring costs at Holmen Paper (SEK 231 million).

Operating profit excluding the above items decreased by SEK 288 million to SEK 1 332 million due to weak earnings at Holmen Paper resulting from lower newsprint prices and higher costs for recovered fibre. Earnings for the other parts of the Group improved.

Net financial items for 2010 amounted to SEK -208 million (-255). During the year, interest costs of SEK 24 million (1) were capitalised in conjunction with major investment projects and thereby reduced the recognised interest costs. The average borrowing cost rose to 3.9 per cent (3.5), while average net debt was lower than during the preceding year. Tax recognised totalled SEK -684 million (-360) in 2010. In relation to profit before tax, recognised tax amounts to 49 per cent, which is substantially higher than usual. This is due to the negative result and impairment losses in the Spanish operation, for which no tax asset was recorded.



Statement of comprehensive income

GROUP, SEKm	NOTE	2010	2009
Profit for the year		704	1 006
<i>OTHER COMPREHENSIVE INCOME</i>			
Cash flow hedging			
Revaluation		827	567
Transferred from equity to the income statement		-161	343
Transferred from equity to non-current assets		21	-1
Actuarial gains and losses in respect of pensions, incl. special employer's contributions		97	15
Translation difference on foreign operation		-631	-256
Hedging of currency risk in foreign operation		472	254
Tax attributable to other comprehensive income	7	-333	-310
Total other comprehensive income		292	613
Total comprehensive income		996	1 619
Attributable to: owners of the parent company		996	1 619

Other comprehensive income reached SEK 292 million (613). It includes a positive revaluation of transaction hedges as a result of a stronger Swedish krona against the euro, accompanied by the fact that transaction hedges with a negative fair value expired during the year.

A translation difference on foreign operations is also included, which was above all affected by the stronger krona against the euro. This impact was partly counteracted by the results of hedging equity in foreign subsidiaries.



Balance sheet

GROUP AT 31 DECEMBER, SEKm	NOTE	2010	2009
<i>NON-CURRENT ASSETS</i>			
Intangible non-current assets	9	19	27
Property, plant and equipment	10	11 877	12 473
Biological assets	11	12 161	11 109
Interests in associates	12	1 748	1 770
Other shares and participating interests	12	12	10
Non-current financial receivables	13	188	151
Deferred tax assets	7	210	304
Total non-current assets		26 216	25 845
<i>CURRENT ASSETS</i>			
Inventories	14	3 340	2 850
Trade receivables	15	2 518	2 712
Current tax receivable	7	4	22
Other operating receivables	15	1 088	490
Current financial receivables	13	73	74
Cash and cash equivalents	13	193	182
Total current assets		7 216	6 331
Total assets		33 432	32 176
<i>EQUITY</i>			
	16		
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		153	-70
Retained earnings incl. profit for the year		12 241	12 056
Total equity attributable to the owners of the parent company		16 913	16 504
<i>NON-CURRENT LIABILITIES</i>			
Non-current financial liabilities	13	3 666	3 472
Pension provisions	17	213	320
Other provisions	7, 18	459	1 102
Deferred tax liabilities	7	5 910	5 045
Total non-current liabilities		10 247	9 939
<i>CURRENT LIABILITIES</i>			
Current financial liabilities	13	2 349	2 298
Trade payables	19	2 453	1 911
Current tax liability	7	112	102
Provisions	18	270	274
Other operating liabilities	19	1 088	1 149
Total current liabilities		6 273	5 733
Total liabilities		16 520	15 672
Total equity and liabilities		33 432	32 176

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

Impairment losses of SEK 555 million on non-current assets in Spain were recognised during the year. The year's investments in non-current assets mainly comprised the new sawmill at Braviken and the new recovery boiler and turbine at Iggesund Mill. Biological assets were revalued during the year, resulting in a SEK 1 050 million increase in value. This entailed a SEK 276 million increase in deferred tax liability. No deferred tax asset for impairment loss on non-current

assets in Spain was recognised. Other operating receivables and other operating liabilities include derivatives used to hedge foreign currency flows. In net terms, the fair value of these items rose, mainly because the Swedish krona was strengthened against the euro. The payment of tax regarding the ongoing tax case reduced other provisions by SEK 611 million during the year.



Changes in equity

GROUP, SEKm	RESERVES					TOTAL EQUITY
	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TRANSLATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS INCL. PROFIT FOR THE YEAR	
Opening equity 1 Jan 2009	4 238	281	94	-767	11 795	15 641
Profit for the year	-	-	-	-	1 006	1 006
Other comprehensive income	-	-	-68	670	11	613
Total comprehensive income	-	-	-68	670	1 017	1 619
Dividends paid					-756	-756
Closing equity 31 Dec 2009	4 238	281	26	-96	12 056	16 504
Profit for the year	-	-	-	-	704	704
Other comprehensive income	-	-	-283	506	69	292
Total comprehensive income	-	-	-283	506	773	996
Dividends paid					-588	-588
Closing equity 31 Dec 2010	4 238	281	-256	409	12 241	16 913

In 2010, the Group's equity increased by SEK 409 million, to SEK 16 913 million. Profit for the year amounted to SEK 704 million, and the dividend paid was SEK 588 million. Other comprehensive income is additional and consists of items such as revaluation of pension liability, currency revaluation of loans, revaluation of transaction hedges and

translation of assets in foreign entities as well as tax on these items. In 2010, other comprehensive income reached SEK 292 million, which is mainly attributable to the stronger Swedish krona against the euro having a positive impact on the fair value of outstanding transaction hedges.



Cash flow statement

GROUP, SEKm	NOTE	2010	2009
<i>OPERATING ACTIVITIES</i>			
Profit before tax	25	1 388	1 366
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 251	1 320
Impairment		555	22
Change in value of biological assets		-1 102	-16
Change in provisions		174	15
Other*		-67	-179
Paid income taxes		-704	-334
Cash flow from operating activities before changes in working capital		1 495	2 195
<i>CASH FLOW FROM CHANGES IN WORKING CAPITAL</i>			
Change in inventories		-428	621
Change in trade receivables and other operating receivables		-139	445
Change in trade payables and other operating liabilities		595	-389
Cash flow from operating activities		1 523	2 873
<i>INVESTING ACTIVITIES</i>			
Acquisition of property, plant and equipment		-1 648	-747
Disposal of property, plant and equipment		95	28
Acquisition of intangible non-current assets		0	0
Acquisition of biological assets		-8	-5
Disposal of biological assets		12	5
Increase in non-current financial receivables		-14	-107
Repayment of non-current financial receivables		3	3
Acquisition of shares and participating interests		-36	-6
Disposal of shares and participating interests		0	12
Cash flow from investing activities		-1 597	-818
<i>FINANCING ACTIVITIES</i>			
Raised long-term loans		500	1 492
Repayments of long-term loans		-959	-584
Change in current financial liabilities	25	1 141	-2 672
Change in current financial receivables		-1	-1
Dividends paid to the owners of the parent company		-588	-756
Cash flow from financing activities		93	-2 522
CASH FLOW FOR THE YEAR		19	-467
Opening cash and cash equivalents		182	653
Exchange difference in cash and cash equivalents		-8	-4
Closing cash and cash equivalents		193	182

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

The Group's cash flow from operating activities amounted to SEK 1 523 million. Income taxes paid in 2010 include SEK 611 million regarding the ongoing tax case.

The year's investments in non-current assets were largely for the new sawmill at Braviken and the new recovery boiler and turbine at Iggesund Mill.

Loans raised refer to one five-year and one seven-year bank loan. Amortisation payments of two MTN loans and two bank loans were made during the year. The Group also raised SEK 1 019 million, net, under the commercial paper programme; also see note 25. Dividends of SEK 588 million were paid to shareholders during the year.



	2010	2009
<i>CHANGE IN NET FINANCIAL DEBT</i>		
Opening net financial debt	-5 683	-7 504
Cash flow		
Operating activities	1 523	2 873
Investing activities (excl. non-current financial receivables)	-1 585	-714
Dividends paid	-588	-756
Actuarial revaluation of pension liability	94	13
Foreign exchange currency effects and changes in fair value	468	405
Closing net financial debt	-5 772	-5 683

The Group's net financial debt rose by SEK 89 million during the year. In addition to cash flow, net debt was affected by SEK 94 million due to actuarial revaluations, and by SEK 468 million due to currency

effects and changes in fair value – primarily because of the stronger Swedish krona.



Parent company

INCOME STATEMENT, SEKm	NOTE	2010	2009
Net sales	2	13 338	13 436
Other operating income	3	652	447
Change in inventories		35	-368
Raw materials and consumables		-7 515	-6 791
Staff costs	4	-1 999	-1 929
Other external costs	5,20	-4 029	-3 907
Depreciation and amortisation according to plan	9,10	-30	-27
Operating profit		453	861
Income from interests in Group companies	6	14	1 156
Income from interests in associates	6	0	0
Interest income and similar income	6	12	18
Impairment losses on financial non-current assets	6,23	-	-436
Interest costs and similar costs	6	246	8
Profit after financial items		725	1 607
Appropriations	24	-155	388
Profit before tax		570	1 995
Tax	7	-198	-331
Profit for the year		372	1 664

STATEMENT OF COMPREHENSIVE INCOME, SEKm	2010	2009
Profit for the year	372	1 664
Other comprehensive income		
Cash flow hedges		
Revaluation	1 086	516
Transferred from equity to the income statement	-184	403
Transferred from equity to non-current assets	21	-1
Tax attributable to other comprehensive income	-243	-242
Total other comprehensive income	680	677
Total comprehensive income	1 053	2 341

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

The item interest costs and similar costs in the income statement includes gains of SEK 472 million on hedging equity in foreign subsidiaries.

CASH FLOW STATEMENT, SEKm	NOTE	2010	2009
Operating activities			
Profit after financial items	25	726	1 607
Adjustments for non-cash items			
Depreciation and amortisation according to plan		30	27
Change in provisions		136	-98
Other *		-441	31
Paid income taxes		-111	-323
Cash flow from operating activities before changes in working capital		339	1 244
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in inventories		-415	523
Change in operating receivables		-77	392
Change in operating liabilities		647	-298
Cash flow from operating activities		493	1 861
INVESTING ACTIVITIES			
Shareholders' contribution paid		-34	-329
Acquisition of property, plant and equipment		-40	-40
Disposal of property, plant and equipment		12	8
Increase in external non-current financial receivables		0	-1
Repayment of external non-current financial receivables		-	-2
Acquisition of shares and participating interests		-2	-
Disposal of shares and participating interests		14	-
Cash flow from investing activities		-50	-363
FINANCING ACTIVITIES			
Raised external long-term loans		500	1 492
Repayments of external long-term loans		-591	-563
Change in other financial liabilities	25	1 238	-4 124
Change in other financial receivables		-983	1 132
Dividends paid to the owners of the parent company		-588	-756
Group contributions received		456	866
Group contributions paid		-464	-
Cash flow from financing activities		-432	-1 952
CASH FLOW FOR THE YEAR		11	-454
Opening cash and cash equivalents		88	542
Closing cash and cash equivalents		99	88

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



BALANCE SHEET at 31 December, SEKm	NOTE	2010	2009
ASSETS			
Non-current assets			
Intangible non-current assets	9	12	15
Property, plant and equipment	10	2 601	2 590
Financial non-current assets			
Shares and participations	12, 23	14 438	14 411
Non-current financial receivables	13	2 615	2 629
Total non-current assets		19 666	19 645
Current assets			
Inventories	14	2 705	2 142
Operating receivables	15	3 019	2 371
Current investments	13	73	74
Cash and cash equivalents	13	99	88
Total current assets		5 896	4 675
Total assets		25 562	24 320

BALANCE SHEET at 31 December, SEKm	NOTE	2010	2009
EQUITY AND LIABILITIES			
Equity	16		
Restricted equity			
Share capital		4 238	4 238
Statutory reserve		1 577	1 577
Revaluation reserve		100	100
Non-restricted equity			
Retained earnings incl. hedge reserve		4 863	3 112
Profit for the year		372	1 664
Total equity		11 149	10 691
Untaxed reserves	24	2 518	2 363
Provisions			
Pension provisions	17	68	43
Tax provisions	7, 18	45	45
Other provisions	18	695	559
Deferred tax liability	7	855	538
Total provisions		1 663	1 185
Liabilities			
Non-current financial liabilities	13	4 962	5 652
Current financial liabilities	13	2 343	1 916
Current tax liabilities	7	104	94
Operating liabilities	19	2 821	2 419
Total liabilities		10 231	10 081
Total equity and liabilities		25 562	24 320
PLEGDED COLLATERAL AND CONTINGENT LIABILITIES			
Pledged collateral	21	6	6
Contingent liabilities	21	177	688

CHANGES IN EQUITY, SEKm

	RESTRICTED EQUITY				NON-RESTRICTED EQUITY		TOTAL EQUITY
	SHARE CAPITAL	STATUTORY RESERVE	RE-VALUATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS	PROFIT/LOSS FOR THE YEAR	
Opening equity 1 Jan 2009	4 238	1 577	100	-826	3 815	-436	8 468
Appropriation of profits	-	-	-	-	-436	436	-
Profit for the year	-	-	-	-	-	1 664	1 664
Other comprehensive income	-	-	-	677	-	-	677
Total comprehensive income	-	-	-	677	-	1 664	2 341
Group contributions recieved	-	-	-	-	638	-	638
Dividends paid	-	-	-	-	-756	-	-756
Closing equity 31 Dec 2009	4 238	1 577	100	-149	3 261	1 664	10 691
Appropriation of profits	-	-	-	-	1 664	-1 664	-
Profit for the year	-	-	-	-	-	372	372
Other comprehensive income	-	-	-	680	-	-	680
Total comprehensive income	-	-	-	680	-	372	1 053
Group contributions received	-	-	-	-	336	-	336
Group contributions paid	-	-	-	-	-342	-	-342
Dividends paid	-	-	-	-	-588	-	-588
Closing equity 31 Dec 2010	4 238	1 577	100	531	4 331	372	11 149



Notes to the financial statements

Amounts in SEKm, except where otherwise stated.

NOTE 1. Accounting policies

The accounting policies for the Group presented below have been applied consistently to all periods included in the Group's financial statements except where otherwise stated below. The Group's accounting policies have been applied consistently to the reporting by and the consolidation of the parent company, subsidiaries and associates.

Compliance with standards and statutory requirements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretative recommendations issued by the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the EU. The Swedish Financial Reporting Board's recommendation (RFR 1 Supplementary Accounting Rules for Groups) has also been applied.

The parent company applies the same accounting policies as the Group except in the cases that are commented on separately under each section. The parent company's accounts are prepared in accordance with RFR 2 Accounting for Legal Entities. The differences between the policies applied by the parent company and those applied by the Group are due to restrictions in the parent company's possibilities of applying IFRS as a consequence of the Swedish Annual Accounts Act, Tryggandelagen (a Swedish act safeguarding pension obligations), and in some cases due to tax reasons.

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

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

Functional currency and reporting currency

The functional currency is the currency used in the primary financial environments in which the companies conduct their business. The parent company's functional currency is the Swedish krona, (SEK), which is also the reporting currency of the parent company and the Group. This means that the financial statements are presented in Swedish kronor.

Assessments and estimates in the financial statements

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

The estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the accounts for the period in which the change is made if the change only affects that period, or in the period the change is made and in later periods if the change affects current and coming periods. See also note 26 Key assessments and estimates.

Changes in accounting policies

New or amended IFRSs effective as of 2010 had no material impact on the consolidated accounts.

Amendments to Recommendation RFR 2, issued by the Swedish Financial Reporting Board, as a result of an amendment to the Swedish Annual Accounts Act (ÅRL), entailed greater demands on disclosures about fees and compensation for expenses to auditors for the Group and parent company. These disclosure requirements affect note 5 and comparative data have been provided.

New and amended accounting policies applicable as of 2011

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. There is similarly no plan to apply new or amended standards effective as of financial years after 2011 in advance. New or amended IFRSs effective as of 2011 are not judged to have any material impact on the financial statements.

Segment reporting

The Group's operations are divided into operating segments, based on which parts of the operation the company's highest executive decision-maker follows up, known as the management approach. The segmentation criterion is based on the Group's business areas. This agrees with the Group's operating structure and the internal reporting to the CEO and the Board. The items recognised in the profit, assets and liabilities of the operating segment are measured in accordance with the profit, assets and liabilities that the company's highest executive decision-maker follows up. See note 2 for more details of the classification and presentation of operating segments.

Classification etc

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

Consolidation principles

Subsidiaries

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

The consolidated financial statements are prepared using the acquisition method, whereby the parent company indirectly acquires the assets and assumes the liabilities of the subsidiary, valued at fair value. The difference between the acquisition cost of the shares and the fair value of the acquired identifiable net assets is treated as goodwill. The subsidiary companies' income and expenses, and their assets and liabilities, are stated in the consolidated financial statements as of the date when the Group gains control (acquisition date) until such time as the Group no longer has control. Intra-Group receivables and liabilities, transactions between companies in the Group and therewith related unrealised gains are eliminated in their entirety.

Associates

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

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

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

Foreign currency

Transactions denominated in foreign currencies

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



Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other fair value adjustments arising on consolidation, are translated in the consolidated financial statements, from the foreign operation's functional currency, to the Group's reporting currency (Swedish kronor) at closing rates. The income and expenses of foreign operations are translated into Swedish kronor at an average rate that is an approximation of the exchange rates prevailing on the date of each transaction. Differences arising during the currency translation of foreign operations and the related effects of hedging net investments are recognised in other comprehensive income and are accumulated in a separate component of equity called the translation reserve. In the disposal of a foreign operation, the accumulated translation differences attributable to the business are realised, less any currency hedging, in the consolidated income statement. The company opted to value the accumulated translation differences attributable to foreign operations at zero at the time of the changeover to IFRSs.

Companies operating on behalf of the parent company

The parent company's business is largely conducted through companies operating on its behalf: Holmen Paper AB, Iggesund Paperboard AB, Holmen Timber AB, Holmen Skog AB and Holmen Energi AB.

The parent company is liable for all commitments entered into by these companies. All income, expenses, assets and liabilities, which arise in the operations conducted by the companies, are recognised in Holmen AB's accounts, except for most parts 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 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 deferred 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.

Interest income on receivables and interest costs on liabilities are calculated by using the effective interest method. Interest costs include transaction costs for loans, which have been distributed over the duration of the loan; this also applies to any difference between the funds received and the repayment amount. Dividend income is recognised when the dividend is established and the right to receive payment is judged to be certain.

Interest costs normally affect profit/loss in the period to which they relate. Borrowing costs attributable to the purchase, construction or production of qualifying assets are to be capitalised as part of the asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for intended use. Borrowing costs for significant investment projects are capitalised in the Group.

Taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when underlying transactions are recognised in other comprehensive income or directly in equity, in which case the associated tax effect is also recognised in other comprehensive income or directly in equity. Current tax is the tax to be paid or received for the year in question, using the tax rates that have been

decided on, or to all intents and purposes have been decided on at the balance sheet date. This also includes any adjustment to current tax attributable to previous periods. Deferred tax is calculated using the balance sheet method on the basis of temporary differences between carrying amounts and values for tax purposes of assets and liabilities, applying the tax rates and rules that have been approved or announced at the balance sheet date. Temporary differences are not taken into account in goodwill arising upon consolidation, nor in temporary differences attributable to interests in subsidiaries and associates that are not expected to become liable to taxation in the foreseeable future. In the parent company's accounts, untaxed reserves are recognised inclusive of deferred tax liability.

Deferred tax assets in respect of tax-deductible temporary differences and loss 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.

Earnings per share

The calculation of earnings per share (EPS) is based on the Group's profit for the year attributable to the parent company's owners and the weighted average number of shares outstanding during the year. In calculating diluted EPS, the earnings and the average number of shares are adjusted to take account of the effects of any potential ordinary shares having a diluting effect, which during reported periods stem from call options acquired by employees within the framework of the incentive scheme. The dilution effect of options affects the number of shares and only arises when the exercise price is lower than the listed price, and is larger the wider the spread between the exercise price and the listed price.

Financial instruments

Financial instruments are measured and recognised according to IAS 39.

Recognition in and derecognition from the balance sheet

A financial asset or liability is stated in the balance sheet when the company becomes a party in accordance with the contractual conditions of the instrument. A financial asset is removed from the balance sheet when the rights referred to in the contract have been realised or mature, or when the company no longer has control over them. A financial liability is removed from the balance sheet when the undertaking in the contract is performed or expires in some other way. Spot transactions are stated in accordance with the trade day principle. Trade receivables are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has provided a product or service and there is a contractual obligation to pay, even if an invoice has not yet been received. A financial asset and a financial liability are only offset and recognised at a net amount where a legal right to offset the amounts exists and there is an intention to settle the items at a net amount or simultaneously realise the asset and settle the liability. Financial assets, excluding shares, and financial liabilities have been classified as current if the amounts are expected to be recovered or paid within 12 months of the balance sheet date. Shares have been classified as non-current if they are intended to be held in the operation permanently.

Measurement of financial instruments

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

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

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



Financial liabilities at fair value through profit or loss. Financial liabilities are measured initially at the value of funds received after deduction of any transaction costs. Normally, the liabilities are measured on a current basis at amortised cost using the effective interest method. In those cases where funds received fall short of the repayment amount, the difference is allocated over the duration of the loan using the effective interest method. Loans recognised using the fair value option are initially recognised excluding any transaction costs and on a current basis at fair value. The fair value option has been applied to one loan with the object of arriving at a fairer presentation of results and thereby reflecting changes in the value of the interest rate swap that belongs to the loan. This loan and the related swap matured during the year. In the parent company, no loans were measured at fair value. 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 except for the loan measured at fair value using the fair value option within Holmen. 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.

Cash flow hedges. The effective part of changes in value is recognised in other comprehensive income and accumulated in equity until the time when the hedged item influences the income statement, when the accumulated changes in value are transferred from equity via other comprehensive income to the income statement to meet and match the hedged transaction. In the hedging of investments, the acquisition cost of the hedged item is instead adjusted when it occurs. The ineffective part of hedges is recognised directly in the income statement.

Hedging fair value. Changes in value of derivatives are recognised directly in the income statement. Changes in the value of the hedged item are recognised in a corresponding way.

Net investments. Changes in the value of hedges relating to net investments in foreign businesses are recognised in other comprehensive income for the Group. Accumulated changes in value are recognised as a component in the Group's equity until the business is disposed of, when the accumulated changes in value are recognised in the income statement. In the 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. In the parent company, changes in value are recognised in the income statement as hedge accounting is not applied.

Computation of fair value. The fair value of financial instruments traded on an active market is based on listed market prices and belongs to measurement level 1 as per IFRS 7. Where there are no listed market prices, fair value has been computed using discounted cash flows. In calculating discounted cash flows, all variables used for the calculations, such as discount rates and exchange rates, are taken from market listings where possible. 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 transactions mainly belong to measurement level 2, with the exception of one transaction that belongs to measurement level 3. Currency options were valued using the Black & Scholes formula.

Intangible non-current assets

Goodwill represents the difference between the acquisition cost of business combinations and the fair value of the acquired assets, assumed liabilities and contingent liabilities. Goodwill is valued at acquisition cost less any accumulated impairment losses. Goodwill arising in connection with the acquisition of associates is included in the carrying amount of the participating interest in such companies.

Research costs are expensed when they are incurred. Development costs are only capitalised in the case of major projects to the extent that their future financial benefits can be reliably assessed. Other development expenditure is recognised in the income statement as costs when incurred. Development costs recognised in the balance sheet are stated at their acquisition cost less accumulated amortisation and impairment losses.

Intangible non-current assets also include patents, licences and IT systems. 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 and is

tested for impairment annually. The Group does not currently recognise any goodwill. Intangible non-current assets in the parent company are amortised over five years.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost after deduction of accumulated depreciation and any impairment losses. Property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment. Additional expenditure is capitalised only if it is estimated to generate financial benefits for the company. The key factor determining whether or not additional expenditure is capitalised is if it relates to the replacement of identified components or parts thereof, in which case the expenditure is capitalised. The cost is also capitalised in cases where a new component is created. Any undepreciated carrying amounts for replaced components or parts of components are retired and expensed in connection with the replacement.

The carrying amount of an item of property, plant or equipment is removed from the balance sheet in connection with retirement or disposal of the asset or when no future financial benefits can be expected from the use of the asset. The gain or loss arising on the retirement or disposal of an asset consists of the difference between the selling price and the carrying amount of the asset, less any direct selling costs. Gains and losses are recognised in the accounts as other operating income/costs.

Depreciation according to plan is based on original acquisition cost less any impairment losses. Depreciation takes place on a straight-line basis over the estimated useful life of the asset. Land is not depreciated.

The following useful lives (years) are used:

Machinery for hydro power production	20–40
Administrative and warehouse buildings, residential properties	20–33
Production buildings, land installations, and machinery for pulp, paper and paperboard production	20
Machinery for sawmills	12
Other machinery	10
Forest roads	10
Equipment	4

If there is any indication that the carrying amount is too high, an analysis is made in which the recoverable value of single or inherently related assets is determined at the higher of the net selling price and the utility value. The net selling price is the estimated selling price after deduction of the estimated cost of selling the asset. The utility value is measured as expected future discounted cash flow. 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 as part of the asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for intended use. Borrowing costs for significant investment projects are capitalised in the Group.

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 and the leasing charge is expensed. Within the Group, all lease agreements are classified as operating leases.

Biological assets

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

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



Felling rights are stated as inventories. They are acquired with a view to secure Holmen's raw material requirements through harvesting. Any measurable biological change does not occur between the acquisition date and harvesting.

Inventories

Inventories are valued at the lower of acquisition cost or production cost after deduction for necessary obsolescence, or net realisable value. The acquisition cost of inventories is calculated by using the First in, First out method (FIFO). The net realisable value is the estimated selling price in operating activities after deduction of the estimated costs of completion and effecting the sale. The acquisition cost of finished products manufactured by the company comprises direct production costs and a reasonable share of indirect costs.

Emission allowances received are initially recognised at market price when allotted among inventories and as deferred income. During the year the allocation is recognised as income at the same time as an interim liability, corresponding to emissions made, is expensed.

Employee benefits

Pension costs and pension commitments

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

The Group's net commitment in respect of defined benefit plans is calculated separately for each plan by estimating the future benefits the employees will have earned by virtue of their employment in current and earlier periods; these benefits are discounted to their present value and any unrecognised costs in respect of employment during earlier periods and the fair value of any plan assets are deducted. The discount rate is the interest rate at the balance sheet date for a first class corporate bond with a duration corresponding to the Group's pension commitments. If there is no active market for such corporate bonds, the market interest rate for government bonds with a corresponding duration is used instead. The calculation is performed by a qualified actuary using the projected unit credit method for the part of the pension commitments that is defined benefit.

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

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

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

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

Termination benefits

Termination benefits in connection with the termination of employment contracts are recognised in the accounts if it is shown that the Group has an obligation, without any reasonable possibility of withdrawing it, as a result of a formal, detailed plan to terminate an employment contract before the normal date. When benefits are paid in the form of an offer to encourage voluntary departure, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term benefits

Short-term benefits to employees are calculated without being discounted and are recognised as a cost when the related services are provided.

Incentive scheme

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

Equity

Consolidated equity comprises share capital, other contributed capital, translation and hedge reserves and retained earnings, including profit/loss for the year. Other contributed capital refers to premiums paid in conjunction with share issues. The translation reserve consists of all exchange differences that arise in the translation of foreign operations' financial statements that are prepared in a currency other than Swedish kronor. The translation reserve 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 out-flow of resources will be required.

Group contributions and shareholder contributions for legal entities

Group contributions and shareholder contributions are recognised in the parent company in accordance with statement UFR 2 of the Swedish Financial Reporting Board. Shareholder contributions are recognised directly in the equity of the recipient and are capitalised under the shares and participating interests of the donor to the extent that no impairment in value applies. Group contributions are recognised on the basis of their financial implications. For example, this means that Group contributions paid or received in order to minimise the Group's total tax are recognised directly in retained earnings after deduction of their current tax effect.

Miscellaneous

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



NOTE 2. Operating segment reporting

	HOLMEN PAPER	IGGESUND PAPERBOARD	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP- WIDE AND OTHER	ELIMINA- TIONS	TOTAL GROUP
2010								
Net sales								
External	8 142	4 849	586	3 310	695	-	-	17 581
Internal	0	0	0	2 276	1 237	-	-3 513	0
Other operating income	259	464	135	142	14	31	-184	862
Operating costs	-8 372	-4 172	-675	-4 933	-1 421	-221	3 690	-16 104
Depreciation and amortisation according to plan	-847	-324	-29	-28	-21	-3	0	-1 251
Impairment losses	-555	-	-	-	-	-	-	-555
Change in value of biological assets	-	-	-	1 102	-	-	-	1 102
Interest in earnings of associates	-32	-	2	-	-9	-	-	-38
Operating profit/loss	-1 404	817	20	1 868	495	-193	-7	1 596
<i>Operating profit/loss excluding items affecting comparability</i>	<i>-618</i>	<i>817</i>	<i>20</i>	<i>818</i>	<i>495</i>	<i>-193</i>	<i>-7</i>	<i>1 332</i>
Operating margin excluding items affecting comparability, %	-8	17	4	15	26			8
Return on operating capital excluding items affecting comparability, %	-8	20	3	7	15			5
Operating assets	8 514	4 995	1 486	14 056	3 403	779	-465	32 768
Operating liabilities	1 560	681	294	1 459	169	686	-465	4 383
Operating capital	6 954	4 313	1 192	12 597	3 235	93	0	28 385
Investments	211	521	800	-3	65	4	0	1 597

*Items affecting comparability refer to impairment losses on non-current assets totalling SEK 555 million, restructuring costs of SEK 231 million and the revaluation of forests which comprises an increase in value of SEK 1 050 million.

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
NON-CURRENT ASSETS PER COUNTRY				
Sweden	23 113	21 415	17 046	17 006
UK	461	550	-	-
Spain	2 147	3 364	-	-
Other	84	52	-	-
Total	25 805	25 380	17 046	17 006

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
NET SALES BY PRODUCT AREA				
Newsprint and magazine paper	7 862	9 144	6 225	7 043
Paperboard	4 742	4 865	3 089	2 879
Pulp	76	137	200	240
Sawn timber	581	548	581	548
Wood	3 310	2 745	3 238	2 695
Power	695	447	5	1
Other	315	185	0	32
Total	17 581	18 071	13 338	13 436

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
NET SALES BY MARKET				
Sweden	4 274	4 211	4 253	3 749
UK	1 811	2 083	1 241	1 328
Germany	2 541	2 676	2 180	2 296
Spain	1 461	1 427	288	288
Italy	763	848	565	555
France	724	728	528	449
The Netherlands	655	771	554	675
Rest of Europe	3 357	3 011	2 099	2 313
Rest of the world	1 993	2 316	1 630	1 784
Total	17 581	18 071	13 338	13 436


2009

	HOLMEN PAPER	IGGESUND PAPER- BOARD	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP- WIDE AND OTHER	ELIMINA- TIONS	TOTAL GROUP
Net sales								
External	9 303	5 023	553	2 745	447	-	-	18 071
Internal	0	0	0	2 054	1 182	-	-3 236	-
Other operating income	238	262	127	119	14	37	-197	600
Operating costs	-8 363	-4 484	-632	-4 303	-1 208	-225	3 446	-15 769
Depreciation and amortisation according to plan	-878	-361	-31	-27	-21	-3	0	-1 320
Impairment losses	-	-22	-	-	-	-	-	-22
Change in value of biological assets	-	-	-	16	-	-	-	16
Interest in earnings of associates	41	-	4	-	-	-	-	45
Operating profit/loss	340	419	21	605	414	-191	13	1 620
<i>Operating profit/loss excluding items affecting comparability</i>	340	419	21	605	414	-191	13	1 620
Operating margin excluding items affecting comparability, %	4	8	4	13	25			9
Return on operating capital excluding items affecting comparability, %	4	10	6	5	13			6
Operating assets	10 186	4 781	483	12 646	3 342	419	-392	31 465
Operating liabilities	1 397	666	87	1 262	135	1 382	-392	4 536
Operating capital	8 789	4 114	396	11 384	3 207	-963	0	26 929
Investments	287	260	110	69	88	2	0	818

The business area Holmen Paper manufactures printing paper for daily newspapers, magazines, directories/manuals, catalogues, advertising material and books at two Swedish mills and one Spanish mill. Iggesund Paperboard produces paperboard for consumer packaging and graphics printing at one Swedish and one UK mill. Holmen Timber produces sawn timber at one Swedish sawmill. Production at another sawmill in Sweden started at the turn of 2010/2011. Annual production capacity in 2010 was 1 915 000 tonnes of printing paper, 530 000 tonnes of paperboard and 310 000 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 2.5 million cubic metres. Holmen Energi is responsible for the Group's hydro 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. 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 staff units 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	
	2010	2009	2010	2009
Sales of by-products	291	186	240	111
Emission allowances	26	24	26	25
Electricity certificates	56	71	48	63
Sales of non-current assets	84	31	10	8
Rental and tenancy income	21	22	19	19
Silviculture contracts	55	52	55	52
Other	329	215	255	169
Total	862	600	652	447

Of the sales of by-products in the Group, SEK 193 million (124) relates to rejects from production, SEK 64 million (34) to sawdust, bark, chips etc, and SEK 34 million (28) to external sales of energy.

The Group has been allotted emission allowances which, for the most part, have been used for its own production. The surplus resulted in a recognised profit of SEK 26 million (24).

Income from electricity certificates received from the production of renewable energy at the Group's Swedish mills amounted to SEK 56 million (71).

The "Other" item includes compensation for industrial action from the employer organisation the Confederation of Swedish Enterprise.

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

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
WAGES, SALARIES AND SOCIAL SECURITY COSTS				
Wages, salaries and other remuneration	1 928	1 866	1 364	1 292
Social security costs	695	720	582	583

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

The 2008 AGM decided on the following guidelines for determining the salaries and other remuneration of the CEO and other senior management, namely the business area managers and heads of Group staff functions who report directly to the CEO.

Salary and other remuneration

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

Pension

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

Notice and severance pay

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

Incentive scheme

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

Remuneration committee

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

Departures in individual cases

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

Incentive scheme

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

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

Remuneration of Board and senior management

Board

A fixed Board fee shall be paid to the members of the Board elected by the AGM, except for the CEO, who does not receive any Board fee. For 2010, the fee amounted to SEK 2 475 000 (2 475 000). The chairman received a fee of SEK 550 000 (550 000), and each of the other members (except for the CEO) received SEK 275 000 (275 000).

Senior management

The CEO's salary and other benefits for 2010 amounted to SEK 7 366 343 (6 768 603). In 2010, the total pension cost attributable to the CEO (ITP cost and the cost of benefits over and above ITP), calculated in accordance with IAS 19, amounted to SEK 3 989 060 (3 263 711). No variable remuneration was paid.

In 2010, the salaries and other benefits of the other senior management, i.e. the five business area managers and the heads of the five Group staff units who report directly to the CEO, amounted to a total of SEK 17 814 918 (18 206 318). The total pension cost (ITP cost and the cost of benefits over and above ITP), calculated in accordance with IAS 19, for this group amounted to SEK 9 456 367 (10 897 672) in 2010. 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. For the CEO, a termination benefit of two years' salary is paid.

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

Pension commitments in respect of the Board and senior management

Holmen's pension commitments over and above the ITP plan for the CEO amounted to SEK 17 million (15) at 31 December 2010 and for other members of senior management to SEK 53 million (63), calculated in accordance with IAS 19. The Group also has a SEK 7 million (7) commitment for one Board member, Göran Lundin, former CEO of Holmen. The pension commitments are secured using plan assets managed by an independent pension fund.



	AVERAGE NUMBER OF FULL-TIME EQUIVALENTS		OF WHOM WOMEN	
	2010		2009	
Parent company				
Sweden	3 013	575	3 227	589
Group companies				
Sweden	-	-	-	-
Australia	2	2	3	2
Belgium	-	-	1	-
Denmark	-	-	2	1
Estonia	17	5	20	6
France	33	8	34	8
Germany	23	8	22	8
UK	433	41	514	53
Hong Kong	5	1	5	1
Italy	7	4	8	4
The Netherlands	107	37	116	46
Poland	7	4	7	4
Portugal	2	1	2	1
Singapore	5	3	6	4
Spain	578	116	596	119
Switzerland	5	1	6	2
USA	6	1	8	2
Total Group companies	1 229	231	1 350	261
Total Group	4 241	806	4 577	850

The year's decrease in the number of employees is mainly an effect of staff cuts at Hallsta Paper Mill and Braviken Paper Mill, redundancies in connection with the shut-down of board machine BM 1 at Workington, and the closure of Wargön Mill.

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
PROPORTION OF WOMEN, %				
Board (excl. deputy members)	17	17	17	17
Senior management	9	9	9	9

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
SICKNESS ABSENCE IN SWEDEN, %				
Total sickness absence	3.5	3.8	3.7	3.8
Long-term sick leave (>60 days)	1.0	1.7	1.2	1.7
Sickness absence, men	3.6	3.8	3.6	3.8
Sickness absence, women	4.3	3.7	4.3	3.7
Employees below 29 years of age	2.3	2.4	2.3	2.4
Employees between 30 and 49 years of age	3.1	3.1	3.1	3.1
Employees aged 50 years and above	4.7	4.7	4.7	4.7

NOTE 5. Auditors' fee and remuneration

The audit firm KPMG was elected by the 2008 Annual General Meeting as Holmen's auditors for a period of four years (2008–2011). KPMG audits the books of Holmen AB and almost all of its subsidiaries.

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
REMUNERATION TO KPMG				
Audit assignments	7	8	4	4
Tax advice	2	3	2	1
Other services	2	2	1	0
Total	12	13	7	5
Other auditors	0	0	-	-
Total	12	13	7	5

"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. Gains/losses from financial instruments

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
FINANCE INCOME				
Dividend income from Group companies	-	-	14	1 156
Gains on sales of Group companies	-	-	5	-
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss for the year				
- Held for financial risk management*	-79	5	-79	5
- Other	66	0	66	0
Cash and cash equivalents	15	-	15	-
Interest income	10	7	6	13
Total finance income	12	12	26	1 174
FINANCE COSTS				
Impairment losses on value of shares in Group companies	-	-	-	-436
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss for the year				
- Held for financial risk management*	-14	-38	252	114
- Other	33	23	-	-
Cash and cash equivalents	-	31	-	31
Other financial liabilities	-	1	205	102
Total net profit	19	18	457	247
Interest costs **	-240	-284	-212	-239
Finance costs	-220	-267	246	-428
Net financial items	-208	-255	272	746

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

** SEK -81 million (-63) in the Group refers to interest costs on liabilities measured at fair value through profit/loss for the year. Those in the parent company amounted to SEK -81 million (-63). 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 loans measured at fair value via the income statement and interest rate swaps used to hedge loans at fixed rates of interest. The parent company's net finan-

cial items also include currency revaluation of external loans and forward contracts that hedge net investment in foreign operations. These items are recognised in the Group in other comprehensive income. The fair value of the interest component in currency forward foreign exchange contracts as well as value changes in accrued interest and realised interest in fixed-interest-rate swaps are recognised on an ongoing basis in net interest items.

Changes in the value of the loan that is measured at fair value in accordance with the fair value option had an impact of SEK 33 million (23) on earnings, of which changes in market interest rates accounted for a change in value of SEK 0 million (decrease of 8). The accumulated changes in value of SEK 107 million (73) were recognised in the income statement. Changes in the value of the swap that belongs to the loan measured at fair value using the fair value option had a negative impact of SEK 14 million (negative impact of 5) on earnings. The loan measured at fair value using the fair value option with the related swap matured in 2010. The change in value for the loan hedged regarding fair value had a SEK 1 million (3) impact on earnings, while the related interest rate swap lowered earnings by SEK 1 million (lowered by 3). This loan and the related interest rate swap also matured during the year. There were no changes in value for loans in the parent company.

Information on financial risks is stated in the administration report on pages 36–39.

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

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Exchange gains/losses on trade receivables and trade payables	-136	-26	-136	-7
Net gain/loss on derivatives stated in working capital	192	-343	214	-403
Interest income on trade receivables	1	1	1	1
Interest costs on trade payables	-3	-3	-3	-3

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

Note 7. Taxes

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
TAXES STATED IN INCOME STATEMENT				
Current tax	38	-474	-124	-307
Deferred tax	-722	114	-74	-24
Total	-684	-360	-198	-331

The year's tax rate for the Group was 49 per cent and was mainly affected by loss carry-forwards not recorded. See the table below.



	GROUP				PARENT COMPANY			
	2010		2009		2010		2009	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit before tax	1 388		1 366		570		1 995	
Tax at applicable rate	-365	26.3	-359	26.3	-150	26.3	-525	26.3
Difference in tax rate in foreign operations	-2	0.1	2	-0.1	0	0.0	0	0.0
Non-taxable income and non-deductible costs	-8	0.6	-2	0.1	3	-0.5	188	-9.4
Standard interest on tax allocation reserve	-14	1.0	-15	1.1	-14	2.5	-15	0.8
Effect of not stated loss carry-forwards and temporary differences	-287	20.7	-30	2.2	1	-0.1	-8	0.4
Tax attributable to previous periods	4	-0.3	31	-2.3	-37	6.5	29	-1.4
Change in tax rate on deferred tax asset/liability	0	0.0	0	0.0	0	0.0	0	0.0
Provision to cover uncertain tax disputes	0	0.0	0	0.0	0	0.0	0	0.0
Other	-11	0.8	13	-1.0	0	0.0	0	0.0
Effective tax	-684	49.3	-360	26.4	-198	34.7	-331	16.6

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	GROUP						PARENT COMPANY					
	BEFORE TAX	TAX	AFTER TAX	BEFORE TAX	TAX	AFTER TAX	BEFORE TAX	TAX	AFTER TAX	BEFORE TAX	TAX	AFTER TAX
	2010			2009			2010			2009		
Cash flow hedges	686	-181	506	910	-240	670	923	-243	680	919	-242	677
Translation differences on foreign operations	-631	-	-631	-256	-	-256	-	-	-	-	-	-
Hedging of currency risk in foreign operations	472	-124	348	254	-66	188	-	-	-	-	-	-
Actuarial revaluations	97	-28	69	15	-4	11	-	-	-	-	-	-
Other comprehensive income	625	-333	292	923	-310	613	923	-243	680	919	-242	677

TAXES AS STATED IN BALANCE SHEET

	GROUP		PARENT COMPANY			GROUP		PARENT COMPANY	
	2010	2009	2010	2009		2010	2009	2010	2009
DEFERRED TAX ASSETS					DEFERRED TAX LIABILITIES				
Loss carry-forwards	242	307	-	-	Non-current assets				
Pension provisions	33	68	-	-	Biological assets*	3 241	2 922	644	644
Deferred tax liabilities stated net among deferred tax assets	-66	-72	-	-	Property, plant and equipment	1 823	1 600	-3	-4
Other	1	1	-	-	Tax allocation reserve	660	618	-	-
Total deferred tax assets	210	304	-	-	Transactions subject to hedge accounting	146	-34	190	-53
Current tax receivable	4	22	-	-	Other, including deferred tax assets stated net among deferred tax liabilities	40	-61	24	-49
Total tax receivables	214	326	-	-	Total deferred tax liabilities	5 910	5 045	855	538
					Provisions for taxes	46	692	45	45
					Current tax liability	112	102	104	94
					Total tax liabilities	6 069	5 839	1 005	678

* For parent company this relates to forest land.



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

	GROUP					PARENT COMPANY			
	OPENING BALANCE	STATED IN THE INCOME STATEMENT	STATED IN OTHER COM- PREHENSIVE INCOME	TRANSLATION DIFFERENCES AND OTHER	CLOSING BALANCE	OPENING BALANCE	STATED IN THE INCOME STATEMENT	STATED IN OTHER COM- PREHENSIVE INCOME	CLOSING BALANCE
2010									
Biological assets*	-2 922	-292	-	-27	-3 241	-644	0	-	-644
Property, plant and equipment	-1 672	-253	-	35	-1 889	4	-1	-	3
Pension provisions	78	-8	-28	-4	38	-	-	-	-
Loss carry-forwards	307	-33	-	-32	242	-	-	-	-
Tax allocation reserve	-618	-42	-	-	-660	-	-	-	-
Other	86	-95	-181	0	-190	102	-73	-243	-214
Deferred net tax liability	-4 741	-722	-209	-28	-5 700	-538	-74	-243	-855

	GROUP					PARENT COMPANY			
	OPENING BALANCE	STATED IN THE INCOME STATEMENT	STATED IN OTHER COM- PREHENSIVE INCOME	TRANSLATION DIFFERENCES AND OTHER	CLOSING BALANCE	OPENING BALANCE	STATED IN THE INCOME STATEMENT	STATED IN OTHER COM- PREHENSIVE INCOME	CLOSING BALANCE
2009									
Biological assets*	-2 914	-8	-	-	-2 922	-635	-9	-	-644
Property, plant and equipment	-1 597	52	-	-126	-1 672	4	0	-	4
Pension provisions	80	1	-4	2	78	-	-	-	-
Loss carry-forwards	347	-31	-	-10	307	-	-	-	-
Tax allocation reserve	-721	103	-	-	-618	-	-	-	-
Other	328	-3	-240	0	86	359	-15	-242	102
Deferred net tax liability	-4 477	114	-244	-135	-4 741	-272	-24	-242	-538

* 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 expense recognised in the Group's income statement relates primarily to a change in temporary differences and utilisation of loss carry-forwards. The amount recognised in Other comprehensive income includes deferred tax related to negative changes of SEK 181 million in hedging reserves (239) and negative impact of SEK 28 million from actuarial revaluations (4).

Of the deferred tax asset in respect of the carry-forwards of unused tax losses, a sum of SEK 56 million relates to loss carry-forwards with no time limitations regarding when they may be utilised. Other loss carry-forwards expire if they are not utilised 2015–2022. The carry-forwards of unused tax losses and temporary differences for which deferred tax assets have not been recognised in the income statement or balance sheet amount to SEK 3 220 million, of which SEK 200 million expire in 2011 and SEK 1 380 million expire 2022–2025. Whether a deferred tax asset is recognised or not depends on an assessment of how likely it is that the Group will be able to utilise it by offsetting it against future taxable profits.



Note 8. Earnings per share (EPS)

	GROUP	
	2010	2009
Total number of shares outstanding, 1 January	83 996 162	83 996 162
Buy-back of company's own shares during the year	-	-
Total number of shares outstanding, 31 December	83 996 162	83 996 162
Average number of shares, before dilution	83 996 162	83 996 162
Effect of options	-	-
Average number of shares, after dilution	83 996 162	83 996 162
Shareholders' share of profit for the year, SEKm	704	1 006
Average number of shares before dilution	83 996 162	83 996 162
Basic EPS for the year, SEK	8.4	12.0
Shareholders' share of profit for the year, SEKm	704	1 006
Average number of shares after dilution	83 996 162	83 996 162
Diluted EPS for the year, SEK	8.4	12.0

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

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

The exercise price of SEK 224.50 exceeds the average share price for 2010 (SEK 195 per share). The options will therefore have no dilution effect as defined in IAS 33, and were excluded from the calculation of diluted EPS. If the average listed price in the future exceeds the exercise price, these options will give rise to an estimated dilution effect, which is calculated in accordance with IAS 33.

Note 9. Intangible non-current assets

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
ACCUMULATED ACQUISITION COST				
Opening balance	98	170	19	77
Investments	0	0	-	-
Re-classification	-	-69	-	-58
Disposal and retirement of assets	-	0	-	-
Translation differences	-6	-3	-	-
Total	93	98	19	19
ACCUMULATED AMORTISATION ACCORDING TO PLAN				
Opening balance	71	64	4	1
Amortisation for the year	7	9	3	3
Translation differences	-5	-2	-	-
Total	73	71	6	4
Closing residual value according to plan	19	27	12	15

Intangible non-current assets mostly consist of IT systems of SEK 14 million (17). These assets were largely acquired from external sources. They have determinable useful lives and are amortised over 5–20 years. No goodwill applies.



Note 10. Property, plant and equipment

	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		WORK IN PROGRESS AND ADVANCE PAY- MENTS TO SUPPLIERS		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<i>GROUP</i>										
Accumulated acquisition cost										
Opening balance	100	100	6 071	5 906	26 763	27 092	199	221	33 134	33 319
Investments	-	-	6	95	1 170	546	659	107	1 836	748
Re-classifications	-	-	-82	181	-99	72	-37	-128	-219	126
Disposal and retirement of assets	-	-	-63	-19	-419	-708	-	-	-482	-726
Translation differences	0	0	-221	-93	-755	-239	-3	-1	-978	-333
Total	100	100	5 711	6 071	26 660	26 763	819	199	33 290	33 134
Accumulated depreciation and impairment losses										
Opening balance	-	-	2 849	2 775	17 812	17 401	-	-	20 661	20 176
Depreciation for the year according to plan	-	-	131	141	1 112	1 170	-	-	1 243	1 311
Impairment losses for the year	-	-	137	-	418	22	-	-	555	22
Re-classifications	-	-	5	-31	-52	31	-	-	-48	-
Disposal and retirement of assets	-	-	-60	-15	-401	-701	-	-	-460	-716
Translation differences	-	-	-76	-22	-462	-112	-	-	-538	-133
Total	-	-	2 985	2 849	18 427	17 812	-	-	21 413	20 661
Closing residual value according to plan	100	100	2 726	3 222	8 233	8 952	819	199	11 877	12 473

	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009
<i>PARENT COMPANY</i>								
Accumulated acquisition cost								
Opening balance	79	79	143	137	231	222	454	438
Investments	0	0	-	6	40	33	40	40
Re-classifications	-	-	-	-	1	-	-	-
Disposal and retirement of assets	0	0	-4	0	-18	-24	-22	-24
Total	80	79	139	143	253	231	472	454
Accumulated depreciation according to plan								
Opening balance	-	-	126	125	155	155	281	280
Depreciation for the year according to plan	-	-	1	1	25	23	27	24
Disposal and retirement of assets	-	-	-2	0	-18	-24	-20	-24
Total	-	-	126	126	162	155	288	281
Accumulated revaluations								
Opening balance	2 416	2 416	1	1	-	-	2 417	2 417
Disposal and retirement of assets	0	0	0	0	-	-	0	0
Total	2 416	2 416	1	1	-	-	2 417	2 417
Closing residual value according to plan	2 496	2 496	14	18	91	77	2 601	2 590



	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
ASSESSED TAX VALUES				
Assessed tax values relate to assets in Sweden				
Forest and agricultural properties	14 552	14 517	6 790	6 795
Buildings, other land and land installations	3 042	3 056	26	28
Total	17 594	17 573	6 816	6 823

The Group's impairment losses on property, plant and equipment are stated in the income statement in the line item Impairment losses. In 2010, impairment losses of SEK 555 million were recognised in the Holmen Paper business area following the decision to shut down one of the paper machines at the mill in Madrid. For 2009, impairment losses of SEK 22 million on property, plant and equipment were attributable to the shut-down of a board machine at Workington Mill that belongs to the Iggesund Paperboard business area.

The year's investments were reduced by SEK 2 million (2) as a result of the support received from the Swedish Energy Agency of SEK 40 million in total for the construction of a new pulp line at Braviken Paper Mill.

The Group's investment commitments for approved and ongoing projects amounted to SEK 2 130 million (1 581) at 31 December 2010. The company's capitalised borrowing costs were SEK 24 million (1) in 2010 and are recognised as Work in progress and advance payments to suppliers. An interest rate of 4 per cent (3) was used to determine the amount.

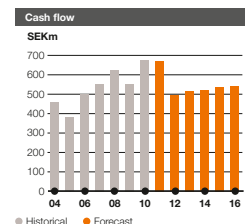
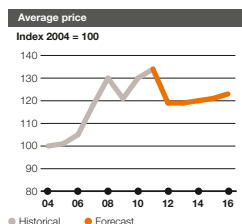
The assessed tax values are determined by the Swedish Tax Agency by means of a property assessment and are then used for determining the property tax charge. No property tax is charged on forest land.

Note 11. Biological assets

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

In total, Holmen owns 1 032 100 hectares of productive forest land, with a volume of 120 million cubic metres of standing volume, of which 68 500 hectares with 13 million cubic metres of standing volume have been set aside as nature reserves. The current harvesting plan, which came into effect in 2000, is based on harvesting during the 2000–2009 period of on average 2.5 million m³ of timber and pulpwood per year. The same plan states that the annual harvesting for the 2010–2019 period will be more than 1 per cent higher. The harvesting volume is then planned to increase gradually and then stabilise at about 3.0 million m³ per year in about 40 years' time. This corresponds to an average increase in harvesting of 0.4 per cent per year. Just over 50 per cent of the wood harvested consists of timber that is sold to sawmills, and the remainder mainly consists of pulpwood, which is sold to the pulp and paper industry. A new harvesting plan is estimated to be complete in 2011 and may entail different harvesting rates.

In 2010, cash flow from the growing forests rose to SEK 673 million (552), mainly as a result of higher prices and more harvesting. On average, the cash flows in 2001–2009 amounted to approximately SEK 510 million per year. Holmen based its valuation of 31 December 2010 on the prices prevailing at the end of the year. An assumption has been made that prices will fall somewhat in 2012, see the following graph. From 2012 and thereafter, long-term price assumptions have been used, with an annual increase of 1 per cent until 2035 and thereafter a rise of 2 per cent a year. The cash flow forecast for 2011–2016 is shown in the following figure. Costs are estimated to increase from present-day levels by about 2 per cent per year. The price and cash flows for the period 2017–2035 are estimated to increase by 0.5 per cent per year, after which they are expected to increase broadly in line with the assumed level of inflation of 2 per cent.



The cash flows are discounted using an interest rate of 5.5 per cent (2009: 5.5) after tax. The discount rate was calculated on the basis of the Group's target for its debt/equity ratio (on average 0.55), an assumed long-term, nominal risk-free interest rate of 4.5 per cent, a risk premium of 1 per cent for borrowed capital and of 2 per cent for equity. Tax is taken into account at a rate of 26.3 per cent.

Deferred tax, i.e. the tax that is expected to be charged against the earnings from harvesting in the future, has been calculated on the total value of growing forests.

The value of the forest assets was estimated at the end of 2010 at SEK 12 161 million, i.e. the value of the estimated cash flows before tax. The attributable deferred tax liability was estimated at SEK 3 241 million. The net carrying amount after tax of the growing forests was SEK 8 920 million.

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

	2010	2009
GROUP		
Opening balance	11 109	11 080
Acquisition of growing forest	8	5
Sales of growing forest	0	0
Change due to harvesting	-673	-552
Change in fair value	1 775	568
Other changes	-57	8
Closing carrying amount	12 161	11 109

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 2010, this amounted to SEK 1 102 million (16). Of this amount, SEK 1 050 million is due to the assumption about future wood prices in the valuation being raised by just under 4 per cent. Following this, the long-term price level in the valuation is about 10 per cent lower than the current market prices for wood.

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	470	350
Price inflation	430	320
Cost inflation	-250	-180
Change in level, +1%		
Harvesting	170	120
Prices	310	230
Costs	-160	-120
Discount rate, +0.1%		
	-280	-200

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 1.0 per cent to 1.1 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).



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

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
ASSOCIATES				
Carrying amount at start of year	1 770	1 824	84	77
Investments	34	4	34	4
Disposals	-	-15	-	0
Re-classifications	-	3	-	3
Interest in associates' earnings	-38	45	-	-
Dividends received	-	-80	-	-
Translation difference	-18	-12	-	-
Impairment losses	-	-	-	-
Carrying amount at 31 December	1 748	1 770	118	84

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

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
OTHER SHARES AND PARTICIPATING INTERESTS				
Carrying amount at start of year	10	11	9	11
Investments	2	3	2	2
Disposals	-	-	-6	-
Re-classifications	-	-3	-	-3
Translation difference	0	0	-	-
Impairment losses	-	0	-	0
Carrying amount at 31 December	12	10	5	9

During the year, the parent company sold its shares in SweetTree Technologies AB to the subsidiary Holmen Ventures KB, which is reported in the line item Disposals (SEK -6 million). There were no impairment losses on other shares and interests during the in 2010.

PARENT COMPANY AND GROUP HOLDINGS OF SHARES AND INTERESTS IN ASSOCIATES

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTER-EST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN GROUP ACCOUNTS, SEK THOUSANDS	INTER-EST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN GROUP ACCOUNTS, SEK THOUSANDS
					2010			2009	
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
Härsele AB	556036-9398	Vännäs	9 886	49.4	-	1 472 396	49.4	-	1 481 898
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	1 856	13 880	36.0	1 856	11 596
Industriskog AB	556193-9470	Falun	25 000	33.3	37	37	33.3	37	37
Pressretur AB	556188-2712	Stockholm	334	33.4	-	-	33.4	-	-
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
Vindlin AB	556713-5172	Stockholm	200	17.2	38 910	39 766	14.28	6 910	7 224
ScandFibre Logistics AB	556253-1474	Stockholm	2 000	20.0	2 000	2 000	-	-	-
Baluartes Sociedade de Recolha e Recuperação de Desperdícios, Lda, Portugal		Alcochete	2	50.0	-	39 707	50.0	-	41 736
Ets Emilie Llau S.A., France		Lorp-Sentaraille	678	24.0	-	22 876	24.0	-	24 257
Peninsular Cogeneración S.A., Spain		Madrid	4 500	50.0	-	45 789	50.0	-	92 031
Total					117 767	1 747 815		83 767	1 770 143

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



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

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTER- EST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLD- ING IN GROUP ACCOUNTS, SEK THOUSANDS	INTER- EST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN GROUP AC- COUNTS, SEK THOUSANDS
					2010			2009	
Parent company									
Industrikraft i Sverige AB	556761-5371	Stockholm	100 000	20.0	4 500	4 500	20.0	2 800	2 800
SweTree Technologies AB	556573-9587	Umeå	-	-	-	-	2.7	6 280	6 280
Miscellaneous shares owned by the parent company					389	389		389	389
Total					4 889	4 889		9 469	9 469
Group									
SweTree Technologies AB	556573-9587	Umeå	73 500	2.6	-	6 920	-	-	-
Miscellaneous shares						631			348
Total					4 889	12 439		9 469	9 816

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

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

Brännälvens Kraft AB, Gidekraft AB, Vattenfall Tuggen AB and VindIn AB are classified as associates even though the holdings are less than 20 per cent, since shareholder agreements provide significant influence over each company's activities.

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

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Income	1 165	814	655	378
Profit/loss	37	40	-1	-2
Assets	775	763	246	209
Liabilities	452	447	161	156
Equity	324	315	84	53



Note 13. Financial instruments

	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS								
	LOANS VALUED AT FAIR VALUE	DERIVA- TIVES	DERIVATIVES WITH HEDGE ACCOUNTING	TRADE RECEIV- ABLES AND LOAN RE- CEIVABLES	AVAILABLE- FOR-SALE ASSETS	OTHER LIABILITIES	TOTAL CARRYING AMOUNT	FAIR VALUE	
GROUP 2010									
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT									
Non-current financial receivables	-	-	-	-	-	-	-	-	
Deposits with credit institutions	-	-	-	16	-	-	16	16	
Derivatives	-	-	41	-	-	-	41	41	
Other financial receivables	-	-	-	132	-	-	132	132	
	-	-	41	148	-	-	188	188	
CURRENT FINANCIAL RECEIVABLES									
Accrued interest	-	-	-	1	-	-	1	1	
Derivatives	-	0	56	-	-	-	56	56	
Other financial receivables	-	-	-	17	-	-	17	17	
	-	0	56	17	-	-	73	73	
CASH AND CASH EQUIVALENTS									
Current deposit of cash and cash equivalents	-	-	-	10	-	-	10	10	
Bank balances	-	-	-	182	-	-	182	182	
	-	-	-	193	-	-	193	193	
NON-CURRENT LIABILITIES									
MTN loans	-	-	-	-	-	- 2 098	- 2 098	- 2 161	
Loans from banks and other credit institutions	-	-	-	-	-	- 1 554	- 1 554	- 1 556	
Derivatives	-	-	- 14	-	-	-	- 14	- 14	
	-	-	- 14	-	-	- 3 652	- 3 666	- 3 730	
CURRENT LIABILITIES									
Commercial paper programme	-	-	-	-	-	- 1 964	- 1 964	- 1 964	
Bank account liabilities	-	-	-	-	-	- 202	- 202	- 202	
Current portion of long-term loans	-	-	-	-	-	- 97	- 97	- 102	
Derivatives	-	- 13	- 16	-	-	-	- 29	- 29	
Accrued interest	-	-	-	-	-	- 46	- 46	- 46	
Other current liabilities	-	-	-	-	-	- 12	- 12	- 12	
	-	- 13	- 16	-	-	- 2 320	- 2 349	- 2 354	
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT									
Other shares and participating interests	-	-	-	-	12	-	12	-	
Trade receivables	-	-	-	2 518	-	-	2 518	2 518	
Derivatives (recognised among operating receivables)	-	100	642	-	-	-	742	742	
Trade payables	-	-	-	-	-	- 2 453	- 2 453	- 2 453	
Derivatives (recognised among operating liabilities)	-	- 2	- 45	-	-	-	- 46	- 46	
TOTAL FINANCIAL INSTRUMENTS	-	86	664	2 876	12	- 8 425	- 4 785	- 4 867	

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

Current financial receivables consist of fixed income investments and lending for durations of up to one year, accrued interest income and unrealised exchange gains. Current financial receivables substantially have fixed interest periods of under three months, and thus involve a very limited interest rate risk.

Cash and cash equivalents refers to bank balances and investments that can be readily converted into cash for a known amount and with a duration of no more than three months from the date of acquisition, which also means that the interest rate risk is negligible. Cash and cash equivalents are placed in bank accounts or as current deposits at banks. The average rate of interest on the Group's financial assets, excluding pension assets, in 2010 was around 1.9 per cent (1.5).

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

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



GROUP 2009	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS				TRADE RECEIV- ABLES AND LOAN RE- CEIVABLES	AVAILABLE- FOR-SALE ASSETS	OTHER LIABILITIES	TOTAL CARRYING AMOUNT	FAIR VALUE
	LOANS VALUED AT FAIR VALUE	DERIVA- TIVES	DERIVATIVES WITH HEDGE ACCOUNTING						
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT									
Non-current financial receivables									
Deposits with credit institutions	-	-	-	21	-	-	21	21	
Derivatives	-	-	-	-	-	-	-	-	
Other financial receivables	-	-	-	131	-	-	131	131	
	-	-	-	151	-	-	151	151	
CURRENT FINANCIAL RECEIVABLES									
Accrued interest	-	-	-	6	-	-	6	6	
Derivatives	-	17	34	-	-	-	51	51	
Other financial receivables	-	-	-	17	-	-	17	17	
	-	17	34	23	-	-	74	74	
CASH AND CASH EQUIVALENTS									
Current deposit of cash and cash equivalents	-	-	-	17	-	-	17	17	
Bank balances	-	-	-	165	-	-	165	165	
	-	-	-	182	-	-	182	182	
NON-CURRENT LIABILITIES									
MTN loans	-	-	-	-	-	- 2 183	- 2 183	- 2 205	
Loans from banks and other credit institutions	-	-	-	-	-	- 1 252	- 1 252	- 1 252	
Derivatives	-	-	- 37	-	-	-	- 37	- 37	
	-	-	- 37	-	-	- 3 435	- 3 472	- 3 495	
CURRENT LIABILITIES									
Commercial paper programme	-	-	-	-	-	- 945	- 945	- 945	
Bank account liabilities	-	-	-	-	-	- 251	- 251	- 251	
Current portion of long-term loans	- 371	-	-	-	-	- 623	- 994	- 994	
Derivatives	-	- 19	- 22	-	-	-	- 41	- 41	
Accrued interest	-	-	-	-	-	- 54	- 54	- 54	
Other current liabilities	-	-	-	-	-	- 12	- 12	- 12	
	- 371	- 19	- 22	-	-	- 1 886	- 2 298	- 2 298	
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT									
Other shares and participating interests	-	-	-	-	10	-	10	-	
Trade receivables	-	-	-	2 712	-	-	2 712	2 712	
Derivatives (recognised among operating receivables)	-	2	223	-	-	-	225	225	
Trade payables	-	-	-	-	-	- 1 911	- 1 911	- 1 911	
Derivatives (recognised among operating liabilities)	-	- 50	- 208	-	-	-	- 258	- 258	
TOTAL FINANCIAL INSTRUMENTS	- 371	- 50	64	3 068	10	- 7 232	- 4 586	- 4 619	

The maturity structure and average interest for the Group's liabilities are stated in the administration report on page 38. SEK 2 343 million of the parent company's liabilities are due for payment within one year. In addition to the financial assets and liabilities identified above, pension liability (see note 17) is also included in net financial debt.

Items measured at fair value belong to measurement level 2 pursuant to IFRS 7. Fair value in the tables was obtained either directly from listed market prices or by calculating the discounted cash flows. In cases where calculations of discounted cash flows were made, all variables used for the calculations, such as discount rates and exchange rates, were taken from market listings. The difference between fair value and carrying amount arises because certain liabilities are not measured at fair (market) value in the balance sheet, but are stated at their amortised cost. In the case of trade receivables and trade payables, the carrying amount is stated as the fair value, as this is judged to be a good reflection of the fair value. Since it has not been possible to determine a reliable fair (market) value for shares and interests, they have been excluded from the tables.

MATURITY STRUCTURE, UNDISCOUNTED AMOUNTS*

	2011	2012	2013	2014	2015-
<i>FINANCIAL LIABILITIES</i>					
Derivatives	- 37	-	- 27	-	-
Other financial liabilities	- 2 413	- 502	- 2 559	- 30	- 857
<i>FINANCIAL RECEIVABLES</i>					
Derivatives	59	-	-	-	41
Other financial receivables	211	12	1	1	134

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



	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS							
	LOANS VALUED AT FAIR VALUE	DERIVA- TIVES	DERIVATIVES WITH HEDGE ACCOUNTING	TRADE RECEIV- ABLES AND LOAN RE- CEIVABLES	AVAILABLE- FOR-SALE ASSETS	OTHER LIABILITIES	TOTAL CARRYING AMOUNT	FAIR VALUE
PARENT COMPANY 2010								
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT								
Non-current financial receivables	-	-	-	-	-	-	-	-
Deposits with credit institutions	-	-	-	-	-	-	-	-
Derivatives	-	-	41	-	-	-	41	41
Receivables from Group companies	-	-	-	2 546	-	-	2 546	2 546
Other financial receivables	-	-	-	28	-	-	28	28
	-	-	41	2 574	-	-	2 615	2 615
CURRENT FINANCIAL RECEIVABLES								
Accrued interest	-	-	-	1	-	-	1	1
Derivatives	-	0	56	-	-	-	56	56
Receivables from Group companies	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	16	-	-	17	17
	-	0	56	17	-	-	73	73
CASH AND CASH EQUIVALENTS								
Current deposit of cash and cash equivalents	-	-	-	-	-	-	-	-
Bank balances	-	-	-	99	-	-	99	99
	-	-	-	99	-	-	99	99
NON-CURRENT LIABILITIES								
MTN loans	-	-	-	-	-	- 2 098	- 2 098	- 2 161
Loans from banks and other credit institutions	-	-	-	-	-	- 1 550	- 1 550	- 1 552
Liabilities to Group companies	-	-	-	-	-	- 1 300	- 1 300	- 1 300
Derivatives	-	-	- 14	-	-	-	- 14	- 14
	-	-	14	-	-	- 4 949	- 4 962	- 5 027
CURRENT LIABILITIES								
Commercial paper programme	-	-	-	-	-	- 1 964	- 1 964	- 1 964
Bank account liabilities	-	-	-	-	-	- 202	- 202	- 202
Current portion of long-term loans	-	-	-	-	-	- 97	- 97	- 102
Derivatives	-	- 13	- 16	-	-	-	- 29	- 29
Accrued interest	-	-	-	-	-	- 46	- 46	- 46
Liabilities to Group companies	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	- 7	- 7	- 7
	-	- 13	- 16	-	-	- 2 314	- 2 343	- 2 348
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT								
Other shares and participating interests	-	-	-	-	5	-	5	-
Trade receivables	-	-	-	1 836	-	-	1 836	1 836
Derivatives (recognised among operating receivables)	-	101	808	-	-	-	909	909
Trade payables	-	-	-	-	-	- 2 048	- 2 048	- 2 048
Derivatives (recognised among operating liabilities)	-	- 4	- 46	-	-	-	- 50	- 50
TOTAL FINANCIAL INSTRUMENTS	-	85	828	4 527	5	- 9 311	- 3 866	-3 941



	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS							
	LOANS VALUED AT FAIR VALUE	DERIVA- TIVES	DERIVATIVES WITH HEDGE ACCOUNTING	TRADE RECEIV- ABLES AND LOAN RE- CEIVABLES	AVAILABLE- FOR-SALE ASSETS	OTHER LIABILITIES	TOTAL CARRYING AMOUNT	FAIR VALUE
PARENT COMPANY 2009								
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT								
Non-current financial receivables								
Deposits with credit institutions	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
Receivables from Group companies	-	-	-	2 602	-	-	2 602	2 602
Other financial receivables	-	-	-	27	-	-	27	27
	-	-	-	2 629	-	-	2 629	2 629
CURRENT FINANCIAL RECEIVABLES								
Accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	51	-	-	-	-	51	51
Receivables from Group companies	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	17	-	-	17	17
	-	51	-	23	-	-	74	74
CASH AND CASH EQUIVALENTS								
Current deposit of cash and cash equivalents	-	-	-	-	-	-	-	-
Bank balances	-	-	-	88	-	-	88	88
	-	-	-	88	-	-	88	88
NON-CURRENT LIABILITIES								
MTN loans	-	-	-	-	-	- 2 183	- 2 183	- 2 205
Loans from banks and other credit institutions	-	-	-	-	-	- 1 240	- 1 240	- 1 240
Liabilities to Group companies	-	-	-	-	-	- 2 193	- 2 193	- 2 193
Derivatives	-	-	- 37	-	-	-	- 37	- 37
	-	-	- 37	-	-	- 5 615	- 5 652	- 5 675
CURRENT LIABILITIES								
Commercial paper programme	-	-	-	-	-	- 945	- 945	- 945
Bank account liabilities	-	-	-	-	-	- 249	- 249	- 249
Current portion of long-term loans	-	-	-	-	-	- 619	- 619	- 619
Derivatives	-	- 19	- 22	-	-	-	- 41	- 41
Accrued interest	-	-	-	-	-	- 54	- 54	- 54
Liabilities to Group companies	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	- 7	- 7	- 7
	-	- 19	- 22	-	-	- 1 875	- 1 916	- 1 916
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT								
Other shares and participating interests	-	-	-	-	9	-	9	-
Trade receivables	-	-	-	1 988	-	-	1 988	1 988
Derivatives (recognised among operating receivables)	-	2	190	-	-	-	192	192
Trade payables	-	-	-	-	-	- 1 489	- 1 489	- 1 489
Derivatives (recognised among operating liabilities)	-	- 50	- 248	-	-	-	- 298	- 298
TOTAL FINANCIAL INSTRUMENTS	-	- 16	- 116	4 729	9	- 8 979	- 4 373	- 4 405



NOTE 14. Inventories

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Raw materials and consumables	943	830	651	534
Timber and pulpwood	305	211	286	182
Finished products and work in progress	1 053	1 081	795	756
Felling rights	848	577	816	541
Electricity certificates and emission allowances	190	152	158	129
Total	3 340	2 850	2 705	2 142

During the year, impairment losses on inventories had a positive impact on earnings as a result of reversal of previous years' impairment losses and amounted to SEK +50 million (-70) for the Group and SEK +69 million (-40) for the parent company.

NOTE 15. Operating receivables

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Trade receivables				
Group companies	-	-	93	114
Associates	43	46	43	46
Other	2 475	2 666	1 700	1 828
Total trade receivables	2 518	2 712	1 835	1 988
Current receivables				
Group companies	-	-	0	0
Associates	14	9	3	5
Other	208	160	188	113
Derivatives	742	225	909	192
Prepayments and accrued income	124	96	84	72
Total other operating receivables	1 088	490	1 184	383
Total operating receivables	3 606	3 202	3 019	2 371

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

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 at closing rates. The provision for anticipated credit losses on trade receivables stood at SEK 20 million (21) at 31 December 2010 and it has been recognised, net, together with trade receivables. During the year, the provision was changed by SEK 2 million (0) as a result of actual credit losses, and by SEK 1 million (8) as a result of changes in the provision for anticipated credit losses.

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 39.

NOTE 16. Equity parent company

31 DEC 2010			
SHARE CAPITAL	NUMBER	QUOTIENT VALUE	SEK m
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		
Total number of shares outstanding	83 996 162		
Issued call options, B shares	758 300		

31 DEC 2009			
SHARE CAPITAL	NUMBER	QUOTIENT VALUE	SEK m
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		
Total number of shares outstanding	83 996 162		
Issued call options, B shares	758 300		

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

At 31 December 2010 the Group's own shareholding was 760 000 shares (760 000). None of the Group's own shares were sold during the year.

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK 913 million (-132) on parent company equity. In the Group, valuation of derivatives and other financial instruments had an impact of SEK 750 million (-96) on equity.

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

The Board proposes that the AGM, to be held on 30 March 2011, approves a dividend of SEK 7 per share. The proposed dividend totals SEK 588 million. The preceding year, the dividend paid was SEK 7 per share (SEK 588 million).

The debt/equity ratio was 0.34 (0.34).

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 36–39.



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 the end of June 2004. Since then, new employees have been offered a defined contribution pension scheme. Occupational pension plans for "blue-collar" employees in Sweden are defined contribution plans.

The commitments arising out of the pension schemes in the UK are placed in trusts. The defined benefit commitments over and above the ITP plan for Group management in Sweden are secured by means of a pension fund. These commitments are recognised in the consolidated accounts as defined benefit plans in accordance with IAS 19. Most of the defined benefit pension commitments on behalf of salaried employees in Sweden are secured by means of insurance policies with Alecta. As Alecta cannot provide sufficient information to permit the ITP plan to be stated in the accounts as a defined benefit plan it is stated in accordance with statement UFR 6 of the Swedish Financial Reporting Board as a defined contribution plan. The year's premiums for pension insurance policies taken out with Alecta amounted to SEK 36 million (37), of which SEK 34 million (35) relates to old age and family pensions. These are included among staff costs in the income statement. Alecta's surplus can be allocated to policyholders and/or the persons insured. At the end of 2010, Alecta's collective consolidation level was 146 per cent (141).

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
PENSION COSTS				
Defined benefit plans				
Staff cost	-20	-17	-8	7
Finance income	3	0	2	0
Finance costs	-19	-28	-	-3
Total defined benefit plans stated in income statement	-36	-45	-6	4
Defined contribution plans				
Staff cost	-150	-145	-140	-132
Total recognised in income statement	-186	-190	-146	-128

The year's actuarial adjustment for the Group was SEK 97 million (15), including the cost of associated special employer's contribution of SEK 3 million (2), which was recognised in other comprehensive income. The accumulated actuarial revaluation amounts to SEK -16 million (-113).

The change in the defined benefit commitments and the change in plan assets are specified in the table below. 86 per cent of the commitments relate to the pension plans in the UK.

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
COMMITMENTS				
Commitments at 1 January	-1 706	-1 553	-180	-189
Cost of employment during current period	-20	-21	-17	-6
Interest costs	-85	-87	2	-3
Actuarial gains/losses	-25	-118	-	-
Amount paid in by employees	-5	-7	-	-
Pensions paid	121	105	42	31
Transferred from provisions	-55	-13	-54	-13
Settlements	1	4	-	-
Exchange differences	126	-16	-	-
Commitments at 31 December	-1 650	-1 706	-206	-180

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
PLAN ASSETS				
Fair value of assets at 1 January	1 385	1 199	137	125
Expected return	70	59	-	-
Actuarial gains/losses	118	131	-	-
Real return (parent company)	-	-	9	19
Amounts paid in by employer	56	53	-	-
Amounts paid in by employees	5	7	-	-
Pensions paid	-86	-74	-8	-8
Exchange differences	-112	11	-	-
Fair value of assets at 31 December	1 438	1 385	138	137
Pension provisions, net	-213	-320	-68	-43

Of the Group's total commitments, SEK 71 million (53) refers to those that are not funded, while the rest are wholly or partially funded commitments. Of the parent company's commitments, SEK 68 million (43) are secured under the act on safeguarding pension obligations, Tryggandelagen.

Plan assets by type are as shown below:

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
PLAN ASSETS				
Equity	696	611	54	52
Bonds	724	691	83	85
Current fixed income investments	18	84	1	0
	1 438	1 385	138	137

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

	2010 31 DEC	2009 31 DEC
KEY ACTUARIAL ASSUMPTIONS, GROUP (WEIGHTED AVERAGE), %		
Discount rate	5.3	5.5
Expected return on plan assets	5.4	5.5
Pay increases in the future	4.0	4.2
Inflation in the future	3.2	3.4

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

The discount rate for pension obligations was established on the basis of first-class corporate bonds. A discount rate of 3.5 per cent (4.2) and salary levels at the balance sheet date were used for calculating the amount of the parent company's pension commitment.

	2010	2009	2008	2007	2006
FIVE-YEAR FIGURES, GROUP					
Present value of commitments	-1 650	-1 706	-1 553	-1 769	-1 866
Fair value of plan assets	1 438	1 385	1 199	1 521	1 510
Net	-213	-320	-354	-247	-356
Adjustments based on experience					
Defined benefit commitments	29	-11	-3	4	15
Plan assets	118	131	-237	-6	32

The Group's payments into the funded defined benefit plans in 2011 are expected to amount to SEK 54 million.



Note 18. Other provisions

	PROVISIONS FOR TAXES		OTHER PROVISIONS		TOTAL	
	2010	2009	2010	2009	2010	2009
GROUP						
Carrying amount at start of year	692	692	683	664	1 375	1 357
Provisions during the period	-	-	389	246	389	246
Utilised during the period	-646	-	-218	-224	-864	-224
Re-classifications	-	-	-161	-	-161	-
Translation differences	-	-	-10	-3	-10	-3
Closing carrying amount	46	692	683	683	729	1 375
Of which non-current part of the provisions	46	692	412	409	459	1 102
Of which current part of the provisions	-	-	270	274	270	274
PARENT COMPANY						
Carrying amount at start of year	45	45	559	649	604	695
Provisions during the period	-	-	387	130	387	130
Utilised during the period	-	-	-251	-221	-251	-221
Closing carrying amount	45	45	695	559	740	604
Of which non-current part of the provisions	45	45	477	340	522	386
Of which current part of the provisions	-	-	218	219	218	218

Holmen has one large tax case still in progress, affecting MoDo Capital, a Holmen subsidiary. The County Administrative Court ruled against the company in January 2010. Holmen has appealed against the judgment to the Administrative Court of Appeal. Holmen previously made provision for any costs, and the judgment did not therefore have any impact on earnings, but entailed a tax payment of SEK 611 million in 2010.

Other provisions primarily relate to obligations to restore the environment, as well as staff costs and restructuring costs. The parent company figures also include a provision to cover coming reforestation measures to be taken after completion of final

harvesting (SEK 161 million); the measures are normally carried out within three years of harvesting.

In 2010, new provisions made were primarily for restructuring within Holmen Paper and restoration of the environment. At the end of 2010, provisions of around SEK 250 million had been made to cover restructuring costs regarding staff cuts. These are mainly expected to be paid out in 2011.

Note 19. Operating liabilities

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Trade payables				
Group companies	-	-	147	129
Associates	39	39	-	0
Other	2 414	1 872	1 901	1 360
Total trade payables	2 453	1 911	2 048	1 489
Current liabilities				
Group companies	-	-	0	0
Associates	13	-	-	-
Other	296	253	234	203
Derivatives	46	258	50	298
Accruals and deferred income	733	637	489	429
Total other operating liabilities	1 088	1 149	773	930
Total operating liabilities	3 541	3 060	2 821	2 419

All trade payables are due for payment within one year.

Accruals and deferred income in the parent company mainly consist of staff costs of SEK 202 million (207) and discounts of SEK 51 million (46).

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

Note 20. Operating leases

In 2010, the Group's lease payments amounted to SEK 26 million (25), and the parent company's to SEK 8 million (9). The Group's lease agreements relate to forklift trucks. No new lease agreements of any significance for the business were entered into during the 2010 financial year. No leased equipment was rented out.

The breakdown of future lease payments is as follows:

	GROUP			PARENT COMPANY		
	2011	2012-2016	2017-	2011	2012-2016	2017-
Future lease payments	21	25	0	5	-	-
Present value of future lease payments	20	22	0	5	-	-

The contracts have remaining durations ranging from 1 to 7 years. The Group's future lease payments for existing lease agreements amounted to SEK 40 million at the end of 2009. Those in the parent company amounted to SEK 8 million.

Apart from lease agreements, Holmen has time charter contracts in respect of 5 ships that are used to distribute the company's products. The contracts were entered into in 2006 and 2010 and run for a remaining 1 to 6 years.



Note 21. Pledged collateral and contingent liabilities

PLEDGED COLLATERAL VALUE		TOTAL PLEDGED COLLATERAL	TOTAL PLEDGED COLLATERAL
PROPERTY MORTGAGES	OTHER COLLATERAL		
		2010	2009
GROUP			
For own liabilities			
Financial liabilities	6	11	17
Total	6	11	21
PARENT COMPANY			
For own liabilities			
Financial liabilities	6	-	6
Total	6	0	6

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
CONTINGENT LIABILITIES				
Surety on behalf of Group companies	-	-	118	602
Other contingent liabilities	135	140	59	86
Total	135	140	177	688

During the year the parent company's surety on behalf of the subsidiary Holmen Energi Elhandel expired.

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

Note 22. Related parties

Of the parent company's net sales of SEK 13 338 million (13 436), 0.9 (0.8) per cent relates to deliveries to Group companies. The parent company's purchases from Group companies amounted to SEK 141 million (143).

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).

L E Lundbergföretagen AB is a large shareholder in Holmen (see page 42). Holmen rents office premises for SEK 7 million (7) from Fastighets AB L E Lundberg, which is a group company within L E Lundbergföretagen AB. In 2010, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 550 000 as Board chairman of Holmen.

Transactions with related parties are priced at market-based conditions. The equity holdings in associates that produce hydro and wind power entitle the Group to buy the electricity produced at cost price in relation to the shareholding, which means that the associate only earns a limited profit. Purchased electricity is sold to external customers at market price, and the earnings are stated in the consolidated accounts within the Holmen Energi business area.

In Spain, energy and recovered paper are purchased from associates.

TRANSACTIONS WITH RELATED PARTIES

	SALE OF PRODUCTS TO RELATED PARTIES		PURCHASE OF PRODUCTS FROM RELATED PARTIES		OTHER (E.G. INTEREST, DIVIDEND)		LIABILITY TO RELATED PARTIES		RECEIVABLE FROM RELATED PARTIES	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
GROUP										
Associates	232	220	230	273	1	1	53	39	196	194
PARENT COMPANY										
Subsidiaries	124	103	141	143	11	1 146	1 451	2 363	2 835	2 743
Associates	232	220	4	0	1	1	-	0	81	87

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



Note 23. Interests in Group companies

PARENT COMPANY

	2010	2009
ACCUMULATED ACQUISITION COST		
Carrying amount at start of year	16 676	17 426
Contributions from owners	-	323
Sales	-3	-1 073
Closing balance at 31 December	16 674	16 676
ACCUMULATED REVALUATIONS		
Carrying amount at start of year	2 299	2 299
Closing balance at 31 December	2 299	2 299
ACCUMULATED IMPAIRMENT LOSSES		
Carrying amount at start of year	4 658	4 222
Impairment losses for the year	-	436
Closing balance at 31 December	4 658	4 658
Carrying amount at end of year	14 315	14 318

A number of mergers and liquidations took place in the Group during the year with the aim of simplifying the company structure. In Sweden, AB Iggesunds Bruk, Fiskeby AB and Skärnäs Terminal AB were merged with Holmens Bruk AB. Abroad, mergers were implemented in France, the Netherlands, Switzerland and the US. Gains/losses from liquidations of Group companies are recognised in the line item for Sales (loss of SEK 3 million).

PARENT COMPANY'S DIRECT HOLDINGS OF INTERESTS IN SUBSIDIARIES

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	CARRYING AMOUNT		CARRYING AMOUNT	
				INTEREST, %*	SEK THOUSANDS	INTEREST, %*	SEK THOUSANDS
				2010		2009	
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
Fiskeby AB	556000-9218	Norrköping	-	-	-	100	646 160
Holmen Energi Elhandel AB	556537-4286	Stockholm	1 000	100	100	100	100
Holmens Bruk AB	556002-0264	Norrköping	49 514 201	100	8 867 752	100	4 286 121
Holmen Försäkring AB	516406-0062	Stockholm	10 000	100	45 304	100	45 304
AB Iggesunds Bruk	556000-8053	Hudiksvall	-	-	-	100	3 932 558
MoDo Capital AB	556499-1668	Stockholm	1 000	100	71 552	100	71 552
Skärnäs Terminal AB	556008-3171	Hudiksvall	-	-	-	100	2 913
Other Swedish Group companies					874		3 211
Total Swedish holdings					8 986 065		8 988 402
Holmen S.A.S., France		Paris	40 000	100	5 192	100	5 192
Holmen UK Ltd, UK		Workington	1 197 100	100	1 518 959	100	1 518 959
Holmen Paper UK Ltd **		London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd **		Workington	-	100	-	100	-
Holmen GmbH, Germany		Hamburg		100	655	100	655
Holmen Suecia Holding S.L., Spain		Madrid	9 448 557	100	3 577 265	100	3 577 265
Holmen Paper Madrid S.L. **		Madrid	-	100	-	100	-
Cartón y Papel Reciclado S.A. (Carpa), Spain **		Madrid	-	100	-	100	-
Iggesund Paperboard Asia Pte Ltd, Singapore		Singapore	800 000	100	4 273	100	4 273
Holmen B.V., the Netherlands		Amsterdam	35	100	207 733	100	207 733
Iggesund (Paper & Board) Services B.V. **		Utrecht	-	100	-	100	-
AS Holmen Mets, Estonia		Tallinn	500	100	-	100	-
Other non-Swedish Group companies					14 842		15 029
Total non-Swedish holdings					5 328 919		5 329 106
Total					14 314 983		14 317 508

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



Note 24. Untaxed reserves

PARENT COMPANY

	31 DEC 2010	APPRO- PRIATIONS	31 DEC 2009
<i>ACCUMULATED DEPRECIATION AND AMORTISATION IN EXCESS OF PLAN</i>			
Intangible non-current assets	3	-1	4
Property, plant and equipment	5	-4	9
Total	8	-5	13
<i>TAX ALLOCATION RESERVE</i>			
Assessment of tax 2006	520	-	520
Assessment of tax 2007	490	-	490
Assessment of tax 2008	570	-	570
Assessment of tax 2009	53	-2	55
Assessment of tax 2010	707	-8	715
Assessment of tax 2011	170	170	-
	2 510	160	2 350
Total	2 518	155	2 363

Note 25. Cash flow statement

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
<i>INTEREST PAID AND DIVIDENDS RECEIVED</i>				
Dividends received	-	-	14	1 156
Interest received	10	7	6	19
Interest paid	-218	-287	-166	-272
Total	-208	-280	-146	903

Change in current liabilities

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2010, a number of different short-term loans amounting in total to SEK 5 425 million (8 760) were raised within the Group's commercial paper programme, and SEK 4 405 million (9 295) was repaid. For a specification of cash and cash equivalents, see Note 13.

Note 26. Key assessments and estimates

When preparing financial reports the company's management is required to make assessments and estimates that have an effect on the stated amounts. The assessments and estimates that, in the view of the company's management, are of importance for the amounts stated in the annual report, and that are at significant risk of being altered by future events and new information, mainly include:

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. In 2010, estimates of future wood prices were changed, which increased the carrying amount of biological assets by SEK 1 050 million in excess of a normal change in value. The attributable deferred tax liability increased by SEK 276 million. The carrying amount of biological assets at 31 December 2010 was SEK 12 161 million and the attributable deferred tax liability was SEK 3 241 million, giving a net value of SEK 8 920 million.

Tax

Holmen has one large tax case still in progress, affecting MoDo Capital, a Holmen subsidiary. In January 2010, the County Administrative Court ruled against the company, resulting in a tax payment of SEK 611 million. Holmen previously made provision for any costs and the judgment did not therefore have any impact on earnings. Holmen has appealed against the judgment to the Administrative Court of Appeal. See notes 7, 18 and 21.

Net deferred tax assets of SEK 210 million are recognised in the consolidated accounts on the basis of the assessment that it will probably be possible to utilise them to reduce tax payments in the future. Over and above this, at year-end the Group had loss carry-forwards and tax-related temporary differences corresponding to tax of some SEK 950 million not stated in the consolidated accounts on the grounds for assessment that utilisation must be likely. See note 7.

Pensions

The Group's provision for pensions amounts to SEK 213 million on the basis of defined benefit pension commitments valued at SEK 1 650 million and plan assets of SEK 1 438 million provided to cover them. The value of pension commitments is estimated on the basis of assumptions regarding discount rates, inflation, future pay increases, and demographic factors. These assumptions are normally updated each year, which has an effect on the size of the recognised pension liability and equity. Together with assumptions regarding the expected return on plan assets, these assumptions will have an influence on the coming year's recognised pension cost. See note 17.

Environment

Provisions to cover environment-related measures associated with former activities have been made based on estimated future site-restoration costs. Moreover it is judged that the company has a responsibility for environmental measures that cannot at present be quantified but that could involve costs in the future. See note 21.

Restructuring

Major staff cuts at Hallsta Paper Mill and at the paper mill in Madrid are in progress and one of the paper machines in Madrid will be shut down in spring 2011. At the end of 2010, provisions of about SEK 250 million had been made to cover the restructuring costs. No additional major changes have been announced, but, should the situation alter, further provisions may become necessary.

Impairment testing

Holmen has an obligation to carry out regular impairment testing to determine the need to state new impairment losses and/or reversals. In 2007 impairment losses of SEK 1 603 million were recognised on goodwill and property, plant and equipment within the Holmen Paper business area. This impairment was based on estimates of recoverable amounts using assumptions regarding future changes in prices, volumes and costs, as well as the estimated market cost of capital. In 2010, further impairment losses of SEK 555 million on property, plant and equipment were recognised in the Spanish operation of the Holmen Paper business area as a result of the approaching shut-down of one of the paper machines in Madrid. Changes in conditions may have an effect on the estimated recoverable amount applied in connection with future impairment tests.



Appropriation of profits

	SEK
The following unappropriated earnings of the parent company are at the disposal of the Annual General Meeting:	
Net profit for the 2010 financial year	372 190 814
Retained earnings brought forward	4 862 581 359
	5 234 772 173
The Board of Directors propose that an ordinary dividend of SEK 7 per share (83 996 162 shares) be paid to shareholders	587 973 134
and that the remaining amount be carried forward	4 646 799 039
	5 234 772 173

The Board of Holmen AB has proposed that the 2011 Annual General Meeting resolves in favour of paying a dividend of SEK 7 per share, a total of SEK 588 million, which is unchanged compared to the preceding year. The proposal complies with the Board's policy, in that decisions on dividend are to be based on an appraisal of the Group's profitability, future investment plans and financial position.

The proposed dividend corresponds to 84 per cent of net profit for 2010 and means that 3.5 per cent of equity in the Group at 31 December 2010 will be paid out by way of dividend.

The Board has established that the Group shall have a strong financial position with a debt/equity ratio – defined as net financial debt in relation to equity – in the interval between 0.3 and 0.8. The debt/equity ratio at 31 December 2010 was 0.34. Payment of the proposed dividend would raise the debt/equity ratio by around 0.05.

Holmen AB's equity at 31 December 2010 amounted to SEK 11 149 million, of which non-restricted equity was SEK 5 235 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 913 million on equity. The Group's equity at 31 December 2010 amounted to SEK 16 913 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 financial statements 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 financial statements 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 financial statements were approved for publication by the Board in its decision of 23 February 2011. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting that will be held on 30 March 2011.

Stockholm, 23 February 2011

Fredrik Lundberg
Chairman

Carl Kempe
Deputy chairman

Ulf Lundahl
Board member

Carl Bennet
Board member

Curt Källströmer
Board member

Göran Lundin
Board member

Steewe Björklundh
Board member

Hans Larsson
Board member

Karin Norin
Board member

Kenneth Johansson
Board member

Louise Lindh
Board member

Magnus Hall
Board member and
Chief Executive Officer

Our audit report was submitted on 24 February 2011.

KPMG AB

George Pettersson
Authorised public accountant



Audit report

To the Annual General Meeting of the shareholders in Holmen Aktiebolag.
Corporate identity No. 556001-3301

We have audited the annual report, the Group's financial statements, the accounting records and the administration of the Board of Directors and the CEO of Holmen AB for the year 2010. The annual report and the Group's financial statements are included in the printed version of this document on pages 4–84. The Board of Directors and the CEO have responsibility for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual report and the application of international financial reporting standards, IFRSs, as adopted by the EU and the Swedish Annual Accounts Act when preparing the Group's financial statements. Our responsibility is to express our opinion on the annual report, the Group's financial statements and the administration on the basis of our audit.

We carried out our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable but not absolute assurance that the annual report and the Group's financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO and significant estimates made by the Board of Directors and the CEO when preparing the annual report and the Group's financial statements as well as evaluating the overall presentation of the information in the annual report and the Group's financial statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the CEO. We also examined whether any board member or the CEO in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual report was prepared in accordance with the Swedish Annual Accounts Act and gives a true and fair view of the company's financial position and the result of its operations in accordance with generally accepted accounting principles in Sweden. The Group's financial statements were prepared in accordance with international financial reporting standards, IFRSs, as adopted by the EU and the Swedish Annual Accounts Act and give a true and fair view of the Group's financial position and the result of its operations. A corporate governance report has been drawn up. The administration report and corporate governance report are consistent with the other parts of the annual report and the consolidated financial statements.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Our audit report was submitted on 24 February 2011.

KPMG AB

George Pettersson

Authorised public accountant



Annual General Meeting



7 SEK

is the Board's proposal for dividend per share payable to shareholders; to be decided on at the AGM

The 2011 Annual General Meeting of Holmen AB will be held at "Vinterträdgården", Grand Hôtel (the Royal entrance), Stockholm, at 4.00 p.m. CET on Wednesday 30 March.

Participation in the AGM

Shareholders who wish to participate in the Annual General Meeting shall

- be entered in the register of shareholders maintained by Euroclear Sweden AB no later than Thursday 24 March 2011
- notify the company of their participation by no later than Thursday 24 March 2011.

Notification of participation can be made in the following ways:

- letter to Holmen AB, Group Legal Affairs, Box 5407, 114 84 Stockholm, Sweden
- email to info@holmen.com
- Holmen's website www.holmen.com
- telephone +46-8-666 21 11
- fax +46-8-666 21 80.

Shareholders whose shares are registered in a nominee name should temporarily re-register their shares in their own name with Euroclear Sweden so that this takes effect no later than Thursday 24 March 2011 to be entitled to participate in the Annual General Meeting.

Dividend

The Board has proposed that a dividend of SEK 7 (7) per share be paid to shareholders. The Board has proposed Monday 4 April 2011 as the record date for entitlement to dividend. Provided that the Annual General Meeting resolves in favour of the proposal, the dividend is expected to be distributed by Euroclear Sweden on Thursday 7 April 2011. 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 are collected in the same way, collated and quality-assured. The key indicators for HR data are those in common use in the industry. Most of the indicators are collected monthly through the pay systems.

No material changes have been made to the principles of reporting in comparison with the previous year, except that the accident rate is now reported in the same way as is done in the rest of the industry. The figures for 2006–2009 have been corrected.

As some of the information provided in this report had already been collected by the end of the year it refers to, it might differ slightly from the information finally reported to the authorities. Some of the HR and environmental data now reported for 2009 may therefore have been revised.

One of the board machines at Workington Mill was closed down in December 2009. Workforce reductions were made at Braviken Paper Mill in 2010. This has affected the reporting for 2010. Figures reported for previous years have not been corrected.

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 are reported to the EU annually.

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

Personnel	2010 ¹⁾	2009	2008 ²⁾	2007 ²⁾	2006
<i>EMPLOYEES</i>					
Average number	4 241	4 577	4 829	4 931	4 958
of whom women, %	19.0	18.6	17.9	16.4	17.2
of whom temporary employees, % ³⁾	6.7	6.6	7.0	7.2	–
Average age	45.8	46.3	45.0	45.5	45.7
<i>SICKNESS ABSENCE, %</i>					
Total	3.5	3.7	4.3	4.5	4.4
of which longer than 60 days	1.1	1.4	2.7	2.7	2.8
Good health index (share of employees with no sick leave during the year)	47	47	44	–	–
<i>GENDER EQUALITY, %</i>					
Women managers out of total number of managers	16.5	15.8	12.9	8.9	7.6
Women joining the company out of total new employees	18	27	31	23	23
<i>EDUCATION, %</i>					
Compulsory education	19	19	21	21	23
Upper secondary school	60	61	61	61	60
Higher education, at least 2 years	21	20	18	18	17
Graduates, proportion of new employees	45	45	–	34	37
Women joining the company with higher education qualifications	55	57	–	–	–
<i>STAFF TURNOVER, %</i>					
Staff turnover	9.3	10.7	9.2	6.0	5.8
of which given notice	3.7	6.5	1.3	–	0.6
of which retiring	3.9	2.5	3.7	–	3.1
of which leaving at own request	1.7	1.6	4.2	–	2.2
New employees	3.3	3.5	6.5	5.9	5.6
<i>NUMBER OF INDUSTRIAL ACCIDENTS/1 000 EMPLOYEES</i>					
Industrial accidents, more than 8 hours of absence	24.8	24.9	31.5	22.7	21.2
<i>UNION CO-OPERATION, %</i>					
Units with independent trade unions	97	97	97	97	97
Rate of union membership	70	75	76	83	87
<i>EMPLOYEE SURVEY⁴⁾</i>					
Inblick index	–	623	–	601	–
Leadership index	–	58	–	56	–

1) Data and calculations are based on 4 209 employees. Some small offices with a total of 32 employees are not included.

2) Some data are lacking for 2007 and 2008 due to introduction of a new HR system.

3) The proportion of employees employed on a part-time basis is low, fewer than 5 per cent.

4) The employee survey is conducted every second year. The next one will be in 2011.



Production and environment	2010	2009	2008	2007	2006
<i>INTERNAL SUPPLY OF RAW MATERIALS</i>					
Harvesting in company forests					
Timber, '000 m ³ solid volume under bark	1 353	1 406	1383	1214	1161
Pulpwood, '000 m ³ solid volume under bark	1 646	1 491	1 266	1 361	1 457
Biofuel, GWh	462	540	190	73	13
Electricity production, hydro power GWh	1 145	1 090	1 128	1 193	934
<i>PRODUCTION, '000 TONNES</i>					
Newsprint, standard	731	823	957	1 038	1 011
MF Special	767	679	714	690	744
SC paper	135	137	149	131	127
Coated printing paper	80	75	212	175	162
Paperboard	474	471	494	514	542
Market pulp	40	48	62	50	60
Sawn timber, '000 m ³	285	291	279	272	247
<i>RAW MATERIALS, '000 TONNES</i>					
Wood, million m ³ solid volume under bark ¹⁾	4.44	4.49	4.79	4.66	4.75
Recycled fibre	790	813	999	1040	1025
Purchased pulp	118	128	166	174	214
Thermal energy, GWh	5 839	5 634	6 181	6 148	6 547
Electrical energy, GWh	4 625	4 681	5 156	5 122	5 168
Water consumption, million m ³	82	84	93	92	95
Process wastewater, million m ³	55	57	64	63	63
Plastic granules/foiling material	2.3	2.4	2.4	2.5	3.1
Chemicals ²⁾	153	125	155	178	175
Filler, pigment	204	195	265	268	268
<i>THERMAL ENERGY, GWh</i>					
Production at mills from recovered liquors, bark and wood residues	2 942	2 916	2 959	2 829	2 955
Recovered in the TMP process ³⁾	1 152	1 093	952	955	952
Purchased, natural gas and oil ^{4,5)}	1 744	1 625	2 270	2 364	2 640
<i>ELECTRICAL ENERGY, GWh</i>					
Company hydro power	1 145	1 090	1 128	1 193	934
Company wind power	4	1	–	–	–
Production at mills	481	384	485	472	597
Purchased ^{4,5)}	2 995	3 207	3 543	3 457	3 637
<i>EMISSIONS TO AIR, TONNES</i>					
Sulphur dioxide (counted as sulphur, S)	176	199	235	230	250
Nitrogen oxides	1 465	1 608	1 697	1 670	2 065
Particulates	98	91	131	118	133
Carbon dioxide, '000 tonnes					
-Fossil	303	252	399	419	482
-Biogenic	1 082	988	1 062	1 096	1 150
<i>EMISSIONS TO WATER, TONNES</i>					
COD (organic matter), '000 tonnes	17.3	19.9	25.2	24.5	24.5
Suspended solids	3 123	3 726	5 358	4 672	4 080
AOX (chlorinated organic matter)	53.6	54.3	66.3	66.1	66.4
Nitrogen	243	269	374	318	366
Phosphorus	14.7	19.4	27.3	20.4	24.3
<i>WASTE, '000 TONNES</i>					
Hazardous ⁶⁾	0.7	1.4 ⁷⁾	1.6	0.8	1.6
Sent to landfill (wet)	24	23	35	43	55
Utilised or recycled ⁸⁾	432	435	496	468	433
Energy production, internally/externally	553	513 ⁷⁾	763	745	758
<i>DELIVERIES</i>					
Thermal energy, GWh	123	115	107	106	99
Tall oil, '000 tonnes ⁹⁾	4.4	4.0	5.5	10.0	10.5



Electric energy	2010	2009	2008	2007	2006
<i>SHARE OF HOLMEN'S TOTAL CONSUMPTION, %</i>					
Company hydro power	25	23	22	23	18
Company back-pressure power	10	8	9	8	12
Purchased electricity	65	69	69	69	70

Thermal energy	2010	2009	2008	2007	2006
<i>SHARE OF HOLMEN'S TOTAL CONSUMPTION, %</i>					
Biofuel	50	52	48	46	45
Recovered thermal energy	20	19	15	14	14
Natural gas	15	13	15	14	15
Oil, LPG	8	6	12	16	16
Purchased thermal energy	7	10	10	10	10

Environmental protection	2010	2009	2008	2007	2006
<i>COSTS/INCOME, SEKm</i>					
Direct investments (for treatment of emissions)	51 ¹⁾	127	92	6	16
Power and heat-saving investments	52 ²⁾	34	396	189	-
Environmental taxes and charges	35 ³⁾	35	60	62	78
Internal and external environmental costs ⁴⁾	182	197	224	198	177
Environmental cost of forestry ⁵⁾	70	60	60	60	50
Emission allowances – income	26	24	18	1	5
Electricity certificates – income	56	71	72	49	41

- 1) Most of the amount stated comprises installation of treatment equipment for weak gases in conjunction with the recovery boiler project at Iggesund Mill. Costs of the installation for treatment of wastewater at the same mill also account for a significant share of the sum stated.
- 2) Most of the stated sum comprises environmentally related parts of the recovery boiler project at Iggesund Mill. Environmentally related costs to improve the efficiency of energy use at Workington Mill also account for a significant portion.
- 3) About 40 per cent of the costs consist of carbon dioxide tax paid. Costs of bought-in water for and waste management at Holmen Paper Madrid also account for significant portions of the amount stated.
- 4) This includes costs of environmental personnel, operation of cleaning equipment, waste management, supervision, applications for permits and various types of environmental consultants.
- 5) The environmental cost of forestry is estimated as the value of the wood that is not harvested for environmental reasons. Holmen sets aside around 10 per cent of its productive forest acreage and thus refrains from harvesting around 10 per cent of the potential volume. The annual loss of income is estimated at around SEK 70 million.

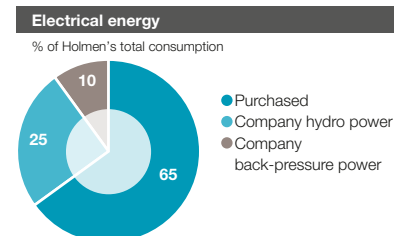
Holmen forests in 2010

Total land acreage	1 264 400 ha
Productive forest land	1 032 100 ha
-of which nature areas set aside	68 500 ha
-productive land excl. nature areas	963 600 ha
Barren land	232 300 ha
Volume of wood, per hectare	118 m ³ standing volume
Volume of wood incl. nature areas	120 million m ³ standing volume
Volume of wood excl. nature areas	108 million m ³ standing volume

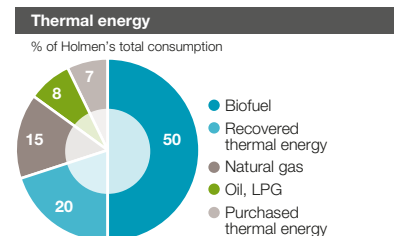
Comments on the table on page 88

- 1) At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the Iggesund Sawmill to Iggesund Mill.
- 2) 100 per cent active substance.
- 3) 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.
- 4) 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 supply of heating from the facility is also included.
- 5) In 2010, emissions of fossil carbon dioxide from production of purchased thermal energy and electricity totalled approximately 245 000 tonnes.
- 6) Hazardous waste is dealt with by an authorised collection and recovery contractor. Oil-containing waste from docking ships is dealt with at port facilities at three Holmen mills. The volume of this waste in 2010 totalled 1 360 tonnes.
- 7) The figure has been corrected.
- 8) Waste used, for example, as filling material, construction material or for the production of soil products.
- 9) For delivery to the chemical industry.

Energy supply at Holmen 2010



Holmen owns, wholly or partly, 21 hydro power stations. Back-pressure power is produced at the mills. The electricity that is purchased in Sweden is mainly produced at hydro or nuclear power stations.



At Iggesund Mill large amounts of thermal energy are produced by burning wood-containing liquors. Significant quantities are also generated by burning bark. At Hallsta and Braviken Paper Mills surplus heat is recovered from the TMP production process. Natural gas is used at the mills in Workington and Madrid.



Ten-year review, finance

SEKm	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
INCOME STATEMENT										
Net sales	17 581	18 071	19 334	19 159	18 592	16 319	15 653	15 816	16 081	16 655
Operating costs	-15 026	-15 175	-16 630	-15 548	-14 954	-13 205	-12 570	-12 306	-12 205	-12 460
Depreciation and amortisation according to plan	-1 251	-1 320	-1 343	-1 337	-1 346	-1 167	-1 156	-1 166	-1 153	-1 126
Interest in earnings of associates	28	45	50	12	11	20	25	-6	-10	-3
Items affecting comparability*	264	-	-361	557	-	-	-	-	-	-620
Operating profit	1 596	1 620	1 051	2 843	2 303	1 967	1 952	2 338	2 713	2 446
Net financial items	-208	-255	-311	-261	-247	-233	-206	-212	-149	-152
Profit before tax	1 388	1 366	740	2 582	2 056	1 734	1 746	2 126	2 564	2 294
Tax	-684	-360	-98	-1 077	-597	-478	-471	-675	-605	-108
Profit for the year	704	1 006	642	1 505	1 459	1 256	1 275	1 451	1 959	2 186
Diluted earnings per share, SEK	8.4	12.0	7.6	17.8	17.2	14.8	15.1	17.5	23.6	26.4
NET SALES										
Holmen Paper	8 142	9 303	10 443	10 345	10 140	8 442	7 814	7 788	8 164	8 757
Iggesund Paperboard	4 849	5 023	4 860	5 100	5 240	4 860	4 877	4 920	4 850	4 467
Holmen Timber	586	553	499	589	465	460	492	510	572	712
Holmen Skog	5 585	4 799	5 443	4 775	4 042	3 858	3 780	3 613	3 538	3 982
Holmen Energi	1 932	1 628	1 834	1 590	1 691	1 480	1 258	1 337	1 120	1 108
Elimination of intra-group net sales	-3 513	-3 236	-3 745	-3 239	-2 986	-2 781	-2 568	-2 352	-2 163	-2 371
Group	17 581	18 071	19 334	19 159	18 592	16 319	15 653	15 816	16 081	16 655
OPERATING PROFIT/LOSS										
Holmen Paper	-618	340	280	623	754	631	487	747	1 664	2 410
Iggesund Paperboard	817	419	320	599	752	626	809	1 001	818	455
Holmen Timber	20	21	13	146	80	13	5	18	-6	-79
Holmen Skog	818	605	632	702	643	537	586	516	450	455
Holmen Energi	495	414	327	272	197	301	178	193	-26	49
Group-wide costs and eliminations	-200	-178	-159	-56	-123	-141	-113	-137	-187	-224
	1 332	1 620	1 412	2 286	2 303	1 967	1 952	2 338	2 713	3 066
Items affecting comparability*	264	-	-361	557	-	-	-	-	-	-620
Group	1 596	1 620	1 051	2 843	2 303	1 967	1 952	2 338	2 713	2 446
CASH FLOW										
Profit before tax	1 388	1 366	740	2 582	2 056	1 734	1 746	2 126	2 564	2 294
Adjustment items	811	1 163	1 797	629	1 225	914	1 031	1 169	1 050	1 679
Paid income tax	-704	-334	-192	-390	-664	-516	-378	-727	-472	-248
Changes in working capital	28	678	-686	-345	-259	339	-68	-125	356	61
Cash flow from operating activities	1 523	2 873	1 660	2 476	2 358	2 471	2 331	2 443	3 498	3 786
Cash flow from investing activities	-1 597	-818	-1 124	-1 315	-947	-3 029	-1 195	-726	-1 810	-1 669
Cash flow after investments	-74	2 054	536	1 161	1 411	-558	1 136	1 717	1 688	2 117
Share buy-back	-	-	-138	-	-	-	-	-	-	-
New share issue through conversion and subscription	-	-	-	-	-	-	474	-	-	-
Dividend paid	-588	-756	-1 017	-1 017	-932	-848	-3 199	-880	-800	-5 518

* Items affecting comparability:

Year 2001: Impairment losses of SEK 620 million on non-current assets.

Year 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.

Year 2008: Closure of Wargön Mill SEK accounted for 298 million and a cost of SEK 115 million was for the closure of PM 2 at Hallsta Paper Mill. Income of SEK 52 million corresponds to the effects on the result of the fire at Braviken Paper Mill.

Year 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.



For a ten-year review of data per share, see page 41.

SEKm	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
BALANCE SHEET										
Non-current assets	24 058	23 610	24 329	24 099	23 258	23 702	21 354	18 878	19 442	18 661
Deferred tax assets	210	304	342	301	354	352	273	295	194	203
Shares and participating interests	1 760	1 780	1 836	1 753	1 742	1 739	1 754	1 767	1 721	286
Current assets	6 950	6 075	7 268	6 549	6 138	5 709	5 149	4 743	4 922	5 366
Financial receivables	262	225	175	147	165	132	92	105	54	33
Cash and cash equivalents	193	182	653	394	484	580	367	570	634	399
Total assets	33 432	32 176	34 602	33 243	32 141	32 214	28 989	26 358	26 967	24 948
Equity	16 913	16 504	15 641	16 932	16 636	16 007	15 635	15 366	15 185	14 072
Deferred tax liability	5 910	5 045	4 819	5 482	5 030	5 143	5 177	4 557	4 370	4 014
Financial liabilities and interest-bearing provisions	6 227	6 091	8 332	6 518	6 634	7 351	5 335	4 044	4 496	3 593
Operating liabilities	4 383	4 536	5 809	4 311	3 841	3 713	2 842	2 391	2 916	3 269
Total equity and liabilities	33 432	32 176	34 602	33 243	32 141	32 214	28 989	26 358	26 967	24 948
OPERATING CAPITAL										
Holmen Paper	6 954	8 789	10 237	9 971	11 541	11 452	9 659	9 461	9 884	9 584
Iggesund Paperboard	4 313	4 114	4 254	4 180	3 935	3 965	3 871	3 885	3 963	4 330
Holmen Timber	1 192	396	366	345	208	230	231	277	258	232
Holmen Skog	12 597	11 384	11 415	11 264	9 001	8 919	8 842	6 383	6 429	6 517
Holmen Energi	3 235	3 207	3 006	2 960	2 965	2 958	2 930	2 926	2 877	805
Group-wide and other	93	-963	-1 654	-630	-354	-87	-118	65	-242	-424
Operating capital	28 385	26 929	27 623	28 090	27 297	27 437	25 415	22 997	23 169	21 044
Deferred tax liability, net	-5 700	-4 741	-4 477	-5 181	-4 676	-4 791	-4 904	-4 262	-4 176	-3 811
Capital employed	22 684	22 188	23 146	22 909	22 621	22 646	20 511	18 735	18 993	17 233
KEY FIGURES										
OPERATING MARGIN, %*										
Holmen Paper	neg	4	3	6	7	7	6	10	21	28
Iggesund Paperboard	17	8	7	12	14	13	17	20	17	10
Holmen Timber	4	4	3	24	17	3	1	3	-1	-11
Group	8	9	7	12	12	12	12	15	17	18
RETURN ON OPERATING CAPITAL, %*										
Holmen Paper	-8	4	3	5	6	6	5	8	17	26
Iggesund Paperboard	20	10	8	15	19	16	20	25	20	9
Holmen Timber	3	6	4	64	38	6	2	7	neg	neg
Holmen Skog	7	5	6	8	7	6	7	8	7	7
Holmen Energi	15	13	11	9	7	10	6	7	5	7
Group	5	6	5	8	8	7	8	10	13	14
KEY FIGURES										
Return on capital employed, %*	6	7	6	10	10	9	10	12	16	18
Return on equity, %	4	6	4	9	9	8	8	10	14	16
Debt/equity ratio	0.34	0.34	0.48	0.35	0.36	0.41	0.31	0.22	0.25	0.22
DELIVERIES										
Newsprint and magazine paper, '000 tonnes	1 732	1 745	2 044	2 025	2 021	1 764	1 731	1 655	1 528	1 525
Paperboard, '000 tonnes	464	477	494	516	536	492	501	481	453	410
Sawn timber, '000 m ³	285	313	266	262	248	229	195	189	220	322
Harvesting own forests, million m ³	3.0	2.9	2.6	2.6	2.6	2.3	2.6	2.7	2.5	2.4
Own production of hydro power, GWh	1 145	1 090	1 128	1 193	934	1 236	1 054	867	1 048	1 362

Stated in accordance with IFRSs from 2004. As far as Holmen is concerned, the principal difference between IFRSs and previous accounting policies is that forest assets are valued and stated in the accounts at fair value, that goodwill is no longer amortised according to plan, and that the fair value of financial assets and liabilities where hedge accounting is applied is entered into the balance sheet.

* Excl. items affecting comparability.

Definitions & glossary

Biofuel/biorefining

Renewable fuels, such as wood, black liquor, bark and tall oil.

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 (CO₂)

Carbon is the building block of life and is part of all living things. Biogenic carbon dioxide is released when biological material decays or wood is burned. Fossil carbon dioxide is released when coal, oil or natural gas is burned.

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). Chemical oxygen demanding substances. A measure of the amount of oxygen needed for the complete decomposition of organic material in water.

Cubic metres standing volume

The volume of tree stems, incl. bark, from the stump to the top.

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.

Equity/assets ratio

Equity plus any non-controlling interests, expressed as a percentage of total assets.

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.

Folding boxboard (FBB)

Multi-layered paperboard made from mechanical and chemical pulp.

Fossil fuels

Fuels based on carbon and hydrogen compounds from sediment or sedimentary bedrock – mainly coal, oil and natural gas.

FSC

The Forest Stewardship Council is an organisation that develops international forest standards. 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. The organisation's website is at www.globalreporting.org.

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 14001

An international environmental management standard drawn up by ISO. Important principles in ISO 14001 include regular environmental audits and a gradual increase in the requirements.

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.

LWC

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

M³SUB, cubic metres solid volume under bark

The actual volume (no gaps between the logs) of whole stems or stemwood excl. bark and treetops.

MF paper

Machine finished. Includes standard and coloured newsprint.

MWC

Medium-weight coated wood-containing paper. Used for magazines, catalogues and printed advertising materials.

Net financial debt

Non-current and current financial liabilities and pension provisions, less financial assets.

Nitrogen (N)

An element included in wood. Nitrogen emissions to water may cause eutrophication.

Nitrogen oxides (NO_x)

Gases that consist of nitrogen and oxygen that are formed in combustion. In moist air, nitrogen oxides are converted into nitric acid, which creates acid rain. Nitrogen oxides also have a fertilising effect.

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.

Particulates

Particles of ash formed in incineration of bark or liquor, for example.

PEFC

The Programme of the Endorsement of Forest Certification Schemes is an international forest standard. In Sweden, the PEFC and FSC standards are largely identical.

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.

SC

Super-calendered paper. Uncoated, glazed magazine paper.

Sulphate pulp

Chemical pulp that is produced by cooking wood under high pressure and at a high temperature together with white liquor (sodium hydroxide and sodium sulphide).

Sulphur dioxide (SO₂)

A gas consisting of sulphur and oxygen that is formed in combustion of sulphur-containing fuels, such as oil. In contact with moist air, sulphur dioxide is converted into nitric acid, which creates acid rain.

Suspended solids

Waterborne substances consisting of fibres and particles that can largely be removed using a fine mesh filter.

Tall oil

By-product of the sulphate pulp process used for making soft soap, paints and other products. It is also an excellent biofuel.

TMP

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

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www.holmen.com

Hallsta Paper Mill

HOLMEN PAPER



Raw material: Spruce pulpwood.
Process: TMP and groundwood pulp.
Products: Newsprint, MF Magazine, SC paper and book paper.
Production capacity: 670 000 tonnes/year.
Average No. of employees: 733.

Braviken Paper Mill

HOLMEN PAPER



Raw materials: Spruce pulpwood and recovered paper.
Process: TMP and DIP.
Products: Newsprint, coloured newsprint, directory paper and MF Magazine.
Production capacity: 750 000 tonnes/year.
Average No. of employees: 604.

Holmen Paper Madrid

HOLMEN PAPER



Raw material: Recovered paper.
Process: DIP.
Products: Newsprint, MF Magazine and LWC Recycled.
Production capacity: 495 000 tonnes/year.*
Average No. of employees: 369.*

*) Before the closure of PM 61.

Iggesund Mill

IGGESUND PAPERBOARD



Raw materials: Softwood and hardwood pulpwood.
Process: Sulphate pulp.
Products: Solid bleached board, plastic coated paperboard and sulphate pulp.
Production capacity: 330 000 tonnes/year (paperboard).
Average No. of employees: 890.

Workington Mill

IGGESUND PAPERBOARD



Raw materials: Spruce pulpwood and purchased sulphate pulp.
Process: RMP.
Product: Folding boxboard.
Production capacity: 200 000 tonnes/year.
Average No. of employees: 405.

Iggesund Sawmill

HOLMEN TIMBER



Raw material: Pine saw logs.
Process: Sawmilling.
Products: Pine sawn timber.
Production capacity: 310 000 m³/year.
Average No. of employees: 97.

Braviken Sawmill

HOLMEN TIMBER



Raw material: Spruce saw logs.
Process: Sawmilling.
Products: Spruce sawn timber.
Production capacity: 550 000 m³/year at full capacity in 2013.
Average No. of employees: 31*

*) Since production started at year-end 2010/2011, the sawmill has had 110 employees.



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