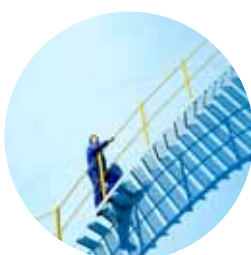
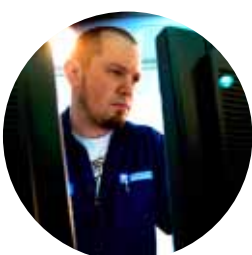
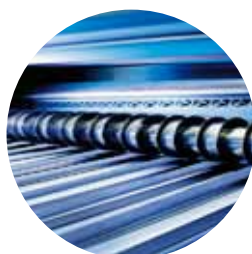


Annual report

including sustainability report



Reports

For 2012 Holmen will publish the following financial reports:

Interim report, January–March	8 May
Interim report, January–June	14 August
Interim report, January–September	26 October
Year-end report for 2012	7 February 2013

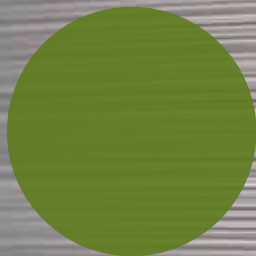
Information

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
- by telephone: +46 8 666 21 00
- by fax: +46 8 666 21 30



Contents

The Board of Directors and the CEO of Holmen Aktiebolag (publ.), corporate identity number 556001–3301, submit their annual report for the parent company and the Group for the 2011 financial year. **The annual report and audit report comprise pages 4–89.** The results of the year's operations and the financial position of the parent company and the Group are presented in **the administration report, pages 4–53**, and the accompanying income statements and balance sheets, together with the notes and supplementary information. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

CEO's message 2

ANNUAL REPORT

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This is a translation of the Swedish annual report of Holmen Aktiebolag (publ.). In the event of inconsistency between the English and the Swedish versions, the Swedish version shall prevail.

Dear shareholder

2011 was marked by the euro crisis and its effects on the economic climate. Towards the end of the year, there was an appreciable decline in orders and demand for our products. In spite of this, profitability improved for the Group as a whole. Price increases for newsprint and paperboard contributed to this positive trend, while constantly high prices for raw materials had a somewhat restraining effect. The new sawmill at Braviken was commissioned during a difficult period with low prices for sawn timber and high prices for raw materials, and this had a negative impact on profit. The level of investment remained high, with major investments in recovery and biofuel boilers.

Based on the company's financial stability and the fact that the earnings trend is reasonably good and we will soon be at the end of a period of major investments, the Board has decided to propose an increase in dividend, from SEK 7 per share to 8.

An analysis of the Group's forests and their growth and price conditions resulted in the forest being revalued by SEK 3.6 billion before tax. In order to highlight what our high-quality assets mean to the Group, I will start by describing the raw materials side.

Value of the forest increasing

Holmen is Sweden's fourth largest forest owner, with a productive forest area of just over one million hectares. Every ten years, a calculation is made of the potential of our forest assets in terms of forest stand and expected growth. The analysis showed that the strategy of growth-promoting measures has produced results that give us reason to expect an increase in growth in the future.

At the same time, there is greater interest in the forest as a raw material. To an increasing extent, it is being used for purposes other than traditional forest industry applications. Renewable forest raw material will become the natural choice in areas in which oil and coal currently dominate. This allows us to

conclude that the market's capacity to pay for wood will persist and probably increase.

Against this background, we have adjusted our price expectations upwards, which, combined with higher growth assumptions, resulted in a major value adjustment in the fourth quarter. Our forests are an extremely valuable asset that we need to manage and develop in line with our strategy.

Energy – a developing area

The issue of energy is important to both society and the Holmen Group. Electricity is a major expense item when producing printing paper, but it is also one of our assets, managed by a business area in which electricity production is highly profitable and the opportunities for expansion are good. For some years now, we have been preparing for wind power expansion. The first major permit for around 20 turbines is expected to have reached a stage where a profitability and investment analysis will be possible in spring 2012.

The investments in wind power can be developed along several parallel lines – we can make the investments ourselves, together with a partner, or let an external party develop a wind farm entirely on its own. Apart from the additional energy from wind power, new boiler investments at Iggesund Paperboard will enable us to increase our internal electricity production.

Investments in paperboard

2011 was yet another good year and deliveries from the two Iggesund Paperboard mills remained at more or less the same level as in 2010. Higher market prices for paperboard had a positive impact on profit. Our successful brands, Invercote and Incada, strengthened their positions on the market for SBB and FBB. One of our most important tasks is to continue to strengthen the brands based on the quality and service that our customers expect. At the same time, we are investing

in more efficient production facilities in the form of the recovery boiler and turbine to be commissioned in mid-2012 in Iggesund and the biofuel boiler in Workington, which will be put into operation during the first half of 2013. This will give us two well-invested production plants that are highly competitive in terms of both quality and costs.

Moving towards speciality paper

2011 ended on a positive note for Holmen Paper, with a profit mainly achieved through higher paper prices, while high cost levels for recovered paper and pulpwood held back the earnings trend. The PM 61 paper machine in Madrid was shut down during the spring, a measure that was entirely necessary in light of the negative consumption trend and raw material deficit in Spain. With this closure, Holmen has shut down three paper machines over the past three years, which in combination with other streamlining measures has reduced fixed costs considerably. As 2012 draws to a close, production at Holmen Paper will be just over 1 000 tonnes per employee per year, compared to around 750 tonnes five years ago. This is a major increase in productivity. The competition is tough and we must be prepared at all times to adjust our level of capacity, either in the short term through market-related stoppages or, if required, by closing entire production lines. Measures to streamline operations and reduce costs will continue in all parts of Holmen Paper.

A further leap was made in 2011 in terms of shifting the strategy from newsprint production to the production of speciality paper such as MF Magazine and book paper, and this volume has grown by 10 per cent per year over the past five years. The launch of our new product, Holmen VIEW, cements our position as leader in the niches where we are active. In many cases, the products are directed towards segments in which advertising investment in paper is growing.



Tough start for sawmill

2011 was an extraordinarily difficult year for Holmen Timber, with the new sawmill at Braviken being commissioned at a time when the market was definitely not on our side. Extremely high raw material prices and low prices for finished products made it one of the worst years on record for the European sawmill industry. The commissioning of the new sawmill went entirely according to plan, but the decline in demand meant that planned increases in the number of shifts were axed. The construction market in Europe has not recovered since the slump in 2008 but we are convinced that, as a climate-neutral building material, wood has a bright future ahead of it. With our two highly efficient, large-scale sawmills, our operations will be finely tuned and well-equipped to deal with future increases in demand.

Sustainability part of the business

At Holmen, the three dimensions of sustainability – economic, environmental and social – are well integrated and firmly anchored in the business and its strategies. Through good profitability and financial stability, the sustainable use of natural resources, and employees with the right skills and a broad mandate, we create value and achieve long-term growth.

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.

Today sustainability is a natural part of the business. Customers, owners, employees and public authorities will accept nothing less.

Outlook

The generally weak economy is giving rise to uncertainty about demand for 2012. Price

negotiations regarding printing paper are under way but are not expected to lead to any major changes. The prices of paperboard and sawn timber are stable. The cost situation is expected to gradually improve due to price reductions for recovered paper and wood at the end of 2011, as well as ongoing streamlining measures. Increased harvesting of Holmen's forests will have a positive impact on profit, but at the same time we need to deal with the consequences of the storm Dagmar. Profit in 2011 was affected favourably by currency hedging at good levels. These hedging measures will expire at the start of 2012, and this will have a significantly negative effect on the earnings trend. The two major investments under way in the paperboard business will enable the high level of investment to continue in 2012.

With our two raw materials operations in the areas of forest and energy, the Holmen

Group has a solid base to stand on. If we then add the paperboard operation, with its stable profitability, and a well-invested and competitive sawmill business, the company is excellently equipped to deliver shareholder value in the future. It is likely that printing paper will gradually account for a smaller proportion of sales, but at the same time, the segment will focus on increasingly specialised products. Our production units are greatly competitive in this area and have good opportunities to seize market share. This should also give a significant contribution to profitability.

Stockholm, 20 February 2012

Magnus Hall
President and CEO

The year in brief

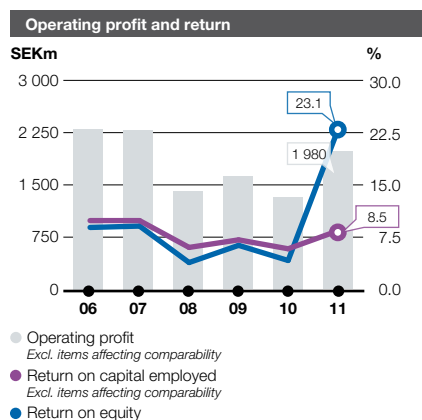
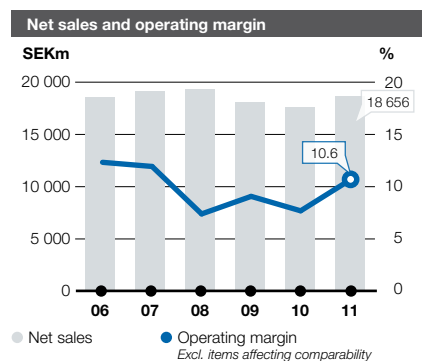
Facts	2011	2010
Net sales, SEKm	18 656	17 581
Operating profit, SEKm	5 573	1 596
Operating profit excl. items affecting comparability, SEKm	1 980	1 332
Profit for the year, SEKm	3 955	704
Earnings per share, SEK	47.1	8.4
Dividend per share, SEK	8*	7
Return on capital employed, %**	8.5	5.9
Return on equity, %	23.1	4.2
Debt/equity ratio, times	0.32	0.34
Investments, SEKm	1 733	1 597
Average number of employees	4 041	4 241

*Board proposal **Excl. items affecting comparability



The Group's operating profit

The operating profit excluding items affecting comparability was SEK 1 980 million in 2011, corresponding to a return on capital employed of 8.5 per cent. The improved profit was due to the higher prices of printing paper and paperboard. The costs of wood and recovered paper increased, having a negative impact on profit. In the fourth quarter, Holmen revalued its forest holdings based on a new harvesting plan and new assumptions on future sales prices and costs. The revaluation impacted on profit after tax for the year by SEK 2 648 million. The year's investments amounted to SEK 1 733 million and mainly comprised the new sawmill at Braviken, a new recovery boiler and turbine at Iggesund Mill and a new biofuel boiler at the mill in Workington. Net financial debt increased by SEK 487 million, to SEK 6 259 million. At year-end, the debt/equity ratio was 0.32. The Board proposes a dividend of SEK 8 per share.



The market

For printing paper and paperboard the market weakened somewhat during the autumn, contributing to production limitations. Prices were stable after increases made at the end of 2010 and the beginning of 2011. The market for sawn timber was consistently weak during the year, and profitability was low throughout the industry. Demand for pulpwood and timber was stable at the beginning of the year but declined somewhat in the final quarter, which also meant price reductions. Electricity production was high due to a high level of inflow into Holmen's water reservoirs. At the same time, prices returned to more normal levels after being extremely high the previous year.

Outlook

The Group's profitability improved considerably during 2011 thanks to higher prices for printing paper and paperboard while raw material costs increased. The market for the Group's products weakened during autumn 2011, and the economic slump is causing uncertainty about demand in 2012. Price negotiations regarding printing paper are under way but are not expected to lead to any major changes. The prices of paperboard and sawn timber are stable. The cost situation is expected to improve somewhat due to price reductions for recovered paper and wood, as well as ongoing streamlining measures. Increased harvesting in Holmen's forests will have a positive impact on profit, although windthrown forest must be dealt with, which will mean a temporary increase in costs. The currency situation is important to the Group, and profit in 2011 benefited from favourable levels of currency hedging. These hedging measures will expire at the start of 2012, and this will have a significantly negative effect on the earnings trend. Investments are expected to maintain a high level in 2012, mainly as a consequence of the two major ongoing investments in the paperboard operation.



Key events in 2011

JANUARI Production starts at the new Braviken Sawmill. Regular production of the new Holmen VIEW paper starts.

FEBRUARY Holmen and E.ON sign an agreement on developing wind power in the Municipality of Örnsköldsvik. Hallsta Paper Mill introduces a new organisational structure for greater efficiency.

MARCH At the Workington mill, the refitted pulp line is commissioned. Energy consumption is reduced by 10 per cent and paperboard quality is improved. The smaller of the two paper machines at the mill in Madrid, PM 61, is shut down. Capacity is reduced by 170 000 tonnes. Around 170 people are affected.

APRIL A decision is made to invest SEK 1.1 billion in a biofuel boiler at the mill in Workington. Construction work begins on the partly owned company VindIn's 30 wind turbines in Örnsköldsvik.

MAY A regrowth guarantee is introduced and offered to private forest owners.

SEPTEMBER In cooperation with Statkraft, wind survey masts are assembled at five sites in Östergötland, mainly on Holmen's land.

OCTOBER An investment in the refitting of Braviken Paper Mill enables increased production of Holmen XLNT, a paper intended for supplements, direct mail and product catalogues. A new, long-term fertilisation programme is adopted. A new electric boiler, replacing the former oil-fired boiler, is commissioned at Hallsta Paper Mill.

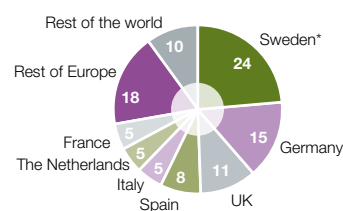
NOVEMBER Wind surveys begin at the mill in Workington. At Braviken Paper Mill and Iggesund Paperboard's unit in Strömsbruk, staff cuts of around 80 and 20 employees, respectively, are announced, the aim being to increase profitability.

DECEMBER The inventory of Holmen's forests is concluded and the harvesting plan updated. Holmen's forest holdings are revalued.

WHOLE YEAR Construction of the new recovery boiler and turbine at Iggesund Mill takes place according to schedule. The investment means that the mill will be self-sufficient in fossil-free electrical energy. The nursery in Friggessund is upgraded to become one of Europe's most modern.

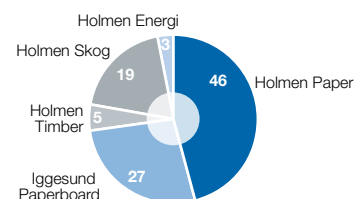


Net sales/market, %



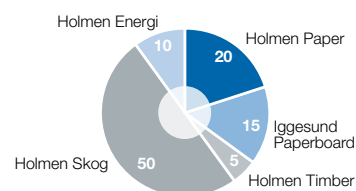
*Of which forest and power 22% **Total: SEK 18 656 m**

Net sales/business area, %



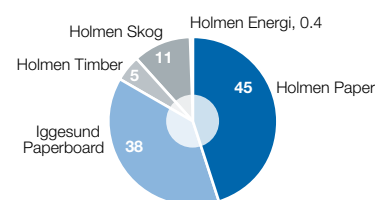
Total: SEK 18 656 m

Operating capital/business area, %



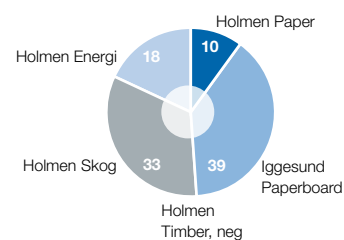
Total: SEK 32 469 m

Average no. of employees/business area, %



Total: 4 041

Operating profit/loss*/business area, %



*Excl. items affecting comparability **Total: 1 980**

Business areas: **Products**



HOLMEN PAPER

Products: Magazine paper, book paper, white and coloured newsprint, and telephone directory paper.	Customers: Retailers, magazine, book and daily newspaper publishers, telephone catalogue publishers, and printers.	Production facilities: Hallsta Paper Mill, Braviken Paper Mill and Holmen Paper Madrid.	Production capacity/year: 1 750 000 tonnes.
	Main market: Europe.		



IGGESUND PAPERBOARD

Products: Solid bleached board (SBB) and folding boxboard (FBB) for consumer packaging and graphics printing.	Customers: Converters of paperboard for packaging, as well as printers and wholesalers.	Production facilities: Iggesund Mill and Workington Mill.	Production capacity/year: 530 000 tonnes.
	Main market: Europe.		



HOLMEN TIMBER

Products: Pine joinery timber and spruce construction timber.	Customers: Joinery and furniture industry, planing mills, builders' merchants, house construction firms, etc.	Production facilities: Braviken Sawmill and Iggesund Sawmill.	Production capacity/year: 870 000 cubic metres.
	Main market: Europe, North Africa and the Middle East.		

Business areas: **Raw materials**



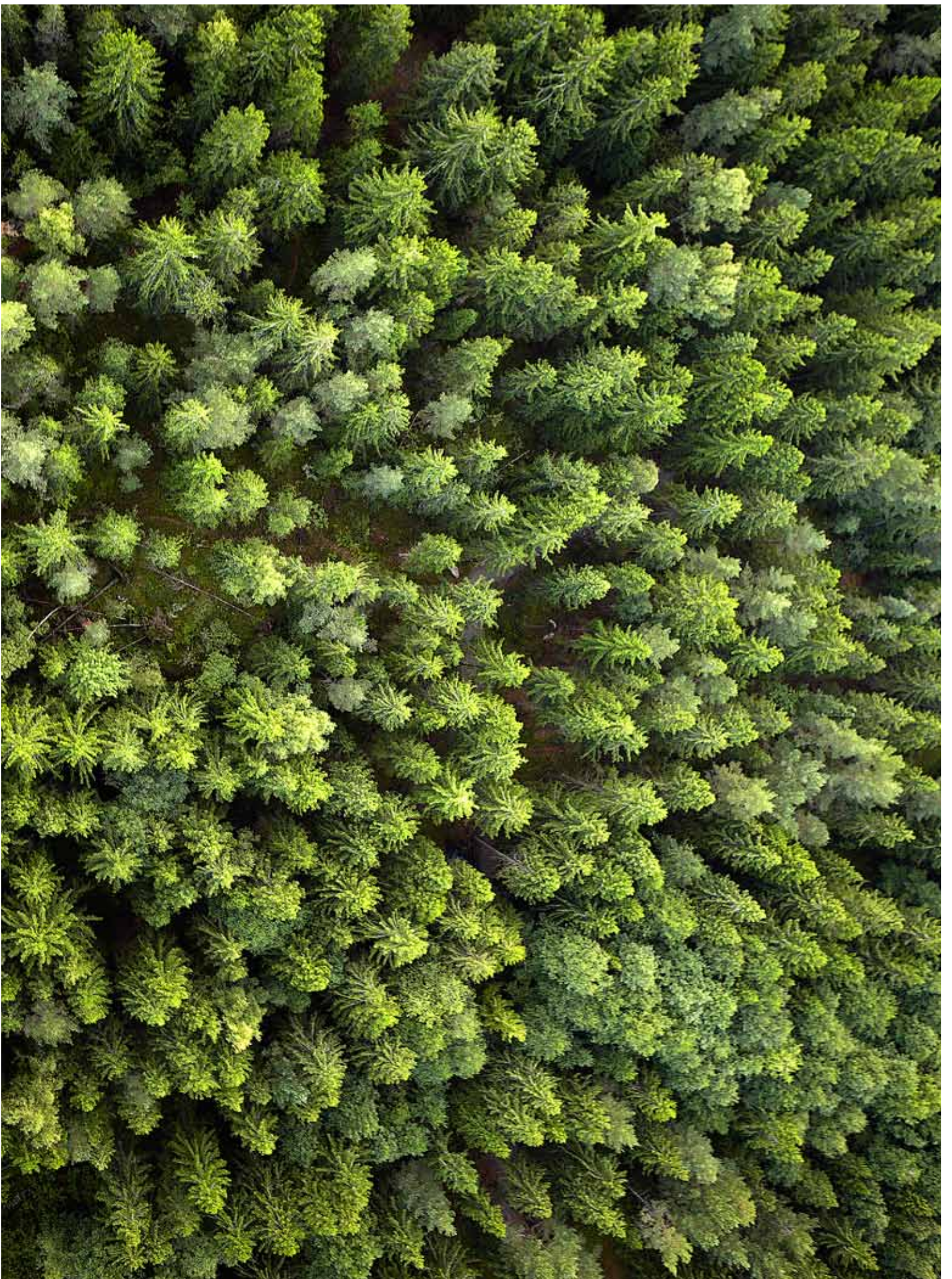
HOLMEN SKOG

Products: Wood and biofuel.	Operations: Responsible for Holmen's forests and for wood supply to the Group's Swedish units.	Holding: 1 032 800 hectares of productive forest land with a volume of wood of 118 million m ³ growing stock, solid over bark.	Annual harvesting: 3.2 million m ³ sub.
	Customers: Pulp and paper industry, sawmills and thermal plants.		



HOLMEN ENERGI

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



Strategy: Grow and develop our five business areas

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



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

Grow and develop our five business areas

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

PRINTING PAPER. Holmen Paper manufactures printing paper at two mills in Sweden and one in Spain. Half of sales are of niche products in the magazine and book paper area, while other sales consist mainly of standard newsprint. Production is gradually shifting away from newsprint to more improved grades of paper that offer customers a cost-efficient alternative to traditional paper choices. Structural changes are putting pressure on the newsprint market, meaning that the company needs to focus on cash flow and be prepared to adapt production capacity.

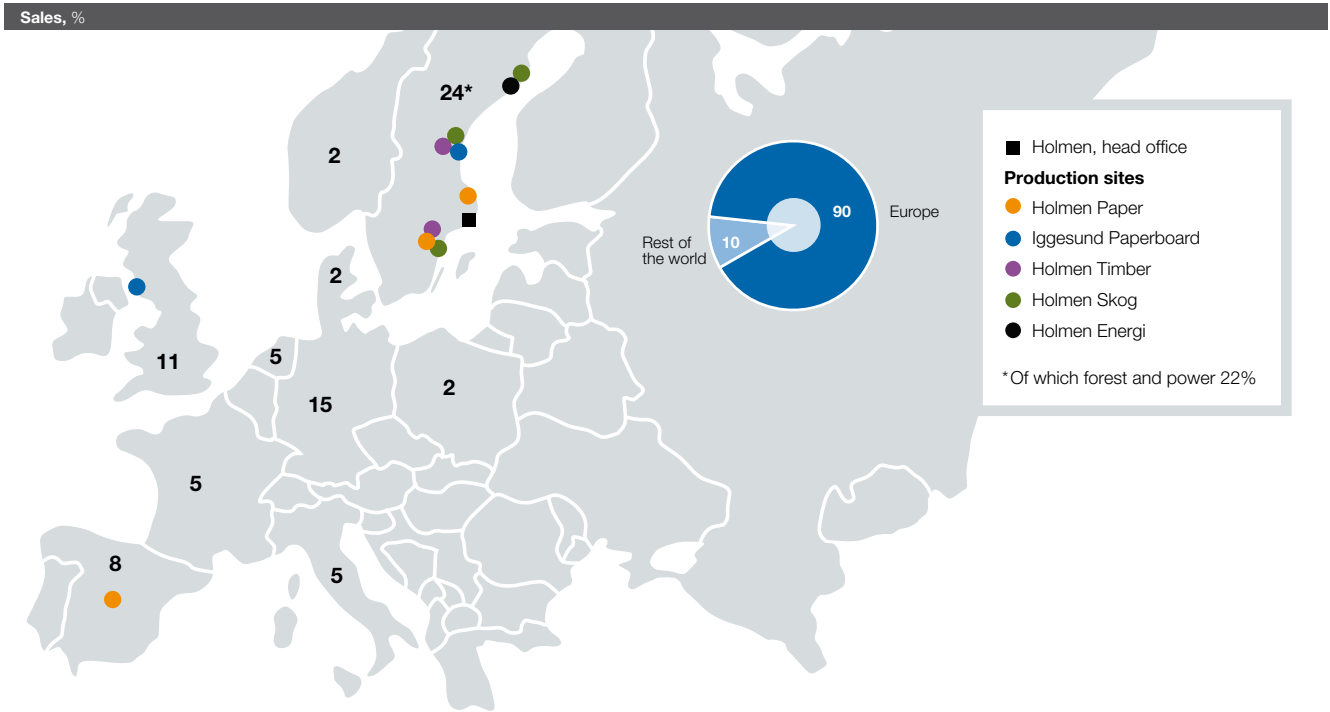
PAPERBOARD. Iggesund Paperboard is the market leader in the highest quality segments for consumer packaging and advanced graphics printing. The paperboard is produced at one Swedish and one English mill where major climate-adapted investments in energy supply are being made that will further boost competitiveness.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

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

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

FOREST. Holmen Skog manages the Group's forests – just over a million hectares of productive forest land – and the wood supply for the production units in Sweden. Within the Group's long-term forest management, harvesting is now being increased by almost 20 per cent compared with previous assessments.

ENERGY. Holmen Energi is developing new sources of energy alongside existing hydro power, which currently contributes just over 1 TWh. Potential for developing new, profitable wind power is estimated to be good, and the aim is to produce 1 TWh from wind by 2020.



Key market is Europe

Holmen is active on large, well-established markets. Nearly 90 per cent of the sales of printing paper, paperboard and sawn timber takes place in Europe. Through a decentralised sales organisation with separate sales companies, the company is close to its customers geographically. Holmen’s raw materials markets for wood and energy are concentrated to Sweden.

Quality, productivity and cost focus

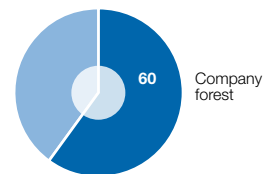
PRODUCTION PROCESSES. The Group’s overall ambition is to present an offering to customers consisting of attractive, high-quality products and excellent service. This is to be done cost-effectively to maintain Holmen’s position as a competitive supplier. Large-scale production facilities with excellent environmental characteristics and skilled employees allow input goods and capital to be used efficiently. Effective interaction between marketing, product development and production is essential to achieve successful long-term investments, economies of scale and development. Large volumes of certain products are combined with selective ventures involving improved or more advanced products for both existing and new categories of customers.

SUPPLY OF RAW MATERIALS. Alongside efficient production processes, the cost of raw materials and transport has an important impact on competitiveness. The main raw materials in the processes for producing printing paper, paperboard and sawn timber

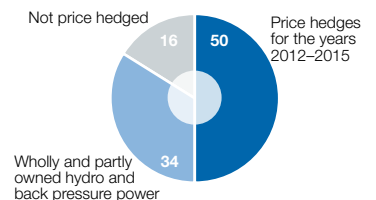
are fibre in the form of wood, recovered paper and pulp, as well as energy in the form of electricity and heat. Through a well-integrated process, Holmen is largely self-sufficient in pulp and thermal energy. Having its own forest holdings and the fact that the company generates a significant proportion of its own electricity help to ensure a stable supply of raw material in the long term. The Group is around 60 per cent self-sufficient in wood. It also produces around 35 per cent of the electrical energy that it requires. Long-term hedged contracts are signed with electricity suppliers for the electricity purchased externally. Purchases in Sweden are largely hedged until 2015. Within the Group, there are also wholly and partly owned paper collection companies whose task is to purchase recovered paper.

PRODUCT DEVELOPMENT. Holmen’s products are developed per business area and primarily where the greatest competence and experience is – at the production units. Also, there are three development centres that gather expertise in prioritised areas. The Paperboard Development Centre’s main task is to provide Iggesund Paperboard with expertise in coating, surface treatment and the physical properties of paperboard. The Holmen Paper Development Centre’s task is to contribute towards Holmen Paper’s development by supporting the work of the mills on development and implementing new techniques. The Holmen Biorefinery Development Centre works to find new areas of application for wood raw material and residual products, with the aim of

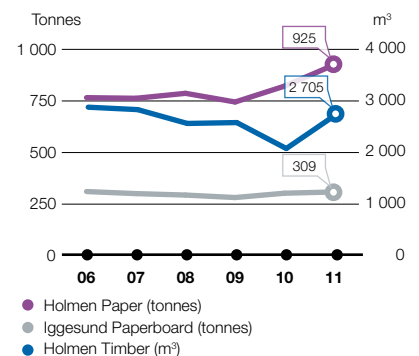
Self-sufficiency in raw materials – wood, %



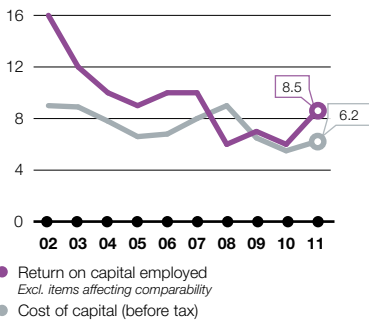
Self-sufficiency in raw materials – electricity, %



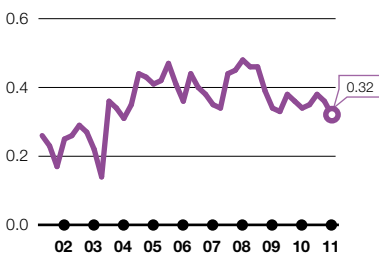
Productivity, production/employee and year



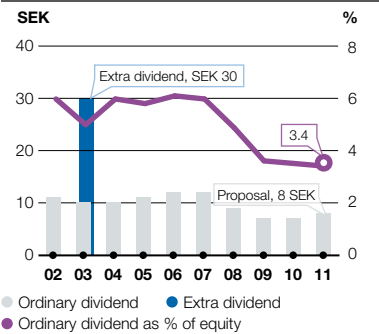
Profitability, return on capital employed, %



Capital structure, debt/equity ratio, times



Dividend, per share



Cost of capital

Holmen's business is capital intensive and much expansion is the result of investing in additional capacity, improved production and more efficient use of energy. Cost rationalisation also often requires investments. To assess the profitability of investments, a model is used to calculate the present value of cash flows using an estimated cost of capital, which totals 11 per cent (before tax) for investments in the product-oriented business areas. When evaluating operating activities, the cost of capital is determined annually based on short market interest rates and risk premiums adapted to the risk of the business. In 2011, the average cost of capital for the Group was 6.2 per cent (before tax).



transforming these into profitable business in all the Group's business areas. Holmen also cooperates with universities, colleges and research institutes, often together with other companies with associated interests.

Commitment in leadership and a skilled workforce

Holmen's human resources efforts focus on skills supply, leadership and working practices. Recruiting, developing and retaining skilled employees is crucial if Holmen is to continue to operate successfully. In order to succeed in this area, a comprehensive manager development programme has been set up with the aim of ensuring committed leadership at all levels in the Group. This in turn creates the environment for a working climate in which skilled employees are given the opportunity to grow and take responsibility as their mandate is expanded. Human resources work is governed by a number of overall goals, which are regularly followed up by means of key figures and through the Group-wide employee survey *Holmen Inblick*. This provides a foundation for strategic human resources activities and local action plans.

Strong financial position

PROFITABILITY. Holmen's target is a return

that is consistently above the market-based cost of capital. At Group level, the key 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. After a few years of weak profitability as a consequence of the difficult situation for printing paper, the result once again exceeded the cost of capital during the year.

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 within the interval of 0.3–0.8. Adapting to this goal forms part of strategic planning.

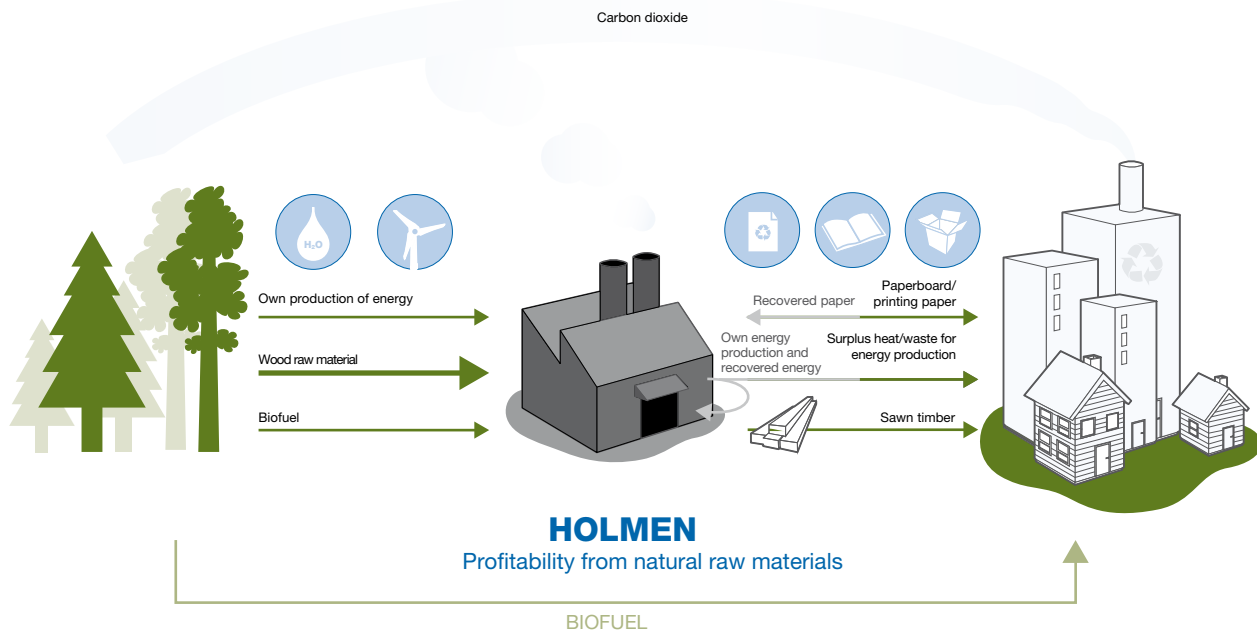
DIVIDEND. Decisions on ordinary dividends are based on a total appraisal of the Group's profitability, future investment plans and financial position. The Board has proposed that the 2012 Annual General Meeting (AGM) resolves in favour of dividend of SEK 8 per share, corresponding to 3.4 per cent of equity. Over the past 10 years the

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.



ordinary dividend has averaged 5 per cent of equity. This means that 65 per cent of earnings per share have been paid out in ordinary dividends each year.

Sustainable development

Holmen's business is based on the forest – a renewable raw material resource of great value to people, biodiversity and the climate. In its own forests, Holmen conducts long-term sustainable forestry based on a wealth of experience, modern research and constant development. All stages of Holmen's product life cycle are carefully optimised in order to minimise the use of resources and environmental impact.

After Holmen's products have been used, they can be recovered; in addition, via its printing paper and paperboard, Holmen

contributes to replenishing the global recovered paper cycle with fibre.

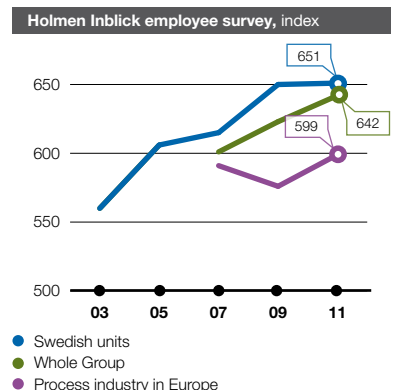
The company's own energy supply is constantly growing, with the existing hydro power being supplemented with other sources of renewable energy such as biofuel and wind power. With the aim of minimising resource consumption and generating new income, new business concepts and products based on forest raw material and residual products are identified and developed. Taken together, they contribute to a product cycle that is becoming increasingly sustainable and controlled as Holmen develops and broadens its businesses.

Environmental work is organised and run based on an environmental and energy policy. The policy clarifies the significance of energy and climate issues to the business. Strategically, Holmen works on the basis of

three goals that are clearly linked to sustainable development:

- Increase growth in Holmen's forests by 25 per cent by 2050 (base year 2007: 4.4 million m³ growing stock, solid over bark)
- Decrease the use of fossil fuels by 75 per cent by 2020 (base year 2005)
- Increase the production of renewable electricity to 67 per cent as a proportion of Holmen's consumption of electricity by 2020 (base year 2005: 31 per cent).

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



If all employees give maximum scores for the questions in each area of the survey, the total value of the Inblick index is 1 000.

Printing paper

Facts	2011	2010
Net sales, SEKm	8 631	8 142
Operating profit/loss, SEKm	228	-1 404
Operating profit excl. items affecting comparability*, SEKm	228	-618
Investments, SEKm	210	211
Operating capital, SEKm	6 606	6 954
Average number of employees	1 808	2 084
Share of sales in Europe, %	91	88
Deliveries, '000 tonnes	1 668	1 732

* 2010: Impairment losses and provisions, SEK -786 million



Holmen Paper is undergoing a strategic reorganisation from producing standard newsprint to increasingly producing speciality paper. With products that challenge traditional paper choices, new positions can be attained in a rapidly changing market.

Trends

As electronic media gain ground, people's habits are changing. Printed media are being challenged by the digital. In parallel with changes in consumer media habits, media competition for advertising investment is increasing.

The structural changes are expected to continue in Europe, which puts pressure on newspaper and media publishers to develop integrated product solutions combining printed, digital and television media in new ways.

Market

THE EUROPEAN MARKET for wood-containing printing paper amounted to 21.6 million tonnes in 2011, a decrease of 800 000 tonnes or around 4 per cent compared to 2010.

MAGAZINE PAPER experienced a slightly negative trend in Europe in 2011. There was demand for 11.8 million tonnes, a fall of around 4 per cent. The MF Magazine area enjoyed a slight increase, with this trend being entirely driven by Holmen Paper's continued success in the area. The prices of all magazine papers were raised at the turn of 2010/2011.

BOOK PAPER of the type produced by Holmen Paper experienced a decline in demand in the European market for the first

time since the area began to be surveyed separately in 2008. Demand totalled around 420 000 tonnes.

NEWSPRINT. The European market was 9.1 million tonnes during the year, a decrease of 3 per cent. At the turn of 2010/2011, prices of newsprint in Europe were increased from a very low level. A further minor rise was applied at the six-month mark.

TELEPHONE DIRECTORY PAPER continues to decline but at a slower pace than previously. In 2011 the European market amounted to around 320 000 tonnes, a decrease of 6 per cent. Prices were increased slightly at the turn of 2010/2011.

Operations in 2011

Holmen Paper's deliveries totalled 1 668 000 tonnes in 2011, 4 per cent lower than in the preceding year. This decrease is mainly due to the closure of PM 61 in Madrid but also to the market-related production stoppages effected at the end of the year.

The reorganisation to focus on speciality paper continued, and the proportion of MF Magazine and book paper is now 38 per cent of total production. In the Swedish units the proportion amounted to 47 per cent, while production in Spain focuses entirely

on newsprint. Operating profit excluding items affecting comparability was SEK 228 million, compared to an operating loss of SEK 618 million for 2010. Substantial price rises from low levels had a positive impact on profit, while the costs of wood and recovered paper rose. During the spring of 2011, the price of recovered paper reached historically high levels. It then levelled off and took a downward turn during the autumn for the first time since January 2009. Due to streamlining measures, including the closure of PM 61 at the mill in Madrid and ongoing actions at Hallsta Paper Mill, fixed costs fell.

Products

MARKET POSITION. Holmen Paper manufactures printing paper for magazines, product catalogues, direct mail, books, daily newspapers and telephone directories at two mills in Sweden and one in Spain.

Half of sales comprise uncoated speciality paper. Market share in magazine paper is low but is deemed to have good potential to increase as Holmen Paper continues to gradually switch over from supplying standard newsprint to supplying speciality paper. Retailers, printers and magazine and book publishers are examples of customer segments that are growing in importance as the strategic reorganisation gains ground.

Other sales consist primarily of standard newsprint, with the market share in Europe standing at 8 per cent, and a dwindling proportion of telephone directory paper. Holmen Paper has a strong position among European newspaper publishers, who account for just under half of its total sales.

MAGAZINE PAPER. Holmen XLNT and the new Holmen VIEW offer qualities that make it possible to challenge traditional paper choices and take market share in applications previously dominated by SC paper and coated grades. Holmen VIEW was launched in 2010 as a response to the need of the market for a product that allows for more cost-effective production of mainly product catalogues, magazines, supplements and direct mail – without compromising on printing quality.

Holmen Paper also manufactures traditional SC paper. The new PREMIUM 80 paper has been widely appreciated on the market since its launch in 2010.

BOOK PAPER. Wood-containing book paper, primarily for paperbacks, has become one of Holmen Paper's successes. Large-scale, efficient production that meets the stringent quality requirements of the book market is an essential factor underlying this success.

NEWSPRINT. Large print runs and efficient newspaper production require paper of con-

sistently high quality. The paper must also combine the exacting demands placed on economy, grammage and printing results. Holmen NEWS enjoys a strong position in the market and in addition is available in coloured grades.

TELEPHONE DIRECTORY PAPER. Deliveries of telephone directory paper, mainly made to Europe, are continuing to decline.

Development

The shift towards a greater concentration on speciality paper is continuing at the Swedish paper mills; it is based on the unique properties offered by a supply of virgin fibre. Standard newsprint is no longer manufactured at Hallsta Paper Mill, and at Braviken outside Norrköping, two of the three paper machines can now manufacture Holmen XLNT following investments this autumn. Since 2008, capacity corresponding to 300 000 tonnes has been transferred from newsprint to these new speciality products. Over the same period, the use of virgin fibre has increased from 75 to 90 per cent.

The shift in production, combined with waning profitability, has meant new requirements with respect to organisation and employees. A new structure has taken shape at both the mill in Madrid and Hallsta Paper Mill during the year, while at Braviken Paper Mill, staff cuts of 80 have been announced, meaning changes in working practices. Coordination between the mills and the marketing organisation was also improved.

Activities regarding the company's strategies, values and brand have taken place at all mills during the autumn.

Key events in 2011

JANUARY Regular production of Holmen VIEW begins.

FEBRUARY Hallsta Paper Mill introduces a new organisational structure for greater efficiency.

MARCH One of the paper machines at the mill in Madrid, PM 61, is closed. Capacity is reduced by 170 000 tonnes. About 170 employees are affected.

SEPTEMBER Former marketing manager Henrik Sjölund takes over as head of Holmen Paper.

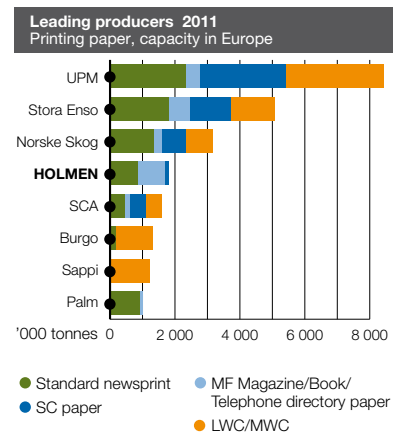
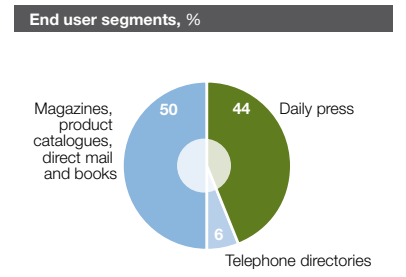
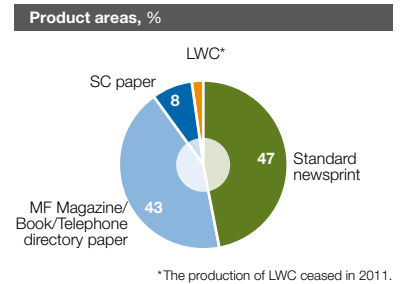
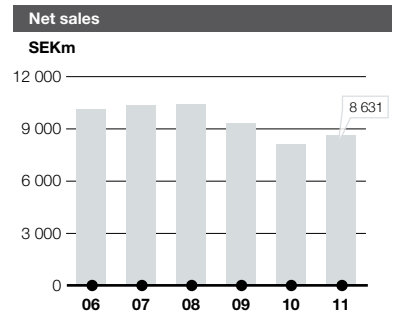
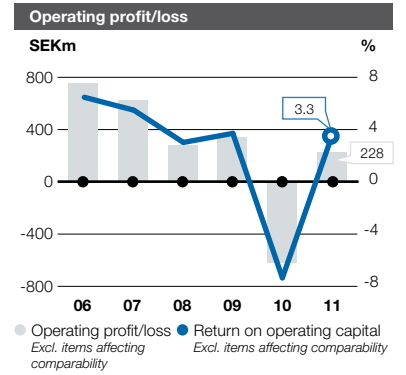
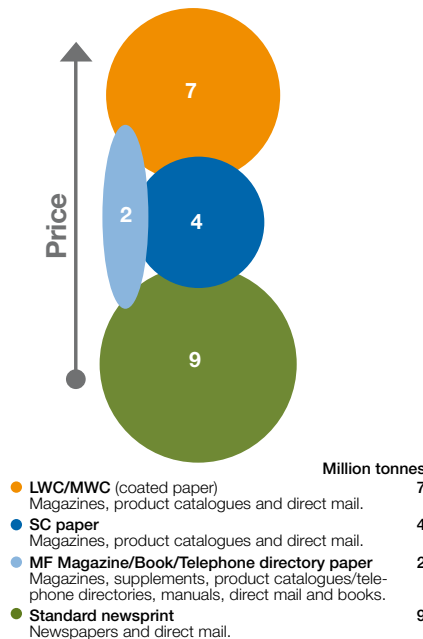
OCTOBER Investments are made at Braviken Paper Mill in alterations to accommodate further production capacity for Holmen XLNT.

OCTOBER A new electric boiler, replacing the former oil boiler, is commissioned at Hallsta Paper Mill.

OCTOBER Kenneth Ohlsson takes up his post as new mill manager at Hallsta Paper Mill. Juha Paulin is appointed new managing director at Holmen Paper Madrid.

NOVEMBER Cutbacks are announced at Braviken Paper Mill, with the aim of improving profitability. The measures affect around 80 employees.

European printing paper market 2011



Seven product brands ...



Holmen VIEW



Holmen XLNT



Holmen PREMIUM



Holmen BOOK



Holmen PLUS



Holmen NEWS



Holmen GUIDE

Holmen Paper manufactures and markets seven product brands niched towards different applications.

HOLMEN VIEW is a modern, uncoated paper with a silky feel and high gloss. Colour and image reproduction of the highest quality combined with good readability and high bulk make Holmen VIEW a competitive alternative to traditional SC and LWC paper. *Applications: Magazines, product catalogues and direct mail.*

HOLMEN XLNT is about 20 per cent thicker than SC paper. This allows customers to select lower grammages without compromising on stability, gloss and readability, which in turn lowers the costs of paper, postage and distribution. *Applications: Product catalogues, direct mail and supplements.*

HOLMEN PREMIUM is a SC paper that, due to its special properties, is an attractive alternative to coated paper. Its high brightness and whiteness combined with good opacity and

gloss enable high-quality printing with distinct image and colour reproduction. *Applications: Direct mail, magazines and supplements.*

HOLMEN BOOK has been developed to provide the best possible reading experience. The clean, even surface combined with high bulk and stability gives the paper its special character and feel. Along with several brightnesses and shades, different bulk options and grammages offer customers a great deal of choice. *Applications: Books.*

HOLMEN PLUS combines a genuine magazine-quality feel with excellent economy in production. In combination with high bulk, good contrast and good readability, this makes Holmen PLUS the ideal choice for customers who value the opportunity to print thicker materials or send a larger

number of mailings without increasing costs. *Applications: Supplements, direct mail and magazines.*

HOLMEN NEWS is intended for newspapers with a large circulation, where demands on efficiency, economy and printing results are high. Holmen NEWS is also available in coloured varieties, giving the printed end product its own distinctive character. *Applications: Newspapers and supplements.*

HOLMEN GUIDE is a thin, light paper that makes it possible to produce and distribute bulky, information-intensive printed matter in a rational, cost-effective way. *Applications: Telephone directories.*

...used by customers for these purposes.



Collaboration with a dual effect: High quality at a lower cost.

A constantly changing market requires sensitivity to customer needs, creativity and goal-oriented efforts to identify innovative solutions. Against that background, Holmen chose to work with companies such as Aktietrykkeriet AS on developing a completely new printing paper – a product that would occupy a new position in the printing paper market.

ONE OF HOLMEN'S DEVELOPMENT PARTNERS, Aktietrykkeriet AS, is a Norwegian family business that is on the forefront of technological development. Founded as early as 1884, this printing firm currently positions itself under the motto “Best in time” and as the natural choice when a quality supplier is required specialising in magazines, customer newsletters and direct mail.

THROUGH AGGRESSIVE CAMPAIGNS in the area of environment and climate, Aktietrykkeriet has become one of the first printing firms in Europe able to offer climate-neutral printed matter. This pledge means that net emissions of carbon dioxide or other greenhouse gases are zero from the entire production chain – from forest to paper recovery.

THE SAME KIND OF PIONEERING SPIRIT marks the collaboration between Holmen and Aktietrykkeriet. In 2010 the two companies started collaborating on developing and test-running a brand new paper that would

achieve a joint goal: setting a new standard for cost-efficiency without compromising on quality. This task presented a major challenge to the experts at both companies, but the final result lived up to all expectations. The new printing paper offers unique gloss, a silky feel and – most importantly – major opportunities for end-customers to reduce their costs.

THE NEW PRINTING PAPER was named Holmen VIEW and was premièred in January 2011. This was when Aktietrykkeriet switched over to new Holmen VIEW to produce the 2011 editions of *Dagbladet's* weekend supplement, *Magasinet*. The transition brought substantial savings compared with the coated paper previously used. Today, Holmen VIEW is something of a house paper for this type of production at Aktietrykkeriet.

THE DEVELOPMENT OF HOLMEN VIEW is a good example of how collaboration at all stages drives technological development forward, and of how Holmen is challenging established views regarding paper choices through its new products. By involving the entire production chain and benefiting from the collective expertise, Holmen is leading the development towards more specialised products that will meet the requirements of the future. Holmen VIEW has a special position on the printing paper market and is a product that makes a difference – not least for the customer.



HALLSTA PAPER MILL

Raw materials: Spruce pulpwood.

Process: TMP and groundwood pulp.

Products: MF Magazine, SC paper and book paper.

Production capacity: 670 000 tonnes/year.

Average no. of employees: 674.



BRAVIKEN PAPER MILL

Raw materials: Spruce pulpwood and recovered paper.

Process: TMP and DIP.

Products: MF Magazine, newsprint, coloured newsprint and telephone directory paper.

Production capacity: 750 000 tonnes/year.

Average no. of employees: 576.



HOLMEN PAPER MADRID

Raw materials: Recovered paper.

Process: DIP.

Products: Newsprint and coloured newsprint.

Production capacity: 330 000 tonnes/year.

Average no. of employees: 240.

Paperboard

Facts	2011	2010
Net sales	5 109	4 849
Operating profit, SEKm	863	817
Investments, SEKm	1 120	521
Operating capital, SEKm	5 041	4 313
Average number of employees	1 522	1 528
Share of sales in Europe, %	83	83
Deliveries, '000 tonnes	474	464



Iggesund Paperboard is consolidating its position as quality leader in Europe by continuing to improve its quality and service concept. Sustainable investments that give major energy savings are in progress at both paperboard mills.

Trends

Trends in private consumption have a great effect on packaging in the premium range, which requires paperboard of very high quality. Consumer packaging linked primarily to lifestyle consumption is one of the most rapidly growing segments today.

From a sustainability perspective, paperboard is increasingly being highlighted as a more environment and climate friendly option compared to packaging materials such as plastic and glass.

Like printing paper, paperboard for graphic uses is being challenged by developments in digital media. E-postcards and e-books are two such examples. At the same time, digital printing technology is opening up new possibilities and markets for paperboard with the right properties.

Market

During the year, the world consumption of paperboard decreased by 3 per cent to 33 million tonnes. Asia is the biggest global market, followed by North America. Demand in Europe decreased by 5 per cent for the paperboard grades offered by Iggesund Paperboard, Solid Bleached Board (SBB) and Folding Box Board (FBB), mainly during the weak second half of the year. The largest markets in Europe for these products

are Germany and the UK, with 24 per cent and 12 per cent of consumption respectively.

The prices of both SBB and FBB in Europe have been stable in 2011 following the price increases made in 2010.

Operations in 2011

Iggesund Paperboard's deliveries totalled 474 000 tonnes in 2011, 2 per cent higher than in the previous year. After increasing in the first six months of 2011, deliveries tailed off during the autumn due to a deteriorating market. Operating profit was SEK 863 million, compared to SEK 817 million for 2010. Price increases had a positive effect on earnings, while downtime for maintenance and rising raw material prices increased costs.

Products

MARKET POSITION. Iggesund Paperboard holds just over 15 per cent of the market for SBB and FBB in Europe but is a clear market leader in the highest-quality segments. Sales are mainly focused on converters, who make packaging, and wholesalers and printers, who buy paperboard for use in graphics printing.

BRANDS. Iggesund Paperboard manufactures and markets paperboard products under two brands: Invercote and Incada. Invercote,

which is an SBB, is the strongest brand in the paperboard market, while the Incada FBB is ranked as number four. Invercote is manufactured at Iggesund Mill, while Incada is produced at the mill in Workington, UK.

PACKAGING BOARD. Paperboard from Iggesund Paperboard meets exacting requirements for neutral smell and taste and is used for applications such as packaging for confectionery, perfume, pharmaceuticals, food products, cosmetics and tobacco. Thanks to the two qualities of paperboard and opportunities for further processing at the company's laminating facility in Strömsbruk, Iggesund Paperboard can offer one of the market's most complete product portfolios based on the needs of the packaging industry.

GRAPHICS BOARD. The high and even quality coupled with good printing properties make Invercote and Incada suitable for a range of applications in the graphics market. These include advertising print, cards and covers. An interesting new market is emerging in the field of digital printing. Due to the large number of end-customers, the major share of graphics board is sold via an extensive network of merchants.

Development

SUSTAINABLE INVESTMENTS. In April 2011 the board of Holmen decided to invest SEK 1.1 billion in a biofuel boiler at the mill in Workington. The boiler will help cut energy costs, making the mill more competitive. The plant is estimated to produce 325 GWh of electrical energy and 420 GWh of thermal energy per year which meets the mill's entire energy requirement. It involves a radical restructuring of the mill's energy supply – from fossil natural gas to biofuel. The biofuel boiler is set to come on stream in April 2013.

The other major investment project at Iggesund Paperboard – the new recovery boiler and turbine at Iggesund Mill – continued according to plan in 2011. This investment is one of the biggest industrial investments currently under way in Sweden. The board of Holmen made the decision to invest in May 2010, and the facility will be completed in June 2012. The aim is for the mill's own production of electricity to increase from today's 210 GWh to 520 GWh per year. The new recovery boiler makes it possible to increase the production of fully bleached sulphate pulp from 355 000 tonnes to 420 000 tonnes per year. Thanks to the investment in the new recovery boiler and turbine, the goal of Iggesund Mill being self-sufficient in electrical energy, as well as completely free from fossil fuels in electricity production, is made possible.

In 2011 the re-equipped pulp line at the mill in Workington was commissioned. This investment will boost production capacity as well as pulp and board quality. At the same time, maintenance costs and energy consumption will fall, leading to increased competitiveness.

PRODUCT DEVELOPMENT. Both Invercote and Incada are under continuous development in order to meet the market's rising demands in terms of material characteristics and runnability in customers' manufacturing processes. The Paperboard Development Centre, PDC, which has specialist competence in coating, surface treatment and the physical properties of paperboard, forms the core of the product portfolio development that is a fixed item on the agenda.

Key events in 2011

MARCH At the Workington mill, the refitted pulp line is commissioned. Through this investment, energy consumption is cut by 10 per cent while the level of paperboard quality is raised.

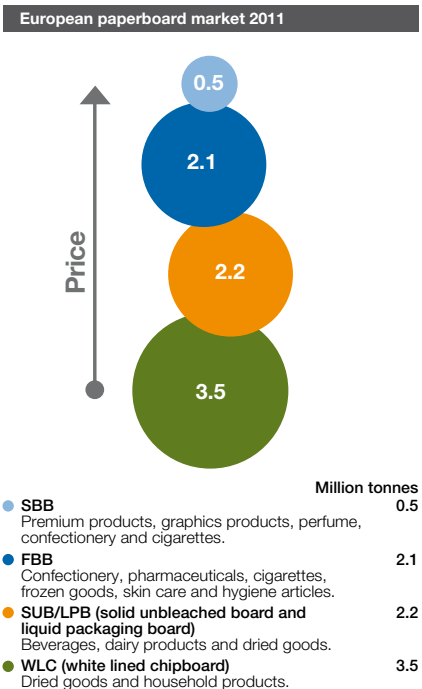
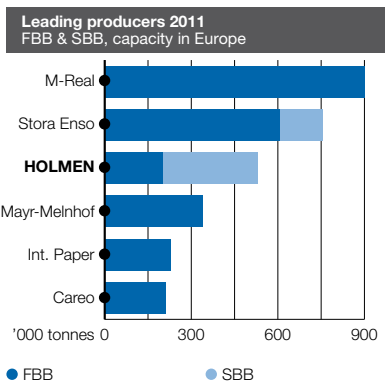
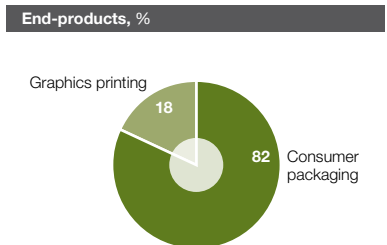
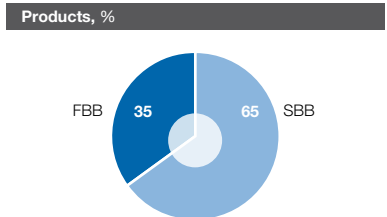
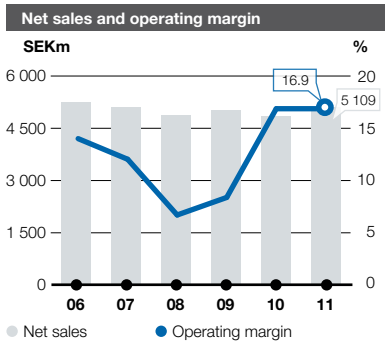
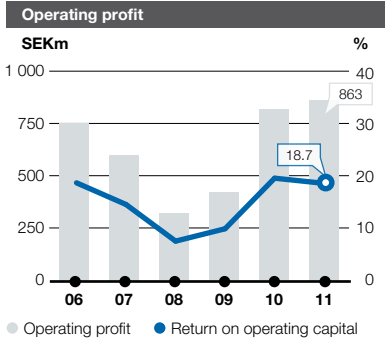
APRIL The board of Holmen decides to invest in a biofuel boiler at the mill in Workington.

MAY Work starts on laying the foundations for the new biofuel boiler in Workington.

NOVEMBER Cutbacks are announced for the Strömsbruk unit, with the aim of improving profitability. The measures affect around 20 employees.

WHOLE YEAR Construction of the recovery boiler at Iggesund Mill is under way and on schedule. The investment means that the mill will be self-sufficient in fossil-free electrical energy.

The *Black Box Project*, in which Invercote presents designers with a challenge, visits Paris, London, New York, Amsterdam and Hamburg, attracting a great deal of attention.



Two strong brands...



Invercote and Incada



Invercote

Iggesund Paperboard manufactures a range of paperboard products at Iggesund in Sweden and Workington in England. Plastic coating and lamination for paperboard can be done at Strömsbruk in Sweden. The product range consists of two strong brands: Invercote and Incada.

INVERCOTE is a top-quality Solid Bleached Board (SBB) manufactured from chemical pulp. By combining layers with various properties, the paperboard can be optimised for a range of uses. The fully coated print surfaces meet the most stringent requirements regarding print reproduction and provide perfect conditions for finishing methods such as embossing, foiling and film lamination. Invercote is the strongest brand in its segment and is also highly respected in the design industry. The paperboard is neutral in smell and taste, as well as being approved for contact with food products.

Applications: Packaging for cosmetics, chocolate, medicines and tobacco products. Graphics products such as postcards, brochures and book covers.

INCADA is a multilayer Folding Box Board (FBB), with an outer layer of bleached chemical pulp and a middle layer of bleached mechanical pulp. Its special structure provides a high degree of stiffness in relation to grammage. By optimising the fibre composition in each layer, it is possible to achieve optimum runnability in the manufacturing process and end-products with consistently high quality and excellent characteristics for printing and finishing. Incada products are characterised by good hygiene, smell and taste properties and are approved for contact with food products.

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



Incada



Invercote

...provide added value for customers.



Innovative design on paper-board is driving development.

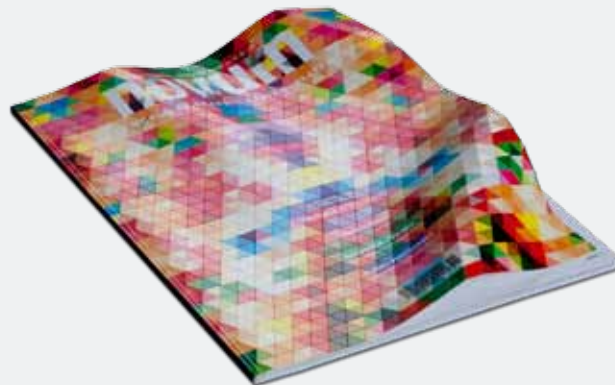
For graphic designers around the world, the German design magazine *Novum* is something of an institution. Dating back to 1923, the magazine has also strengthened its position over the last decade as a result of its conscious focus on paper-borne design. This is shown, for example, in surprising material solutions and unusual printing techniques on the covers. The concept has inspired developments in design and technology.

THE IDEA FOR THE NOVEMBER edition in 2011 came from Paperlux, a widely renowned design agency based in Hamburg. The idea was to create a cover that was not only beautiful to look at but also playful and formable. To meet this challenge, a paper-board was required that combined stability with flexibility in an optimum way. The decision was made to use Invercote from Iggesund Paperboard.

THE INSPIRATION behind the colourful pattern on the cover originally stems from the American designer Buckminster Fuller. But what is so unique about the cover idea was that the pattern was semi-stamped, giving the effect of the cover being flexible

so that it could be shaped at will and had an extremely special feel. Also, the printing colours were varied so that the magazine was published in six different editions with different colour schemes for the cover.

THE END RESULT exceeded all expectations, as did sales of the magazine. In addition, more than 200 000 people saw the film about the production of the magazine during the first month. This is proof that paper-board still fascinates and engages, even in the digital age.



IGGESUND MILL

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: 906.



WORKINGTON MILL

Raw materials: Spruce pulpwood and purchased sulphate pulp.

Process: RMP.

Products: Folding boxboard.

Production capacity: 200 000 tonnes/year.

Average no. of employees: 398.

Sawn timber

Facts	2011	2010
Net sales, SEKm	875	586
Operating profit/loss, SEKm	-136	20
Investments, SEKm	365	800
Operating capital, SEKm	1 507	1 192
Average number of employees	207	139
Share of sales in Europe, %	70	55
Deliveries, '000 m ³	487	285



Holmen Timber performs cost-efficient production at two large-scale units, integrated with a paper and a paperboard mill respectively. The strategic advantages provide greater potential for growth and development when the wood products market turns a corner.

Trends

Despite a turbulent year, there is reason to view the market for sawn timber with optimism. Growing insight into the importance of keeping the greenhouse effect in check and safeguarding our climate is also translating into greater interest in products based on renewable raw materials, including sawn timber.

Construction using wood has many advantages. This applies to the entire chain, from sustainable forestry to construction. Wood is being highlighted as a climate-smart construction material through its positive effects on economic aspects, the environment and energy consumption. These effects are achieved by, for example, shorter construction times and lower construction costs.

Wooden houses bind carbon and so can play a key role in work to combat climate change.

During the reconstruction work following the major earthquake disaster in Japan in 2011, wooden buildings have been in the spotlight. It has emerged that these buildings are able to withstand the forces that arise during earthquakes to a greater extent than other types of buildings.

Market

The market was weak in 2011 as a consequence of persistently low construction ac-

tivity. European consumption of sawn timber amounted to around 85 million cubic metres, which is in line with 2010 but considerably lower than a few years ago. Above all, deliveries of construction timber decreased, while the decline of joinery products was partially slowed by the renovation and extension sector, which to some extent buoyed up the level of consumption. Extremely high raw material prices combined with low market prices and lower volumes have also contributed to lower margins and profitability in the sawmill industry.

North Africa and the Middle East are market areas that has increasingly gained in importance. Despite the fact that, during the year, this part of the world has been subject to political turbulence, consumption has been relatively well maintained, and deliveries to these regions have only been marginally affected.

Operations in 2011

In 2011 deliveries totalled 487 000 cubic metres, of which 190 000 cubic metres constituted spruce sawn timber from the new Braviken Sawmill. At Iggesund Sawmill, the year brought an increase of 4 per cent or 12 000 cubic metres. Operating loss for Holmen Timber was SEK 136 million, compared to an operating profit of

SEK 20 million for 2010. The weak result was due to high raw material prices and a weak market with pressure on prices. Depreciation increased by SEK 80 million as a result of the new sawmill at Braviken.

As a result of the weak market, the pace of the start-up at Braviken Sawmill was adapted and there were stoppages in production at the end of the year. A total of 560 000 cubic metres was produced, including 257 000 at Braviken.

Products

MARKET POSITION. Holmen Timber's European market share is around 1 per cent. The new sawmill means that the company can supply wood for construction, joinery and packaging, increasing the potential for successfully competing in existing and new markets. With its two modern facilities, Holmen Timber is able to offer consistently high quality and a joint production capacity of 870 000 cubic metres.

BUILDING WITH WOOD is Holmen Timber's product category for spruce construction timber. Manufacturing takes place at Braviken Sawmill. Customers include builders' merchants, planing mills, and house and roof truss manufacturers primarily in Scandinavia, the UK, Germany, France and the Netherlands.

LIVING WITH WOOD is the name of the product category for visible wood in residential settings, such as windows, doors, staircases and floors. The products are manufactured at Iggesund Sawmill. Customers include the joinery and furniture industries, window and floor manufacturers, and builders' merchants. The key markets are Scandinavia, the UK, Algeria, Saudi Arabia and Egypt.

Development

STRATEGY. Modern industrial sawmills and a stable wood supply allow for large-scale, cost-efficient production. By improving the integration of forestry, sawmill and mill, as is the case in Iggesund and Braviken, the Holmen Group is laying the foundations for lower raw material costs and optimum use of resources. Close work with customers and products offering significant quality benefits contribute to establishing long and profitable customer relationships in a fragmented market characterised by a large number of small players.

PRODUCT DEVELOPMENT. Customers, raw material and production technology form the basis of product development at Holmen Timber. Minimising waste and getting as much as possible out of each log are key factors, along with optimising the end-products for maximum cost-efficiency. In dialogue with customers, Holmen Timber has chosen to have a lower number of standard lengths for construction timber and instead has adapted them to the countries' building standards. This gives the company a stronger position in the market as well as more rational production and stock management and improved use of loading capacity when transporting timber. A high level of technical innovation in the production processes, such as a developed method for drying wood at Braviken Sawmill, contributes to greater productivity and end-products without cracks and warping.

BRAVIKEN SAWMILL. Production at Braviken Sawmill began in January 2011. The sawmill, one of Scandinavia's largest and most modern, is constructed from wood using the best possible technology and layout. Its location outside Norrköping, with access to sea, road and railway, is favourable from a logistics perspective. The raw material is purchased from private forest owners in the vicinity. When it has been completely fine-tuned, the current facility will be able to produce 550 000 cubic metres, which corresponds to a volume of just over 1,1 million cubic metres of spruce sawn timber per year. Through investments in drying and planing capacity, the facility's production capacity can be increased to 750 000 cubic metres.

IGGESUND SAWMILL. Investments in recent years in greater drying capacity, a new grading unit and a new log infeed have contributed to increased productivity and capacity at Iggesund Sawmill. For two years now, the log sorting line has incorporated new X-ray equipment that allows each log to be sorted for use in the correct end-product. As all sales to Holmen's most important markets go via the company's own sales channels, long-term relationships and product development close to customers, with a high degree of added value and maximum customer benefit, are ensured. High-quality raw material combined with finger-jointing makes it possible to produce knot-free joinery timber that meets exacting requirements, for example from window manufacture.

ENERGY EFFICIENCY. Both of Holmen Timber's sawmills are integrated facilities, exploiting their proximity to the paper or paperboard mill and to the forest raw material. The sawmill provides the mill with wood chips that are made into pulp, and with biofuel that is converted into energy. Surplus heat from the mill is used for drying processes at the sawmill.

Key events in 2011

JANUARY Production starts at the new Braviken Sawmill.

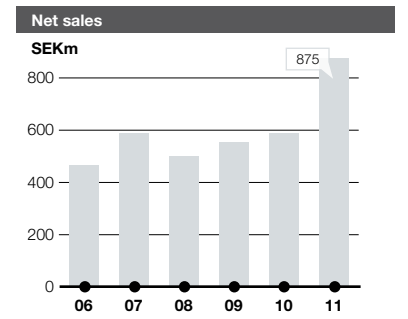
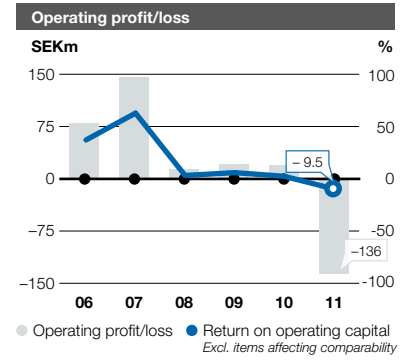
MAY Official opening of the new sawmill, attended by Swedish Minister for Finance Anders Borg and a number of Swedish and foreign guests.

JUNE The planing mill at Braviken Sawmill is commissioned.

JULY Extensive work on safety issues is concluded at Iggesund Sawmill.

SEPTEMBER A large number of different improvements at Iggesund Sawmill give an increase in productivity of 10 per cent in the grading unit and 5 per cent in the saw.

DECEMBER For the first time, Iggesund Sawmill passes the 300 000 cubic metre mark in terms of production volume, beating the previous record of 295 000 cubic metres.



IGGESUND SAWMILL
Raw materials: Pine saw logs.
Process: Sawmilling.
Products: Pine sawn timber.
Production capacity: 320 000 m³/year.
Average no. of employees: 98.



BRAVIKEN SAWMILL
Raw materials: Spruce saw logs.
Process: Sawmilling.
Products: Spruce sawn timber.
Production capacity: 550 000 m³/year.
Average no. of employees: 97.

Forest

Facts	2011	2010
Operating profit, SEKm	4 332	1 868
Operating profit excl. items affecting comparability*, SEKm	739	818
Investments, SEKm	42	-3
Operating capital, SEKm	16 278	12 597
Average number of employees	428	442
Harvesting in own forests, '000 m ³ sub	2 988	2 999
Productive forest land, '000 hectares	1 033	1 032
Volume of wood, million m ³ growing stock, solid over bark	118	120

* Revaluation of forest SEK 3 593 million (1 050)



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

Trends

Global carbon dioxide emissions are continuing to increase, and the issue of climate is more pressing than ever. Knowledge is spreading that an actively managed forest binds carbon and thus counteracts the greenhouse effect. Likewise, products from the forest can replace fossil fuels and materials that have an impact on the climate. One effect of this is greater demand for biomass and biofuel for energy production. The International Year of Forests in 2011 was a global initiative by the UN that aimed to convey knowledge and increase understanding of the forest's environmental, social and economic values.

Market

THE SWEDISH FOREST forms the basis of the forest industry and is therefore a key component of the Swedish economy. A large proportion of forest industry production is based on virgin fibre, and Sweden plays a crucial role in Europe's fibre supply.

The volume of wood in Swedish forests has increased by 80 per cent since the 1920s. There are currently 23 million hectares of productive forest land, and annual growth equals 110 million m³ growing stock, solid over bark. The annual volume of wood harvested is around 73 million m³sub or some 90 million m³ growing stock, solid over bark. Half of this consists of saw timber, around 40 per cent

comprises pulpwood and approximately 10 per cent is firewood and other wood.

THE NEEDS OF THE INDUSTRY. The Swedish forest industry consumes about 80 million m³sub of wood per year, the majority of which is harvested in Sweden. Around 8 million m³sub are imported, primarily pulpwood from the Baltic States. Competition for Swedish wood as a raw material is increasing, partly because of the greater need for biofuels used at thermal power stations.

MARKET TRENDS. During the first half of 2011, demand for pulpwood was strong, but it weakened after the summer. Demand for saw timber was somewhat lower than normal as a result of the weak market in the sawn timber industry. The supply of pulpwood and timber was good, which has contributed to the pulp industry and sawmills being well supplied. The supply of forest fuel (firewood, branches, treetops and bark) has been good during the year and has met needs to a more than acceptable extent. The year began with prices remaining high, but lower demand in the autumn meant gradual price decreases in the latter part of the year.

Operations in 2011

Operating profit for Holmen Skog amounted to SEK 4 332 million (1 868). The operating profit includes SEK 3 593 million (1 050) from

revaluation of Holmen's forest holdings resulting from a new harvesting plan, together with changes in price and cost assumptions. The earnings from operations (before the forest revaluation) amounted to SEK 739 million (766). Prices were on average 8 per cent higher than in the previous year. The costs of harvesting increased. Profits for the preceding year benefited from a high result from wood trading.

Wood supply

HOLMEN SKOG acquired a total of 11.4 million (10.8) m³sub of wood in 2011, of which 6.2 million (6.2) m³sub was sold to external customers. 3.0 million (3.0) m³sub of wood were harvested from its own forests, including 0.1 m³sub of forest fuel. Holmen's Swedish production units consumed 4.7 million (4.2) m³sub of wood in 2011. Requirements increased when Braviken Sawmill began operations, while Braviken Paper Mill increased its wood consumption due to a transition to a lower proportion of recovered paper in favour of virgin fibre. As a result, timber supplied to the Braviken integrated facility increased during the year by just over 0.5 million m³sub of timber, while the increased need for virgin fibre could be met in its entirety by additional chips from the sawmill. In order to meet this increased demand for timber, the organisation was bolstered as early as 2010, which was also when the Braviken-

Gran (Braviken Spruce) business concept was established.

Most of Holmen's forests are located in northern Sweden where the Group does not have any industrial sites of its own. 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. Some wood is imported, mainly from the Baltic States.

Development

SUSTAINABLE FORESTRY. In 2006 Holmen Skog started to apply a new forest management programme. Through long-term forest management, wood production and thus also harvesting can increase in the future.

The *Guidelines for Sustainable Forest Management* state how work is to be performed in Holmen's own forests; however, these guidelines are also used as a source of inspiration and to assist private forest owners who supply wood to Holmen. The guidelines are comprehensive and form the basis for sustainable and profitable forestry that develops all the values of the forest.

METHODS AND RESEARCH. In 2011 the nursery in Friggesund was upgraded. The change makes the facility one of the most modern in Europe. It will annually produce 16 million seedlings of the highest quality. The investment, which also involves a reduction in the need for oil and electricity, will be completed in 2012.

Fertilisation is an effective way of increasing growth in the forest. During the year, an analysis was made of the conditions for fertilising Holmen's forest land, after which a long-term fertilisation programme was adopted, with new guidelines and an annual fertilisation area of around 8 000 hectares from the start of 2013.

Several parallel development projects are under way including a project in forest technology, with Holmen investing during the year in an electric hybrid forwarder with low energy consumption.

BIOFUEL. Holmen's extraction of biofuel from its own forests is increasing, as is its involvement as a buyer and seller in the biofuel market. Mainly branches and treetops are used. Stumps are being harvested on a trial basis. There is great potential to increase the extraction of biofuel from the forest, provided that technology is developed for harvesting stumps and managing whole trees when cleaning and thinning.

REGROWTH GUARANTEE. A *Regrowth guarantee* was introduced during the year and offered to private forest owners who supply Holmen with wood. The concept is to help ensure beneficial, controlled regrowth following harvesting.

PREVENTIVE WORK. The forest and its value are exposed to many challenges – from

damage caused by wild animals and insect infestation to widespread natural disasters such as heavy storms. But in many cases, the consequences can be mitigated through active measures and preventive work.

Holmen is working intensively to counteract forest damage and prioritise initiatives to combat pine weevils and grazing by wild animals. The pine weevil is a very serious pest that has been controlled up to now using insecticides. Holmen is working on developing protection that has less impact on the environment. Through efficient forest management in the form of larger seedlings and new forms of protection, damage from pine weevils can be sharply reduced. In those areas where there is a large number of cloven-hoofed game in relation to the area covered by young stands, the pressure from grazing is considerable. This means reduced growth in the forest and poorer wood quality.

A new moose management programme will come into force in 2012. The aim is to achieve a high-quality moose population that is in balance with the food supply. Holmen is taking an active role in establishing the new model for moose management.

Key events in 2011

JANUARY Braviken Sawmill is commissioned, creating a demand for spruce saw timber.

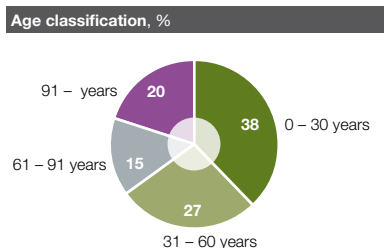
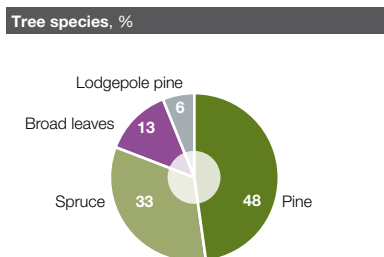
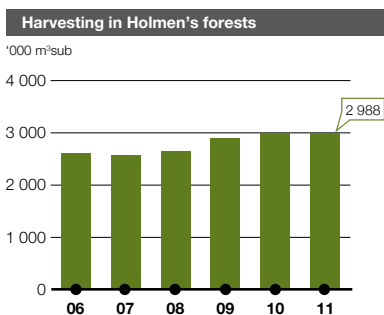
MAY A *regrowth guarantee* is introduced and offered to private forest owners who supply wood to Holmen.

SEPTEMBER A new edition of the *Guidelines for Sustainable Forest Management* is published.

OCTOBER A new long-term programme for fertilising around 8 000 hectares/year is decided.

DECEMBER The inventory of Holmen's forests is concluded and the long-term harvesting plan is updated. Holmen's forest holdings are revalued.

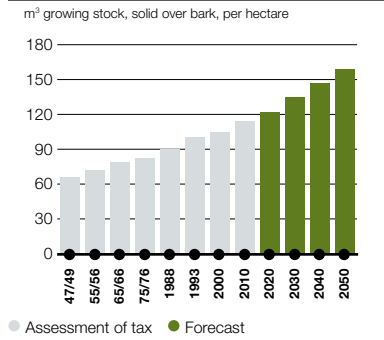
WHOLE YEAR The nursery in Friggesund is upgraded to become one of Europe's most modern. The investment also means that the need for both oil and electricity is reduced.



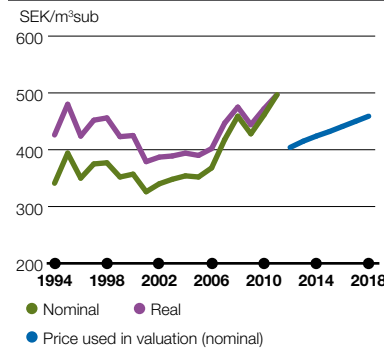
Holmen forests in 2011

Total land acreage	1 265 100 ha
Productive forest land	1 032 800 ha
-of which nature areas set aside	69 700 ha
-productive land excl. nature areas	963 100 ha
Barren land	232 300 ha
Volume of wood, per hectare	116 m³ growing stock, solid over bark
Volume of wood incl. nature areas	118 million m³ growing stock, solid over bark
Volume of wood excl. nature areas	106 million m³ growing stock, solid over bark

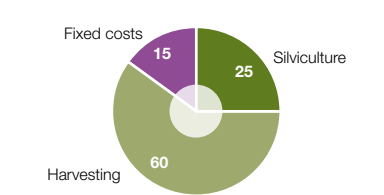
Forest stand



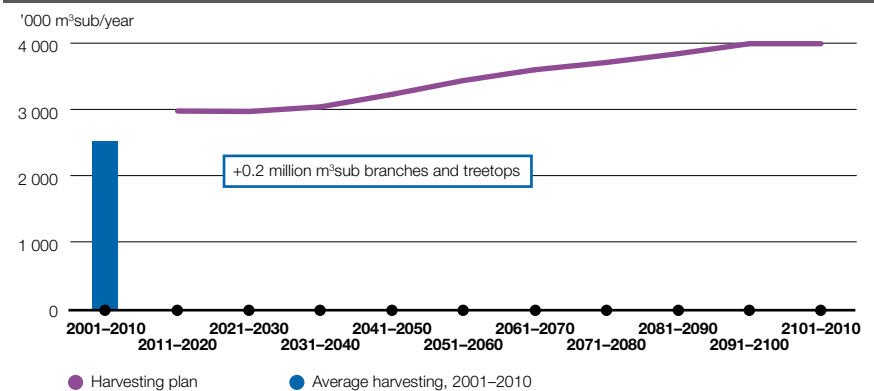
Prices



Distribution of costs, %



Harvesting



A warmer climate with an absence of frozen ground is making it more difficult to transport the wood out of the forest. New technology can provide solutions for how to reduce the impact of vehicles. New forest roads with a greater load-bearing capacity are another example of preventive measures. In the *Guidelines for Sustainable Forest Management* the measures included in preventive work are described in more detail.

Value of the forest

GROWTH IN THE FORESTS. The growth of the forest and its value depend to a large extent on how it is managed. But this is a long process – investments made and measures performed today will give returns in 30–90 years’ time. A significant proportion of the growth takes place in young and middle-aged forests that are not yet ready for harvesting.

Examples of growth-increasing measures include improved reforestation, greater use of lodgepole pine and forest land fertilisation.

FOREST HOLDINGS AND VOLUME OF WOOD.

Holmen owns a total of 1 265 100 hectares of land, of which 1 032 800 hectares consist of productive forest land. The other approximately 20 per cent is used for nature conservation purposes, which helps ensure biodiversity. The main part of Holmen’s land holdings are in the north of Sweden. The total volume of wood is 118 million m³ growing stock, solid over bark, corresponding to a total of 116 m³ growing stock, solid over bark, per hectare of productive forest land.

HARVESTING.

Annual harvesting is governed by a long-term harvesting plan that takes account of factors such as the age structure and growth of the forest. Future wood harvesting is calculated on the basis of a forest rotation period of around 100 years.

A new harvesting plan was drawn up during the year based on the forest inventory, which is made about every 10 years. Based on this, the annual harvesting volume is estimated at 3.2 million m³sub for the coming 10-year period, of which around 0.2 million is branches and treetops intended for use as energy raw material. The increase compared with the

previous harvesting plan can be explained by the fact that there is now only a short time left for management of the reserve of older forest before the cultivated forest is ready for harvesting, and that growth-increasing measures will allow for increased harvesting in future. During the coming 100 years, it is expected that it will gradually become possible to increase the harvesting rate to 4 million m³sub per year.

Holmen’s forest is mostly harvested by contractors. Some of the forest is harvested by Holmen itself to help spread knowledge and contribute to technological development in the industry. The cost of harvesting is equivalent to around 30 per cent of sales revenue and is largely affected by changes in fuel prices and interest rates. Improvements in productivity in the harvesting work have come to a standstill in Swedish forestry over the past decade, which explains why cost increases have become discernible in recent years.

SILVICULTURE. A significant proportion of silviculture measures are performed during the years immediately following harvesting. The soil is prepared and the land is reforested through planting or sowing. Around 10–20 years after replanting, the forest is cleaned in order to select the trees that have the best potential for continuing their growth. Around 10–30 years before the forest is harvested, certain areas also can be fertilised to further boost growth. Holmen’s silviculture measures cost around SEK 170 million annually, of which around 20 per cent is made up of fertilisation costs.

THE FOREST’S ECONOMIC VALUE. Holmen’s forest holdings are valued and recognised on a current basis at fair value. A valuation is made by calculating the present value of future cash flows from the growing forests over the next 100 years. Cash flow is made up of net sales revenues and costs of harvesting, silviculture and administration.

On valuation, an estimate is made of sustainable levels where revenues and costs are concerned. All valuation assumptions were scrutinised as part of the review performed during the year. Assumptions about future sales prices are in line with the average price over the past ten years, but lower than current prices. Costs correspond to the current level. Each year sales prices are updated by 2 per cent, and costs by just over 2 per cent.

The new harvesting plan and changes in price and cost assumptions resulted in the forest holdings being updated by SEK 3.6 billion to SEK 15.8 billion. For more information on forest valuation, see Note 11.

Positive climate effects

The forests provide raw materials and bio-energy that, unlike those based on oil, do not add new quantities of carbon dioxide to the atmosphere. Products from the forests can replace fossil fuels and materials that have an impact on climate – this is known as the

substitution effect. When the forest grows, it binds carbon dioxide. A managed forest is planted, cleaned, thinned and felled at regular intervals. The volume of wood is built up over a period of about 70 years and is then mostly harvested, and a new growth cycle can begin. On the other hand, an unmanaged forest is allowed to grow freely over a long period of time, maybe up to 300 years. The volume of wood is built up just once and then changes insignificantly over time. Admittedly, the trees store carbon dioxide, but in the unmanaged forest the substitution effect goes completely unused. Using wood and paper products gives a dual effect:

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

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

INCREASED GROWTH. Holmen's active forest management, with a sharp focus on growth, gives positive climate effects that accumulate over time. Through constantly increasing growth, more and more carbon dioxide is captured in the trees, while wood and bio-energy replace products and sources of energy that have an impact on climate. A significant portion of growth takes place in young and middle-aged forests that are not yet sufficiently mature for harvesting. For this reason, only around 85 per cent of the annual growth is harvested, which means that the volume of wood is gradually increasing in Holmen's forests. As these younger forests grow to a

harvestable age, it will become possible to increase the harvest of wood to put it on a par with growth. Materials and fossil fuels that have an impact on climate can then be replaced to an even larger extent.

BIODIVERSITY. The forest is an important habitat for many species and thus crucial to biodiversity. Holmen manages the forest so that naturally occurring flora and fauna are given the conditions they need for their survival in the forest landscape. This takes place through the cooperation of several key actions on aspects including care of species in the managed forest, active nature conservation and certain areas being used solely for nature conservation purposes. Just over 5 per cent of Holmen's forest land is used for day-to-day care of species in the managed forest, 5 per cent is used solely for nature conservation purposes, and 10 per cent consists of unproductive land. Thus, in total, just over 20 per cent of Holmen's own forest land is used for the purposes of nature conservation. Holmen is working actively to develop and improve the conditions for biodiversity on its own land. For example, a project is under way in collaboration with Future Forest in which active management in around 30 nature conservation areas will serve to encourage biodiversity. Also, from 2008 to 2011, Holmen has re-established eleven wetland areas, surveyed all road culverts that present obstacles for fish migration and started work on restoring these. 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.

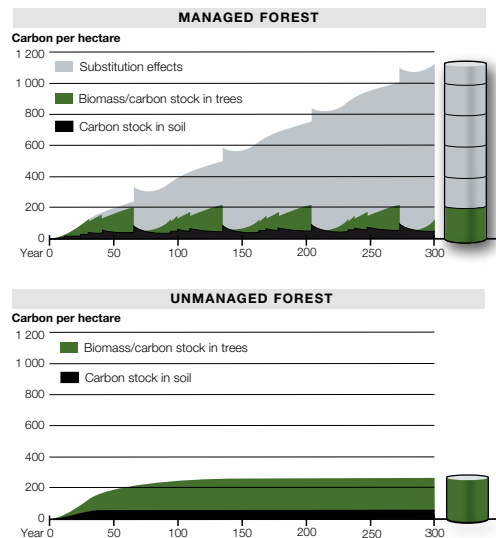
SIX BASIC FACTS ABOUT FORESTS AND CLIMATE

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



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

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



Basic conditions:

Managed forest. Planted, cleaned, thinned and harvested at regular intervals over 300 years.

In the managed forest a volume of wood is built up over a period of around 70 years and is then mostly harvested. Wood and biofuel are used to replace other materials and sources of energy with an impact on the climate.

Unmanaged forest. Allowed to develop freely over 300 years.

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

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

Energy

Facts	2011	2010
Operating profit, SEKm	406	495
Investments, SEKm	16	65
Operating capital, SEKm	3 253	3 235
Average number of employees	14	11
Company-generated hydro power, GWh	1 230	1 145



Holmen Energi is responsible for the Group's hydro and wind power assets, as well as the electricity supply to Holmen's Swedish units. The ambition is to build 1 TWh of wind power.

Trends

According to IEA, the International Energy Agency, it is estimated that growth, increased prosperity and a growing population will increase global energy consumption by a third by 2035 compared to the current figures. In 2008, the European Parliament adopted a programme of measures in the energy and climate field, including that by 2020 the proportion of renewable energy in the EU is to correspond to 20 per cent of all energy use, biofuels are to make up at least 10 per cent of total fuel consumption, and improved efficiency is to reduce energy use by 20 per cent.

Events during the year have brought drastic changes in the energy field. The earthquake disaster in Japan and its effects on nuclear power made Germany decide to close all of its nuclear plants. The German decision will have major consequences for the energy market, both in the short and in the long term. Its effect is not lessened by the fact that the European energy market is increasingly tending towards becoming a single market as the transfer capacity between countries increases.

Trends on the energy market mean that the significance and value of Holmen's own power resources are growing.

Market

2011 turned out to be yet another year of high energy consumption in Sweden as a consequence of the long, cold winter at the start of the year. A total of 145 TWh of electricity was produced in Sweden during 2011, of which hydro power accounted for 66 TWh.

In 2011 electricity prices were initially high but fell as the water reservoirs were filled. During autumn, levels that were significantly higher than usual were reached in the reservoirs. The average spot price in 2011 was SEK 432/MWh, which was 20 per cent lower than in the previous year. The highest electricity price recorded during the year was SEK 1 009/ MWh for one hour and SEK 809/MWh for one day. Measured as an average over a month, the highest spot price was SEK 622/ MWh in January and the lowest was SEK 278/MWh in October.

Operations in 2011

In 2011 the production of hydro power totalled 1 230 (1 145) GWh, which is 11 per cent higher than during a normal year. Operating profit for the year was 406 (495) Mkr. The decrease is attributable to a lower price compared to the very high levels in 2010. Large amounts of precipita-

tion led to high water levels in the rivers, well-filled reservoirs and a high level of production during the third and fourth quarters.

Holmen's energy supply

OWN ENERGY ASSETS. Holmen Energi is responsible for the Group's hydro power and wind power plants and for supplying electricity to Holmen's industrial sites in Sweden. Electricity production at the 21 wholly and partly owned hydro power stations, together with the back pressure power production at Holmen's large mills, corresponds to around 35 per cent of the Group's electricity consumption. The remainder is covered by electricity purchased externally, which makes Holmen one of Sweden's biggest buyers of electrical energy. Holmen's electricity consumption at the Swedish units was 4 032 (3 974) GWh in 2011.

PRICE HEDGING. In order to reduce the effects of variations in the price of electricity, long-term hedging contracts are signed with the electricity suppliers. Purchases in Sweden are hedged to around 90 per cent for 2012, to around 80 per cent for 2013–2015 and to around 30 per cent for 2016–2021. Hedging means that Holmen will not be fully affected immediately by changes in electricity prices.

Development

WIND POWER. There is great potential in wind power. The aim is for Holmen to produce 1 TWh of electricity from wind power by 2020. The major share is to come from plants on Holmen's own land, which is why wind surveys are being performed at several sites in Västernorrland, Stockholm and Östergötland. Permit applications are being processed, and for one of the projects, the Varsvik project at Holmen's Hallstavik facility, an environmental permit is expected to be granted during the second quarter of 2012. Provided that the decision is made to invest in the project, construction will begin in 2012 and the plant is scheduled to be commissioned in the second half of 2013. The completed plant is estimated to supply 150 GWh per year. At the mill in Workington, UK, wind surveys began during the autumn.

At the start of 2011, Holmen and E.ON signed a contract on joint development of wind farms in Örnköldsvik Municipality. With around 70 turbines spread over three areas, mainly on Holmen's land, annual production could reach around 475 GWh when all turbines have been built, which is estimated to be the case in 2015.

During autumn 2011, wind surveys began in Östergötland as a result of a cooperation agreement with Statkraft. The surveys cover five areas, and a decision on possibly continuing the partnership will be made when they have been completed.

Through its part-ownership of VindIn AB, Holmen was present when the first turf was cut in April 2011 at Trattberget in Örnköldsvik. There, VindIn AB is responsible for constructing around 30 turbines, with the first to be commissioned in autumn 2012. Holmen's share is estimated at around 35 Gwh.

PEAT EXTRACTION. Peat is an interesting means of supplementing biofuel in biofuel boilers. Holmen's peat cutting began outside Örnköldsvik in 2009. There, 41 (47) GWh of peat was harvested in 2011, and the harvesting area will be expanded further in 2012.

IMPROVING ENERGY EFFICIENCY. The mills are responsible for improving their energy efficiency and reducing energy consumption, but coordination is managed centrally.

In 2011 two major investment projects with a clear energy focus were carried out. At Iggesund Mill a new recovery boiler and turbine are being constructed; these will be commissioned in 2012. The investment makes the mill self-sufficient in electricity, as well as fossil-fuel independent. Furthermore, the decision was made to invest in a new biofuel boiler at the mill in Workington. Work has started on this project. The new boiler, which is scheduled for commissioning

in 2013, will mean lower energy costs and enable the transition from natural gas (fossil fuel) to biofuel.

In Braviken, as in Iggesund, co-location of the mill and sawmill offer several benefits. By making joint use of the infrastructure, and by substitution of energy and residual products, greater efficiency and energy savings can be achieved.

An old oil-fired boiler was replaced with a new electric boiler at Hallsta Paper Mill in 2011. In this way, dependence on oil is reduced and control over energy consumption is optimised.

At the mill in Workington, refitting the pulp line has enabled energy consumption to be reduced by around 10 per cent.

NEW AREAS. Forest raw material and residual products from Holmen's production facilities can provide new products and business concepts. The Holmen Biorefinery Development Centre, HBC, was established in 2009, its task being to identify and harness potential in the fields of biofuels, transport biofuels, biogas, materials and chemicals.

Key events in 2011

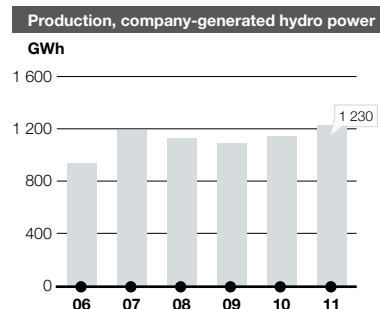
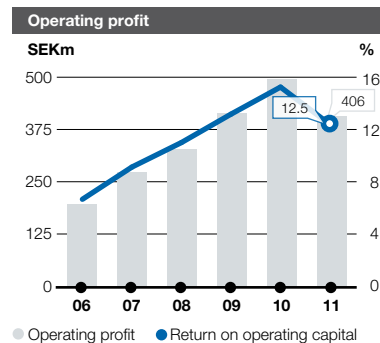
FEBRUARY Holmen and E.ON sign an agreement on developing wind power in the Municipality of Örnköldsvik.

APRIL Construction begins on the partly owned company VindIn's project in Örnköldsvik, which involves building around 30 turbines.

SEPTEMBER In cooperation with Statkraft, wind survey masts are assembled at five sites in Östergötland, mainly on Holmen's land.

SEPTEMBER Arne Wallin is appointed new head of Holmen Energi.

DECEMBER Wind surveys begin at the mill in Workington.



- Hydro power stations
- Wind survey sites

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

Risk management

The business areas are responsible for the business operations and handle business risks such as credit risks in relation to the Group's customers. They 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 90 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 for Group units are coordinated centrally, and the purchasing work is organised in product groups with a number of selected suppliers per group.

To reduce exposure to electricity price fluctuations, the Group uses physical supply agreements at fixed prices, as well as financial hedges. In 2011, the company's net purchases of electricity amounted to 2 913 GWh, of which 2 556 GWh in Sweden. The prices for the estimated net consumption of electricity in Sweden during 2012 are 90 per cent hedged. For 2013–2015, the price of 80 per cent has been hedged and for the 2016–2021 period the price of 30 per cent has been hedged. The hedges predominantly consist of physical fixed price contracts. Gains on financial hedges are recognised in the income statement when they expire; for 2011 they totalled SEK 29 million (-36). The fair value of outstanding financial hedges at 31 December 2011 amounted to SEK 13 million (28), which was recognised in other comprehensive income as hedge accounting is applied, in full referring to 2012. With the current hedging, a one percentage-point increase in the price of electricity would have a SEK 0,1 million impact on equity.

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

Earnings sensitivity

A one percentage-point change in deliveries, prices and costs is estimated to have the impact on operating profit/loss shown below. The table is based on income and expenses for 2011.

SEKm	DELIVERIES	PRICES
<i>PRODUCTS</i>		
Printing paper	26	83
Paperboard	26	50
Sawn timber	2	9
<i>COMPANY'S OWN RAW MATERIALS</i>		
Wood from company forests*	10	14
Company-generated electricity*	5	6

SEKm	COSTS
Wood*	26
Recovered paper	9
Pulp	3
Electricity*	16
Other energy	4
Chemicals	12
Delivery costs	14
Other variable costs	5
Employees	25
Other fixed costs	14

* For wood and electricity, sensitivity regarding the Group's net purchases – taking account of the company's own production of raw materials – is SEK 12 million for wood and SEK 10 million for electricity. The price of the Group's net consumption of electricity, including facilities abroad, is around 80 per cent hedged for coming years.

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

CURRENCIES

Transaction exposure

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

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

At the beginning of 2011, the Group had currency hedges for the main part of the operation's estimated payment flows in euro for 2011 and parts of 2012, while the sterling and dollar flows for the Swedish units were partly hedged for 2011. Gains/losses on currency hedges are recognised in operating profit/loss as and when the hedged item is recognised. In 2011 they amounted to a gain of SEK 570 million (227). The result arose primarily because the hedging rate for euro averaged 10.6 during the year, compared to an average spot rate of 9.03. Taking account of currency hedges, the average rates for the Group's net flows in 2011 were SEK 9.8 (9.7) for euro and SEK 6.5 (7.2) for US dollars. The hedging of estimated net

flows is shown in the transaction exposure table below.

Earnings sensitivity

Calculated on the basis of existing hedges and the exchange rates at the turn of 2011/2012 (euro: 8.9 and dollar: 6.9), exchange rate differences are expected to have a negative impact of roughly SEK -450 million on consolidated operating profit for 2012 compared to 2011. 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 2012 of a further SEK 50 million compared to 2011.

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	44
SEK/USD	10
SEK/GBP	13
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.

Net assets and equity hedges, 31 December 2011, SEKm

	NET ASSETS	EQUITY HEDGES
EUR	2 889	2 061
GBP	1 447	-
Other	23	-

Gains on equity hedges amounted to SEK 31 million (472) in 2011 and are recognised in other comprehensive income as hedge accounting is applied. In the parent company accounts, this gain is recognised in the income statement. The translation of net foreign assets had an impact of SEK 2 million (negative 654) on consolidated equity. The fair value of outstanding equity hedges at 31 December 2011 was SEK 61 million (88), of which SEK 46 million relates to loans and SEK 15 million to financial derivatives. A one percentage-point weakening of the Swedish krona would have a negative impact of SEK 23 million on equity, including the translation of foreign subsidiaries and taking account of currency hedges.

Transaction exposure at 31 December 2011, SEKm*

	12 MONTHS ESTIMATED NET FLOWS	2012 HEDGES			2013 HEDGES		
		SEKm	RATE**	%	SEKm	RATE**	%
EUR/SEK	4 370	1 300	10.14	30			
USD/SEK	1 050	330	6.83	30			
GBP/SEK	1 310	370	10.67	30			
Other/SEK	410	-					
EUR/GBP	760	570	0.88	75	605	0.87	75

* 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 215 million (709) at 31 December 2011. SEK 86 million (98) was recognised in the income statement for 2011, and the remainder in other comprehensive income as hedge accounting is applied, of which SEK 116 million for 2012 and SEK 13 million for 2013. The fair value of hedges for investment purchases is recognised in other comprehensive income until expiry, at which point the gain/loss is added to the acquisition cost of the non-current asset that was hedged. The fair value of outstanding hedges for investment purchases amounted to SEK -18 million at 31 December 2011. During the period, SEK 31 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 are used to manage the fixed interest periods without altering underlying loans. 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 4.4 per cent in 2011. At the turn of 2011/2012, the average borrowing cost was 4.4 per cent, based on applicable market interest rates and existing fixed interest periods. A one percentage-point increase in the average market interest rate from the level at year-end would have an impact of

about SEK 22 million on profit/loss for 2012. 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 63 million in 2011. The fair value of the instruments used to manage the fixed interest periods amounted to SEK -67 million (14) at 31 December 2011, which was recognised in other comprehensive income as hedge accounting is applied.

This value is expected to be recognised in the income statement in 2012 and later. With existing interest rate hedges, a one percentage-point increase in market interest rates would have a SEK 56 million impact on equity.

Fixed interest periods, net financial debt, 31 December 2011, SEKm

	TOTAL	-1 YEAR	1-3 YEARS	3-5 YEARS	>5 YEARS	OTHER
SEK	-5 035	-2 315	-1 533	-500	-607	-81
EUR	-1 595	-1 229	-48	-312	-	-6
GBP	340	611	-	-	-	-271
Other currencies	31	32	-	-	-	-1
Net financial debt	-6 259	-2 901	-1 581	-812	-607	-358
Average interest rate, %	4.4	4.3	5.2	3.7	3.8	3.8

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

FINANCING

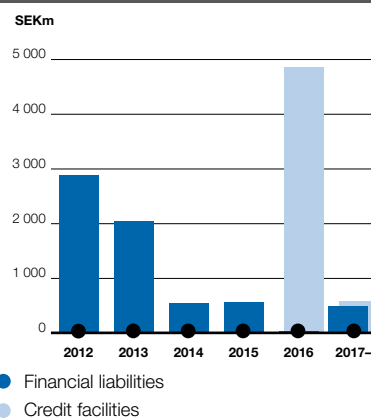
Group exposure to not being able to meet the need for future funding and refinancing of maturing loans.

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

Net financial debt rose by SEK 487 million during the year and stood at SEK 6 259 million at 31 December 2011, divided among financial liabilities and interest-bearing pension provisions of SEK 6 499 million, cash and cash equivalents of SEK 112 million and financial receivables of SEK 128 million.

Financing during the year was managed mainly via Holmen's commercial paper programme and short-term bank loans. At 31 December 2011, current borrowings were SEK 2 822 million. 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. In addition, Holmen has a bilateral credit facility of SEK 1 300 million that matures in 2016, and a further facility of SEK 570 million that matures in 2017. All credit facilities remained unutilised at year-end. They are available for use provided that the Group's debt/equity ratio is below 1.25; at year-end, this ratio was 0.32. Standard & Poor's long-term credit rating for Holmen is BBB with a stable outlook. The short-term rating is A-2/K-2. The Swedish commercial paper programmes have a facility amount of SEK 6 000 million. Commercial paper with a time-to-maturity of up to one year can be issued in both Swedish kronor and euro. Holmen's medium term note (MTN) programme, for issuing bonds, has a facility amount of SEK 6 000 million. Bonds with maturities of 1-15 years can be issued in both Swedish kronor and euro. At year-end, SEK 2 274 million in commercial papers and SEK 548 million in bonds were outstanding.

Financial liabilities



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

CREDITS

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

The risk that the Group's customers will not fulfil their payment obligations is limited by means of 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 2011 the Group's trade receivables totalled SEK 2 366 million, of which 52 per cent (47) were insured against credit losses. Exposure to individual customers is limited. Sales to the five largest customers accounted for 11 per cent of the

Group's total turnover in 2011. 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 2011, trade receivables of SEK 54 million (35) were past due for more than 30 days. After individual assessment of all trade receivables, a provision of SEK 25 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 2011, the Group had outstanding derivative contracts with a notional amount of about SEK 8 billion and a fair value of SEK 159 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 778 million at 31 December 2011. 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.

Risk assessments are performed by risk engineers linked to insurance companies, as well as by independent consultants and via internal controls. A special activity, *Year of Safety 2011*, is the first phase of an intensified focus on security and safety as clearly set-out goals with the aim of further reducing the number of injuries and accidents.

Holmen insures its facilities to their replacement value against property damage and consequential loss. The excess varies from one facility to another, but the maximum is around SEK 30 million for any one claim.

The Group's forest holdings are not insured. They are widely dispersed over large parts of the country, and the risk of large-scale simultaneous damage is not judged to justify the cost that insuring the forest holdings would entail.



ENVIRONMENT

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

The organisation and management of the environmental activities are stipulated in Holmen's environment and energy policy. In disruptions, the environment takes precedence over production. In ongoing and concluded operations, the environmental impact must be acceptable to humans and the environment. 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:

- Self-inspection so that conditions regarding emissions imposed by environmental authorities are fulfilled.
- Checks of water areas outside the mills.
- Checks on the management of chemicals and waste.
- Environmental risk assessments.
- Checks and inspections by authorities.
- Reporting to public authorities.
- Group-wide climate and energy targets.

- Certified environmental and energy management systems incorporating environmental and energy targets.
- Environmental and chain-of-custody certification in accordance with criteria issued by FSC® and PEFC.
- Active programme to remedy damage to the forest caused in the main by insects, fungus and moose.
- The certified systems are regularly checked by external, certified auditors.
- Appraisal of suppliers and hauliers with respect to environmental aspects.
- Self-inspection of compliance with power industry guidelines for dam safety.
- Studies and remediation measures are carried out at discontinued sites in consultation with the environmental authorities.

Information about work on sustainability

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



Principles for sustainability efforts



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

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

Healthy profitability and a strong financial position create the necessary basis for development that is sustainable in the long term.

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

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

Beyond its core operation, Holmen contributes to economic development through investments, research and development and through cooperation with companies and organisations in several of the locations where the Group operates. In addition, the social economy benefits through more jobs being created at sub-contractors as a result of the company's activities.

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 the

Group's various operations to meet these demands. In the long term this is deemed to boost the company's profitability.

Active sustainability efforts and clear communication on them strengthen the brand and goodwill. At the same time, this is helping to raise the level of skills.

In spring 2011, Holmen launched a new website with the dual purpose of supporting business operations and presenting a clear picture of the Group's work on sustainability issues.

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 coordinates the work on sustainability, which is described in detail on the Holmen website. Holmen has been providing sustainability-related information annually since 2004.

Holmen has been complying with the Global Reporting Initiative's (GRI) recommendations on 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 together to be regarded as a tool of guidance – a code of conduct – focused on sustainable develop-

ment. With the legislation in each country, they set out a framework and govern Holmen's actions in different areas.

Holmen's production takes place in the EU, where the majority of its 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 adheres to the ways in which the Group's customers and suppliers deal with environmental and employee issues.

Altogether there are around 20 Group-wide policies and guidelines, broken down into the areas of environmental responsibility, responsibility for employees and economic development. These are described on the Holmen website. In 2011, routines were established for following up compliance with, and updating of, policies.

Global Compact

Holmen has been a member of the UN Global Compact since 2007. As such, the Group has undertaken to contribute actively to the implementation of the principles of the Global Compact, that is, regarding issues relating to human rights, social conditions, environmental responsibility and the right to establish trade unions. A section on the Holmen website comments on how the Group fulfils and works on the 10 principles that make up the Global Compact. Holmen reports annually on sustainability work performed to the Global Compact.

Employees



HR targets*			
	TARGET	OUTTURN 2011	REMARKS
Inblick index	650 (2011)	642 (600=good, 700=excellent)	
Leadership index	61 (2011)	55 (60=good)	Action programme in progress
Accidents at work leading to absence/1 000 employees	10 (2013)	19.1	Action programme in progress
Proportion of women managers, %	19 (2012)	19.1	Since 2007: +10 per cent

* For history, see the table on page 91.

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

Target fulfilment

Holmen has been working to targets for activities in HR (Human Resources) for several years (see table). The results are followed through key figures and in *Holmen Inblick*, the Group’s employee survey. The most recent survey was conducted in January 2011. The response rate was 76 per cent (2009: 78 per cent).

The Inblick index and proportion of women managers have continuously improved or increased over the past 10 years. The result for the Leadership index failed to meet the target set, indicating that more work has to be done on the *Manager at Holmen* development programme. Measures taken to reduce the number of occupational accidents delivered tangible results during the year. This is important, not just to present-day employees but also in terms of future recruitment opportunities.

Leader development

Holmen conducts an extensive development programme for all managers in the Group.

MANAGER AT HOLMEN. All managers are required to take part in the development programme *Manager at Holmen*, which also sets out guidelines on what is expected of Holmen managers.

LEADER TRAINING. New managers undergo brief leadership training and are given a local mentor to ensure they make a good start. The aim is to give new managers a common view of leadership at an early stage. Within a year, they participate in Holmen’s basic leadership programme.

MANAGER DIALOGUE. The dialogue between the manager and his/her superior plays an important part in the manager’s development. The manager’s superior has a significant role in inspiring commitment to the company’s business plan and strategic objectives, as well as in setting demands for leadership.

MANAGERS ARE EVALUATED in *Holmen Inblick* on the basis of a bottom-up perspective. This gives each manager a personal leader profile describing characteristics in the areas of involving, relationship-creating, driving and growing leadership. In conjunction with leader training courses and the manager supply process, supplementary evaluation is done from a top-down perspective and by colleagues, the overall effect of which is to provide a comprehensive picture of how management and leadership function.

MANAGERS IN NEED OF SUPPORT. Managers with a weak leadership index and low assessment results also in other assessments are provided with support to improve their leadership. If a manager is deemed not to have the right profile, he/she is given duties without managerial responsibility.

STRONG MANAGERS. The majority of Holmen’s managers are excellent leaders. Many of them are used as mentors for those who need support. Strong leaders are also deployed in Holmen’s mentorship programme and serve as role models.

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

SUPPLY OF MANAGERS. A systematic process identifies employees who have what it takes to be promoted to higher positions and who are interested in such advancement. Identifying the managers who are ready to



take on bigger and more demanding tasks is equally important. Holmen's target is to fill 75 per cent of all managerial vacancies through internal recruitment.

Skills

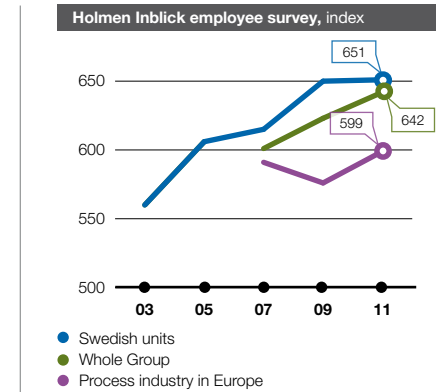
FUTURE EMPLOYEES. "A wide-ranging mandate and challenging duties in a friendly environment" is how Holmen employees themselves describe their jobs. Practical work with tasks involving advanced technology is another positive factor that is highlighted. Employer branding is pursued as a strategic and long-term aim, and in that endeavour existing employees are already some of the company's most important ambassadors.

Holmen maintains close contacts with selected target groups, such as qualifying certified foresters and students specialising in pulp and paper. Contacts are made at student events, during summer jobs and with students on degree projects. To many, the result is that Holmen becomes their first option in their future career choice. Other examples of long-term cooperation are regular visits within certain higher education programmes, and trainee and work experience partnerships with upper secondary schools and compulsory schools.

DEVELOPMENT AT HOLMEN. All new employees are offered a comprehensive introductory programme. Those in positions requiring higher education qualifications are offered the local introductory programme plus the *Holmen Induction Programme*. In this programme, participants meet business area managers and specialists from various parts of the Group. The aim is to widen knowledge of Holmen and provide participants with an extensive network.

The trainee programme for both graduates and operators is a way of attracting future employees and at the same time give participants a good start at Holmen. The programme, tailored to individual needs, communicates knowledge and experience, which creates the perfect conditions for developing quickly in Holmen.

At Holmen, training and development are taken for granted as part of the job. They may be organised in several ways, for example in the form of changes in duties or participation in projects. In addition, an in-house mentorship programme designed to promote professional and personal development is conducted annually. In 2011, the long-term value of the programme was assessed. The outcome was highly positive. The participants describe how they have developed as leaders, improved at prioritis-



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

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

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

ing and established a better balance between work and leisure. The mentors too felt that they had benefited considerably from taking part.

DIVERSITY. 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.

Since 2007, the proportion of women among appointments to managerial positions has doubled to 19 per cent. The aspiration that the proportion of women managers should correspond to the proportion of all women employed in the Group has thus been achieved. The proportion of women among appointments to managerial positions has increased in recent years. Over the period 2009 to 2011, a total of 82 new managers were appointed at Holmen's Swedish units, of whom 25 were women, equivalent to 30 per cent. The number of women in the management teams of the Group, business areas and mills has increased from 7 to 17 in the past five years. From April 2012, Group management will include another woman member. The Holmen Board includes two women, of whom one was elected by the AGM and the other is an employee representative.



Tools for HR activities

HR work is governed by laws, contracts and policies. HR forms a natural part of the business areas' business plans. The work is coordinated 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.

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 projects and working groups. The company's employees are represented on the Group Board by three members and three deputy members.

Health and safety

The number of industrial accidents is at an unsatisfactorily high level. An industrial accident with a fatal outcome occurred at Braviken Paper Mill in August. No Holmen employee has been involved in a fatal accident before. Activity in the company's work environment network has been stepped up in order to reverse the trend in industrial accidents. A programme has been developed to improve the safety culture. This entails for example a major commitment to behaviour-based safety training (BBS) for all employees. The activity *Year of Safety 2011* is the first phase of an intensified focus on security and safety at mills and sawmills. Certified management systems (OHSAS 18000) have been introduced at Workington Mill (2005) and Hallsta Paper Mill (2012) to address health and safety issues.

Initiatives during the year delivered clear results, with an improvement from 25 (2010) to 19 industrial accidents involving absences, per 1 000 employees. The target for 2012 and 2013, is a maximum of, respectively, 15 and 10 industrial accidents. The vision is naturally for Holmen to become a zero-accident company.

The rate of sickness absence has steadily fallen over the 2000s and in 2011 it was 3.5 (3.5) per cent. Long-term sick leave (more

than 60 days) remains at the low level of 1.2 (1.1) 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.

Change management

When changes or closures occur at industrial sites affecting the size of the workforce, Holmen endeavours to take responsibility for mitigating the problems faced by those affected.

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

The administrative processes in the Group are subject to continuous review with the aim of improving efficiency and reducing costs. As a consequence, property management services have been transferred to an external company. In addition, the IT department was centralised and a Group-wide

Holmen Finance Center was established to improve efficiency in the area of finance. Both units are based in Norrköping.

The over-staffing that arose is being managed as far as possible without redundancies.

Union cooperation

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

The level of union membership at Holmen was 83 per cent in the Swedish units in 2011. The equivalent figures for the UK and Spain were 53 and 36 per cent, respectively.

Sustainable products



Printing paper, paperboard and sawn timber constitute basic materials in people's everyday lives. The products are made from the renewable raw material provided by the forests. Holmen's carbon footprint indicates that the Group's forests and products are helping to bind carbon dioxide and cut society's emissions of greenhouse gases.

Renewable raw material

Holmen's resources in the form of the natural and renewable raw material wood are a factor of strength. 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. In addition, paper and paperboard can, once used, be recovered as material and/or bioenergy. When these products are recycled, they fulfil an important function by supplying the European recovered paper market with replacement fibre. The system needs constant replenishment with fibre of this kind from Nordic forests mainly to replace fibre that has been recovered many times and so is spent.

Climate-smart products

The forests provide raw materials and bioenergy that, unlike those based on oil, do not emit new quantities of fossil carbon dioxide into the atmosphere. In the debate on possible solutions to the climate problems we face, this has stimulated interest in forest and the contribution it can make. Forest management and use of forest products are the most important contribution of the forests to efforts to tackle global warming. Holmen's operations have positive effects in relation to climate change, and this is evident from calculations regarding the Group's carbon footprint.

Research, development, innovation

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

Internal R&D is focused on functional products and energy and resource-efficient processes.

An innovation council is tasked with making use of ideas that can potentially generate new business outside the core businesses already established. Alongside the R&D efforts made in the business areas there is a Holmen Biorefinery Development Centre (HBC). With the focus on innovation and with the forest raw material as a major starting point, HBC 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 businesses in the areas of transport biofuels and new materials.

The external R&D activities are often jointly run at industry-wide level and in collaboration with universities and research institutions. The main emphasis is on product development and enhancing process efficiency, although forest development issues are also important focal areas.

Group investments in research and development in 2011 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
- Improved visual characteristics
- Biological barrier materials

SAWN TIMBER

- Drying of sawn timber
- Construction timber

ENERGY

- Wind power
- Biogas
- New products from wood raw material
- Utilisation of residual products from industrial production

WOOD

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

Holmen's carbon footprint

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

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

Carbon footprint from production

The Group's carbon footprint from production has been calculated on the basis of calculations for the Group's products. In 2011, emissions of fossil carbon dioxide from the most significant sources totalled approximately 860 000 tonnes.

Within the Group, two major investment projects are in progress in the Iggesund Paperboard business area. As a result, use of fossil fuels will be cut substantially over the next few years. The proportion represented by company-generated renewable electrical energy will increase. The overall effect will be that the carbon footprints of the business area's products will be reduced through these investments.

Positive climate effects

Holmen's forests bind approximately 4 300 000 tonnes of carbon dioxide in their annual growth. Of this growth 80–85 per cent is harvested to be made into products that after use become fuels that can replace fossil fuels. On the basis of the Group's objective to increase growth in Holmen's forests, these will bind more and more carbon dioxide in the future, at the same time as creating a capability for making products. Annual growth in forests is expected to exceed the volumes harvested for the foreseeable future. Based on growth data for the 2007–2011 period, it is estimated that just over 800 000 tonnes will be stored in the annual increase in stocks.

The sawn timber produced by Holmen stores carbon dioxide for as long as the timber is in use. It has been estimated for the Group's 2011 production that around 460 000 tonnes of carbon dioxide will be stored in products with a service life longer than 50 years.

Sawn timber also has a substitution effect, in that it replaces construction materials with an impact on the environment. The substitution effect, based on the Group's 2011 production of sawn timber, can amount to just over 560 000 tonnes of carbon dioxide.

The Group's production of sawn timber for construction purposes has increased sharply with the start-up of the new sawmill at Braviken Paper Mill. This means that the amount of carbon dioxide stored in the sawn timber products will increase, along with their substitution effect.

Biofuel and waste/by-products from Holmen generate energy through combustion. The substitution effect for these types of fuel is calculated as the quantity of fossil

carbon dioxide avoided in cases when these materials are used as a substitute. In 2011, the quantity of carbon dioxide totalled approximately 240 000 tonnes.

Of the annual growth in Holmen's forests, 80–85 per cent is harvested and used in the making of products. This is equivalent to around 3 500 000 tonnes of captured carbon dioxide. Paper products recovered after being used multiple times, together with spent sawn timber products, make excellent biofuels. Assuming that 70 per cent of Holmen's products become biofuel after use, this represents as much as 2 500 000 tonnes of carbon dioxide. As a result, a large quantity of fossil carbon dioxide is avoided when oil is replaced in energy production by these spent wood-based products.

Weighted assessment

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

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

Holmen's carbon footprint, 2011

	CO ₂ , '000 TONNES
Emissions of fossil carbon dioxide during manufacture of products – negative climate effect	860 ¹⁾
Capture of carbon in increasing volume of wood – positive climate effect	500 ²⁾
Storage of carbon in sawn timber – positive climate effect	460
Emissions which can be prevented via substitution of materials with an impact on climate by Holmen's sawn timber and fuels – positive climate effect	800

1) Includes production, transport, purchased input goods and purchased energy. Data on purchased input goods are based on 2010 figures.

2) Release of greenhouse gases from Holmen-owned peat lands, amounting to app. 300 000 tonnes/year, has been deducted.



Environmental responsibility



Targets

	TARGET	OUTTURN 2011	REMARKS
Increased rate of growth in Holmen forests	2050: increase by 25%	– ¹⁾	Base year 2007: 4.4 million m ³ growing stock, solid over bark
Reduce the use of fossil fuels in the Group	2020: decrease of 75%	8% ²⁾	Base year 2005
Increased production of renewable electricity, relative to electricity consumed by Holmen	2020: 67%	32%	Base year 2005: 31%

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

2) The calculations include emissions of fossil carbon dioxide that can be associated with the thermal energy used at the mills, as well as the emissions from company-generated electricity.

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

Environmental efforts are concerned with working proactively to reduce the Group's future environmental and climate impact and to ensure compliance with regulations and conditions in the environmental field. Climate and resource factors thus form the basis of Holmen's active efforts to identify and implement energy-saving investments.

The environmental standards at Holmen's sites are high. This is a result of investments made in process and treatment equipment, 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 waste and noise.

Emissions to water and air are measured daily to verify compliance with the emission regulations stipulated by the environmental authorities. Information on prioritised environmental parameters is provided on page 40 and in the table on page 92.

Targets and activities in Europe

In 2008, the EU adopted a programme of energy and climate conservation measures. In the case of the business sector in which Holmen operates, the programme requires that by 2020 carbon dioxide emissions should be cut by 21 per cent compared with 2005. Furthermore, by 2020, the propor-

tion of energy consumption represented by renewables should increase to 20 per cent relative to the 2005 figure.

In March 2011, the EU Commission published a roadmap for Europe stating the goal of achieving a competitive economy by 2050, with the focus on the climate issue and bioenergy. It is anticipated that, by 2050, EU emissions of greenhouse gases will fall by 80–95 per cent compared with 1990.

In December 2011, the EU Commission followed up by publishing a roadmap for the energy sector. The roadmap is to be viewed as a strategy for identifying measures to cut emissions and improve energy efficiency, while ensuring competitiveness.

Holmen's operations are characterised by renewables in raw material and energy, recovery of energy and fibre, new products, and raw materials and products that bind carbon dioxide and serve as substitutes for materials that have an impact on climate.

Holmen views with favour the EU's targets and action programmes, which are in line with the work performed within the Group.

Sustainable development targets

In order to place the focus on climate and energy issues, Holmen has been working on Group-wide sustainable development targets for several years. To adapt the Group's

environmental targets to those developed in the EU, the overall targets for climate and energy have been revised.

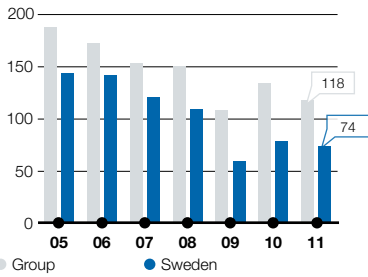
For several years the Group has been working on a target for reducing the use of fossil fuels from the Swedish units. Over the period from the base year 2005 until the end of 2011, use of fossil fuels fell by 55 per cent (the target for 2020 was 90 per cent). The target has now been revised and from 2012 will apply Group-wide. The outturn for the period to the end of 2011 was a fall of just under 10 per cent.

A new Group target, which applies from the start of 2012, requires company-generated renewable electrical energy to increase as a proportion of total electricity consumption by Holmen. Relative to the base year 2005, the target for 2020 is that the proportion shall be more than doubled.

At both Iggesund Mill and the mill in Workington, major investments are in progress, as a result of which use of fossil fuels will be cut to a major extent over the next few years. These investments will also enable the proportion represented by company-generated renewable electrical energy to increase. Another major factor will be the initiatives being made in company-generated wind power within the Holmen Energi business area.

Emissions to air, fossil carbon dioxide

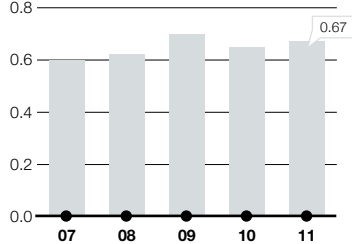
Kg/tonne end product



Excluding emissions from purchased energy

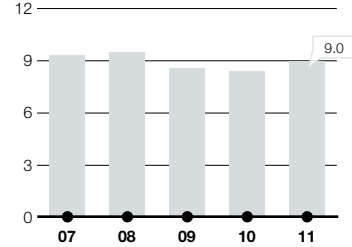
Emissions to air, nitrogen oxides

Kg/tonne end product



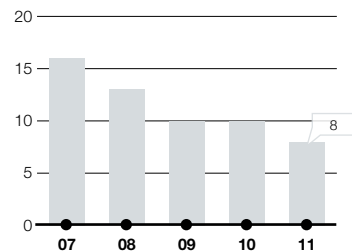
Emissions to water, COD (organic matter)

Kg/tonne end product



Waste, sent to landfill

Kg/tonne end product



Environmental efforts in 2011

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

FORESTRY. In 2011, Holmen rewrote its manual *Guidelines for Sustainable Forest Management*. The manual summarises Holmen’s view on how efficient, sustainable forestry should be conducted. It comprises around 60 guidelines on the work of forestry.

ENERGY AND CLIMATE. Holmen is investing in a new recovery boiler with a turbine and gas treatment plant at Iggesund Mill. This will make it possible to run the entire operation without the use of fossil fuels or purchased electrical energy. The investment totals SEK 2.3 billion. The facility will be taken into use in June 2012.

At the mill in Workington, investments have been made in the mill’s pulp lines. This has cut energy consumption by just over 10 per cent. Emissions of fossil carbon dioxide have also fallen.

Holmen is investing in a new energy boiler for biofuel at the mill in Workington. The new facility will provide the mill’s total energy requirements in the form of electrical energy and heat. The investment totals SEK 1.1 billion. The energy boiler will be placed in service in 2013.

WASTEWATER TREATMENT PLANTS. The wastewater treatment plant at Iggesund Mill dating from 1977 was supplemented by a chemical flotation facility in 2009. Compared to the situation before the investment, emissions have decreased by as much as 40–60 per cent for different types of substances.

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

TRANSPORT. A rail-based transport solution for finished products was taken into use

for the Swedish mills in 2011. The system will not only lower costs, it will also reduce emissions to air.

Holmen has invested in the *El-Forest* electric hybrid forwarder. Based on studies of a prototype, fuel consumption for forest transport is expected to fall by as much as 25 per cent. Holmen is participating in a demonstration project to increase the cargo capacity of trucks. Use of the new vehicles is expected to lead to a 20 per cent reduction in carbon dioxide emissions, and lower transport costs.

WASTE. Efforts to identify acceptable measures – in terms of profitability and environmental conservation – to close the landfill sites at Iggesund Mill and Hallsta Paper Mill were stepped up in 2011.

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

DISCONTINUED OPERATIONS. Studies were conducted, in consultation with the authorities, at contaminated discontinued industrial sites where Holmen has operated in the past. In 2011, 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. The buildings on the site have been demolished. Holmen restored the site in 2011.

Permits for operation

At the turn of the year 2011/2012, Holmen was running production operations at seven facilities that require environmental permits. The permits specify conditions regarding permitted production volumes and permitted emissions to air and water.

Five of the facilities are located in Sweden, with sales equivalent to 59 (57) per cent of Group net sales. The two remaining facilities are the mill in Workington in the UK and



the mill in Madrid in Spain, whose share of Group sales was 17 (19) per cent in 2011.

An application for a new environmental permit under the Swedish Environmental Code was submitted at the beginning of 2011 for the paperboard mill at Iggesund. It is intended that the permit will provide opportunities for increased production in the future. An environmental permit was granted in early 2012 for biogas production at Hallsta Paper Mill. No other major permits need to be renewed or revised in 2012.

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

Permit applications were under consideration in 2011 for wind turbines at Varsvik in the Municipality of Norrtälje and at Blodrotberget and Blackfjället in the Municipality of Örnsköldsvik. Decisions on these applications are expected in 2012.

Emission allowances and electricity certificates

The Group's mills have participated in the EU Emissions Trading Scheme since 2005. The Group's measures to reduce the use of fossil fuels, and consequently carbon dioxide emissions, have made it possible to sell emission allowances. The Swedish mills are also active in trading electricity certificates. Holmen has been generating renewable electricity for several years. This has generated income. Holmen takes part in voluntary programmes for energy efficiency and reduced climate impact in Sweden and the UK. These programmes provide the energy-intensive industries with an alternative to energy taxes.

Exceedances and complaints

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

Environmental permits for the Group's production facilities

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

1) Environmental Protection Act.

2) Environmental Code.

3) An application for a new environmental permit under the Environmental Code was submitted in 2011. In addition, 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 1999 under the Environmental Code).

4) IPPC.

Certifications for management systems

CERTIFICATIONS ^{1,2,3}	ENVIRONMENT	ENERGY	QUALITY
Hallsta Paper Mill	2001	2005/2011	1993
Braviken Paper Mill	1999	2006 ⁴⁾	1996
Holmen Paper Madrid	2002	2009/10 ⁵⁾	2000
Igesund Mill ⁶⁾	2001	2005/2011	1990
Workington Mill	2003	2008 ⁷⁾	1990
Igesund Sawmill ⁸⁾	1999/2011	2006/2011 ⁴⁾	1997/2011
Braviken Sawmill ⁸⁾	2011	2011 ⁴⁾	2011
Holmen Skog	1998	–	–

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

2) Environment/ISO 14001, Energy/SS 627750 and for Hallsta Paper Mill and Iggesund Mill ISO 50001, 2011, Quality/ISO 9001.

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

4) Certification under ISO 50001 is in progress in 2012.

5) Certification to SS 627750 and UNE 216301. Certification under ISO 50001 is in progress in 2012.

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

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

8) The certificates have applied jointly to the two sawmills since the beginning of 2011.

Tools for environmental efforts

The environmental aspects of Holmen's operations are regulated by laws and permits in each country. The allocation of environmental responsibility and the organisation and management of environmental activities are based on the Group's environmental and energy policy. At the production sites, various types of rules are integrated as key elements in the planning of production and investments. The CEO and the heads of the business areas have overall responsibility. Operational environmental responsibility rests with mill managers and forest region managers. Holmen's director of sustainable and environmental affairs chairs Holmen's environmental council, monitors activities relating to the Group's targets for sustainable development and runs joint action groups.

CERTIFICATIONS. At turn of the year 2011/2012, operations at the company's facilities were certified according to quality, environmental and energy management systems. Operating a management system requires procedures to be in place for planning, implementation and follow-up, as well as measures to enable continuous improvement in environmental efforts. In addition to these certifications, all the facilities at which wood raw material is used had chain-of-custody certificates for the wood raw material used. Forestry operations are certified in accordance with environmental management systems, as well as under criteria issued by PEFC and FSC®, respectively. The proportion of certified wood at the Group's own sites varies according to availability in the area. Holmen Skog's chain-of-custody certification (FSC® Controlled Wood) provides assurance that non-certified wood also comes from verified sources. Information on chain-of-custody certification, the proportion of environmentally certified forests in Sweden in 2011 and the proportion of certified wood at Holmen sites is available on the Holmen website

THE ENVIRONMENTAL AND ENERGY POLICY contains general principles for the Group's environmental activities. It covers the environmental aspects that Holmen and its stakeholders prioritise. The focus is on the significance to the business of energy and climate change issues. The environmental policy, dating from 2008, was revised in 2011 and now constitutes the Group's environmental and energy policy.

HOLMEN'S GUIDELINES FOR SUSTAINABLE FOREST MANAGEMENT indicate how the forests are to be managed from the points of view of both production and the environment. A new version of these guidelines has been in force since 2011. The criteria issued by PEFC and FSC® are built into the just over 60 guidelines.

Dialogue with stakeholders



Holmen's operations in 2011
per stakeholder category, based on the Group income statement

		SEKm
Customers	Sales of paper, paperboard, sawn timber, wood and electricity	19 317
Suppliers	Purchases of products, materials and services, along with depreciation, etc.	-11 276
Employees	Wages, salaries and social security costs	-2 477
Lenders	Interest	-244
State	Taxes	-1 374
Shareholders	Net profit	3 955
	Board's dividend proposal	672

Holmen's broadly based activities offer a large number of interfaces with various groups in society. Knowledge of and continuous dialogue with the company's different stakeholders are a matter of course. These create the scope for operating the business efficiently in the long term. They also play a part in enabling the company to develop.

Stakeholders

Holmen defines its stakeholders in terms of their particular role and relationship with the company, for example customer, partner, supplier, financier, co-owner, employee, consumer of Holmen's forest or energy resources, public authority, opinion leader or competitor/joint venture partner.

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 addresses key sustainability issues. The Group continuously monitors how customers perceive the company. Where necessary, action plans are drawn up.

SUPPLIERS AND PURCHASING. Purchasing of goods and services is coordinated at Holmen with the aim of reducing total costs. Depth of knowledge of individual products/services, development, risks, supply-side structure etc. is developed through activities in various product groups. The Group's purchasing policy emphasises that sustainability issues at suppliers are to be scrutinised.

SHAREHOLDERS, INVESTORS AND ANALYSTS. Holmen's shareholders, investors and analysts are informed about the Group's

financial and strategic development, environmental responsibilities and social issues 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. Group management regularly takes part in meetings with investors.

EMPLOYEES. Continuous manager-employee dialogue is essential to ensuring employee motivation, which contributes towards efficiency and profitability. The company's employees are in many ways its most important ambassadors. Holmen's employee surveys show that a very high proportion of employees recommend Holmen to people seeking work.

PROSPECTIVE EMPLOYEES. Future recruitment is based on contacts with universities, upper secondary schools and compulsory schools. This is where interest in jobs in forestry and primary industries can be created. Work experience and trainee placements bring not only new insights for young people, but also energy into the company.

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 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. Via consultation with the reindeer herding community, it is possible to arrive at solutions that meet both parties' requirements as closely as possible.

The business is 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 three jobs elsewhere. This creates a total of around 12 900 jobs in Sweden, approximately 800 more than in the previous year. The rise since last year is explained by increased purchase of forest raw material from private forest owners and higher production at Holmen Timber's sawmill at Braviken. Converted, this has led to a rise in the number of fulltime equivalent jobs among

sub-contract suppliers. The workforce reductions made by Holmen at Hallstavik have at the same time had a negative impact.

The forests also represent significant social assets. To a large number of people, they also offer a wealth of leisure opportunities. All Swedish forests are open to the general public under the right of common access. Holmen land is used for hunting, angling and general recreation. Recent research demonstrates clearly that forests and nature have a beneficial effect on people's physical and mental health.

Human rights

Holmen is a member of the international organisation Global Compact and so supports its ten basic principles. 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 study was conducted in 2011 to discover whether any suppliers or customers are failing to comply with the requirements of the Global Compact in countries that are classified internationally as "high-risk countries". Holmen does not make any substantial purchases from such countries. Holmen has also analysed its sales to major customers in "high-risk countries". This analysis indicates that these customers account for only 2–3 per cent of Holmen's revenue. Because none of these customers represent a dominant share, the view is taken that an in-depth analysis is not necessary at this stage.

In the company's contacts with associates Holmen intends to communicate its view on issues relating to human rights and corruption. This may lead to Holmen assisting with the introduction of the Group's policies or the equivalent at associated companies.

GRI

Holmen is convinced that an active sustainability programme and clear communication on it will strengthen the brand and goodwill. Holmen has opted to base its sustainability

reporting on the guidelines for sustainability reporting, version 3.1, issued by the Global Reporting Initiative (GRI). The Group reports at reporting level A+. At Holmen's request, KPMG has performed a general review of the contents of the Group's 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.

External assessments

There has been increased demand from financial analysts for detailed information on different companies' risks and opportunities relating to environmental issues, social responsibility and responsible corporate governance. International investors are increasingly seeking opportunities for investment in companies with sustainable development as an explicit goal. As a result, the number of sustainability-oriented funds in EU countries has risen by in excess of 700 in the past 10-year period.

Holmen is continuously evaluated by sustainability analysts and is included in a number of international sustainability indexes. These contacts serve as an important element of the stakeholder dialogue that is maintained and provide valuable indications of how sustainability efforts may be developed.

A selection of the company indexes and funds in which Holmen is included follows below. A complete list appears on the Holmen website.

In December 2011, Far, the organisation representing accountants and consultants in Sweden, awarded Holmen the prize for best sustainability report in 2010, in the major corporations section.



FTSE4Good 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



STOREBRAND SRI.

Companies that are world leaders in the areas of environmental and social responsibility qualify for Storebrand's Best in Class list. www.storebrand.com



KEMPEN CAPITAL

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



FORUM ETHIBEL.

An index that comprises 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



ASN ANDELENSFOND. 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. www.asnbank.nl



STOXX® GLOBAL ESG

LEADERS INDICES. Holmen has been included in this index since 2011. The index is made up of companies worldwide that are at the forefront in environmental responsibility, social responsibility and corporate governance. www.stoxx.com

Assurance report

The information on Holmen's work on sustainability, as presented on pages 32–43 of the administration report and on pages 91–93, has been the object of a separate limited review in accordance with RevR 6 Assurance of sustainability reports, issued by Far.

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

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

George Petterson
Authorised Public Accountant

Åse Bäckström
Expert Member, Far

Corporate governance report



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

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 stock exchange incorporated the Swedish Code of Corporate Governance (the Code) in 2005. 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 28 899 shareholders. See pages 50–52 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 or 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 three 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 2011 AGM was held in Swedish, and the material presented was in Swedish. The notice convening the meeting, the agenda, the CEO's speech and the minutes are available on the company's website. The meeting was attended by the entire Board – except for one member who was unable to be present – as well as the entire Group management and the company's auditor. During the AGM,

the shareholders had the opportunity to ask and obtain answers to questions. The issues addressed included the effects on the forest industry of deregulation of the electricity market; the company's view on the level of return on capital and future level of investment; the competitiveness of Braviken Sawmill; work on gender equality at the company; and management's shareholding in the company. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability.

Ramsay Brufer of Alecta, Carl-Fredrik Lorenius of Swedbank Robur Fonder AB and Karl-Henrik Liminga, acting on behalf of Aktiespararna and others, 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 2012 meeting.

It was announced on 31 March 2011 that the 2012 AGM would take place in Stockholm on 29 March 2012.

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

Composition of the nomination committee

NAME	REPRESENTING	BEFORE AGM:		COMPANY	INDEPENDENT OF THE: LARGEST SHAREHOLDER (IN TERMS OF VOTES)
		2011	2012		
Mats Guldbrand	L E Lundbergföretagen*	x (Chairman)	x (Chairman)	Yes	No
Fredrik Lundberg	L E Lundbergföretagen* (Chairman of the Board)	x	x	Yes	No
Johan Kempff	Kempe Foundations*		x	Yes	Yes
Ramsay Brufer	Alecta	x	x	Yes	Yes
Håkan Sandberg	Handelsbanken incl. pension fund*	x		Yes	Yes

* At 31 August 2011, L E Lundbergföretagen controlled 61.1 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Alecta controlled 1.0 per cent.

control the most votes at 31 August each year. The composition of the nomination committee for the 2011 and 2012 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.

Ahead of the 2012 AGM, Holmen's nomination committee proposes the re-election of the current board members: Fredrik Lundberg (who is also proposed for re-election as Chairman of the Board), Carl Bennet, Magnus Hall, Lars G Josefsson, Carl Kempe, Hans Larsson, Louise Lindh, Ulf Lundahl and Göran Lundin.

The proposed Board fee is SEK 2 700 000 (previous year 2 700 000), including SEK 600 000 (600 000) for the chairman and SEK 300 000 (300 000) 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 2011 AGM re-elected Fredrik Lundberg, Carl Bennet, Magnus Hall, Carl Kempe, Hans Larsson, Louise Lindh, Ulf Lundahl and Göran Lundin to the Board. Lars G Josefsson was elected to the Board to replace Curt Källströmer, who declined re-election. Fredrik Lundberg was elected chairman. At the statutory first meeting of the new Board in 2011, 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 nine meetings in 2011, four of which were in connection with the company's publication of its quarterly reports. At one meeting, wind power generation was studied and a visit was paid to facilities for the production of wind turbines. A two-day meeting was devoted to strategic business planning. One meeting dealt with the Group's budget for 2012. The other two meetings were held in connection with the company's AGM. The Board also paid special attention to strategic, financial and accounting issues, follow-up of business operations and major investment matters. On two occasions the company's auditors reported directly to the Board, presenting their observations from their audit of the accounts and the internal controls. 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 2011 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 12 occasions in 2011, 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 53.

Internal management processes



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 for senior management who report directly to the CEO are decided by the latter in accordance with a pay policy established by the remuneration committee.

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

At the 2011 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 2012 AGM; they are presented in Note 4 on page 70.

The 2011 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 page 51 for more details. The 2011 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 2011.

Information about remuneration is provided in Note 4 on pages 70–71.

Audit

KPMG, which has been Holmen's auditor since 1995, was elected by the 2008 AGM as 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 examination of internal procedures and control systems begins in the second quarter and is thereafter ongoing to year-end. The interim report for January–September is subject to review by the auditors. The examination and audit of the final annual accounts and the annual report take place in January–February.

Holmen allows the Board to perform duties that would otherwise be performed by an audit committee. The Board's reporting instructions include requirements that the members of the Board shall receive a report each year from the auditors on whether the company's organisation is structured to enable satisfactory supervision of accounting, management of funds and other aspects of the company's financial circumstances. In 2011 the auditors reported to the entire Board at two meetings. Over and above this, the auditors reported to the Board chairman and the CEO on two occasions and to the CEO at one further meeting.

In addition to the audit assignment, Holmen has consulted KPMG on matters pertaining to taxation, accounting and investigations, and in some countries also on matters of business law. The remuneration paid to KPMG for 2011 is stated in Note 5 on page 71. KPMG is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

Internal control

The Board'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 unit level.

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. Group Finance, along with business areas, mills and other Group units, have a responsibility to ensure that internal controls for financial reporting are observed. One important aspect of the work of internal controls consists of the self-assessments that are conducted annually in all units and that are then quality-assured by Group Finance.

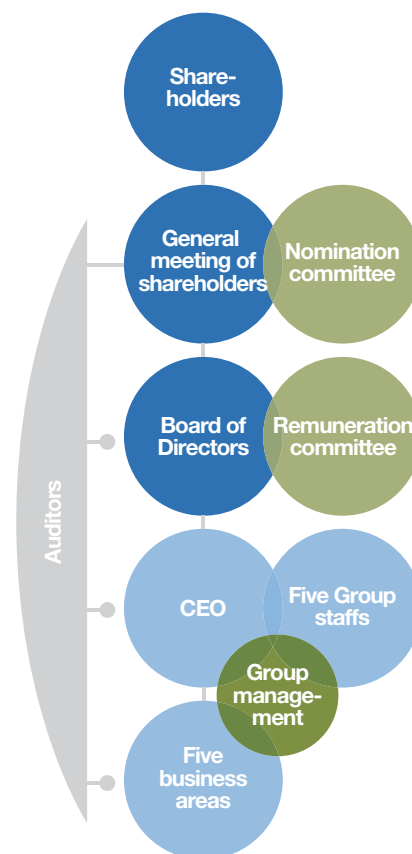
Investor relations

Holmen's information to shareholders and other stakeholders is provided in the annual report, the year-end and interim reports, press releases and presentations broadcast online in connection with the quarterly reports. All material is available on the company's website. The website also contains presentation material for recent years and information on corporate governance. The provision of information by the company complies with an information policy established by the Board. During the year, NASDAQ OMX Stockholm's Disciplinary Committee issued Holmen with a warning on the basis that the company's interim report for the first quarter of 2011 was posted by mistake on Holmen's website before it had been published.



9 times

Nine Board meetings were held during the past financial year. At one of them, wind power generation was studied and a visit was paid to facilities for the production of wind turbines.



Goals	HOLMEN'S FINANCIAL REPORTING
Holmen's external financial reporting shall:	
<ul style="list-style-type: none"> • 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.	

28 899
shareholders

Board members as from the 2011 AGM

NAME <i>BOARD MEMBERS</i>	FUNCTION	ELECTED	COMMITTEES	INDEPENDENT OF THE:		ATTENDANCE AT BOARD MEETINGS
				COMPANY	MAJOR SHAREHOLDERS	
Fredrik Lundberg	Chairman	1988	Remuneration committee	Yes	No	9/9
Carl Kempe	Dep. Chairman	1983		Yes	No	9/9
Carl Bennet	Member	2009		Yes	No	9/9
Lars G Josefsson	Member	2011		Yes	Yes	9/9
Hans Larsson	Member	1990	Remuneration committee	Yes	Yes	8/9
Louise Lindh	Member	2010		Yes	No	8/9
Ulf Lundahl	Member	2004		Yes	No	9/9
Göran Lundin	Member	2001		Yes	Yes	9/9
Magnus Hall	Member, president and CEO	2004		No	Yes	9/9
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

Board of Directors



Fredrik Lundberg



Carl Kempe



Carl Bennet



Steewe Björklundh



Magnus Hall



Kenneth Johansson



Lars G Josefsson



Hans Larsson

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 Board of Hufvudstaden AB. Deputy chairman of Svenska Handelsbanken AB. Board member: L E Lundbergföretagen AB, AB Industrivärden, Skanska AB and Sandvik AB. Shareholding: 734 424 shares. Shareholding of L E Lundbergföretagen: 26 122 000 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 Berzellii Centre for Forest Biotechnology, Elforest AB and the Swedish IASACOMMITTEE. Own and related parties' shareholding: 386 000 shares.

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

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

Magnus Hall Stockholm. Born in 1959. Member since 2004. M.Sc. (Industrial Engineering and Management). President and CEO. Other significant appointments: Chairman of the Swedish Forest Industries Federation, BasEl i Sverige AB and Industrikraft i Sverige AB. Member of the Linköping University board of directors. Own and related parties' shareholding: 15 698 shares, 14 450 call options.

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

Lars G Josefsson Stockholm. Born in 1950. Member since 2011. M.Sc. in Engineering. Former President and CEO of Vattenfall. Other significant appointments: Chairman of Burntisland Fabrication Ltd, Green Circle Bio Energy Inc and the German-Swedish Chamber of Commerce. Board member of Robert Bosch GmbH and Robert Bosch Industrietreuhand KG. Member of the Advisory Board in Brookfield Asset Management and the Swedish Academy of Engineering Sciences. Shareholding: 5 000 shares.

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



Louise Lindh



Ulf Lundahl



Göran Lundin



Karin Norin

Deputy members



Martin Nyman



Daniel Stridsman



Tommy Åsenbrygg

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

Ulf Lundahl Lidingö. Born in 1952. Member since 2004. B.A. in Legal Science and B.Sc. (Econ). Executive vice president and deputy CEO of L E Lundbergföretagen AB.
Other significant appointments: Chairman of the Board of Fidelio Capital. Deputy chairman of Brandkontoret. Board member: Indutrade 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: Fastighets AB L E Lundberg.
Shareholding: 1 000 shares.

Karin Norin Forsa. Born in 1950. Member since 2009. Representative of the employees, PTK. Chairman of Unionen Holmen-Iggesund. Deputy chairman of Unionen's delegation "Industry 1".
Own and related parties' shareholding: 400 call options.

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

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

"Shareholding" refers to shares in Holmen AB.

The share and shareholders



Holmen's two classes of shares are listed in the Large Cap segment on the Nasdaq OMX Nordic Exchange. During 2011, the price of Holmen's class B shares declined by SEK 23.7 or 10.7 per cent. Earnings per share equalled SEK 47.1 and a dividend of SEK 8 is proposed.

Stock exchange trading

Holmen was listed on the Stockholm Stock Exchange in 1936, but was called Mo och Domsjö AB at that time. Holmen's two series of shares are listed on Nasdaq OMX Nordic, Large Cap. During the year, the price of Holmen's class B shares fell by SEK 23.7 (10.7 per cent), to SEK 197.7. During the same period the Stockholm Stock Exchange fell by 16.7 per cent. Holmen's market capitalisation of SEK 16.6 billion (18.5) represents some 0.4 per cent of the Stockholm Stock Exchange total value. Holmen's class B shares reached their highest closing price for the year, SEK 251.1, on 27 January and the lowest closing price, SEK 155.6, was recorded on 8 and 10 August. The daily average number of class B shares traded was 340 000, which corresponds to a value of SEK 67.7 million. The daily average number of class A shares traded was 11 000.

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 Europe, Burgundy, Chi-X and Turquoise.

Return

During the past decade, the Holmen share has

yielded a total return, including reinvested dividends, of around 4 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 47.1 (8.4) of which SEK 31.5 comes from revaluation of forest. Holmen's diluted earnings per share have averaged SEK 18.6 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 29 March 2012, approves a dividend of SEK 8 (7) per share. The proposed dividend corresponds to 3.4 per cent of equity. Over the past 10 years the ordinary dividend has averaged 5 per cent of equity. This means that 65 per cent of earnings per share have been paid out in ordinary dividends each year.

- The final date for trading in Holmen shares including right to dividend: 29 March 2012.
- Record date for dividend: 3 April 2012.
- Payment date for dividend: 10 April 2012.

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 28 899 shareholders at year-end 2011. In absolute numbers, Swedish private individuals made up the largest category of owners: 25 719 shareholders. This corresponds to 89 per cent of the total number of shareholders. Shareholders registered in Sweden own 80 per cent (77) 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 3 per cent of the capital, respectively.

The largest owner at year-end 2011/2012, with 61.1 per cent of the votes and 31.1 per cent of the capital, was L E Lundbergföretagen AB, which means that a Group relation-

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
DATA PER SHARE										
Diluted earnings per share, SEK ¹⁾	47.1	8.4	12.0	7.6	17.8	17.2	14.8	15.1	17.5	23.6
Dividend, ordinary, SEK	8 ⁵⁾	7	7	9	12	12	12	12	11	10
Dividend, extra, SEK	-	-	-	-	-	-	-	-	30	-
Ordinary dividend as % of:										
Equity	3	3	4	5	6	6	6	6	5	6
Closing listed price	4	3	4	5	5	4	4	4	4	5
Profit for the year	17	83	58	118	67	70	74	66	55	45
Return, equity, % ¹⁾	23	4	6	4	9	9	8	8	10	14
Return, capital employed, % ⁶⁾	9	6	7	6	10	10	9	10	12	16
Equity per share, SEK	235	201	196	186	200	196	189	184	192	188
Closing listed price, B, SEK	197.7	221.4	183	193.5	240	298	262.5	230	255.5	211.5
Average listed price, B, SEK	200.5	195	180	203	277	302	227	228	230	231
Highest listed price, B, SEK	251.1	226.3	205.5	242	316	335.5	266	264	271	266.5
Lowest listed price, B, SEK	155.6	172.5	135	169.5	228	255	190	210	187.5	192
Total closing market capitalisation, SEK '000 million	16.6	18.5	15.4	16.2	20.6	25.3	22.6	19.5	20.4	16.9
P/E-ratio ²⁾	4	26	15	25	13	17	18	15	14	9
EV/EBIT ³⁾	12	15	13	17	12	14	15	12	10	8
Closing beta value (48 months), B ⁴⁾	0.8	0.8	0.7	0.5	0.9	1.0	0.7	0.6	0.7	0.6
Number of shareholders at year-end	28 899	28 339	30 425	29 745	30 499	32 189	33 320	36 899	30 902	28 544

1) See page 96: Definitions and glossary. 2) Closing listed price divided by earnings per share. 3) Market capitalisation plus net financial debt at year-end (EV) divided by 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.

ship 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 2011 Annual General Meeting renewed the Board's mandate to decide on acquisition of up to 10 per cent of the company's shares through acquisition of class B shares. Shares corresponding to 0.9 per cent of the total number of shares were bought back in 2008 to secure the company's commitments

under the terms of the incentive scheme (see below). The Board proposes that the 2012 AGM also authorises the Board to buy back and transfer up to 10 per cent of all shares in the company through acquisition of class B shares.

Incentive scheme

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

Shareholder communication

Holmen regularly provides information to the stock market via press conferences in connection with the publication of quarterly reports and on the occasion of the AGM. It also delivers information that is important to the stock market by publishing press releases. Holmen's website www.holmen.com offers financial information in the form of reports, presentations and compiled financial data.

The website also has a recording of the latest press conference, together with information on the company's shares, owners, insider trading and more.

Analysts

Analysts at 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.

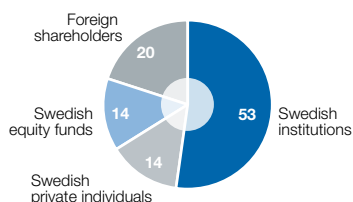
Ownership structure

NO. OF SHARES	SHARE-HOLDERS	PERCENTAGE OF SHARES
1 – 1 000	26 661	6
1 001 – 100 000	2 160	16
100 001 –	78	78
Total	28 899	100

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			

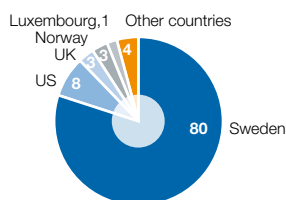
Shareholder categories, percentage of capital



Changes in share capital 2000–2011

	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

Shareholders per country, percentage of capital

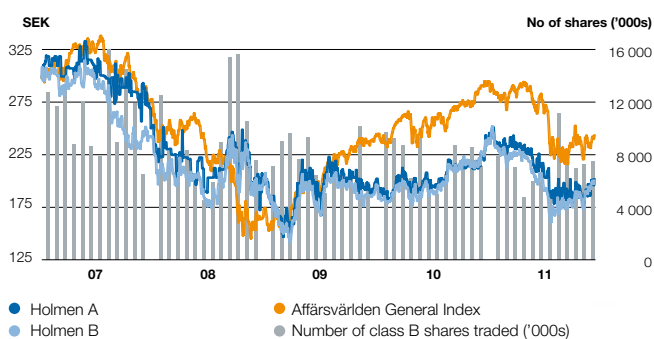


Shareholder structure at 31 December 2011

	% OF CAPITAL	% OF VOTES
L E Lundbergföretagen	31.1	61.1
Kempe Foundations	7.0	16.9
Lannebo funds	3.6	1.1
Alecta	3.6	1.0
Carnegie funds (Sweden)	3.1	0.9
AMF	2.3	0.7
SEB funds	2.2	0.6
The Norwegian Government	2.0	0.6
DFA funds (USA)	1.8	0.5
Saudi Arabian Monetary Agency	1.4	0.4
Total	58.0	83.8
Other	42.0	16.2
Total*	100.0	100.0
* of which non-Swedish shareholders	20.0	6.0

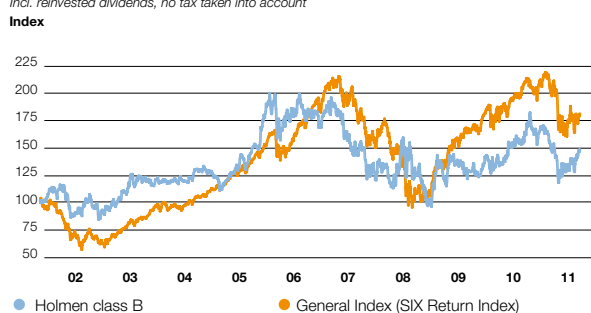
The 10 identified shareholders with the largest holdings in terms of capital ranked by the number of votes they control. Some large shareholders may have their holdings registered under nominee names, in which case they are included among "Other".

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

Group management



Lars Ericson, Sören Petersson, Magnus Hall and Ingela Carlsson.

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

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

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 page 48.

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



Arne Wallin and Sven Wird.

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

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



Henrik Sjölund and Tommy Haglund.

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

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



Björn Kvick, Håkan Lindh and Anders Jernhall.

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.

Anders Jernhall CFO, head of Group Finance. Born in 1970. Joined Holmen in 1997. Shareholding: 1 000 shares, 2 000 call options.

Ingegerd Engquist will take up the position of head of Group Human Resources on 1 April 2012.





Financial statements

Income statement

GROUP, SEKm	NOTE	2011	2010
Net sales	2	18 656	17 581
Other operating income	3	661	862
Change in inventories		176	0
Raw materials and consumables		-10 280	-9 800
Staff costs	4	-2 477	-2 689
Other operating costs	5, 20	-3 580	-3 616
Depreciation and amortisation according to plan	9, 10	-1 260	-1 251
Impairment losses	9, 10	-	-555
Change in value of biological assets	11	3 593	1 102
Interest in earnings of associates	12	84	-38
Operating profit		5 573	1 596
Finance income	6	12	12
Finance costs	6	-256	-220
Profit before tax		5 328	1 388
Tax	7	-1 374	-684
Profit for the year		3 955	704
Attributable to: Owners of the parent company		3 955	704
Earnings per share (SEK)	8		
basic		47.1	8.4
diluted		47.1	8.4
Average number of shares (million)	8		
basic		84.0	84.0
diluted		84.0	84.0

Operating profit amounted to SEK 5 573 million (1 596). This figure includes a revaluation of forests (SEK +3 593 million) as a result of changes in price and cost assumptions, as well as a new harvesting plan. The operating profit for 2010 included a revaluation of forests (SEK +1 050 million), impairment losses on non-current assets (SEK -555 million) and provisions for restructuring costs (SEK -231 million).

The operating profit, excluding the above-mentioned items, rose by SEK 648 million to SEK 1 980 million, in the wake of higher prices for printing paper and paperboard, while higher costs for wood and recovered paper had an adverse impact on the result.

Net financial items for 2011 totalled SEK -244 million (-208). During the year, interest costs of SEK 35 million (24) were capitalised in conjunction with major investment projects, reducing the recognised interest expense.

The average borrowing cost rose to 4.4 per cent (3.9), while average net debt was higher than during the preceding year.

Tax recognised totalled SEK -1 374 million (-684) in 2011. In relation to profit before tax, recognised tax amounts to 26 per cent.

Statement of comprehensive income

GROUP, SEKm	NOTE	2011	2010
Profit for the year		3 955	704
<i>OTHER COMPREHENSIVE INCOME</i>			
Cash flow hedging			
Revaluation		6	827
Transferred from equity to the income statement		-562	-161
Transferred from equity to non-current assets		33	21
Actuarial gains and losses in respect of pensions, incl. special employer's contributions		-184	97
Translation difference on foreign operation		-4	-631
Hedging of currency risk in foreign operation		31	472
Tax attributable to other comprehensive income	7	174	-333
Total other comprehensive income		-506	292
Total comprehensive income		3 449	996
Attributable to: Owners of the parent company		3 449	996

Other comprehensive income amounted to SEK -506 million (292). The figure includes a gain produced when transaction hedges with a positive fair value expired during the year, which was to some extent offset by a stronger Swedish krona against the euro.

Also included is an actuarial revaluation of the pension liability, in the amount of SEK 184 million.

Cash flow hedges transferred from equity to the income statement affected the consolidated operating profit in the amount of SEK 570 million and net financial items in the amount of SEK -8 million.

Balance sheet

GROUP PER 31 DECEMBER, SEKm	NOTE	2011	2010
<i>NON-CURRENT ASSETS</i>			
Intangible non-current assets	9	26	19
Property, plant and equipment	10	12 516	11 877
Biological assets	11	15 771	12 161
Interests in associates	12	1 815	1 748
Other shares and participating interests	12	13	12
Non-current financial receivables	13	82	188
Deferred tax assets	7	194	210
Total non-current assets		30 416	26 216
<i>CURRENT ASSETS</i>			
Inventories	14	3 556	3 340
Trade receivables	15	2 366	2 518
Current tax receivable	7	26	4
Other operating receivables	15	694	1 088
Current financial receivables	13	46	73
Cash and cash equivalents	13	112	193
Total current assets		6 800	7 216
Total assets		37 217	33 432
<i>EQUITY</i>			
	16		
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		-215	153
Retained earnings incl. profit for the year		15 469	12 241
Total equity attributable to the owners of the parent company		19 773	16 913
<i>NON-CURRENT LIABILITIES</i>			
Non-current financial liabilities	13	3 319	3 666
Pension provisions	17	358	213
Other provisions	7, 18	473	459
Deferred tax liabilities	7	6 630	5 910
Total non-current liabilities		10 780	10 247
<i>CURRENT LIABILITIES</i>			
Current financial liabilities	13	2 822	2 349
Trade payables	19	2 655	2 453
Current tax liability	7	13	112
Provisions	18	157	270
Other operating liabilities	19	1 016	1 088
Total current liabilities		6 663	6 273
Total liabilities		17 443	16 520
Total equity and liabilities		37 217	33 432

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

New investments in property, plant and equipment during the year, totalling SEK 1 806 million, included the new sawmill at Braviken, a new recovery boiler and turbine at Iggesund Mill and a new biofuel boiler at the mill in Workington. Biological assets were revalued during the year, resulting in a SEK 3 593 million increase in value.

This entailed a SEK 945 million increase in deferred tax liability. Other operating receivables and other operating liabilities include derivatives used to hedge foreign currency flows. As currency hedges with a positive fair value have expired, the total amount recognised has fallen.

Changes in equity

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 2010	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	0	0	-283	506	773	996
Dividends paid	-	-	-	-	-588	-588
Closing equity 31 Dec 2010	4 238	281	-256	409	12 241	16 913
Profit for the year	-	-	-	-	3 955	3 955
Other comprehensive income	-	-	18	-386	-139	-506
Total comprehensive income	0	0	18	-386	3 816	3 449
Dividends paid	-	-	-	-	-588	-588
Closing equity 31 Dec 2011	4 238	281	-238	24	15 469	19 773

In 2011, the Group's equity increased by SEK 2 861 million, to SEK 19 773 million. Profit for the year amounted to SEK 3 955 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 trans-

action hedges and translation of assets in foreign entities as well as tax on these items. In 2011, other comprehensive income totalled SEK -506 million, which is mainly attributable to the fact that currency hedges with a positive fair value expired during the year.

Cash flow statement

GROUP, SEKm	NOTE	2011	2010
<i>OPERATING ACTIVITIES</i>			
Profit before tax	25	5 328	1 388
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 260	1 251
Impairment		-	555
Change in value of biological assets		-3 593	-1 102
Change in provisions		-120	174
Other *		-108	-67
Paid income taxes		-557	-704
Cash flow from operating activities before changes in working capital		2 210	1 495
<i>CASH FLOW FROM CHANGES IN WORKING CAPITAL</i>			
Change in inventories		-237	-428
Change in trade receivables and other operating receivables		64	-139
Change in trade payables and other operating liabilities		63	595
Cash flow from operating activities		2 101	1 523
<i>INVESTING ACTIVITIES</i>			
Acquisition of property, plant and equipment		-1 806	-1 648
Disposal of property, plant and equipment		42	95
Acquisition of intangible non-current assets		-20	0
Acquisition of biological assets		-18	-8
Disposal of biological assets		16	12
Increase in non-current financial receivables		-14	-14
Repayment of non-current financial receivables		72	3
Acquisition of shares and participating interests		-6	-36
Disposal of shares and participating interests		0	0
Cash flow from investing activities		-1 733	-1 597
<i>FINANCING ACTIVITIES</i>			
Raised long-term loans		0	500
Repayments of long-term loans		-98	-959
Change in current financial liabilities	25	242	1 141
Change in current financial receivables		-5	-1
Dividends paid to the owners of the parent company		-588	-588
Cash flow from financing activities		-448	93
<i>CASH FLOW FOR THE YEAR</i>			
Opening cash and cash equivalents		193	182
Exchange difference in cash and cash equivalents		-1	-8
Closing cash and cash equivalents		112	193

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

The Group's cash flow from operating activities amounted to SEK 2 101 million.

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

Amortisation payments of one bank loan was made during the year. The Group also raised SEK 308 million, net, under the commercial paper programme; also see Note 25. Dividends of SEK 588 million were paid to shareholders during the year.

	2011	2010
<i>CHANGE IN NET FINANCIAL DEBT</i>		
Opening net financial debt	-5 772	-5 683
Cash flow		
Operating activities	2 101	1 523
Investing activities (excl. non-current financial receivables)	-1 791	-1 585
Dividends paid	-588	-588
Actuarial revaluation of pension liability	-182	94
Foreign exchange currency effects and changes in fair value	-28	468
Closing net financial debt	-6 259	-5 772

The Group's net financial debt rose by SEK 487 million during the year. In addition to cash flow, net debt was affected by SEK -182 million due to actuarial revaluations.

Parent company

INCOME STATEMENT, SEKm	NOTE	2011	2010
Net sales	2	15 914	13 338
Other operating income	3	520	652
Change in inventories		219	35
Raw materials and consumables		-9 785	-7 515
Staff costs	4	-1 938	-1 999
Other external costs	5, 20	-4 081	-4 029
Depreciation and amortisation according to plan	9, 10	-31	-30
Operating profit		818	453
Profit from interests in Group companies	6	1 106	11
Profit from interests in associates	6	0	0
Interest income and similar income	6	11	7
Impairment losses on financial non-current assets		-	-
Interest costs and similar costs	6	-262	246
Profit after financial items		1 673	716
Appropriations	24	-41	-155
Profit before tax		1 632	561
Tax	7	-443	-195
Profit for the year		1 189	366

STATEMENT OF COMPREHENSIVE INCOME, SEKm	2011	2010
Profit for the year	1 189	366
Other comprehensive income		
Cash flow hedges		
Revaluation	-308	1 086
Transferred from equity to the income statement	-536	-184
Transferred from equity to non-current assets	33	21
Tax attributable to other comprehensive income	213	-243
Total other comprehensive income	-598	680
Total comprehensive income	591	1 046

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 income from interests in Group companies includes Group contributions of SEK 1 091 million. The item interest costs and similar costs in the income statement includes gains of SEK 31 million on hedging equity in foreign subsidiaries.

In 2011, an agreement was signed under which all production at the Group's Spanish mill would be purchased by Holmen Paper AB. As such transactions are made on a commissioned basis, they are accounted for via the parent company's income statement. A Spanish branch has been established to manage the marketing and sales that are conducted in Spain.

CASH FLOW STATEMENT, SEKm	NOTE	2011	2010
Operating activities			
Profit after financial items	25	1 673	716
Adjustments for non-cash items			
Depreciation and amortisation according to plan		31	30
Change in provisions		-57	136
Other *		-1 136	-431
Paid income taxes		-554	-111
Cash flow from operating activities before changes in working capital		-43	339
<i>CASH FLOW FROM CHANGES IN WORKING CAPITAL</i>			
Change in inventories		-264	-415
Change in operating receivables		-339	-77
Change in operating liabilities		552	647
Cash flow from operating activities		-94	493
<i>INVESTING ACTIVITIES</i>			
Shareholders' contribution paid		-5	-34
Acquisition of property, plant and equipment		-34	-40
Disposal of property, plant and equipment		21	12
Acquisition of intangible non-current assets		-4	-
Increase in external non-current financial receivables		0	0
Repayment of external non-current financial receivables		-	-
Acquisition of shares and participating interests		0	-2
Disposal of shares and participating interests		-	14
Cash flow from investing activities		-23	-50
<i>FINANCING ACTIVITIES</i>			
Raised external long-term loans		-	500
Repayments of external long-term loans		-97	-591
Change in other financial liabilities	25	259	1 238
Change in other financial receivables		-633	-983
Dividends paid to the owners of the parent company		-588	-588
Group contributions received		1 091	456
Group contributions paid		0	-464
Cash flow from financing activities		33	-432
CASH FLOW FOR THE YEAR		-84	11
Opening cash and cash equivalents		99	88
Closing cash and cash equivalents		16	99

* Other adjustments primarily consist of group contributions, 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	2011	2010	BALANCE SHEET at 31 December, SEKm	NOTE	2011	2010
ASSETS				EQUITY AND LIABILITIES			
Non-current assets				Equity	16		
Intangible non-current assets	9	14	12	Restricted equity			
Property, plant and equipment	10	2 601	2 601	Share capital		4 238	4 238
Financial non-current assets				Statutory reserve		1 577	1 577
Shares and participations	12, 23	14 442	14 438	Revaluation reserve		100	100
Non-current financial receivables	13	3 267	2 615	Non-restricted equity			
Total non-current assets		20 324	19 666	Retained earnings incl. hedge reserve		4 049	4 869
Current assets				Profit for the year		1 189	366
Inventories	14	2 961	2 705	Total equity		11 153	11 149
Operating receivables	15	2 686	3 019	Untaxed reserves	24	2 559	2 518
Current tax receivable	7	16	-	Provisions			
Current investments	13	46	73	Pension provisions	17	51	68
Cash and cash equivalents	13	16	99	Tax provisions	7,18	45	45
Total current assets		5 724	5 896	Other provisions	18	653	695
Total assets		26 048	25 562	Deferred tax liability	7	640	855
				Total provisions		1 389	1 663
				Liabilities			
				Non-current financial liabilities	13	4 676	4 962
				Current financial liabilities	13	2 817	2 343
				Current tax liabilities	7	-	104
				Operating liabilities	19	3 453	2 821
				Total liabilities		10 946	10 231
				Total equity and liabilities		26 048	25 562
				PLEGDED COLLATERAL AND CONTINGENT LIABILITIES			
				Pledged collateral	21	6	6
				Contingent liabilities	21	95	177

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 2010	4 238	1 577	100	-149	3 261	1 664	10 691	
Appropriation of profits	-	-	-	-	1 664	-1 664	-	
Profit for the year	-	-	-	-	-	366	366	
Other comprehensive income	-	-	-	680	-	-	680	
Total comprehensive income	-	-	-	680	-	366	1 046	
Dividends paid	-	-	-	-	-588	-	-588	
Closing equity 31 Dec 2010	4 238	1 577	100	531	4 337	366	11 149	
Appropriation of profits	-	-	-	-	366	-366	-	
Profit for the year	-	-	-	-	-	1 189	1 189	
Other comprehensive income	-	-	-	-598	-	-	-598	
Total comprehensive income	0	0	0	-598	366	823	591	
Dividends paid	-	-	-	-	-588	-	-588	
Closing equity 31 Dec 2011	4 238	1 577	100	-66	4 116	1 189	11 153	

Notes to the financial statements

Amounts in SEKm, except where otherwise stated.

NOTE 1. Accounting policies

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

Compliance with standards and statutory requirements

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

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

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

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

Functional currency and reporting currency

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

Assessments and estimates in the financial statements

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

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

Changes in accounting policies

The changes in accounting policies applied by the Group as of 1 January 2011 are described below.

Related parties

As a result of a change in the definition of related parties in IAS 24, the definition of companies and individuals designated as "related" to a reporting entity is broadened. Under the amendment, the parent company's associated companies are now regarded as related. The revised IAS 24 is to be applied as of the financial year starting on 1 January 2011 or later and retroactively applied to the comparison year 2010. See also Note 22.

RFR 1

Under an amendment to Recommendation RFR 1, issued by the Swedish Financial Reporting Board, arising from an amendment to the Swedish Annual Accounts Act (ÅRL), requirements for disclosures about sickness absence, wages, salaries and other remuneration per country, as well as details of assessed tax values for properties have been eliminated. These changes affect Notes 4 and 10.

Parent company

In addition to the amended accounting policies described above for the Group, the following amendments affected the parent company in 2011. As of the 2011 financial year, an amendment to RFR 2, regarding recognition of Group contributions, entered

into force with retroactive effect. Under the amendment, Group contributions received by the parent company are to be recognised as financial income, while Group contributions paid are to be recognised against participations in subsidiaries or as financial expense. In the case of the parent company, Holmen has elected to recognise in the income statement Group contributions both received and paid. See also accounting policies under the heading "Group contributions and shareholder contributions for legal entities". The change affects the parent company's income statement and changes in equity, Note 6 Gains/losses from financial instruments and Note 7 Tax.

New and amended accounting policies applicable as of 2012

A number of new or amended IFRSs are not effective until the coming financial year, and Holmen has opted not to apply any of these standards in advance. Similarly, there is no plan to apply new or amended standards effective as of financial years after 2012 in advance. New or amended IFRSs effective as of 2012 and 2013 are not judged to have any material impact on the income statement and balance sheet but will lead to an increase in disclosure requirements.

Segment reporting

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

Classification etc

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

Consolidation principles

Subsidiaries

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

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

Associates

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

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

When the Group's interest in the recognised losses of the associates exceeds the carrying amount of the interests stated in the consolidated accounts, the value of the interests is written down to zero. Losses are also offset against unsecured long-term financial balances that, in financial terms, consist of part of the owning company's

net investment in the associates. Any further losses are not recognised unless the Group has provided guarantees to cover losses incurred by the associates. The equity method is applied until such time as the significant influence no longer exists.

Foreign currency

Transactions denominated in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated into the functional currency 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 accounts, 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. In the case of the parent company, Group contributions received and paid are also recognised as financial income and expense, respectively.

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

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

Taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when underlying transactions are recognised in other comprehensive income or directly in equity, in which case the associated tax effect is also recognised in other comprehensive income or directly in equity. Current tax is the tax to be paid or received for the year in question, using the tax rates that have been decided on, or to all intents and purposes have been decided on at the balance sheet date. This also includes any adjustment to current tax attributable to previous periods. Deferred tax is calculated using the balance sheet method on the basis of temporary differences between carrying amounts and values for tax purposes of assets and liabilities, applying the tax rates and rules that have been approved or announced at the balance sheet date. Temporary differences are not taken into account in goodwill arising upon consolidation, nor in temporary differences attributable to interests in subsidiaries and associates that are not expected to become liable to taxation in the foreseeable future. In the parent company's accounts, untaxed reserves are recognised inclusive of deferred tax liability.

Deferred tax assets in respect of tax-deductible temporary differences and loss carry-forwards are recognised only to the extent that it is likely they will be utilised and entail lower tax payments in the future. Deferred tax assets and deferred tax liabilities in the same country are recognised net to the extent that a right of set-off applies.

Earnings per share

The calculation of earnings per share (EPS) is based on the Group's profit for the year attributable to the parent company's owners and the weighted average number of shares outstanding during the year. 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. No loans were revalued in the Group under the fair value option 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. Loans hedged against changes in value are initially recognised including any transaction costs and on a current basis at fair value.

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

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

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 parent company, changes in value are recognised in the income statement, as hedge accounting is not applied.

Computation of fair value. The fair value of financial instruments traded on an active market is based on listed market prices and belongs to measurement level 1 as per IFRS 7. Where there are no listed market prices, fair value has been computed using discounted cash flows. In calculating discounted cash flows, all variables used for the calculations, such as discount rates and exchange rates, are taken from market listings where possible. In calculating discounted cash flows, the mean of exchange rates and discount rates is used. These valuations belong to measurement level 2. Other valuations, for which a variable is based on own assessments, belong to measurement level 3. Holmen's measurement of financial instruments belongs exclusively to measurement level 2. Currency options are valued using the Black & Scholes formula, when appropriate.

Intangible non-current assets

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

Research costs are expensed when they are incurred. Development costs are only capitalised in the case of major projects to the extent that their future financial benefits can be reliably assessed. The recognised value includes all directly attributable expenses, for example in connection with materials and services, wages/salaries to employees, registration of a legal right, amortisation of patents and licences and borrowing costs in accordance with IAS 23. Other development expenditure is recognised in the income statement as costs when incurred. Development costs recognised

in the balance sheet are stated at their acquisition cost less accumulated amortisation and impairment losses.

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

Property, plant and equipment

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

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

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

The following useful lives (years) are used:

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

If there is any indication that the carrying amount is too high, an analysis is made in which the recoverable value of single or inherently related assets is determined at the higher of the net selling price and the utility value. The net selling price is the estimated selling price after deduction of the estimated cost of selling the asset. The utility value is measured as expected future discounted cash flow. The discount rate applied takes account of the risk-free interest rate and the risk associated with the asset. An impairment loss consists of the amount by which the recoverable amount falls short of the carrying amount. Impairment loss is reversed if there has been any positive change in the circumstances upon which the determination of the recoverable amount is based. A reversal may be made up to, but not exceeding, the carrying amount that would have been recognised, less depreciation, if there had been no impairment.

Borrowing costs attributable to the purchase or construction of qualifying assets are to be capitalised in the consolidated accounts as part of the asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and that to the Group is to be considered in connection with major investment projects.

Leasing

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

Biological assets

The Group divides all its forest assets for accounting purposes into growing forests, which are recognised as biological assets at fair value, and land, which is stated at acquisition cost. Any changes in the fair value of the growing forests are recognised in the income statement. Holmen's assessment is that there are no relevant market prices

available that can be used to value forest holdings as extensive as Holmen's. They are therefore valued by estimating the present value of expected future cash flows (after deduction of selling costs) from the growing forests. See Note 11.

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

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

Inventories

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

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

Employee benefits

Pension costs and pension commitments

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

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

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

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

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

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

Termination benefits

Termination benefits in connection with the termination of employment contracts are recognised in the accounts if it is shown that the Group has an obligation, without any reasonable possibility of withdrawing it, as a result of a formal, detailed plan to terminate an employment contract before the normal date. When benefits are paid in the form of an offer to encourage voluntary 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. It also includes exchange differences arising in connection with the revaluation of liabilities and derivatives that are classified as instruments for hedging a net investment in a foreign operation, including tax. The hedge reserve comprises the effective proportion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to underlying transactions that have not yet occurred, including tax. Retained earnings comprise all other parts of equity, including profit/loss for the year.

Holdings of shares bought back are stated as a reduction in retained earnings. Acquisitions of the company's own shares are stated as a deduction, and proceeds from the disposal of the company's own shares are stated as an increase. Transaction costs are charged directly to retained earnings.

The parent company's equity comprises share capital, statutory reserves, revaluation reserves, retained earnings and profit/loss for the year. The parent company's statutory reserve consists of previous compulsory provisions to the statutory reserve plus amounts added to the share premium reserve before 1 January 2006. The parent company's revaluation reserve contains amounts set aside in connection with the revaluation of property, plant and equipment or non-current financial assets. Retained earnings comprise all other parts of equity, such as hedge reserves and transactions as a result of share buy-backs. The parent company applies the same accounting policies as the Group for these items; see above.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or informal commitment as a consequence of a past event and it is likely there will be an outflow of financial resources to settle the commitment and a reliable estimate of the amount can be made. A provision to cover restructuring is recognised once the Group has established a detailed and formal restructuring plan and the restructuring process has either begun or been publicly announced.

Provisions are made for environmental measures that relate to earlier activities when contamination arises or is discovered, it is likely that a payment obligation will arise, and the amount can be estimated reliably.

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

Contingent liabilities

A contingent liability is recognised when there is a potential commitment that originates in past events, the existence of which will be confirmed only by one or more uncertain future events, or when there is a commitment that is not recognised as a liability or provision because it is not likely that an 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 RFR 2. In the parent company, Group contributions paid or received are recognised in the income statement as financial income or expense.

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

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

* Items affecting comparability refers to revaluation of forest.

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
NON-CURRENT ASSETS PER COUNTRY				
Sweden	27 272	23 113	17 051	17 046
UK	788	505	-	-
Spain	2 033	2 147	-	-
Other	34	40	-	-
Total	30 127	25 805	17 051	17 046

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
NET SALES BY PRODUCT AREA				
Newsprint and magazine paper	8 302	7 862	8 163	6 225
Paperboard	4 994	4 742	3 287	3 089
Pulp	67	76	169	200
Sawn timber	871	581	871	581
Wood	3 502	3 310	3 418	3 238
Power	532	695	6	5
Other	388	315	0	0
Total	18 656	17 581	15 914	13 338

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
NET SALES BY MARKET				
Sweden	4 445	4 274	4 413	4 253
Germany	2 791	2 541	2 410	2 180
UK	1 993	1 811	1 423	1 241
Spain	1 446	1 461	1 065	288
Italy	958	763	910	565
France	923	724	847	528
The Netherlands	844	655	774	554
Rest of Europe	3 368	3 357	2 437	2 099
Rest of the world	1 889	1 993	1 635	1 630
Total	18 656	17 581	15 914	13 338

2010	HOLMEN PAPER	IGGESUND PAPERBOARD	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP-WIDE AND OTHER	ELIMINATIONS	TOTAL GROUP
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	1 585

*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 comprising an increase in value of SEK 1 050 million.

The Holmen Paper business area manufactures printing paper for magazines, product catalogues, direct mail, books, daily newspapers and telephone directories at two mills in Sweden and one in Spain. Iggesund Paperboard produces paperboard for consumer packaging and graphics printing at one Swedish and one UK mill. Holmen Timber produces sawn timber at two Swedish sawmills. Annual production capacity in 2011 was 1 750 000 tonnes of printing paper, 530 000 tonnes of paperboard and 870 000 cubic metres of sawn timber. Holmen Skog manages the Group's forests, which cover just over one million hectares. The normal annual volume of wood harvested in company forests is about 3 million m³sub. Holmen Energi is responsible for the Group's hydro power and wind power assets and for developing the Group's operations in the energy sector. Normal yearly production amounts to some 1 100 GWh of electricity at wholly and partly owned hydro power stations in Sweden. Holmen Skog and Holmen Energi are also responsible for supplying the Group with wood and electricity in Sweden, which are important raw materials for the industrial operations.

In the Holmen Group, the business areas are responsible for management of operational assets and liabilities. Group management follows up the business at operating profit level, and in terms of return relative to operating capital. Operating capital in each segment includes all assets and liabilities used by the business area, such as non-current assets, inventories, operating receivables and operating liabilities. Financing and tax issues are managed at Group level, so financial assets and liabilities – including pension liabilities – and current and deferred tax assets and tax liabilities are not allocated to the business areas.

Intra-Group sales between segments are founded on an internal market-based price. The "Group-wide and other" segment comprises Group 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	
	2011	2010	2011	2010
Sales of by-products	313	291	246	240
Emission allowances	40	26	20	26
Electricity certificates	31	56	26	48
Sales of non-current assets	51	84	16	10
Rent and land lease income	19	21	18	19
Silviculture contracts	59	55	59	55
Other	149	329	134	255
Total	661	862	520	652

Of the sales of by-products in the Group, SEK 148 million (193) relates to rejects from production, SEK 89 million (64) to sawdust, bark, chips etc, and SEK 75 million (34) 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 40 million (26).

Income from electricity certificates received from the production of renewable energy at the Group's Swedish mills amounted to SEK 31 million (56).

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

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
<i>WAGES, SALARIES AND SOCIAL SECURITY COSTS</i>				
Wages, salaries and other remuneration	1 746	1 928	1 331	1 364
Social security costs	662	695	553	582

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

The 2011 AGM decided on the following guidelines for determining the salaries and other remuneration of the CEO and other senior management, namely the business area managers and heads of Group staff who report directly to the CEO.

Salary and other remuneration

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

Pension

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

Notice and severance pay

Notice of employment termination should normally be one year if it is given by the company, and six months if it is given by the employee. In the event of notice being

given by the company, severance pay can be paid corresponding to no more than 24 months' salary. For new contracts, salary during the period of notice and severance pay shall not exceed a total amount equivalent to two years' salary.

Incentive scheme

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

Remuneration committee

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

Departures in individual cases

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

Incentive scheme

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

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

Remuneration of Board and senior management**Board**

A fixed Board fee shall be paid to the members of the Board elected by the AGM, except for the CEO, who does not receive any Board fee. For 2011, the fee amounted to SEK 2 700 000 (2 475 000). The chairman received a fee of SEK 600 000 (550 000), and each of the other members (except for the CEO) received SEK 300 000 (275 000).

Senior management

The CEO's salary and other benefits for 2011 amounted to SEK 7 375 442 (7 366 343). In 2011, the total pension cost attributable to the CEO (ITP cost and the cost of benefits over and above ITP), stated in accordance with IAS 19, amounted to SEK 4 036 671 (3 989 060). No variable remuneration was paid.

In 2011, 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 19 015 957 (17 814 918). The total pension cost for this group, ITP cost and the cost of benefits over and above ITP stated in accordance with IAS 19, amounted to SEK 9 294 432(9 456 367) in 2011. No variable remuneration was paid.

For senior management, the company is required to give 12 months' notice and the employee six months. In the event of notice being given by the company, termination benefits corresponding to between one and two years' salary are paid, depending on age. In the case of new contracts signed after the beginning of 2011, the rule is that pay during the period of notice and severance pay should not exceed the equivalent of two years' salary. For the CEO, 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 18 million (17) at 31 December 2011 and for other members of senior management to SEK 52 million (53), 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		AVERAGE NUMBER OF FULL-TIME EQUIVALENTS	
	2011	OF WHOM WOMEN	2010	OF WHOM WOMEN
Parent company				
Sweden	2 988	574	3 013	575
Spain	3	2	-	-
Group companies				
Sweden	-	-	-	-
Australia	0	0	2	2
Estonia	17	5	17	5
France	30	8	33	8
Germany	25	8	23	8
Hong Kong	5	1	5	1
Italy	8	4	7	4
The Netherlands	95	34	107	37
Poland	6	3	7	4
Portugal	1	0	2	1
Singapore	5	3	5	3
Spain	421	86	578	116
Switzerland	5	1	5	1
UK	425	42	433	41
USA	7	3	6	1
Total				
Group companies	1 050	198	1 229	231
Total Group	4 041	774	4 241	806

The year's decrease in the number of employees is mainly an effect of staff cuts at Hallsta Paper Mill and redundancies in connection with the shut-down of paper machine PM 61 in Spain.

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
<i>PROPORTION OF WOMEN, %</i>				
Board (excl. deputy members)	17	17	17	17
Senior management	9	9	9	9

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	
	2011	2010	2011	2010
<i>REMUNERATION TO KPMG</i>				
Audit assignments	7	7	4	4
Tax advice	2	2	1	2
Other services	4	2	3	1
Total	13	12	9	7
Other auditors	0	0	-	-
Total	13	12	9	7

"Audit assignments" refers to the statutory examination of the annual report and accounting records, the administration by the Board and the CEO, and auditing and other assessment performed as agreed or in accordance with contracts. This includes other duties that are incumbent on the company's auditors and the provision of advice or other assistance resulting from observations in connection with such assessment or the performance of such other duties. Tax advice refers to all consultation in the field of taxation. "Other services" refers to advice on accounting issues, on disposals and acquisitions of operations and on processes and internal control.

NOTE 6. Net financial items and income from financial instruments

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
<i>FINANCE INCOME</i>				
Dividend income from Group companies	-	-	14	14
Group contributions received	-	-	1 091	456
Gains on sales of Group companies	-	-	1	5
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss for the year - Held for financial risk management*	-7	-79	-7	-79
- Other	-	66	-	66
Cash and cash equivalents	10	15	10	15
Other financial receivables	4	-	3	-
Interest income	5	10	5	6
Total finance income	12	12	1 116	482
<i>FINANCE COSTS</i>				
Impairment losses on value of shares in Group companies	-	-	-	-
Group contributions paid	-	-	-	-464
Net profit/loss				
Assets and liabilities measured at fair value through profit/loss for the year - Held for financial risk management*	5	-14	25	252
- Other	-	33	-	-
Cash and cash equivalents	-	-	-	-
Other financial liabilities	-9	-	3	205
Total net profit/loss	-5	19	28	-7
Interest costs **	-251	-240	-290	-212
Finance costs	-256	-220	-262	-219
Net financial items	-244	-208	855	263

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

** SEK -53 million (-81) 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 -53 million (-81). Other interest income and interest costs are related to financial items not measured at fair value.

The net gains and losses stated in net financial items mainly relate to currency revaluations of internal loans, hedging of internal lending, currency revaluations of cash and cash equivalents, and hedging of cash and cash equivalents. They also include the revaluation of interest rate swaps used to hedge loans at fixed rates of interest. The parent company's net financial items also include currency revaluation of external loans and forward contracts that hedge net investment in foreign operations. These items are recognised in the consolidated accounts in other comprehensive income. The fair value of the interest component in currency forward foreign exchange contracts as well as value changes in accrued interest and realised interest in fixed-interest-rate swaps is recognised on an ongoing basis in net interest items.

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

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

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

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Exchange gains/losses on trade receivables and trade payables	-464	-136	-464	-136
Net gain/loss on derivatives stated in working capital	592	192	565	214
Interest income on trade receivables	3	1	3	1
Interest costs on trade payables	-13	-3	-13	-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	
	2011	2010	2011	2010
<i>TAXES STATED IN INCOME STATEMENT</i>				
Current tax	-457	38	-444	-121
Deferred tax	-917	-722	1	-74
Total	-1 374	-684	-443	-195

The year's tax rate for the Group was 26 percent.

NOTE 7. Taxes, cont.

	GROUP				PARENT COMPANY			
	2011		2010		2011		2010	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit before tax	5 328		1 388		1 632		561	
Tax at applicable rate	-1 401	26.3	-365	26.3	-429	26.3	-148	26.3
Difference in tax rate in foreign operations	-7	0.1	-2	0.1	0	0.0	0	0.0
Non-taxable income and non-deductible costs	-3	0.1	-8	0.6	0	0.0	3	-0.5
Standard interest on tax allocation reserve	-13	0.3	-14	1.0	-14	0.8	-14	2.5
Effect of not stated loss carry-forwards and temporary differences	27	-0.5	-287	20.7	0	0.0	1	-0.1
Tax attributable to previous periods	-5	0.1	4	-0.3	0	0.0	-37	6.6
Other	29	-0.5	-11	0.8	0	0.0	0	0.0
Effective tax	-1 374	25.8	-684	49.3	-443	27.1	-195	34.8

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
	2011			2010			2011			2010		
Cash flow hedges	-523	138	-386	686	-181	506	-811	213	-598	923	-243	680
Translation differences on foreign operations	-4	-	-4	-631	-	-631	-	-	-	-	-	-
Hedging of currency risk in foreign operations	31	-8	23	472	-124	348	-	-	-	-	-	-
Actuarial revaluations	-184	44	-140	97	-28	69	-	-	-	-	-	-
Other comprehensive income	-680	174	-506	625	-333	292	-811	213	-598	923	-243	680

TAXES AS STATED IN BALANCE SHEET

	GROUP		PARENT COMPANY			GROUP		PARENT COMPANY	
	2011	2010	2011	2010		2011	2010	2011	2010
DEFERRED TAX ASSETS					DEFERRED TAX LIABILITIES				
Loss carry-forwards	184	242	-	-	Non-current assets				
Pension provisions	68	33	-	-	Biological assets*	4 194	3 241	647	644
Deferred tax liabilities stated net among deferred tax assets	-60	-66	-	-	Property, plant and equipment	1 724	1 823	-3	-3
Other	2	1	-	-	Tax allocation reserve	671	660	-	-
Total deferred tax assets	194	210	-	-	Transactions subject to hedge accounting	9	146	-24	190
Current tax receivable	26	4	16	-	Other, including deferred tax assets stated net among deferred tax liabilities	33	40	20	24
Total tax receivables	219	214	16	-	Total deferred tax liabilities	6 630	5 910	640	855
					Provisions for taxes	65	46	45	45
					Current tax liability	13	112	-	104
					Total tax liabilities	6 709	6 069	685	1 005

* For parent company this relates to forest land.

NOTE 7. Taxes, cont.*CHANGE IN THE NET OF DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES*

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

	GROUP					PARENT COMPANY				
	OPENING BALANCE	STATED IN THE INCOME STATEMENT	STATED IN OTHER COMPREHENSIVE INCOME	TRANSLATION DIFFERENCES AND OTHER	CLOSING BALANCE	OPENING BALANCE	STATED IN THE INCOME STATEMENT	STATED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE	
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	

* 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. The amount recognised in Other comprehensive income includes deferred tax related to changes of SEK 138 million in hedging reserves (negative 181) and an impact of SEK 44 million from actuarial revaluations (negative 28).

Of the deferred tax asset in respect of the carry-forwards of unused tax losses, a sum of SEK 184 million relates to carry-forwards that expire if they are not utilised before 2018-2025. 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 2 330 million, of which SEK 830 million expire in 2025-2029. 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	
	2011	2010
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	3 955	704
Average number of shares before dilution	83 996 162	83 996 162
Basic EPS for the year, SEK	47.1	8.4
Shareholders' share of profit for the year, SEKm	3 955	704
Average number of shares after dilution	83 996 162	83 996 162
Diluted EPS for the year, SEK	47.1	8.4

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 2011 (SEK 200.5 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	
	2011	2010	2011	2010
<i>ACCUMULATED ACQUISITION COST</i>				
Opening balance	93	98	19	19
Investments	20	0	5	-
Disposal and retirement of assets	-1	-	-1	-
Translation differences	0	-6	-	-
Total	111	93	23	19
<i>ACCUMULATED AMORTISATION ACCORDING TO PLAN</i>				
Opening balance	73	71	6	4
Amortisation for the year	12	7	3	3
Translation differences	0	-5	-	-
Total	85	73	9	6
Closing residual value according to plan	26	19	14	12

Intangible non-current assets mostly consist of IT systems of SEK 22 million (14). These assets were largely acquired from external sources. They have determinable useful lives and are amortised over 5–20 years. No goodwill for the Group applies.

NOTE 10. Property, plant and equipment

	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		WORK IN PROGRESS AND ADVANCE PAY- MENTS TO SUPPLIERS		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<i>GROUP</i>										
Accumulated acquisition cost										
Opening balance	100	100	5 711	6 071	26 660	26 763	819	199	33 290	33 134
Investments	-	-	409	6	1 776	1 170	-283	659	1 902	1 836
Re-classifications	-	-	1	-82	1	-99	-3	-37	0	-219
Disposal and retirement of assets	-	-	-4	-63	-74	-419	-3	-	-80	-482
Translation differences	0	0	-9	-221	4	-755	8	-3	2	-978
Total	100	100	6 108	5 711	28 367	26 660	538	819	35 112	33 290
Accumulated depreciation and impairment losses										
Opening balance	-	-	2 985	2 849	18 427	17 812	-	-	21 412	20 661
Depreciation for the year according to plan	-	-	135	131	1 113	1 112	-	-	1 248	1 243
Impairment losses for the year	-	-	-	137	-	418	-	-	-	555
Re-classifications	-	-	0	5	0	-52	-	-	0	-48
Disposal and retirement of assets	-	-	-2	-60	-66	-401	-	-	-69	-460
Translation differences	-	-	-1	-76	6	-462	-	-	5	-538
Total	-	-	3 117	2 985	19 480	18 427	-	-	22 596	21 413
Closing residual value according to plan	100	100	2 991	2 726	8 887	8 233	538	819	12 516	11 877

	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
<i>PARENT COMPANY</i>								
Accumulated acquisition cost								
Opening balance	80	79	139	143	253	231	472	454
Investments	10	0	0	-	25	40	34	40
Re-classifications	-	-	-	-	-1	1	-1	-
Disposal and retirement of assets	0	0	-1	-4	-27	-18	-28	-22
Total	89	80	138	139	250	253	477	472
Accumulated depreciation according to plan								
Opening balance	-	-	126	126	162	155	288	281
Depreciation for the year according to plan	-	-	1	1	28	25	29	27
Disposal and retirement of assets	-	-	0	-2	-23	-18	-24	-20
Total	-	-	127	126	166	162	293	288
Accumulated revaluations								
Opening balance	2 416	2 416	1	1	-	-	2 417	2 417
Disposal and retirement of assets	-1	0	-	0	-	-	-1	0
Total	2 415	2 416	1	1	0	-	2 416	2 417
Closing residual value according to plan	2 505	2 496	12	14	84	91	2 601	2 601

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 applied to property, plant and equipment in the Holmen Paper business area following the decision to shut down one of the paper machines at the mill in Madrid.

The year's investments were reduced by SEK 1 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 1 920 million (2 130) at 31 December 2011. In 2011 the company's capitalised borrowing costs totalled SEK 35 million (24). An interest rate of 4.5 per cent (4.0) was used to determine the amount.

NOTE 11. Biological assets

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

In total, Holmen owns 1 032 800 hectares of productive forest land, with a volume of standing forest totalling 118 million m³ growing stock, solid over bark, of which 69 700 hectares with a standing forest of 13 million m³ growing stock, solid over bark, have been set aside as nature reserves. During the year, a new harvesting plan was introduced, based on a wide-ranging stocktaking of Holmen's forest holdings. According to the new plan, harvesting will amount to 3.2 million m³sub per year, of which 0.2 million m³sub will be biofuel in the form of branches and treetops. It is believed that this level will remain largely unchanged over the next 30 years. Thereafter, harvesting is expected to increase gradually to over 4 million m³sub per year by 2110. Around 50 per cent of the wood harvested consists of pulpwood that is sold to the pulp and paper industry, 45 per cent is timber sold to sawmills and the remainder mainly consists of branches and treetops, which are used primarily as forest fuel.

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

Following the revaluation, Holmen's forest holdings will be reported at SEK 15 771 million before tax. A deferred tax liability of SEK 4 194 million is stated in relation to that figure. This represents the tax that is expected to be charged against the earnings from harvesting in the future. On that basis, the growing forest, net after tax, will be stated at SEK 11 577 million.

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

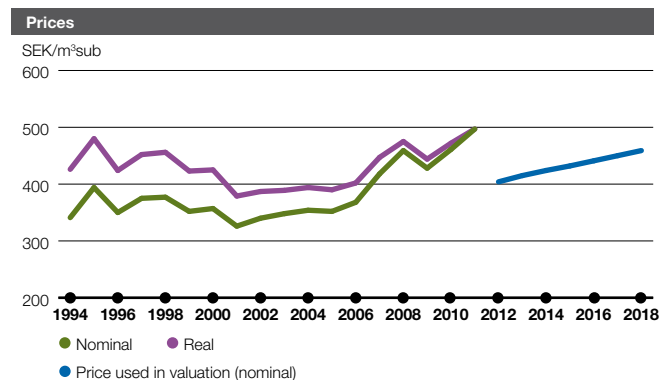
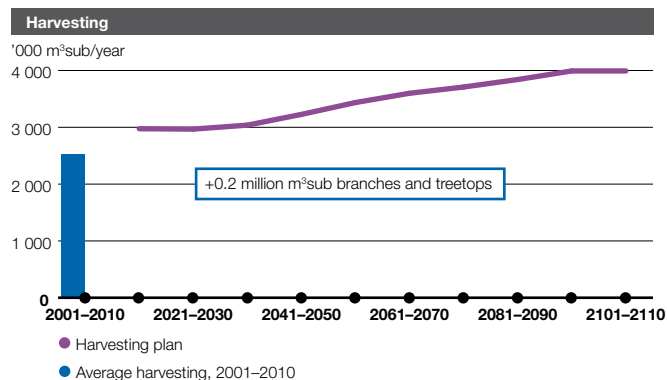
	2011	2010
<i>GROUP</i>		
Opening balance	12 161	11 109
Acquisition of growing forest	18	8
Sales of growing forest	-1	0
Change due to harvesting	-724	-673
Change in fair value	4 317	1 775
Other changes	-	-57
Closing carrying amount	15 771	12 161

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 2011, this amounted to SEK 3 593 million (1 102). SEK 2 386 million (-) of this amount is attributable to a higher harvesting rate under the new harvesting plan and SEK 1 207 (1 050) million to changes in price and cost assumptions.

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

CHANGE IN VALUE (SEK m)		
<i>GROUP</i>	BEFORE TAX	AFTER TAX
Annual change, + 0.1% per year		
Harvesting rate	700	520
Price inflation	1 030	760
Cost inflation	-560	-410
Change in level, +1%		
Harvesting	230	170
Prices	360	270
Costs	-190	-140
Discount rate, + 0.1%	-400	-290

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).



The Nominal price series shows the average sales price for Holmen. The Real price series shows nominal prices recalculated to 2011 monetary values using historical Swedish CPI.

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

	GROUP		PARENT COMPANY			GROUP		PARENT COMPANY	
	2011	2010	2011	2010		2011	2010	2011	2010
ASSOCIATES					OTHER SHARES AND PARTICIPATING INTERESTS				
Carrying amount at start of year	1 748	1 770	118	84	Carrying amount at start of year	12	10	5	9
Investments	5	34	5	34	Investments	1	2	1	2
Interest in associates' earnings	84	-38	-	-	Disposals	0	-	0	-6
Dividends received	-20	-	-	-	Translation difference	0	0	-	-
Translation difference	-2	-18	-	-	Carrying amount at 31 December	13	12	6	5
Carrying amount at 31 December	1 815	1 748	123	118					

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

PARENT COMPANY AND GROUP HOLDINGS OF SHARES AND INTERESTS IN ASSOCIATES

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTER-EST % *	2011		2010		
					CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS	
Brännälvens Kraft AB	556017-6678	Arbrå	5 556	13.9	-	36 400	13.9	-	36 400
Gidekraft AB	556016-0953	Örnsköldsvik	990	9.9	99	99	9.9	99	99
Harrsele AB	556036-9398	Vännäs	9 886	49.4	-	1 474 072	49.4	-	1 472 396
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	1 856	16 044	36.0	1 856	13 880
Industriskog AB	556193-9470	Falun	25 000	33.3	37	37	33.3	37	37
Pressretur AB	556188-2712	Stockholm	334	33.4	-	0	33.4	-	-
PÅAB, Pappersåtervinning AB	556142-5116	Norrköping	500	50.0	109	109	50.0	109	109
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.83	74 755	74 755	6.83	74 755	74 755
VindIn AB	556713-5172	Stockholm	200	17.7	43 790	46 773	17.2	38 910	39 766
ScandFibre Logistics AB	556253-1474	Stockholm	2 000	20.0	2 115	2 115	20.0	2 000	2 000
Baluarde Sociedade de Recolha e Recuperação de Desperdícios, Lda, Portugal		Alcochete	2	50.0	-	40 425	50.0	-	39 707
Ets Emilie Llau S.A., Frankrike		Lorp-Sentaraille	678	24.0	-	20 520	24.0	-	22 876
Peninsular Cogeneración S.A., Spanien		Madrid	4 500	50.0	-	103 328	50.0	-	45 789
Total					122 762	1 814 678		117 767	1 747 815

* 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 HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS	INTER-EST % *	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS
	2011					2010			
Parent company									
Industrikraft i Sverige AB	556761-5371	Stockholm	100 000	20.0	5 000	5 000	20.0	4 500	4 500
Miscellaneous shares owned by the parent company					690	690		389	389
Total					5 690	5 690		4 889	4 889
Group									
SweTree Technologies AB	556573-9587	Umeå	73 500	2.6	-	6 920	2.6	-	6 920
Miscellaneous shares						340			631
Total					5 690	12 949		4 889	12 439

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

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

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

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

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Income	1 142	1 165	646	655
Profit/loss	34	37	0	-1
Assets	810	775	266	246
Liabilities	463	422	187	161
Equity	372	353	95	84

NOTE 13. Financial instruments

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

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

Cash and cash equivalents refers to bank balances and investments that can be readily converted into cash for a known amount and with a duration of no more than three months from the date of acquisition, which also means that the interest rate risk is negligible. Cash and cash equivalents are placed in bank accounts or as current deposits at banks. The average rate of interest on the Group's financial assets, excluding pension assets, in 2011 was around 1.3 per cent (1.9).

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

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

The maturity structure and average interest for the Group's liabilities are stated in the administration report on page 30. SEK 3 768 million of the parent company's liabilities are due for payment within one year. In addition to the financial assets and liabilities identified above, pension liability (see Note 17) is also included in net financial debt.

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

MATURITY STRUCTURE, UNDISCOUNTED AMOUNTS*

	2012	2013	2014	2015	2016-
FINANCIAL LIABILITIES					
Derivatives	- 8	- 25	-	- 9	- 47
Other financial liabilities	- 3 774	- 2 034	- 528	- 527	- 311
FINANCIAL RECEIVABLES					
Derivatives	15	-	-	-	-
Other financial receivables	128	7	4	8	64

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

NOTE 13. Financial instruments, cont.

GROUP	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS													
	DERIVATIVES		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE- FOR-SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<i>FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT</i>														
Non-current financial receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits with credit institutions	-	-	-	-	32	16	-	-	-	-	32	16	32	16
Derivatives	-	-	-	41	-	-	-	-	-	-	-	41	-	41
Other financial receivables	-	-	-	-	50	132	-	-	-	-	50	132	50	132
	-	-	-	41	82	148	-	-	-	-	82	188	82	188
<i>CURRENT FINANCIAL RECEIVABLES</i>														
Accrued interest	-	-	-	-	3	1	-	-	-	-	3	1	3	1
Derivatives	5	0	17	56	-	-	-	-	-	-	22	56	22	56
Other financial receivables	-	-	-	-	21	17	-	-	-	-	21	17	21	17
	5	0	17	56	24	17	-	-	-	-	46	73	46	73
<i>CASH AND CASH EQUIVALENTS</i>														
Current deposit of cash and cash equivalents	-	-	-	-	17	10	-	-	-	-	17	10	17	10
Bank balances	-	-	-	-	95	182	-	-	-	-	95	182	95	182
	-	-	-	-	112	193	-	-	-	-	112	193	112	193
<i>NON-CURRENT LIABILITIES</i>														
MTN loans	-	-	-	-	-	-	-	-	-1 808	-2 098	-1 808	-2 098	-1 872	-2 161
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 451	-1 554	-1 451	-1 554	-1 454	-1 556
Derivatives	-	-	-59	-14	-	-	-	-	-3 260	-3 652	-3 319	-3 666	-3 385	-3 730
	-	-	-59	-14	-	-	-	-	-3 260	-3 652	-3 319	-3 666	-3 385	-3 730
<i>CURRENT LIABILITIES</i>														
Commercial paper programme	-	-	-	-	-	-	-	-	-2 274	-1 964	-2 274	-1 964	-2 274	-1 964
Bank account liabilities	-	-	-	-	-	-	-	-	-93	-202	-93	-202	-93	-202
Current portion of long-term loans	-	-	-	-	-	-	-	-	-96	-97	-96	-97	-97	-102
Derivatives	-4	-13	-10	-16	-	-	-	-	-	-	-14	-29	-14	-29
Accrued interest	-	-	-	-	-	-	-	-	-49	-46	-49	-46	-49	-46
Other current liabilities	-	-	-	-	-	-	-	-	-296	-12	-296	-12	-296	-12
	-4	-13	-10	-16	-	-	-	-	-2 808	-2 320	-2 822	-2 349	-2 824	-2 354
<i>FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT</i>														
Other shares and participating interests	-	-	-	-	-	-	13	12	-	-	13	12	-	-
Trade receivables	-	-	-	-	2 366	2 518	-	-	-	-	2 366	2 518	2 366	2 518
Derivatives (recognised among operating receivables)	89	100	152	642	-	-	-	-	-	-	241	742	241	742
Trade payables	-	-	-	-	-	-	-	-	-2 655	-2 453	-2 655	-2 453	-2 655	-2 453
Derivatives (recognised among operating liabilities)	-3	-2	-28	-45	-	-	-	-	-	-	-31	-46	-31	-46
TOTAL FINANCIAL INSTRUMENTS	87	86	72	664	2 584	2 876	13	12	-8 723	-8 425	-5 967	-4 785	-6 048	-4 867

PARENT COMPANY	ITEMS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS													
	DERIVATIVES		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE-FOR-SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<i>FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT</i>														
Non-current financial receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits with credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	41	-	-	-	-	-	-	-	41	-	41
Receivables from Group companies	-	-	-	-	3 235	2 546	-	-	-	-	3 235	2 546	3 235	2 546
Other financial receivables	-	-	-	-	32	28	-	-	-	-	32	28	32	28
	-	-	-	41	3 267	2 574	-	-	-	-	3 267	2 615	3 267	2 615
<i>CURRENT FINANCIAL RECEIVABLES</i>														
Accrued interest	-	-	-	-	3	1	-	-	-	-	3	1	3	1
Derivatives	5	0	17	56	-	-	-	-	-	-	22	56	22	56
Receivables from Group companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	-	21	16	-	-	-	-	21	17	21	17
	5	0	17	56	24	17	-	-	-	-	46	73	46	73
<i>CASH AND CASH EQUIVALENTS</i>														
Current deposit of cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank balances	-	-	-	-	16	99	-	-	-	-	16	99	16	99
	-	-	-	-	16	99	-	-	-	-	16	99	16	99
<i>NON-CURRENT LIABILITIES</i>														
MTN loans	-	-	-	-	-	-	-	-	-1 808	-2 098	-1 808	-2 098	-1 872	-2 161
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 449	-1 550	-1 449	-1 550	-1 450	-1 552
Liabilities to Group companies	-	-	-	-	-	-	-	-	-1 360	-1 300	-1 360	-1 300	-1 360	-1 300
Derivatives	-	-	-59	-14	-	-	-	-	-	-	-59	-14	-59	-14
	-	-	-59	-14	-	-	-	-	-4 617	-4 949	-4 676	-4 962	-4 741	-5 027
<i>CURRENT LIABILITIES</i>														
Commercial paper programme	-	-	-	-	-	-	-	-	-2 274	-1 964	-2 274	-1 964	-2 274	-1 964
Bank account liabilities	-	-	-	-	-	-	-	-	-92	-202	-92	-202	-92	-202
Current portion of long-term loans	-	-	-	-	-	-	-	-	-96	-97	-96	-97	-97	-102
Derivatives	-4	-13	-10	-16	-	-	-	-	-	-	-14	-29	-14	-29
Accrued interest	-	-	-	-	-	-	-	-	-49	-46	-49	-46	-49	-46
Liabilities to Group companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-	-	-	-291	-7	-291	-7	-291	-7
	-4	-13	-10	-16	-	-	-	-	-2 802	-2 314	-2 817	-2 343	-2 817	-2 348
<i>FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT</i>														
Other shares and participating interests	-	-	-	-	-	-	6	5	-	-	6	5	-	-
Trade receivables	-	-	-	-	2 158	1 836	-	-	-	-	2 158	1 836	2 158	1 836
Derivatives (recognised among operating receivables)	89	101	132	808	-	-	-	-	-	-	221	909	221	909
Trade payables	-	-	-	-	-	-	-	-	-2 609	-2 048	-2 609	-2 048	-2 609	-2 048
Derivatives (recognised among operating liabilities)	-8	-4	-131	-46	-	-	-	-	-	-	-139	-50	-139	-50
TOTAL FINANCIAL INSTRUMENTS	82	85	-51	828	5 465	4 527	6	5	-10 028	-9 311	-4 527	-3 866	-4 598	-3 941

NOTE 14. Inventories

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Raw materials and consumables	943	943	685	651
Timber and pulpwood	364	305	332	286
Finished products and work in progress	1 268	1 053	1 022	795
Felling rights	851	848	817	816
Electricity certificates and emission allowances	130	190	105	158
Total	3 556	3 340	2 961	2 705

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 26 million (50) for the Group and SEK 31 million (69) for the parent company.

NOTE 15. Operating receivables

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Trade receivables				
Group companies	-	-	116	93
Associates	31	43	31	43
Other	2 335	2 475	2 010	1 700
Total trade receivables	2 366	2 518	2 158	1 835
Current receivables				
Group companies	-	-	-	0
Associates	25	14	1	3
Other	295	208	220	188
Derivatives	241	742	221	909
Prepayments and accrued income	133	124	85	84
Total other operating receivables	694	1 088	528	1 184
Total operating receivables	3 060	3 606	2 686	3 019

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 25 million (20) at 31 December 2011 and it has been recognised, net, together with trade receivables. During the year, the provision was changed by SEK 3 million (2) as a result of actual credit losses, and by SEK 6 million (1) as a result of changes in the provision for anticipated credit losses.

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

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

NOTE 16. Equity parent company

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

31 DEC 2010			
SHARE CAPITAL	NUMBER	QUOTIENT VALUE	SEKm
Registered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total number of shares	84 756 162		4 237.8
Bought back class B shares	-760 000		
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 2011 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 31 million (913) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK 159 million (750) on equity.

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

The Board proposes that the AGM, to be held on 29 March 2012, approves a dividend of SEK 8 per share. The proposed dividend totals SEK 672 million. The preceding year, the dividend paid was SEK 7 per share (SEK 588 million).

The debt/equity ratio was 0.32 (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 28–31.

NOTE 17. Pension provisions

Holmen has defined benefit occupational pension plans for its salaried employees in Sweden (ITP plan) and for most of its employees in the UK. These plans provide benefits based on final salary and period of employment. The scheme in the UK has been closed for new entrants since 2004. Since then, new employees have been offered a defined contribution pension scheme. Occupational pension plans for "blue-collar" employees in Sweden are defined contribution plans. The commitments arising out of the pension schemes in the UK are placed in trusts. The defined benefit commitments over and above the ITP plan for Group management in Sweden are secured by means of a pension fund. These commitments are recognised in the consolidated accounts as defined benefit plans in accordance with IAS 19. Most of the defined benefit pension commitments on behalf of salaried employees in Sweden are secured by means of insurance policies with Alecta. As Alecta cannot provide sufficient information to permit the ITP plan to be stated in the accounts as a defined benefit plan, it is stated in accordance with statement UFR 6 of the Swedish Financial Reporting Board as a defined contribution plan. The year's premiums for pension insurance policies taken out with Alecta amounted to SEK 33 million (36), of which SEK 32 million (34) 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 2011, Alecta's collective consolidation level was 113 per cent (146).

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
PENSION COSTS				
Defined benefit plans				
Staff cost	-18	-20	3	-8
Finance income	0	3	0	2
Finance costs	-8	-19	0	-
Total defined benefit plans stated in income statement	-25	-36	3	-6
Defined contribution plans				
Staff cost	-132	-150	-122	-140
Total recognised in income statement	-157	-186	-119	-146

The year's actuarial adjustment for the Group was SEK -184 million (97), including the cost of associated special employer's contribution of SEK -1 million (3), which was recognised in other comprehensive income.

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

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
COMMITMENTS				
Commitments at 1 January	-1 650	-1 706	-206	-180
Cost of employment during current period	-18	-20	4	-17
Interest costs	-82	-85	0	2
Actuarial gains/losses	-137	-25	-	-
Amount paid in by employees	-5	-5	-	-
Pensions paid	101	121	41	42
Transferred from provisions	-20	-55	-20	-54
Settlements	0	1	-	-
Exchange differences	-33	126	-	-
Commitments at 31 December	-1 843	-1 650	-181	-206

Of the Group's total commitments, SEK 57 million (71) refers to those that are not funded, while the rest are wholly or partially funded commitments. Of the parent company's commitments, SEK 51 million (68) are secured under the act on safeguarding pension obligations, Tryggandelagen.

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
PLAN ASSETS				
Fair value of assets at 1 January	1 438	1 385	138	137
Expected return	75	70	-	-
Actuarial gains/losses	-46	118	-	-
Real return (parent company)	-	-	-1	9
Amounts paid in by employer	54	56	-	-
Amounts paid in by employees	5	5	-	-
Pensions paid	-66	-86	-7	-8
Exchange differences	27	-112	-	-
Fair value of assets at 31 December	1 485	1 438	131	138
Pension provisions, net	-358	-213	-51	-68

Plan assets by type are as shown below:

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
PLAN ASSETS				
Equity	688	696	46	54
Bonds	770	724	84	83
Current fixed income investments	27	18	1	1
	1 485	1 438	131	138

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

	2011 31 DEC	2010 31 DEC
KEY ACTUARIAL ASSUMPTIONS, GROUP (WEIGHTED AVERAGE), %		
Discount rate	4.6	5.3
Expected return on plan assets	4.6	5.4
Pay increases in the future	3.7	4.0
Inflation in the future	2.9	3.2

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 3.6 per cent (3.5) and salary levels at the balance sheet date were used for calculating the amount of the parent company's pension commitment.

	2011	2010	2009	2008	2007
FIVE-YEAR FIGURES, GROUP					
Present value of commitments	-1 843	-1 650	-1 706	-1 553	-1 769
Fair value of plan assets	1 485	1 438	1 385	1 199	1 521
Net	-358	-213	-320	-354	-247
Adjustments based on experience					
Defined benefit commitments	-13	29	-11	-3	4
Plan assets	-46	118	131	-237	-6
Actuarial adjustments					
Opening balance	-16	-113	-128	41	102
Change of the year	-184	97	15	-169	-61
Closing balance	-200	-16	-113	-128	41

The Group's payments into the funded defined benefit plans in 2012 are expected to amount to SEK 55 million.

NOTE 18. Other provisions

	PROVISIONS FOR TAXES		OTHER PROVISIONS		TOTAL	
	2011	2010	2011	2010	2011	2010
<i>GROUP</i>						
Carrying amount at start of year	46	692	683	683	729	1 375
Provisions during the period	20	-	92	389	111	389
Utilised during the period	-1	-646	-210	-218	-211	-864
Re-classifications	-	-	-	-161	-	-161
Translation differences	-	-	0	-10	0	-10
Closing carrying amount	65	46	564	683	629	729
Of which non-current part of the provisions	65	46	408	412	473	459
Of which current part of the provisions	0	-	157	270	157	270
<i>PARENT COMPANY</i>						
Carrying amount at start of year	45	45	695	559	740	604
Provisions during the period	-	-	176	387	176	387
Utilised during the period	-	-	-218	-251	-218	-251
Closing carrying amount	45	45	653	695	698	740
Of which non-current part of the provisions	45	45	450	477	495	522
Of which current part of the provisions	-	-	203	218	203	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. In 2010, Holmen paid the amount in dispute, SEK 611 million, to the Swedish Tax Agency.

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

harvesting (SEK 176 million); the measures are normally carried out within three years of harvesting.

In 2011, new provisions made were primarily for restructuring within Holmen Paper. At the end of 2011, provisions of around SEK 150 million had been made to cover restructuring costs regarding staff cuts. These are mainly expected to be paid out in 2012.

NOTE 19. Operating liabilities

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Trade payables				
Group companies	-	-	482	147
Associates	41	39	0	-
Other	2 614	2 414	2 127	1 901
Total trade payables	2 655	2 453	2 609	2 048
Current liabilities				
Group companies	-	-	0	0
Associates	8	13	-	-
Other	283	296	229	234
Derivatives	31	46	139	50
Accruals and deferred income	693	733	476	489
Total other operating liabilities	1 016	1 088	844	773
Total operating liabilities	3 671	3 541	3 453	2 821

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 208 million (202) and discounts of SEK 41 million (51).

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

NOTE 20. Operating leases

In 2011, the Group's lease payments amounted to SEK 25 million (26), and the parent company's to SEK 6 million (8). The Group's lease agreements mainly relates to forklift trucks and cars. No new lease agreements of any significance for the business were entered into during the 2011 financial year. No leased equipment was rented out.

The breakdown of future lease payments is as follows:

	GROUP			PARENT COMPANY		
	2012	2013	2018-	2012	2013	2018-
Future lease payments	22	27	-	6	2	-
Present value of future lease payments	21	24	-	6	2	-

The contracts have remaining durations ranging from 1 to 6 years. The Group's future lease payments for existing lease agreements amounted to SEK 46 million at the end of previous year. Those in the parent company amounted to SEK 5 million.

Apart from lease agreements, Holmen has time charter contracts in respect of 4 ships that are used to distribute the company's products. The contracts were entered into in 2006 and 2010 and run for a remaining 2 to 5 years.

NOTE 21. Pledged collateral and contingent liabilities

	PLEGGED COLLATERAL VALUE		TOTAL PLEDGED COLLATERAL	TOTAL PLEDGED COLLATERAL
	PROPERTY MORTGAGES	OTHER COLLATERAL	2011	2010
GROUP				
For own liabilities				
Financial liabilities	6	-	6	17
Total	6	-	6	17
PARENT COMPANY				
For own liabilities				
Financial liabilities	6	-	6	6
Total	6	-	6	6

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
CONTINGENT LIABILITIES				
Surety on behalf of Group companies	-	-	49	118
Other contingent liabilities	118	135	46	59
Total	118	135	95	177

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

NOTE 22. Related parties

Of the parent company's net sales of SEK 15 914 million (13 338), 0.6 (0.9) per cent relates to deliveries to Group companies. The parent company's purchases from Group companies amounted to SEK 1 905 million (141).

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).

In 2011, Holmen Paper AB entered into a long-term agreement with Holmen Paper Madrid SL to buy the Madrid company's products on a continuous basis at a price calculated at production cost plus tied-up capital, for onward sale to end-customers. The aim is to optimise the newsprint business. Holmen Paper AB's purchases from Holmen Paper Madrid SL during 2011 totalled SEK 1 630 million (-). Because Holmen Paper AB is acting on a commissioned basis for Holmen AB, these transactions are accounted for via Holmen AB.

L E Lundbergföretagen AB is a large shareholder in Holmen (see page 52). 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 2011, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 600 000 as Board chairman of Holmen.

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

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

Under the new definition of related parties in IAS 24, Husqvarna AB is also classified as a related party. Holmen was not involved in any major transactions with this company either in 2010 or 2011.

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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
GROUP										
Associates	203	232	256	230	1	1	68	53	142	196
PARENT COMPANY										
Subsidiaries	102	124	1 905	141	6	11	1 951	1 451	3 351	2 835
Associates	203	232	32	4	1	1	19	-	69	81

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

NOTE 23. Interests in Group companies

PARENT COMPANY		
	2011	2010
<i>ACCUMULATED ACQUISITION COST</i>		
Carrying amount at start of year	16 674	16 676
Contributions from owners	-	-
Sales	-1	-3
Closing balance at 31 December	16 672	16 674
<i>ACCUMULATED REVALUATIONS</i>		
Carrying amount at start of year	2 299	2 299
Closing balance at 31 December	2 299	2 299
<i>ACCUMULATED IMPAIRMENT LOSSES</i>		
Carrying amount at start of year	4 658	4 658
Impairment losses for the year	-	-
Closing balance at 31 December	4 658	4 658
Carrying amount at end of year	14 314	14 315

A number of mergers and liquidations took place in the Group during the year with the aim of simplifying the company structure. A merger was carried out in the Netherlands, and businesses were liquidated in Poland, Denmark and Australia. Gains/losses from liquidations of Group companies are recognised in the line item for Sales (loss of SEK 1 million).

PARENT COMPANY'S DIRECT HOLDINGS OF INTERESTS IN SUBSIDIARIES

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	2011		2010	
				INTEREST, %*	CARRYING AMOUNT SEK THOUSANDS	INTEREST, %*	CARRYING AMOUNT SEK THOUSANDS
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
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	8 867 752
Holmen Försäkring AB	516406-0062	Stockholm	10 000	100	45 304	100	45 304
MoDo Capital AB	556499-1668	Stockholm	1 000	100	71 552	100	71 552
Other Swedish Group companies					874		874
Total Swedish holdings					8 986 065		8 986 065
Holmen S.A.S., France		Paris	40 000	100	5 192	100	5 192
Holmen UK Ltd, UK		Workington	1 197 100	100	1 518 959	100	1 518 959
Holmen Paper UK Ltd **		London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd **		Workington	-	100	-	100	-
Holmen GmbH, Germany		Hamburg		100	655	100	655
Holmen Suecia Holding S.L., Spain		Madrid	9 448 557	100	3 577 265	100	3 577 265
Holmen Paper Madrid S.L. **		Madrid	-	100	-	100	-
Cartón y Papel Reciclado S.A. (Carpa), Spanien **		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
AS Holmen Mets, Estonia		Tallinn	500	100	-	100	-
Other non-Swedish Group companies					13 672		14 842
Total non-Swedish holdings					5 327 749		5 328 919
Total					14 313 814		14 314 983

* 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 2011	APPRO- PRIATIONS	31 DEC 2010
<i>ACCUMULATED DEPRECIATION AND AMORTISATION IN EXCESS OF PLAN</i>			
Intangible non-current assets	4	1	3
Property, plant and equipment	6	1	5
Total	9	1	8
<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	-	53
Assessment of tax 2010	707	-	707
Assessment of tax 2011	170	-	170
Assessment of tax 2012	560	560	-
	2 550	40	2 510
Total	2 559	41	2 518

NOTE 25. Cash flow statement

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
<i>INTEREST PAID AND DIVIDENDS RECEIVED</i>				
Dividends received	-	-	14	14
Interest received	5	10	4	6
Interest paid	-217	-218	-222	-166
Total	-212	-208	-201	-146

Change in current liabilities

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2011, a number of different short-term loans amounting in total to SEK 6 948 million (5 425) were raised within the Group's commercial paper programme, and SEK 6 640 million (4 405) was repaid. For a specification of cash and cash equivalents, see Note 13.

NOTE 26. Key assessments and estimates

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

Biological assets

Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. The most material estimates made relate to how much harvesting can be increased in the future, what changes there will be in pulpwood and timber prices, how high inflation will be, and what discount rate is used. Note 11 provides a sensitivity analysis for the valuation of changes in these estimates. In 2011, the forests were revalued on the basis of a new harvesting plan and on changes in price and cost assumptions. As a result, the recognised value of biological assets has increased by SEK 3 593 million. The attributable deferred tax liability increased by SEK 945 million. The carrying amount of biological assets at 31 December 2011 was SEK 15 771 million and the attributable deferred tax liability was SEK 4 194 million, giving a net value of SEK 11 577 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. Holmen has appealed against the judgment to the Administrative Court of Appeal. See Notes 7, 18 and 21.

Net deferred tax assets of SEK 194 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 700 million not stated in the consolidated accounts on the grounds for based on the premise that utilisation must be likely. See Note 7.

Pensions

The Group's provision for pensions amounts to SEK 358 million on the basis of defined benefit pension commitments valued at SEK 1 843 million and plan assets of SEK 1 485 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 Holmen Paper are in progress. At the end of 2011, provisions of about SEK 150 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 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 2011 financial year	1 189 038 337
Retained earnings brought forward	4 049 407 434
	5 238 445 771
The Board of Directors propose that an ordinary dividend of SEK 8 per share (83 996 162 shares) be paid to shareholders	671 969 296
and that the remaining amount be carried forward	4 566 476 475

The Board of Holmen AB has proposed that the 2012 Annual General Meeting resolves in favour of paying a dividend of SEK 8 per share, which is SEK 1 higher than for the preceding year, making a total of SEK 672 million. The proposal complies with the Board's policy, in that decisions on dividend are to be based on an appraisal of the Group's profitability, future investment plans and financial position.

The proposed dividend corresponds to 17 per cent of net profit for 2011 and means that 3.4 per cent of equity in the Group at 31 December 2011 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 2011 was 0.32. Payment of the proposed dividend would raise the debt/equity ratio by around 0.05.

Holmen AB's equity at 31 December 2011 amounted to SEK 11 153 million, of which non-restricted equity was SEK 5 238 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 31 million on equity. The Group's equity at 31 December 2011 amounted to SEK 19 773 million. Complying with IFRS, no distinction is made at Group level between restricted and non-restricted equity.

The Board considers that payment of a dividend of the amount proposed is justifiable in view of the demands made on the company and the Group by the nature, extent and

risks associated with the business in terms of the amount of equity required, and taking into account the need for consolidation, liquidity and financial position in other respects. The financial position will remain strong after payment of the proposed dividend and is considered to be fully adequate to enable the company to fulfil its obligations in both the short and the long term, as well as to finance such investments as may be necessary.

The Board and CEO declare that the annual report was prepared in accordance with generally accepted accounting principles in Sweden and the Group's consolidated accounts were prepared in accordance with the international accounting standards referred to in the European Parliament's and Council's regulation (EG) No. 1606/2002 of 19 July 2002 concerning the application of international accounting standards. The annual report and the Group's consolidated accounts provide a true and fair picture of the performance and financial position of the parent company and the Group. The administration report for the parent company and the Group provides a true and fair picture of the development of the operations, financial position and performance of the Group and the parent company and also describes material risks and uncertainties to which the parent company and the other companies in the Group are exposed.

The annual report and the Group's consolidated accounts were approved for publication by the Board in its decision of 22 February 2012. 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 29 March 2012.

Stockholm, 22 February 2012

Fredrik Lundberg
Chairman

Lars G Josefsson
Board member

Ulf Lundahl
Board member

Carl Bennet
Board member

Carl Kempe
Deputy chairman

Göran Lundin
Board member

Steewe Björklundh
Board member

Hans Larsson
Board member

Karin Norin
Board member

Kenneth Johansson
Board member

Louise Lindh
Board member

Magnus Hall
Board member and
Chief Executive Officer

Our audit report was submitted on 23 February 2012.

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts of Holmen AB (publ) for the year 2011. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 4–88.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the

Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A Corporate Governance Report has been prepared. The Board of Director's report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Holmen AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Our audit report was submitted on 23 February 2012.

KPMG AB

George Petterson

Authorised public accountant

Annual General Meeting



The 2012 Annual General Meeting of Holmen AB will be held at Vinterträdgården, Grand Hôtel (the Royal entrance), Stockholm, at 3.00 p.m. CET on Thursday 29 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 Friday 23 March 2012
- notify the company of their participation by no later than Friday 23 March 2012.

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 Friday 23 March 2012 to be entitled to participate in the Annual General Meeting.

Dividend

The Board has proposed that a dividend of SEK 8 (7) per share be paid to shareholders. The Board has proposed Tuesday 3 April 2012 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 Tuesday 10 April 2012. 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 previous years.

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 2010 may therefore have been revised.

Production at Braviken Sawmill began in early 2011. Personnel and environmental data for the sawmill are included in the report

for 2011. During the year, one of the paper machines at the mill in Madrid was shut down, which meant a capacity decrease of 170 000 tonnes. This has to some extent affected the report for 2011 compared to previous years.

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	2011 ¹⁾	2010	2009	2008 ²⁾	2007 ²⁾
<i>EMPLOYEES</i>					
Average number	4 041	4 241	4 577	4 829	4 931
of whom women, %	19.2	19.0	18.6	17.9	16.4
of whom temporary employees, % ³⁾	6.6	6.7	6.6	7.0	7.2
Average age	46.1	45.8	46.3	45.0	45.5
<i>SICKNESS ABSENCE, %</i>					
Total	3.5	3.5	3.7	4.3	4.5
of which longer than 60 days	1.2	1.1	1.4	2.7	2.7
Good health index (share of employees with no sick leave during the year)	48	47	47	44	–
<i>GENDER EQUALITY, %</i>					
Women managers out of total number of managers	19.1	16.5	15.8	12.9	8.9
Women joining the company out of total new employees	26	18	27	31	23
<i>EDUCATION, %</i>					
Compulsory education	18	19	19	21	21
Upper secondary school	60	60	61	61	61
Higher education, at least 2 years	22	21	20	18	18
Graduates, proportion of new employees, last 3 years	48	45	45	–	34
Women joining the company with higher education qualifications, last 3 years	63	55	57	–	–
<i>STAFF TURNOVER, %</i>					
Staff turnover	8.9	9.3	10.7	9.2	6.0
of which given notice	3.5	3.7	6.5	1.3	–
of which retiring	1.9	3.9	2.5	3.7	–
of which leaving at own request	3.5	1.7	1.6	4.2	–
New employees	4.4	3.3	3.5	6.5	5.9
<i>NUMBER OF INDUSTRIAL ACCIDENTS/1 000 EMPLOYEES</i>					
Industrial accidents, more than 8 hours of absence	19.1	24.8	24.9	31.5	22.7
<i>UNION COOPERATION, %</i>					
Units with independent trade unions	96	97	97	97	97
Rate of union membership	71	70	75	76	83
<i>EMPLOYEE SURVEY⁴⁾</i>					
Inblick index	642	–	623	–	601
Leadership index	55	–	58	–	56

1) Data and calculations are based on 3 991 employees. Some small units outside of Sweden with a total of 54 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 2013.

Production and environment	2011	2010	2009	2008	2007
<i>INTERNAL SUPPLY OF RAW MATERIALS</i>					
Harvesting in company forests					
Timber, '000 m ³ sub	1 378	1 353	1 406	1 383	1 214
Pulpwood, '000 m ³ sub	1 610	1 646	1 491	1 266	1 361
Biofuel, GWh	433	462	540	190	73
Electricity production, hydro power GWh	1 230	1 145	1 090	1 128	1 193
<i>PRODUCTION, '000 TONNES</i>					
Newsprint	783	812 ¹⁾	897 ¹⁾	1 073 ¹⁾	1 144 ¹⁾
MF Magazine, book paper, telephone directory paper	729	685 ¹⁾	606 ¹⁾	598 ¹⁾	584 ¹⁾
SC paper	135	135	137	149	131
Coated printing paper	27	80	75	212	175
Paperboard	480	474	471	494	514
Market pulp	42	40	48	62	50
Sawn timber, '000 m ³	560	285	291	279	272
<i>RAW MATERIALS, '000 TONNES</i>					
Wood, million m ³ sub ²⁾	4.94	4.44	4.49	4.79	4.66
Recovered fibre	683	790	813	999	1040
Purchased pulp	118	118	128	166	174
Thermal energy, GWh	5 602	5 839	5 634	6 181	6 148
Electrical energy, GWh	4 588	4 625	4 681	5 156	5 122
Water use, million m ³	82	82	84	93	92
Process wastewater, cooling and seal water ³⁾ , million m ³	80	55	57	64	63
Plastic granules/foiling material	2.1	2.3	2.4	2.4	2.5
Chemicals ⁴⁾	134	153	125	155	178
Filler, pigment	177	204	195	265	268
<i>THERMAL ENERGY, GWh</i>					
Production at mills from recovered liquors, bark and wood residues	2 874	2 942	2 916	2 959	2 829
Recovered in the TMP process ⁵⁾	1 201	1 152	1 093	952	955
Purchased, natural gas and oil ^{6, 7)}	1 527	1 744	1 625	2 270	2 364
<i>ELECTRICAL ENERGY, GWh</i>					
Company hydro power	1 230	1 145	1 090	1 128	1 193
Company wind power	5	4	1	-	-
Production at mills	440	481	384	485	472
Purchased ^{6, 7)}	2 913	2 995	3 207	3 543	3 457
<i>EMISSIONS TO AIR, TONNES</i>					
Sulphur dioxide (counted as sulphur, S)	132	176	199	235	230
Nitrogen oxides	1 468	1 465	1 608	1 697	1 670
Particulates	120	98	91	131	118
Carbon dioxide, '000 tonnes					
-Fossil	259	302 ⁸⁾	251 ⁸⁾	399	419
-Biogenic	1 073	1 082	988	1 062	1 096
<i>EMISSIONS TO WATER, TONNES</i>					
COD (organic matter), '000 tonnes	19.8	19.2 ⁹⁾	19.9	25.2	24.5
Suspended solids, '000 tonnes	3.7	3.5 ⁹⁾	3.7	5.4	4.7
AOX (chlorinated organic matter)	54.3	53.6	54.3	66.3	66.1
Nitrogen	250	243	269	374	318
Phosphorus	15.7	14.7	19.4	27.3	20.4
<i>WASTE/BY-PRODUCTS, '000 TONNES</i>					
Hazardous ⁹⁾	0.8	0.7	1.4	1.6	0.8
Sent to landfill (wet)	18	24	23	35	43
Utilised or recovered ¹⁰⁾	398	432	435	496	468
Energy production, internally/externally	798	553	513	763	745
<i>DELIVERIES</i>					
Thermal energy, GWh	182	123	115	107	106
Tall oil, '000 tonnes ¹¹⁾	8.4	4.4	4.0	5.5	10.0

Electrical energy	2011	2010	2009	2008	2007
<i>SHARE OF HOLMEN'S TOTAL CONSUMPTION, %</i>					
Company hydro power/wind power	27	25	23	22	23
Company back-pressure power	10	10	8	9	8
Purchased electricity	63	65	69	69	69

Thermal energy	2011	2010	2009	2008	2007
<i>SHARE OF HOLMEN'S TOTAL CONSUMPTION, %</i>					
Biofuel	51	50	52	48	46
Recovered thermal energy	21	20	19	15	14
Natural gas	12	15	13	15	14
Oil, LPG	8	8	6	12	16
Purchased thermal energy	8	7	10	10	10

Environmental protection	2011	2010	2009	2008	2007
<i>COSTS/INCOME, SEKm</i>					
Investments (remedial and preventive)	91 ¹⁾	50 ²⁾	129 ²⁾	128 ²⁾	20 ²⁾
Electricity and heat-saving investments	211 ³⁾	52	34	396	189
Environmental taxes and charges	23 ⁴⁾	35	35	60	62
Internal and external environmental costs ⁵⁾	202	188 ²⁾	197	224	198
Environmental cost of forestry ⁶⁾	90	70	60	60	60
Emission allowances – income	40	26	24	18	1
Electricity certificates – income	31	56	71	72	49

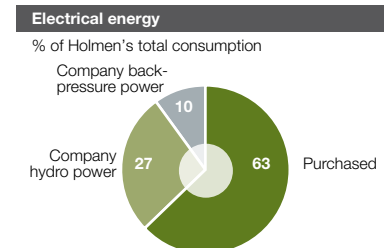
- Most of the amount stated comprises installation of treatment equipment for weak gases in conjunction with the recovery boiler project at Iggesund Mill. Costs of the installation for treatment of wastewater at the same mill also account for a significant share of the sum stated.
- Figure adjusted since the amount reported in 2010. Investments now also include preventive environmental protection.
- Most of the stated sum comprises environmentally related parts of the biofuel boiler project at the mill in Workington. Environmentally related costs for the recovery boiler at Iggesund Mill also represent a major share.
- Costs of purchased water and waste management account for around 50 per cent of the stated amount. An energy tax (replacing the carbon dioxide tax) has applied in Sweden to the use of fossil fuels since the beginning of 2011. Of the amount stated, this energy tax accounts for around 30 per cent. The remainder is made up of sulphur tax and nitric oxide charges paid.
- This includes costs of environmental personnel, operation of treatment equipment, waste management, management systems, supervision, environmental training, applications for permits, environmental consultants and the costs of measures in connection with discontinued operations.
- The environmental cost of forestry is calculated as the value of the wood that is not harvested for environmental reasons. Holmen sets aside 10 per cent of its productive forest acreage for environmental reasons and thus refrains from harvesting around 10 per cent of the potential volume. The annual loss of income is estimated at around SEK 90 million.

Holmen forests in 2011	
Total land acreage	1 265 100 ha
Productive forest land	1 032 800 ha
-of which nature areas set aside	69 700 ha
-productive land excl. nature areas	963 100 ha
Barren land	232 300 ha
Volume of wood, per hectare	116 m ³ growing stock, solid over bark
Volume of wood incl. nature areas	118 million m ³ growing stock, solid over bark
Volume of wood excl. nature areas	106 million m ³ growing stock, solid over bark

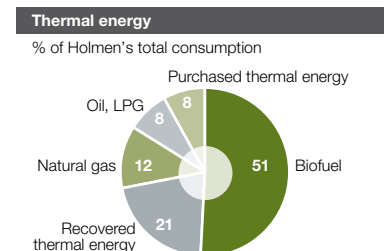
Comments on the table on page 92

- As of 2011 the division between the product areas Newsprint and MF Magazine, book paper, telephone directory paper has changed, which has meant a redistribution between these two product areas. Data for 2007–2010 has been recalculated in accordance with this. 2) At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the sawmills to the nearby mills. 3) Process wastewater 58 million m³. Cooling and seal water 22 million m³ (new statistic in 2011). 4) 100 per cent active substance. 5) Thermal energy is produced from the electricity used in the production of thermo-mechanical pulp at Braviken Paper Mill and Hallsta Paper Mill; this is recovered and used in production. 6) The reporting includes data for gas consumption and associated emissions linked to Holmen's share of electricity production at the half-owned cogeneration (COGEN) plant at Holmen Paper Madrid. The supply of heating from the facility is also included. 7) In 2011, emissions of fossil carbon dioxide from production of purchased thermal and electric energy totalled approximately 163 000 tonnes for the mill in Workington and approximately 39 000 tonnes for the mill in Madrid. 8) Figure adjusted since amount reported in 2010. 9) 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 quantity of this waste in 2011 totalled 1 200 tonnes. 10) Waste used, for example, as filling material, construction material or for the production of soil products. 11) For delivery to the chemical industry.

Energy supply at Holmen 2011



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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
INCOME STATEMENT										
Net sales	18 656	17 581	18 071	19 334	19 159	18 592	16 319	15 653	15 816	16 081
Operating costs	-15 501	-15 026	-15 175	-16 630	-15 548	-14 954	-13 205	-12 570	-12 306	-12 205
Depreciation and amortisation according to plan	-1 260	-1 251	-1 320	-1 343	-1 337	-1 346	-1 167	-1 156	-1 166	-1 153
Interest in earnings of associates	84	28	45	50	12	11	20	25	-6	-10
Items affecting comparability*	3 593	264	-	-361	557	-	-	-	-	-
Operating profit	5 573	1 596	1 620	1 051	2 843	2 303	1 967	1 952	2 338	2 713
Net financial items	-244	-208	-255	-311	-261	-247	-233	-206	-212	-149
Profit before tax	5 328	1 388	1 366	740	2 582	2 056	1 734	1 746	2 126	2 564
Tax	-1 374	-684	-360	-98	-1 077	-597	-478	-471	-675	-605
Profit for the year	3 955	704	1 006	642	1 505	1 459	1 256	1 275	1 451	1 959
Diluted earnings per share, SEK	47.1	8.4	12.0	7.6	17.8	17.2	14.8	15.1	17.5	23.6
NET SALES										
Holmen Paper	8 631	8 142	9 303	10 443	10 345	10 140	8 442	7 814	7 788	8 164
Iggesund Paperboard	5 109	4 849	5 023	4 860	5 100	5 240	4 860	4 877	4 920	4 850
Holmen Timber	875	586	553	499	589	465	460	492	510	572
Holmen Skog	6 348	5 585	4 799	5 443	4 775	4 042	3 858	3 780	3 613	3 538
Holmen Energi	1 807	1 932	1 628	1 834	1 590	1 691	1 480	1 258	1 337	1 120
Elimination of intra-group net sales	-4 113	-3 513	-3 236	-3 745	-3 239	-2 986	-2 781	-2 568	-2 352	-2 163
Group	18 656	17 581	18 071	19 334	19 159	18 592	16 319	15 653	15 816	16 081
OPERATING PROFIT/LOSS										
Holmen Paper	228	-618	340	280	623	754	631	487	747	1 664
Iggesund Paperboard	863	817	419	320	599	752	626	809	1 001	818
Holmen Timber	-136	20	21	13	146	80	13	5	18	-6
Holmen Skog	739	818	605	632	702	643	537	586	516	450
Holmen Energi	406	495	414	327	272	197	301	178	193	-26
Group-wide costs and eliminations	-120	-200	-178	-159	-56	-123	-141	-113	-137	-187
Group	1 980	1 332	1 620	1 412	2 286	2 303	1 967	1 952	2 338	2 713
Items affecting comparability*	3 593	264	-	-361	557	-	-	-	-	-
Group	5 573	1 596	1 620	1 051	2 843	2 303	1 967	1 952	2 338	2 713
CASH FLOW										
Profit before tax	5 328	1 388	1 366	740	2 582	2 056	1 734	1 746	2 126	2 564
Adjustment items	-2 561	811	1 163	1 797	629	1 225	914	1 031	1 169	1 050
Paid income tax	-557	-704	-334	-192	-390	-664	-516	-378	-727	-472
Changes in working capital	-109	28	678	-686	-345	-259	339	-68	-125	356
Cash flow from operating activities	2 101	1 523	2 873	1 660	2 476	2 358	2 471	2 331	2 443	3 498
Cash flow from investing activities	-1 733	-1 597	-818	-1 124	-1 315	-947	-3 029	-1 195	-726	-1 810
Cash flow after investments	368	-74	2 054	536	1 161	1 411	-558	1 136	1 717	1 688
Share buy-back	-	-	-	-138	-	-	-	-	-	-
New share issue through conversion and subscription	-	-	-	-	-	-	-	474	-	-
Dividend paid	-588	-588	-756	-1 017	-1 017	-932	-848	-3 199	-880	-800

* Items affecting comparability:

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 accounted for a cost of SEK 298 million and a cost of SEK 115 million was for the closure of PM 2 at Hallsta Paper Mill. Income of SEK 52 million corresponds to the effects on the result of the fire at Braviken Paper Mill.

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.

Year 2011: Revaluation of forest of SEK 3 593 million.

For a ten-year review of data per share, see page 51.

SEKm	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
BALANCE SHEET										
Non-current assets	28 313	24 058	23 610	24 329	24 099	23 258	23 702	21 354	18 878	19 442
Deferred tax assets	194	210	304	342	301	354	352	273	295	194
Shares and participating interests	1 828	1 760	1 780	1 836	1 753	1 742	1 739	1 754	1 767	1 721
Current assets	6 642	6 950	6 075	7 268	6 549	6 138	5 709	5 149	4 743	4 922
Financial receivables	128	262	225	175	147	165	132	92	105	54
Cash and cash equivalents	112	193	182	653	394	484	580	367	570	634
Total assets	37 217	33 432	32 176	34 602	33 243	32 141	32 214	28 989	26 358	26 967
Equity	19 773	16 913	16 504	15 641	16 932	16 636	16 007	15 635	15 366	15 185
Deferred tax liability	6 630	5 910	5 045	4 819	5 482	5 030	5 143	5 177	4 557	4 370
Financial liabilities and interest-bearing provisions	6 499	6 227	6 091	8 332	6 518	6 634	7 351	5 335	4 044	4 496
Operating liabilities	4 313	4 383	4 536	5 809	4 311	3 841	3 713	2 842	2 391	2 916
Total equity and liabilities	37 217	33 432	32 176	34 602	33 243	32 141	32 214	28 989	26 358	26 967
OPERATING CAPITAL										
Holmen Paper	6 606	6 954	8 789	10 237	9 971	11 541	11 452	9 659	9 461	9 884
Iggesund Paperboard	5 041	4 313	4 114	4 254	4 180	3 935	3 965	3 871	3 885	3 963
Holmen Timber	1 507	1 192	396	366	345	208	230	231	277	258
Holmen Skog	16 278	12 597	11 384	11 415	11 264	9 001	8 919	8 842	6 383	6 429
Holmen Energi	3 253	3 235	3 207	3 006	2 960	2 965	2 958	2 930	2 926	2 877
Group-wide and other	-217	93	-963	-1 654	-630	-354	-87	-118	65	-242
Operating capital	32 469	28 385	26 929	27 623	28 090	27 297	27 437	25 415	22 997	23 169
Deferred tax liability, net	-6 436	-5 700	-4 741	-4 477	-5 181	-4 676	-4 791	-4 904	-4 262	-4 176
Capital employed	26 032	22 684	22 188	23 146	22 909	22 621	22 646	20 511	18 735	18 993
KEY FIGURES										
OPERATING MARGIN, %*										
Holmen Paper	3	-8	4	3	6	7	7	6	10	21
Iggesund Paperboard	17	17	8	7	12	14	13	17	20	17
Holmen Timber	-16	4	4	3	24	17	3	1	3	-1
Group	11	8	9	7	12	12	12	12	15	17
RETURN ON OPERATING CAPITAL, %*										
Holmen Paper	3	neg	4	3	5	6	6	5	8	17
Iggesund Paperboard	19	20	10	8	15	19	16	20	25	20
Holmen Timber	neg	3	6	4	64	38	6	2	7	neg
Holmen Skog	6	7	5	6	8	7	6	7	8	7
Holmen Energi	13	15	13	11	9	7	10	6	7	5
Group	7	5	6	5	8	8	7	8	10	13
KEY FIGURES										
Return on capital employed, %*	9	6	7	6	10	10	9	10	12	16
Return on equity, %	23	4	6	4	9	9	8	8	10	14
Debt/equity ratio	0.32	0.34	0.34	0.48	0.35	0.36	0.41	0.31	0.22	0.25
DELIVERIES										
Newsprint and magazine paper, '000 tonnes	1 668	1 732	1 745	2 044	2 025	2 021	1 764	1 731	1 655	1 528
Paperboard, '000 tonnes	474	464	477	494	516	536	492	501	481	453
Sawn timber, '000 m ³	487	285	313	266	262	248	229	195	189	220
Harvesting own forests, million m ³	3.0	3.0	2.9	2.6	2.6	2.6	2.3	2.6	2.7	2.5
Own production of hydro power, GWh	1 230	1 145	1 090	1 128	1 193	934	1 236	1 054	867	1 048

Stated in accordance with IFRSs from 2004. As far as Holmen is concerned, the principal difference between IFRSs and previous accounting policies is that forest assets are valued and stated in the accounts at fair value, that goodwill is no longer amortised according to plan, and that the fair value of financial assets and liabilities where hedge accounting is applied is entered into the balance sheet.

* Excl. items affecting comparability.

Definitions and glossary

Biofuel

Renewable fuels (such as wood, black liquor, bark and tall oil). Fuels that do not generate any net emission of carbon dioxide into the atmosphere, since the quantity of carbon dioxide formed during combustion is part of the carbon cycle.

Biorefinery

A concept encompassing large-scale production of bio-based "green" materials, chemicals and fuels, wherever possible integrated into a pulp and paper mill for optimal use of the various constituents of the wood raw material.

Bulk

Bulk is a measure of the volume of the paper. Paper with the same grammage may have a different thickness, depending on the bulk of the paper. A high bulk indicates a thick but relatively light-weight paper.

Capital employed

Operating capital less the net sum of deferred tax assets and deferred tax liabilities. Average values are calculated on the basis of quarterly data.

Carbon dioxide (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.

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.

EBIT

Earnings before interest and taxes – operating profit.

Electric hybrid forwarder

A vehicle powered by electric hybrid technology. In optimal conditions, fuel consumption is estimated to be 20–25 per cent lower than with a conventionally powered forwarder. This also cuts the vehicle's carbon dioxide emissions.

Employer branding

An employer's brand towards potential, current and former employees.

EV

Enterprise value – market capitalisation plus net financial debt.

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.

FBB Folding Box Board

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®

Forest Stewardship Council®. FSC® promotes management of the world's forests in a way that is acceptable from three perspectives: environmentally, socially and economically.

GRI

Global Reporting Initiative. International cooperation body, in which many different groups of stakeholders in society have drawn up global guidelines for how companies are to report on activities encompassed by the umbrella term of sustainable development.

Groundwood pulp

Mechanical pulp produced by grinding wood against a grindstone.

IPPC

Integrated Pollution Prevention and Control. EU environmental legislation about integrated, individual testing and supervision of major industrial companies.

ISO 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.

M³ growing stock, solid over bark

Cubic metre growing stock, solid over bark; the volume of tree stems, incl. bark, from stump to top. Generally used as a measure for growing forest.

M³SUB

Cubic metres solid volume under bark. The actual volume (no gaps between the logs) of whole stems or stemwood excl. bark and treetops. Generally used as a measure for harvested wood.

MF Magazine

Machine finished, uncoated wood-containing paper. Used for magazines, catalogues and direct mail.

MTN loans

Bond loans raised within Holmen's medium-term note programme.

MWC

Medium-weight coated wood-containing paper. Used for magazines, catalogues and printed advertising materials.

Net financial debt

Non-current and current financial liabilities and pension provisions, less financial assets.

Nitrogen (N)

An element included in wood. Nitrogen emissions to water may cause eutrophication.

Nitrogen oxides (NO_x)

Gases that consist of nitrogen and oxygen that are formed in combustion. In moist air, nitrogen oxides are converted into nitric acid, which creates acid rain. Nitrogen oxides also have a fertilising effect.

Operating capital

Total assets, less financial receivables, cash and cash equivalents, deferred tax assets, operating liabilities, tax provision and other provisions. Average values are calculated on the basis of quarterly data.

Operating margin

Operating profit/loss (excl. items affecting comparability) expressed as a percentage of net sales.

Operating profit

Profit before net financial items and tax.

Particulates

Particles of ash formed in incineration of bark or liquor, for example.

PEFC

The Programme for the Endorsement of Forest Certification is an international forest standard.

Phosphorus (P)

An element contained in wood. Excessive phosphorus in the water may cause over-fertilisation (eutrophication) and oxygen consumption.

Return on capital employed

Operating profit/loss (excl. items affecting comparability and transferred operations) expressed as a percentage of average capital employed.

Return on equity

Profit for the year expressed as a percentage of average equity, calculated on the basis of quarterly data.

Return on operating capital

Operating profit/loss (excl. items affecting comparability and transferred operations) expressed as a percentage of average operating capital.

RMP

Refiner mechanical pulp. Pulp produced through refining wood chips, with or without chemical or thermal treatment.

SBB Solid Bleached Board

Multi-layer paperboard made from bleached chemical pulp.

SC paper

Super-calendered paper. Uncoated, glazed magazine paper.

Sulphate pulp

Chemical pulp that is produced by 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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HOLMEN

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