HOLMEN

Annual report 2009

Contents

CEO's message

Dear shareholder

The year 2009 is certain to go down in history. The unprecedented slump in the global economy had a tangible impact on Holmen's business areas for printing paper and consumer paperboard. A drop of more than 10 per cent in demand entailed considerable production cutbacks, which put pressure on profits. However, higher prices, lower fibre costs and more favourable exchange rates helped to increase profits from printing paper and paperboard. Earnings per share were SEK 12.0, and although we are not satisfied with this figure, it is an improvement on the earnings per share of SEK 7.6 achieved in 2008. Return on equity totalled 6 per cent.

Despite the improved profit, the Board proposes lowering the dividend from SEK 9 to SEK 7 per share. The reason for this proposal is that we are facing less certainty with regards to profitability; printing paper prices are under intense pressure at the same time as we are implementing major investments, such as the new sawmill at Braviken. The Board is also adjusting the dividend target to better reflect our situation. The dividend is to be based on an appraisal of the Group's profitability, future investment plans and the goal of having a strong financial position.

Printing paper

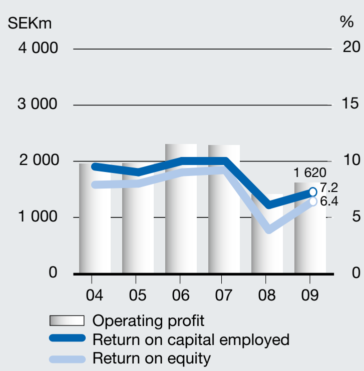
Newsprint deliveries to Europe fell by 14 per cent in 2009, corresponding to a decline of nearly 20 per cent in the past two years. We believe that printing paper – mainly newsprint – is entering a phase in which structurally intensified competition from new media will adversely affect growth. This means that Holmen Paper and the entire industry will need to modify their production structure. Holmen Paper is pursuing its plan to improve quality, realign operations to focus on more specialised niche products, shut down unprofitable production, improve efficiency and cut costs. A comment about each mill can illustrate this. At Hallsta Paper Mill, a paper machine and a recovered paper line ceased production in 2008. A major workforce reduction was implemented, and production was reorganised to increase

Facts

	2009	2008
Net sales, SEKm	18 071	19 334
Operating profit, SEKm	1 620	1 051
Operating profit excl. items affecting comparability, SEKm	1 620	1 412
Profit for the year, SEKm	1 006	642
Earnings per share, SEK	12.0	7.6
Dividend per share, SEK	7 *	9
Return on capital employed, %**	7.2	6.1
Return on equity, %	6.4	3.9
Debt/equity ratio, times	0.34	0.48
Investments, SEKm	818	1 124
Average number of employees	4 577	4 829

*Proposal of the Board. **Excl. items affecting comparability.

Operating profit



Net sales and operating margin

book paper manufacturing. In the stagnating market, Holmen has successfully increased volumes in the MF Special niche, where several new products have been very well received by customers. At Braviken Paper Mill, efficiency continues to improve through measures such as staff cuts affecting about 100 people. The new pulp line, launched in 2008, has resulted in dramatic energy savings per tonne. Holmen Paper Madrid is investing in a new combined gas and steam plant to lower electricity and steam costs – two major cost items. In Madrid, the smaller paper machine is also being adapted to produce coated magazine paper (LWC) rather than newsprint. Wargön Mill was closed in 2008; the shutdown proceeded as planned, and the paper machine was sold at the end of the year.

Consumer paperboard

The market for virgin fibre board was also weak in the first part of 2009 but improved during the autumn. At year-end, Iggesund Paperboard had a strong order book.

We have continued to refine our products. At Iggesund Mill, Invercote products were further enhanced for various applications. Efficiency improvements are also underway with the aim of lowering costs. Fossil carbon dioxide emissions were reduced by 65 per cent during the year, and more than 90 per cent of the mill's internally generated electricity supply comes from biofuels. A new large-scale efficient treatment plant with the latest technology is now operational.

Holmen shut down the oldest board machine at Workington Mill in December 2009 and upgraded the capacity of the remaining machine at the same time. These measures add to our competitive strength and move us towards a higher quality segment in the market. As a result of the restructuring process, the mill has an annual production capacity of 200 000 tonnes compared to its previous 250 000 tonnes. The workforce cutbacks affect about 100 people.

Sawn timber

The recession also made its mark on the consumption of sawn timber. However, a shortage of raw materials, low stock levels and production cutbacks among many European suppliers resulted in a relatively favourable market and enabled Holmen Timber to increase its deliveries compared to 2008. Thanks to the market situation, price rises were implemented during the second half of the year.

Production in the new sawmill at Braviken will start at the turn of 2010/2011, and we hope to see slightly stronger demand ahead.

Forest

Demand was relatively low at the start of 2009 but rose later in the year, as did wood prices. The threat of a substantial rise in Russian export duties subsided during the year, but the lower import levels appear to be a lasting development.

Holmen Skog plays a key role in obtaining wood for our mills. During 2009, the organisation was reinforced to meet the need for saw logs for the new sawmill, and market activities will be stepped up even more during 2010.

The year in brief

- Demand for Holmen's products was weak during the year. Deliveries of newsprint and virgin fibre board to Europe declined by 14 per cent and 9 per cent respectively, compared to 2008. The consumption of sawn timber also decreased.
- Harvesting in Holmen's forests increased during the year. Holmen's hydro power production was somewhat lower than in a normal year.
- Operating profit, excluding items affecting comparability for 2008, rose from SEK 1 412 million to SEK 1 620 million. Higher prices for newsprint and paperboard account for the improvement. Weak demand entailed considerable production cutbacks, which had an adverse impact on earnings.

The ground-breaking ceremony for the new sawmill next to Braviken Paper Mill on 11 August attracted a great deal of media attention and invited guests.

Energy

Holmen Energi achieved very strong operating profit, mainly thanks to good prices. Activity levels are high at Holmen Energi. A new hydro power station in the Iggesundsån river replaced three old ones during the year. The first peat deliveries left Holmen's new extraction sites during the autumn. Several wind power initiatives are also in progress. Our aim is to generate wind power corresponding to 1 TWh on our own forestland. The wind is being measured in several locations, and it is increasingly clear that we have many sites that may be suitable for the construction of wind farms. We are also one of the owners of the company VindIn AB, which inaugurated its first wind farm in autumn 2009.

The Holmen Biorefinery Development Centre is a new area of activity that will develop new products from forest raw material as well as from residual and bi-products from Holmen's other operations.

Holmen has joined forces with four companies in electricity-intensive industries to form Industrikraft i Sverige AB, which signed an agreement with Vattenfall in the autumn to proceed with projects to secure fossil-free baseload power for the future.

Outlook for 2010

It appears that 2010 will be another tough year for Holmen Paper. There are as yet no signs of an upturn in demand, and ongoing price negotiations are expected to lead to lower prices for printing paper in Europe. Meanwhile, prices for recovered paper, a key raw material for us, have begun increasing. The market looks brighter for Iggesund Paperboard and Holmen Timber. Demand for timber is substantial and prices have climbed, which raises costs for Holmen Timber but creates potential for some improvement in Holmen Skog's earnings from wood. For Holmen Energi 2010 may be another good year, because prices are largely hedged at favourable levels.

The largest currency exposure, to the euro, is hedged for 2010 and 2011, and the exchange rates will be slightly more favourable than the hedging contracts that applied for 2009.

The new sawmill at Braviken is one reason why investments are estimated to exceed SEK 1 500 million. An ongoing survey of additional energy-related investments may keep the level of investment high.

Holmen is evolving

We have entered a period during which we must recast part of our Group, by which I am referring to the printing paper operations at Holmen Paper. In our 400-year history, we have undergone major change on numerous occasions. This is in itself a strength in times of transformation, but the realignment and development work is not possible without the contribution of all employees. I would like to thank you and say that together we will successfully tackle the challenges that await us.

Stockholm, 19 February 2010

Magnus Hall

Magnus Hall
President and CEO

On the actual anniversary, 18 September, the Life Guards Dragoon Trumpet Corps and the Mounted Royal Guards gave a concert on the Holmen-torget square in Norrköping.

- The oldest board machine at Workington Mill was shut down at the end of December. Capacity was upgraded on the remaining machine at the same time. The resulting annual production capacity of the mill is 200 000 tonnes. The change entails reducing the workforce by up to 100 people.
- Holmen is continuing to improve efficiency at Braviken Paper Mill as part of adapting the business area to the market. Redundancies affecting about 100 people were announced in the autumn.
- A new water treatment plant was completed at Iggesund Mill.
- A new hydro power station in the river Iggesundsån replaced three old ones.
- Holmen marked its 400th anniversary in a variety of ways, including the publication of a newspaper supplement in three languages, a seminar on future challenges for the industry and a book about Holmen's history.

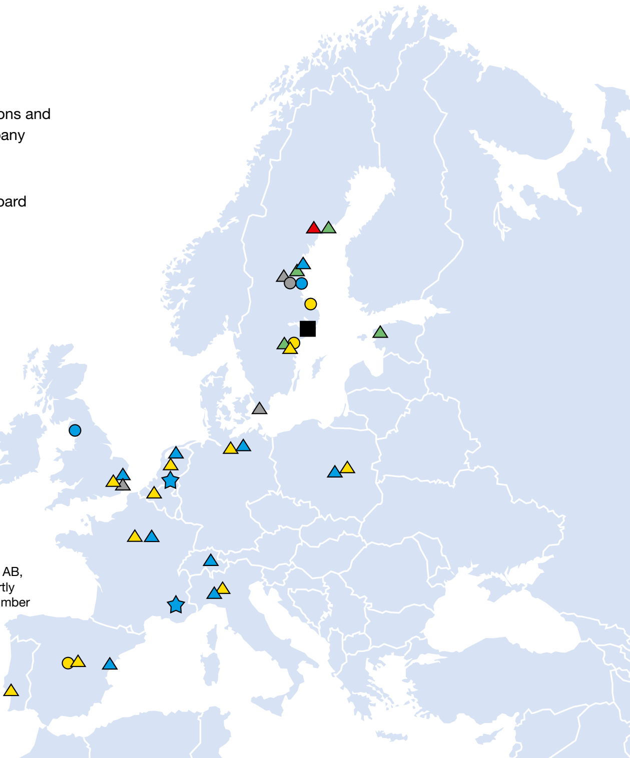
Holmen in brief

■ Head office
○ Production sites
☆ Sheeting units
△ Sales, forest regions and purchasing company

Holmen Paper
Iggesund Paperboard
Holmen Timber
Holmen Skog
Holmen Energi

Operations outside Europe
△ Australia
△ Japan
△ USA
△ Hong Kong
△ Singapore
△ USA
△ North Africa*
△ Middle East*

* Via Uni4 Marketing AB, a sales company partly owned by Holmen Timber



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

PRODUCTS. Holmen focuses on printing paper, paperboard, sawn timber, forestry and energy. Holmen Paper and Iggesund Paperboard together account for 80 per cent of Holmen's net sales.

OWN FOREST PROVIDES majority of wood raw materials. Holmen's manufacturing operations are based on renewable raw materials from sustainably managed forests. The Group owns around 1.3 million hectares of land, of which 1 million are used for forestry. The company is about 60 per cent self-sufficient for its wood needs.

HYDRO POWER AND BIOENERGY. Holmen's electricity needs are met through the Group's wholly and partly owned hydro power and back pressure power as well as through purchased electricity. The company's electricity self-sufficiency is some 30 per cent. Biofuels cover a significant part of Holmen's thermal energy needs.

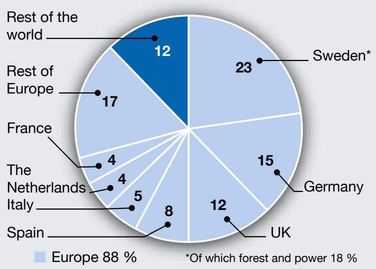
MANUFACTURING IN THREE COUNTRIES. Holmen has four production facilities in Sweden and one each in the UK and Spain; some finishing takes place in the Netherlands and France. The Group runs its own sales companies in several European countries and around 90 per cent of items produced are sold in Europe. Holmen has a subsidiary for wood purchasing in Estonia.

HOLMEN'S TWO CLASSES OF SHARES are listed on the Nasdaq OMX Nordic, Large Cap.

Among the largest in Europe

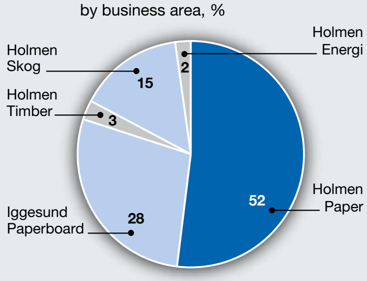
Holmen has a total capacity to manufacture about 2.5 million tonnes of printing paper and paperboard each year. The company is Europe's fifth largest manufacturer of printing paper, with production capacity of 1 940 000 tonnes per year. With annual capacity for 530 000 tonnes of virgin fibre-based board, Holmen is the third largest producer in Europe. The company's production capacity for sawn timber is 340 000 cubic metres a year.

Net sales
by market, %



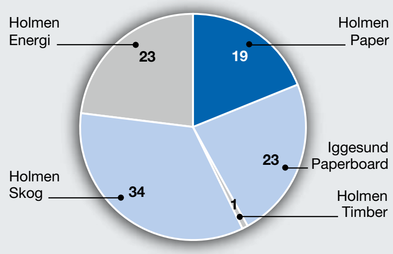
Total: SEK 18 071 million

Net sales
by business area, %



Total: SEK 18 071 million

Operating profit
by business area, %



Total: SEK 1 620 million

Raw-material-oriented business areas

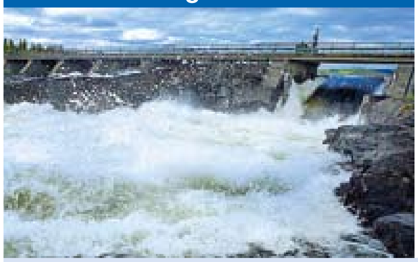
Holmen Skog

Operations: Responsible for managing Holmen's forests, for wood supply to the Group's Swedish units and for trade in wood.

Land holding: 1 264 000 hectares, of which 1 032 000 hectares comprise productive forestland.

Volume of wood: 119 million forest cubic metres.

Holmen Energi



Operations: Responsible for the Group's hydro power stations, coordination of its energy matters, and electricity supply to its Swedish units.

Number of wholly and partly owned hydro power stations: 21.

Number of partly owned wind farms: 1.

Production capacity/year (hydro power): 1 100 GWh.

Product-oriented business areas

Holmen Paper

Products: White and coloured newsprint as well as paper for directories, books and magazines.

Customers: Daily newspapers, retailers, book and magazine publishers, directory and manual publishers and printers.

Mills: Hallsta Paper Mill, Braviken Paper Mill and Holmen Paper Madrid.

Production capacity/year: 1 940 000 tonnes.

Number of paper machines: 8.

Iggesund Paperboard

Products: Solid bleached board and folding boxboard for consumer packaging and graphic design purposes.

Customers: Converters of paperboard for packaging as well as printers and wholesalers.

Mills: Iggesund Mill and Workington Mill.

Production capacity/year: 530 000 tonnes.

Number of board machines: 3*.

* After the shutdown of BM1 at Workington Mill in December 2009.

Holmen Timber

Products: Pine sawn timber.

Customers:Joinery and furniture industries, manufacturers of solid flooring, planing mills and builders' merchants.

Sawmill: Iggesund Sawmill.

Production capacity/year: 340 000 cubic metres.

Holmen plans to start production at Braviken Sawmill, with an initial capacity of 550 000 cubic metres, at year-end 2010/2011.

Products and markets

The paper is used for newspapers, magazines, directories, direct advertising and books. **Main market:** Europe.

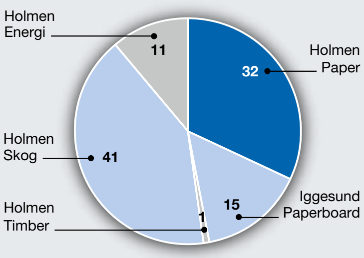
The board is used in packaging for consumer products and for graphics applications. **Main market:** Europe.

Sawn timber is used to make products such as window frames, flooring, doors and furniture. **Main market:** Scandinavia, the UK, North Africa and the Middle East.

The raw-material-oriented business areas Holmen Skog and Holmen Energi provide the product-oriented business areas Holmen Paper, Iggesund Paperboard and Holmen Timber with wood and electricity respectively. The overview shows how the products are made and how consumers come into contact with them.

Operating capital

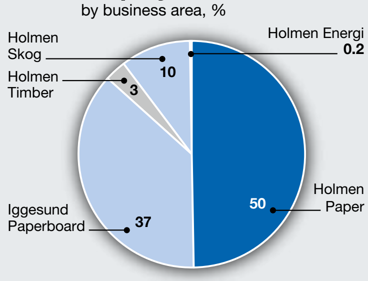
by business area, %



Total: SEK 26 929 million

Employees

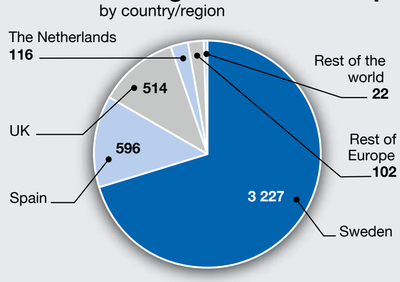
by business area, %



Total: SEK 4 577 million

Average number of employees

by country/region



Total: SEK 4 577 million

Business concept, strategy and goals

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

Product-oriented business areas

HOLMEN PAPER manufactures printing paper for daily newspapers, magazines, directories, manuals, direct advertising and books at two mills in Sweden and one in Spain. With its production capacity of 1 940 000 tonnes of printing paper per year, Holmen Paper is the fifth largest producer in Europe. UPM and Stora Enso are the largest, with some 7 and 6 million tonnes respectively. In printing paper, Holmen Paper has a strong position amongst European daily newspaper publishers, who account for around two-thirds of its sales. Retailers, printers and book and directory/manual publishers are other key customer segments. Holmen Paper has a market share in Europe of just under 10 per cent in standard newsprint, while its share of the market for improved newsprint, directory paper and book paper is above 30 per cent. Holmen Paper's sales organisation is in Sweden and in sales companies on geographically important markets.

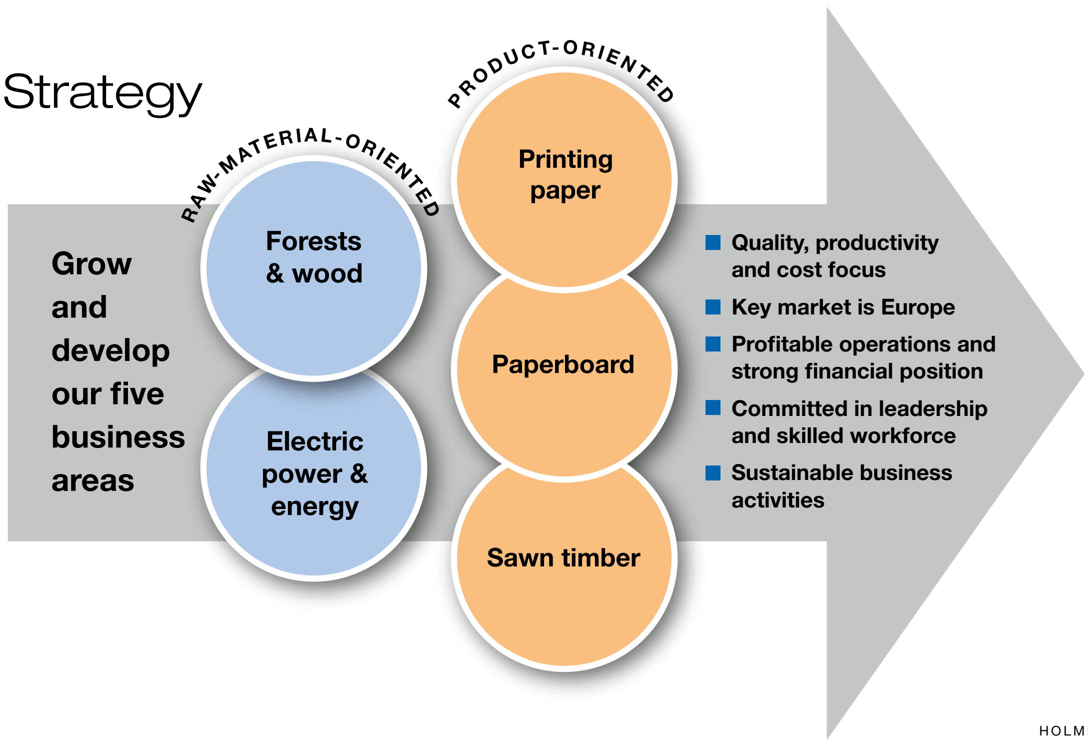
IGGESUND PAPERBOARD produces virgin-fibre-based solid bleached board and folding boxboard for consumer packaging and graphics applications at one Swedish and one UK mill. With its capacity of 530 000 tonnes per year, Iggesund is the third largest manufacturer in this segment in Europe. Its main competitors are Stora Enso and M-real, with around 1 million and 700 000 tonnes of virgin fibre board respectively. Iggesund's largest customer group comprises converters who make consumer packaging, but wholesalers and printers who buy board for graphic design products are also key customers. Iggesund has a leading market position, mainly in solid bleached board in Europe. It is also a significant operator in folding boxboard. Iggesund has around 20 per cent of the market in Europe for virgin fibre board. Euro-pean sales are coordinated via a central sales office in the Netherlands, with sales and technical personnel in a number of European countries. Iggesund also has its own sales companies in Hong Kong, Singapore and the USA.

HOLMEN TIMBER is the Group's third product-oriented business area and it manufactures sawn timber at its Swedish sawmill. Holmen Timber is a relatively small operator in Europe and has a market share of less than one per cent for sawn timber. Holmen Timber mainly sells its products to customers in Scandinavia, the UK, North Africa and the Middle East. Sawn timber is sold directly to customers via Holmen Timber's own sales companies in Sweden and the UK and via a jointly owned marketing company. Production at Holmen Timber's new Braviken Sawmill is scheduled to start at the turn of 2010/2011. The new sawmill will produce construction timber for the construction industry. Scandinavia, the UK and the USA will be important markets.

Raw-material-oriented business areas

HOLMEN SKOG has responsibility for the Group's forest assets. Holmen has forest holdings of one million hectares of productive forestland in Sweden and the volume of wood amounts to 119 million forest cubic metres. Holmen is Sweden's fourth largest forest owner, with around 4.5 per cent of the country's productive forestland. The volume of wood grows by 3.0 million cubic metres per year, and normally annual harvesting totals 2.5 million cubic metres. Half of the wood is sold as timber to sawmills, around 40 per cent as pulpwood to the pulp and paper industry and about 10 per cent as biofuel for energy production. Holmen Skog is also responsible for supplying wood to the Group's industrial operations in Sweden.

A few customer products made from Holmen's paper, board and wood.



Research and development (R&D)
Holmen runs its own R&D activities, as well as participating in external R&D at industry-wide level and in association with universities and colleges. The main focus is on product development and enhancing process efficiency, although forest growth and improving the efficiency of forestry are also important focuses.
External R&D is carried out with various partners, such as Swedish Innventia, MoRe Research, SweTree Technologies, the Royal Institute of Technology, Umeå University, Mid Sweden University, Karlstad University, the Swedish University of Agricultural Sciences, Skogforsk in Sweden, the University of Manchester in the UK, and the Complutense University of Madrid, Spain.

HOLMEN ENERGI has responsibility for the Group's hydro power assets as well as for developing the Group's energy operations. Hydro power production during a normal year amounts to 1.1 TWh, making Holmen the sixth largest electricity producer in Sweden. Holmen Energi is also responsible for supplying the Group's Swedish industrial operations with electricity.

Development

Holmen operates on large, well-established markets, namely its product markets for paper, paperboard and sawn timber, and its raw materials markets for wood and energy. The Group's goal is to expand and to remain a strong supplier with efficient production. Most of the growth is organic and takes place by improving products and increasing production volumes in existing product areas. Acquisitions have accounted for a smaller proportion of the company's growth. The latest major acquisition was Holmen Paper Madrid in 2000. Development also entails reorganisation and the closure of unprofitable production – measures that have characterised Holmen Paper in recent financial years. Holmen has focused on developing more advanced grades of paper to reduce the production of standard newsprint. Iggesund Paperboard is adapting production to prioritise top-quality paperboard. Sawn timber is continually enhanced in close cooperation with customers and specialised subcontractors. When completed, Braviken Sawmill will be an efficient and technologically advanced sawmill for construction timber.

Holmen's own wood and energy production will also be developed and grow. The silviculture measures taken are expected to result in gradual increases in annual wood production (harvesting) to achieve a rise of 20 per cent in 40 years' time. Good potential is also expected for increasing the growth rate in the Group's forests by roughly 25 per cent in 30 years' time by adopting new and improved silviculture methods, which will lead to higher harvesting levels in future. In energy operations, the company believes that there is real potential for developing new, profitable production of wind power and biofuel. The aim is to produce 1 TWh of electricity each year from wind power on Holmen's land. In 2009, Holmen Energi opened a development centre in Iggesund focusing on biorefining and biofuels.

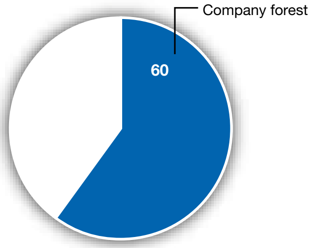
Holmen must satisfy its customers' high demands for the efficient printing, converting and sawing of products to make suitable end products with customer appeal. Holmen engages in decentralised R&D in each business area to support business demands for product development and efficient processes.

Productivity

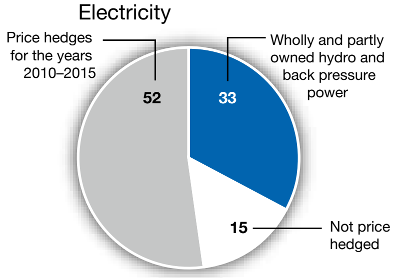
The overall objective of the Group's operations is to offer customers attractive products of high quality and good service in a cost effective way to maintain Holmen's position as a competitive

Self-sufficiency raw materials, %

Wood

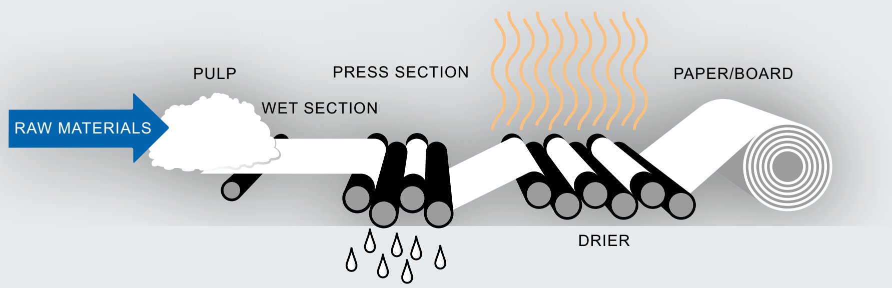


Electricity



The production process

This highly simplified diagram illustrates the production process in a paper and board machine. In reality, the machines differ quite significantly. The raw materials consist mainly of wood and/or recovered paper, electricity and chemicals. The pulp, produced by chemical or mechanical means, passes along a web in the machine – firstly through a wet section, then a press section and finally the paper/board is dried on the web, which at that stage runs between numerous cylinders. It is finally rolled on reels and cut to the reel or sheet sizes that the customers have ordered.



supplier. Large-scale, efficient production facilities and skilled employees yield high productivity and efficient use of input goods and capital. Effective interaction between marketing, product development and production increases is essential to achieve successful long-term investments, economies of scale and development. Basic volumes of certain products are combined with selective ventures involving improved or more advanced products for both existing and new categories of customers.

Alongside efficient production processes, the cost of raw materials and transport has an important impact on competitiveness. The main raw materials in the processes for producing printing paper, paperboard and sawn timber are fibre, in the form of wood, recovered paper and pulp as well as energy in the form of electricity and heat. 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 other raw materials is underpinned through backward integration along the production chain by owning forests, hydro power plants and recovered paper procurement units. The Group's Swedish facilities are around 65 per cent self-sufficient in wood, while for the whole Group (including the UK mill) self-sufficiency is around 60 per cent. The Group produces more than 30 per cent of the electricity that it requires, while more than 70 per cent of thermal energy production is based on residual products from the Group's production processes. Moreover, the prices of around 55 per cent of the electricity supplies are hedged through long-term supply contracts. Significant volumes of recovered paper are purchased via wholly and partly owned paper collection companies.

Financial targets

PROFITABILITY. Holmen's profitability target is a return that is consistently higher than the market cost of capital, and this target is used to govern the business. At Group level, the key ratio used to calculate profitability is Value Added; this is defined as operating profit/loss less the cost of capital and tax. It provides a simple and sufficiently fair yardstick that is continuously followed up for the Group, business areas and production units. The Group's profitability has exceeded the cost of capital over a long period of time, although not in 2008.

Holmen's business is capital intensive and much expansion is the result of investing in additional capacity and improved production. Investments are often combined with cost rationalisation measures. To assess the profitability of investments, a model is used to calculate the present value of cash flows; that is, estimated future cash flows are discounted by the weighted cost of capital.

Computing the cost of capital involves weighting the cost of borrowed capital and equity and multiplying the result by the capital invested in the business. The cost of equity is computed as interest plus a premium based on the level of risk for the operation, with capital invested in industrial operations being assigned a higher risk premium (5 per cent) than capital invested in forest and power assets (2 per cent).

The Group's weighted cost of capital for its operating activities is computed on the basis of short-term market interest rates and was near to 8 per cent (before tax) for industrial operations in 2009. The cost of capital used for evaluating investment projects is based on long-term market interest rates and was about 11 per cent (before tax) for industrial operations in 2009.

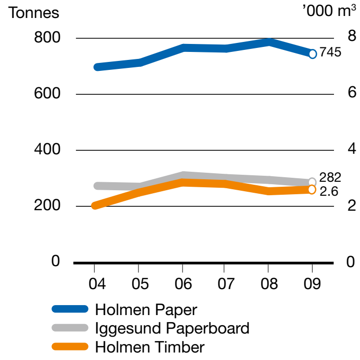
CAPITAL STRUCTURE. Holmen is to have a strong financial position that provides financial stability and enables the company to make correct, long-term business decisions that are not solely dependent on the state of the economy and external financing possibilities. The target for the debt/equity ratio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

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

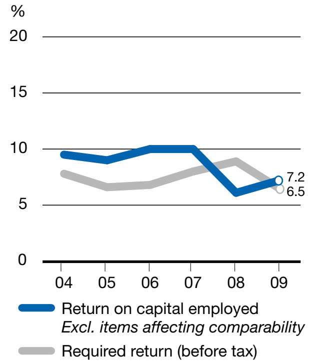
The Board has proposed that the 2010 Annual General Meeting (AGM) resolves in favour of lowering the dividend to SEK 7 per share, corresponding to 4 per cent of equity. During the past decade, the ordinary dividend has averaged 5 per cent of equity. As a result, around 60 per cent of earnings per share have been paid out in ordinary dividends each year. In addition to ordinary dividends, Holmen paid extra dividends for the 1998, 2000 and 2003 financial years.

In recent years, the AGM has authorised the

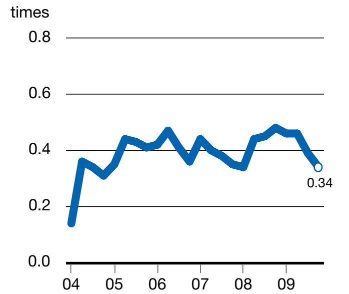
Productivity
Production per employee and year



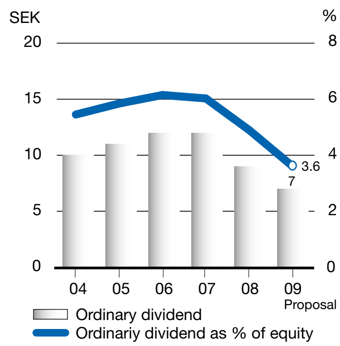
Profitability
Return on capital employed



Capital structure
Debt/equity ratio



Dividend
per share



Holmen and its World describes Holmen's activities towards sustainable development. The sustainability report aims to provide clear answers to questions asked by the Group's stakeholders about environmental and social responsibility and financial development. The 2009 edition will be published in English and Swedish in March 2010 and can be ordered on the website. The Spanish version is expected to be ready in May.

In 2009, as in previous years, Holmen was included in several corporate indices for sustainable development and social responsibility. Inclusion in such indices signifies that the company is deemed to act responsibly in financial, environmental and social responsibility issues. Holmen is, for instance, listed among Swedbank Robur's Ethica and Banco fund families, the FTSE-4Good Index Series, Nasdaq OMX/GES Nordic Sustainability Index, OMX GES Sustainability Sweden Index, Storebrand's SRI Index and SIX STARS Sustainability Index.

Global Reporting Initiative (GRI) issues globally accepted guidelines (G3) for sustainability reporting. Holmen has adhered to these guidelines for several years, and the sustainability report for 2009 satisfies the highest reporting standard, Level A. This has also been verified by the audit firm KPMG.

GA GRI REPORT 3rd PARTY CHECKED

GA GRI REPORT SELF DECLARED

Board to buy back up to 10 per cent of all the shares in the company. During 2008, Holmen bought back 760 000 class B shares, corresponding to around 0.9 per cent of the total number of shares on issue and around 0.3 per cent of the total number of votes. These share buy-backs were linked to the Group's incentive scheme. There is no specific target for share buy-backs. Holmen has used them as a complement to dividends as a means of adjusting the capital structure when conditions were deemed favourable. Share buy-backs took place in 2000 and 2008.

Sustainability

Holmen's development is to be based on a sustainable approach to profitability and use of resources. The raw materials – wood and recovered paper – and the products are recyclable and adapted to the ecocycle.

Holmen is taking measures to make efficient use of electricity and heat, to reduce emissions of fossil carbon dioxide and to increase energy self-sufficiency.

The Group is a participant in the UN's Global Compact and thus supports international guidelines relating to human rights, social conditions, the environment and labour rights.

Holmen's measures to promote sustainable development are described in detail in the separate sustainability report *Holmen and its World*. The report satisfies the conditions for Level A, the highest of the Global Reporting Initiative's reporting levels.

FINANCIAL DEVELOPMENT. Healthy profitability and a strong financial position create good conditions for development that is sustainable in the long term. Holmen has a distinct role to play in a sustainable society by being a successful and profitable company that manufactures products from natural raw materials.

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

SOCIAL RESPONSIBILITY. Holmen's HR activities are governed by guidelines, laws and agreements. The main emphasis is on skills supply, leadership and organisation. Holmen has set a number of targets for human capital, leadership, performance reviews, the number of industrial accidents and the proportion of female managers. Our sustainability report *Holmen and its World* details these targets.

Employees at Braviken Paper Mill.

The results are followed up via key indicators and *Holmen Inblick*, the employee survey. Employee surveys are carried out every other year and, as of 2009, at all of Holmen's units. The results provide a foundation for strategic HR activities and local action plans.

Holmen takes systematic action to identify and develop employees with the potential to advance to more qualified tasks. Holmen's target is to fill at least 75 per cent of all management vacancies in the Group through internal recruitment. Management training programmes have been expanded, in that all new managers now have a local mentor and undergo an induction course.

Each year significant resources are earmarked for skills development. All the business areas conduct numerous training programmes. The average Holmen employee receives around 40 hours of training each year.

Holmen is taking long-term measures to create a stable basis for future recruitment, including close cooperation with universities and colleges and offering summer jobs to young people.

Holmen endeavours to help employees affected by company restructuring by offering relocation, early retirement and financial support for training.

Holmen takes joint action with the union organisations on issues concerning health, safety, equal opportunities, competence development and reductions in the workforce. All policies are developed together with or have the support of union organisations.

ENVIRONMENTAL RESPONSIBILITY. Environmental aspects of Holmen's business are regulated by laws and permits in each country. The organisation and management of the Group's environmental activities are based on the Group's environmental policy. The policy clarifies the importance of energy and climate issues to the business. The environmental impact of production is within the limits laid down by environmental authorities.

The Group's forests are managed with the long-term goal of increasing wood production, while also providing a habitat for the many species living there. A new silviculture programme has been developed which is expected to be able to further boost growth in Holmen's forests and create suitable conditions for naturally occurring plants and animals to flourish in the forest habitat in the long term. The Group also has the goal of increasing its extraction of biofuels from the forests in response to the growing demand from biofuel-based energy production.

Holmen's industrial and forestry operations are certified in accordance with ISO 14001. The forestry operations are also certified in accordance with the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification schemes (PEFC).

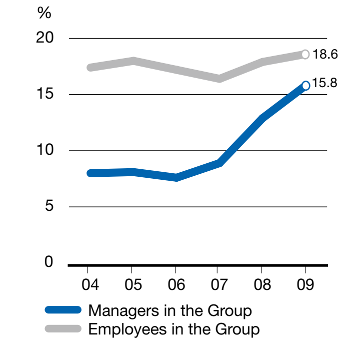
Holmen takes a pro-active approach to measures that contribute to sustainable development and help to reduce the impact on climate. Holmen is affected by the rules in the Kyoto Protocol regarding trading in emission rights, because the Group's facilities have been included in the system since 2005. Holmen supports improvement of energy efficiency and expansion of carbon neutral energy sources, such as hydro power, wind power and nuclear power.

In Sweden and the UK, Holmen participates in voluntary energy-efficiency improvement programmes that offer energy-intensive industries an alternative to energy taxes. This focuses internal attention on energy issues and is expected to increase energy efficiency and reduce climate change. The energy management systems in place at the Group's Swedish sites and at Workington Mill were introduced at Holmen Paper Madrid in 2009.

Holmen actively identifies and implements energy saving measures. The Group's energy and climate targets, described in more detail in the sustainability report *Holmen and its World 2009*, are to make energy use more efficient and reduce the use of fossil fuels.

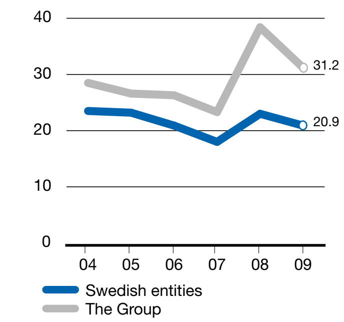
For each tree that Holmen harvests, the company plants three new ones.

Proportion of females

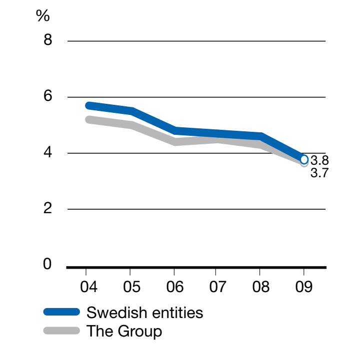


Industrial accidents

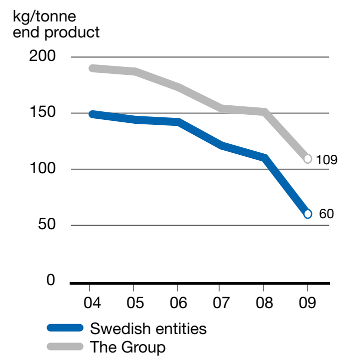
with sick leave, number per 1 000 employees



Sick leave



Fossil carbon dioxide



Holmen Paper

Holmen Paper is the fifth largest printing paper manufacturer in Europe. Its share of the European market is 10 per cent for standard newsprint and more than 30 per cent for MF Magazine, book and directory paper.

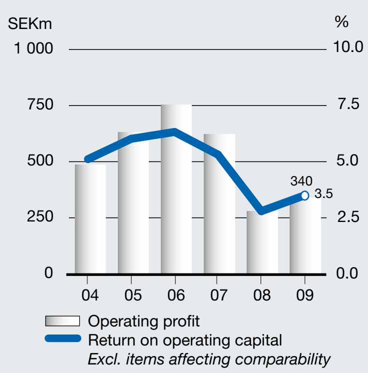
Operations in 2009

Global demand for printing paper was down during the year, and European demand for printing paper fell by about 15 per cent. Deliveries of newsprint to Europe declined by 14 per cent compared to 2008. Combined with weak demand outside Europe, this resulted in low capacity utilisation at European producers. Despite this, little capacity was permanently shut down in the market, which put supply and demand out of balance. Demand for MF Magazine in Europe was 20 per cent less in 2009 than in 2008. SC paper declined by 9 per cent and coated grades by 22 per cent.

Facts

	2009	2008
Net sales, SEKm	**9 303**	10 443
Operating profit/loss, SEKm	**340**	-81
Operating profit excl. items affecting comparability, SEKm	**340**	280
Investments, SEKm	**287**	679
Operating capital, SEKm	**8 789**	10 237
Average number of employees	**2 301**	2 584
Share of sales in Europe, %	**84**	88
Deliveries, ’000 tonnes	**1 745**	2 044

Operating profit



Net sales and operating margin

Holmen Paper's operations during the year concentrated on an extensive quality drive and product development, in parallel with cost cuts and efficiency improvements. At Hallsta Paper Mill, the workforce was reduced by about 30 per cent after the closure of PM 2 and the pulp line for recovered paper in 2008. The workforce at Braviken Paper Mill will be reduced by about 100 people when a new organisation is introduced in spring 2010. At the paper mill in Madrid, work continues aimed at improving the efficiency of processes as well as cutting costs.

Operating profit for 2009 was SEK 340 million, compared to SEK 280 million for 2008 (excluding items affecting comparability). The improvement was attributable to higher sales prices, but the weak market entailed extensive production cutbacks and increased sales outside Europe. Lower costs of wood and recovered paper made a positive impact on profit, while energy costs rose.

Market

Holmen Paper's market strategy focuses on Europe and is to develop competitive products and business concepts in wood-containing printing paper for specific customer segments: daily newspaper publishers, retailers, printers, and book and directory/manual publishers. Holmen Paper's share of the market for standard newsprint is around 10 per cent in Europe. For newsprint-related niche products, such as MF Magazine, book and directory paper, Holmen Paper's overall share of the European market is more than 30 per cent. The European market for wood-containing printing paper totalled more than 21 million tonnes in 2009, which is 4 million tonnes – or about 15 per cent – less than in 2008.

NEWSPRINT. About 9 million tonnes of the European market for wood-containing printing paper consisted of newsprint. Paid-for daily newspapers account for the majority of consumption. Free newspapers, which proved more susceptible to changes in the economy due to heavy dependence on advertising revenue, fell in 2009, to account for about 5 per cent of consumption.

Newsprint demand is increasingly affected by the widening range of electronic media and changing media habits of consumers and advertisers. Investments in radio, television and the internet are noticeable among traditional newspaper publishers.

Global demand for newsprint was down by 15 per cent during the year. The largest declines occurred in North America and Europe, by around 26 and 14 per cent respectively. Growth was mainly evident in Asia. Holmen Paper's newsprint deliveries decreased by 16 per cent, somewhat more than the average, due to the closure of capacity, reorganisation to focus on other products, and falling demand.

Following price cuts in 2008, newsprint prices were increased in 2009. For 2010, the prices are falling again.

The market was weak throughout the year. Rising exports outside Europe partially offset weak European demand, although capacity utilisation for west-European suppliers ended at 84 per cent.

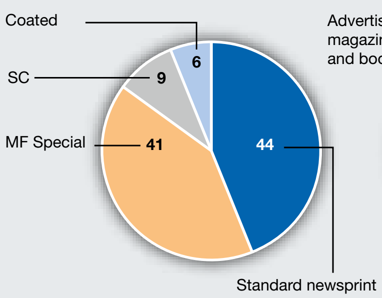
Successful TMP investment

Braviken's new line for thermo-mechanical pulp (TMP) production was brought into operation in the latter part of 2008, following investments of about SEK 500 million. One year on, the effects are clear. The energy savings, along with lower consumption of chemicals, correspond to more than SEK 90 million per year. Thanks to improved steam recycling, oil consumption has fallen dramatically, from 25 000 to 14 000 cubic metres per year.

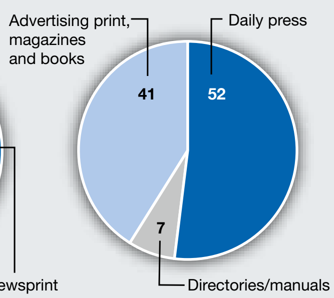
The pulp produced is also stronger and has enhanced optical properties. Braviken has therefore been able to produce Holmen XLNT with a grammage of as low as 36 grams, and has won market shares from SC paper with a grammage of 45 grams.

The pulp production is continually studied and further developed, and there is potential for additional improvements to energy consumption, productivity and pulp properties.

Products, %

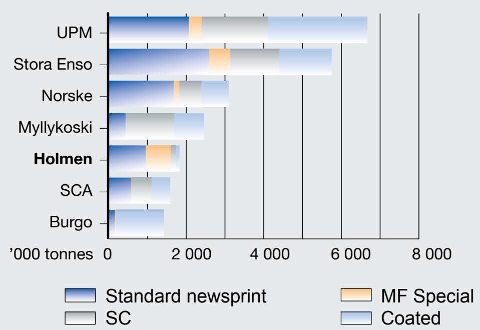


End-products, %

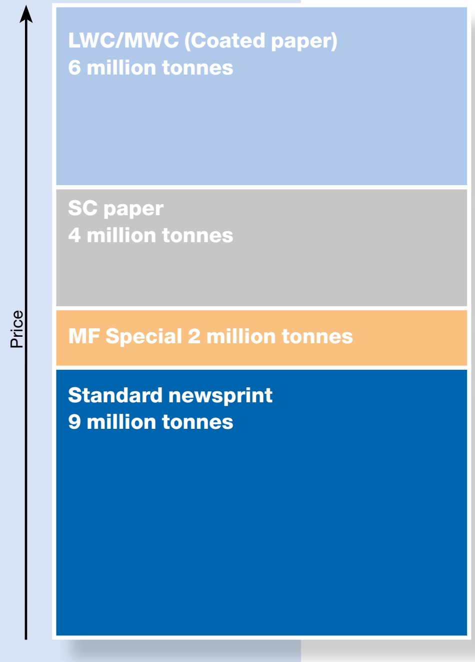


Leading producers 2009

Printing paper, capacity in Europe



European printing paper market 2009



LWC/MWC
Magazines
Journals
Weekly magazines
Product catalogues
Advertising print

SC paper
Journals
Weekly magazines
Product catalogues
Advertising print

MF Special
Advertising print
Supplements
Books
Telephone directories

Standard newsprint
Daily newspapers
Advertising print
Supplements

Substantial market-related production stoppages were implemented at all of Holmen Paper's mills in 2009.

MF SPECIAL. This product area contains the product groups MF Magazine, book paper and telephone directory paper. Holmen Paper's strength lies in the product group MF Magazine, comprising products between standard newsprint and magazine paper (SC and LWC paper) on the quality scale. Holmen aims to offer alternatives to, in particular, SC paper that are cost effective and have potential for further development. Holmen Paper's deliveries of MF Magazine increased by 5 per cent, or 20 000 tonnes, to 400 000 tonnes. The general market trend for MF Magazine in Europe in 2009 was a 20 per cent drop in demand.

Book paper is a niche product that has become more important to Holmen Paper and is an area in which the company achieved positive results of product development during the year. Holmen's deliveries rose by 23 per cent in 2009. The European market for wood-containing book paper totals about 500 000 tonnes per year.

The market for telephone directory paper is dominated by a small number of strong buyers in each country. Demand was down by around 20 per cent in 2009, as were Holmen Paper's deliveries, and the long-term market trend is negative. Holmen Paper has a market share of about 35 per cent.

MAGAZINE PAPER. 2009 was also a gloomy year for magazine paper, that is, SC and coated paper. The European market fell by 17 per cent to 10 million tonnes. Magazine publishers, retailers and printers are the largest customer categories. Despite the drastic reduction in 2009, there are real hopes of some recovery propelled by investments in advertising. Increases in addressed direct mail and new magazine titles are two positive driving forces. Holmen Paper has relatively small volumes in SC and coated paper, and deliveries of both fell by about 5 per cent in 2009 – without taking account of the closure of Wargön Mill.

Change and development

Newsprint will continue to form the foundation of Holmen Paper in future, but action has been taken for several years now to reduce exposure to this area and increase the focus on more advanced and selected products in the MF Special product area. Holmen Paper enjoys a strong position here with products such as Holmen Book and Holmen XLNT.

Focused further development is ongoing and largely concentrates on projects for enhancement of MF Special.

Holmen Paper constantly cuts costs and improves efficiency to adapt to the changing market.

A new organisation with 30 per cent fewer employees was introduced at Hallsta Paper Mill in 2009. In September, Holmen announced staff cuts affecting about 100 people at Braviken Paper Mill; this will also entail a new organisation and noticeable profit impact in 2010.

Variable costs are continually reviewed. As part of this, Holmen constantly improves the efficiency of its machinery and its consumption of input goods and energy.

An in-house project to boost the quality of product characteristics, technical support and delivery precision was stepped up in 2009 and is making rapid progress.

An example of product development: Holmen XLNT

Market

Holmen Paper's marketing department and technical customer service identify what the market demands from printing paper. These are key channels for obtaining information about customers' needs and requirements for product development. Customer surveys are also used for this purpose.

Strategic goals

Holmen Paper's product portfolio must follow the strategy set by the business area. Holmen Paper's strategy is to reduce exposure to standard newsprint, which accounts for more than half of production volume, and increase exposure to products with higher value added, such as MF Special.

PRODUCT COUNCIL

Holmen Paper's product council identifies possible product development based on the business area's strategic goals and identified market needs deemed to have good future potential.

Holmen Paper has a high percentage of MF Special in its product portfolio. MF Special is one of Holmen Paper's strategic strengths that are important to safeguard. SC paper, which Holmen Paper only manufactures on a small scale, is also a significant product for certain end users. SC paper is a more advanced product than MF Special. Holmen Paper therefore saw the potential of developing MF Special, bringing it into a higher product class that is close to SC paper in terms of quality. The key question was: Is it possible to create a type of MF Special paper with the properties of SC paper?

PRELIMINARY STUDY

A preliminary study is initiated to identify technical possibilities and limitations as well as required investments. Estimates are made to calculate the costs of the projects.

SC paper has a higher gloss than MF Special products. The preliminary study investigated how to increase the gloss of MF Special paper. The paper pulp, filler and calendering process were important parameters in the study. Discussions took place with various parties, including machinery manufacturers and chemicals suppliers.

DECISIONS

Profitability analyses and technical prerequisites form the basis of decisions.

The preliminary study showed that the project had good prospects for success. The market clearly signalled that the concept was interesting, so Holmen decided to continue the project.

PROJECT AND PILOT TEST

After a go-ahead decision, a project is started to develop the new product. Pilot testing is carried out. Qualification testing on key customers' equipment is an important step prior to product launch.

Full-scale tests were performed to test the mixture of paper pulp and filler when combined with various calendering processes used to press the paper. Holmen carried out test printing on key customers' equipment and then made certain requisite adjustments. Gradual development work led to step-by-step improvements.

LAUNCH

After testing, the new product is ready for its market launch.

Close cooperation with reference customers led to a breakthrough, which has made Holmen Paper the market leader in this type of paper. The market is very positive about this MF Special product, which has been named Holmen XLNT.

FINAL PRODUCT

Iggesund Paperboard

Iggesund Paperboard is the third largest manufacturer of virgin fibre board in Europe, with a market share of about 20 per cent. Iggesund Paperboard has a leading market position in solid bleached board in Europe, but is also a significant operator in folding boxboard.

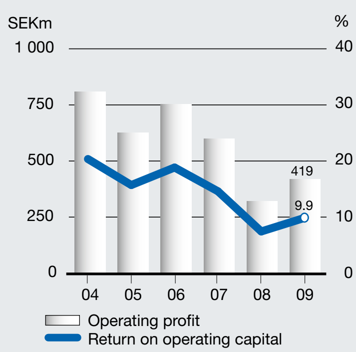
Operations in 2009

The virgin fibre board market was weak, particularly in the first half of 2009. The deterioration in market conditions was caused by the economic slowdown initiated by global financial unease with a slump in demand and subsequent destocking. Overall, the European market for virgin-fibre-based board declined by 9 per cent. Deliveries from Europe to non-European markets declined by 14 per cent.

Facts

Facts	2009	2008
Net sales, SEKm	**5 023**	4 860
Operating profit, SEKm	**419**	320
Investments, SEKm	**260**	327
Operating capital, SEKm	**4 114**	4 254
Average number of employees	**1 669**	1 670
Share of sales in Europe, %	**85**	89
Deliveries, ’000 tonnes	**477**	494

Operating profit



Net sales and operating margin

Capacity shutdowns prevented capacity utilisation among European producers from falling to the same extent as demand. Prices were increased during the year for both solid bleached board and folding boxboard. Iggesund Paperboard increased prices for folding boxboard in the UK market in the autumn and announced price rises in the rest of Europe for 2010.

In the autumn, a decision was made to permanently shut down the oldest board machine at Workington Mill and to upgrade the remaining board machine to obtain higher capacity and improved quality. The new annual capacity of the mill is 200 000 tonnes – a volume that is more appropriate for the market. The change entails personnel cutbacks affecting about 100 people.

Operating profit for 2009 was SEK 419 million (320). The improvement was thanks to higher prices largely due to currency movements with a weaker pound (sterling) and Swedish krona but also from the price rises implemented in the second half of 2008. However, production cutbacks and increased manufacturing costs had a negative effect on earnings. Provisions and impairment losses resulting from the shutdown of the board machine had a negative impact of SEK 75 million on profit during the year.

Market

Global consumption of paperboard amounts to roughly 32 million tonnes per year. The European market for the grades produced by Iggesund – virgin-fibre-based solid bleached board and folding boxboard – is approximately 2.6 million tonnes. For a few years, the annual market growth rate was higher than usual, around 5 per cent, but it declined in 2008 and 2009, owing to the economic slowdown and financial unease. The largest European markets for solid bleached board and folding boxboard are Germany and the UK, with 23 per cent and 14 per cent of consumption respectively. Several European markets are decreasing, with eastern Europe showing a somewhat more marked decline. In recent years Asia has overtaken North America as the largest market for virgin fibre board. Iggesund Paperboard's share of the European virgin fibre board market is about 20 per cent, and the company is the clear market leader in Europe in the solid bleached board segment.

Iggesund Paperboard concentrates its sales on two product segments: packaging board – including tobacco board as an important subsegment – and paperboard for graphics applications. The main customer categories are converters, who make packaging, and wholesalers and printers, who buy paperboard for use in graphics printing.

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

PACKAGING BOARD. The type of virgin-fibre-based board manufactured by Iggesund Paperboard has a variety of uses, including packaging for confectionery, pharmaceuticals, cosmetics and perfume. The trend in private consump-

Lower consumption of fossil fuels

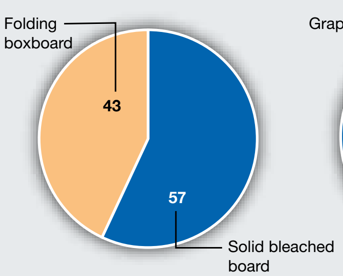
Long-term environmental work has been conducted for decades at Iggesund Mill. The aim is to become self-sufficient in electricity and independent of fossil fuels. The energy supply is based on heat from the mill's own processes, and electricity, of which nearly half is produced at the mill.

In 2009, carbon dioxide emissions from fossil fuels at Iggesund Mill fell by 65 per cent, through energy savings and investments of about SEK 100 million in greater capacity for use of biofuels. The decrease corresponds to emissions from 17 500 cars each driven 15 000 km per year.

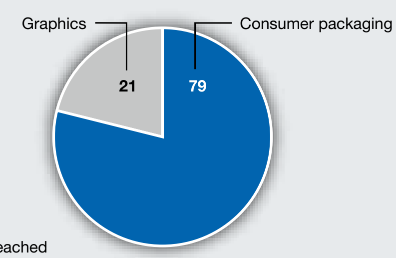
Even before these measures were taken, nearly 90 per cent of the mill's internally generated electricity supply came from biofuel; this proportion is now rising to 95 per cent and means that manufacture of Invercote produces virtually no fossil carbon dioxide emissions.

Iggesund Mill has a surplus of thermal energy that runs the mill's production process, dries sawn timber in Holmen Timber's sawmill and heats more than 1 000 homes nearby.

Products, %

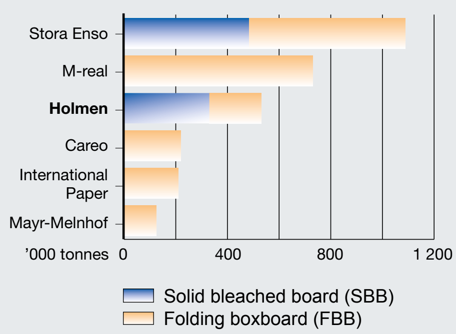


End-products, %

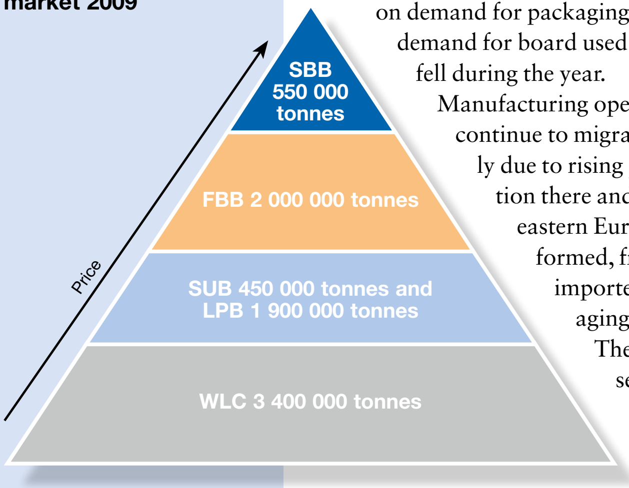


Leading producers 2009

Virgin fibre board, capacity in Europe



European paperboard market 2009



SBB: Solid bleached board
FBB: Folding boxboard
SUB: Solid unbleached board
LPB: Liquid packaging board
WLC: White lined chipboard (recovered/de-inked fibre board)

SBB
Prestigious products
Graphics products
Confectionery
Cigarettes

FBB
Confectionery
Pharmaceuticals
Cigarettes
Frozen goods
Skin care and sanitary articles

SUB, LPB
Beverages
Dairy products
Dried goods

WLC
Dried goods
Household products

tion, which declined in 2009 from a global perspective, is one factor that has a major impact on demand for packaging; as a result, demand for board used for this purpose fell during the year.

Manufacturing operations in Europe continue to migrate eastwards, partly due to rising private consumption there and partly because eastern Europe has been transformed, from being a net importer of quality packaging, to a net exporter.

The largest customer segment for packaging board comprises converters. The demands made on packaging, and thus also on packaging materials, are constantly growing. Convenience, quality requirements and the need for brand-name profiling are giving rise to customised functions in packaging solutions. The appearance of packages in stores is becoming an increasingly important factor that affects the choice of material and design. In the chocolate and confectionery segment, Iggesund Paperboard benefits from the stringent demands for packaging to be neutral in terms of odour and taste.

Tobacco packaging is the largest sub-segment in packaging board. The market for tobacco packaging is stable and is characterised by a small number of large international customers who demand outstanding quality and service. Customers' search for new design solutions and the need to minimise initial costs in product launches have benefitted Iggesund Paperboard as a supplier. Invercote was formerly the main brand supplied to the tobacco industry, but Incada is now also used to package tobacco products. With its two grades of paperboard, teamed with the finishing options created by the company's lamination facilities in Strömsbruk, Iggesund Paperboard offers the market's broadest product portfolio suited to the needs of the tobacco industry. Geographically, the printing and conversion of cigarette packaging are still migrating eastwards.

GRAPHICS BOARD. The graphics market uses paperboard for covers of publications, cards and advertising materials. The large number of end customers in the market for graphics board means that the greater part of volume is sold through a wide network of wholesalers. The latter have been under intense financial pressure for several years, which has led to a gradual increase in consolidation of these players.

High and uniform quality fuels wholesalers' interest in Invercote and Incada. The properties of these paperboards make them very versatile. They are particularly in demand for graphics applications thanks to their good colour reproduction.

The graphics printing market, with its dependence on marketing activity, is the area that has been most adversely affected by the weak global economy.

Development

Productivity at Iggesund Paperboard's facilities has increased. Marketing has intensified and the product mix has gradually been modified to match trends in market demand. Improvements have been achieved through several major rebuilding projects and a series of smaller investments to enhance efficiency, as well as an extensive product development programme.

The new version of Invercote is a result of rebuilding board machine 2 at Iggesund Mill in the autumn of 2007, which was successfully brought on-line in autumn 2008. The new technology platform is the starting point for additional development towards better and more consistent quality. Intensive development is in progress to further refine the printing surface and improve mechanical properties. This aims to increase scope for new and more advanced designs for customers' packaging, using less material, yet maintaining the same protective properties.

Iggesund Paperboard has a tradition of continously developing Invercote and Incada. As of 2008, Invercote is available in a coated version with a biologically degradable surface which is compostable. This makes it suitable for food packaging and beverage cartons, and sales of the paperboard picked up in 2009.

In recent years, product support with related service has developed into an increasingly important part of Iggesund Paperboard's offering. This is designed to meet customers' demands for shorter lead times and to enable customers to improve their return through the assistance of Iggesund Paperboard's organisation for market-based technical service.

An example of product development: the new Invercote

Market
Iggesund Paperboard's sales team and market technicians identify what the market demands from paperboard. This information often has a bearing on product properties and the customer's production economics and is conveyed to the mills by teams of market representatives and product managers.

Strategic goals
Iggesund Paperboard aims to offer performance products which justify a higher market price than bulk goods. This is why Iggesund Paperboard must be at the forefront of the technical development of paperboard.

PRODUCT COUNCIL

Iggesund Paperboard's product council identifies potential for product development based on strategic goals, market requirements and technical possibilities.

To create opportunities for further development of Invercote, Iggesund Paperboard saw a need to catapult production technology 20 years into the future. This innovation was considered possible by creating a type of paperboard made of three layers instead of the existing five – without lowering performance. It was also important that the new product's properties were at least as good as those of the older established grade of Invercote board.

PRELIMINARY STUDY

A preliminary study is initiated to identify technical possibilities and limitations as well as required investments. The study includes quantification of market trends and estimated shifts in demand. Estimates are prepared to calculate the costs of the projects.

The core of the study was to be able to recreate all of Invercote's properties, despite the fundamental structural change, while leaving scope for future development. Customers' requests were key factors in the study. The development work took place at the Paperboard Development Centre in Iggesund. The experience and know-how built up over a long time enabled us to examine the results of various pulp mixtures and recipes for coatings and pigments.

DECISIONS

Profitability analyses and technical prerequisites form the basis of decisions.

The preliminary study led to a project plan, which included rebuilding work on one of the two board machines at Iggesund Mill. Holmen decided to invest SEK 400 million in the rebuilding of board machine 2.

PROJECT AND PILOT TEST

After completion of the rebuilding project, work starts on developing the new product and pilot tests are carried out. Test printing on key customers' equipment and evaluation with these customers are important steps prior to product launch.

Firstly, the old Invercote was recreated, but with a new structure. In parallel a new version of Invercote was developed with modified properties and new whiteness. Some of the tests were performed on Iggesund's own pilot coating equipment. To verify the quality of the properties, the new Invercote was tested extensively among customers and end users.

LAUNCH

After completing test printing and obtaining feedback from key customers, the product is ready for its market launch.

The new Invercote is not simply as good as the previous generation of the product. The new version is whiter, more uniform in structure and has better colour reproduction properties. In conjunction with the launch, new customer materials and a new website for paperboard users were introduced. The company also organised major customer events, attracting participants from all over the world, to provide information about the new product.

FINAL PRODUCT

Holmen Timber

Holmen Timber produces pine sawn timber at Iggesund Sawmill. The new Braviken Sawmill for spruce construction timber is being built, and production is scheduled to start at the turn of 2010/2011.

Operations in 2009

The market for sawn timber was weak in the early part of 2009 but gradually grew stronger due to short supply. The prices of sawn timber rose as of spring 2009, following the sharp drop from peak prices in mid-2007.

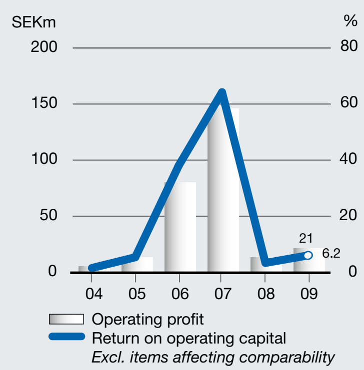
Holmen Timber's deliveries rose by 18 per cent, to 313 000 cubic metres, as a result of higher production at the sawmill in Iggesund.

Building of Holmen Timber's new sawmill at Braviken Paper Mill near Norrköping started in August. The majority of the equipment and construction contract have been procured, and ground work has started.

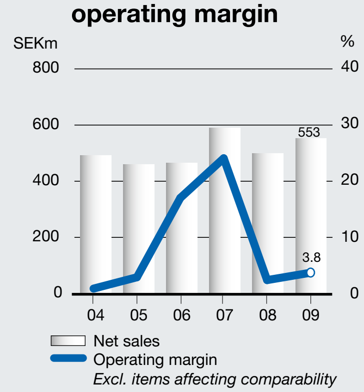
Facts

Facts	2009	2008
Net sales, SEKm	**553**	499
Operating profit, SEKm	**21**	13
Investments, SEKm	**110**	19
Operating capital, SEKm	**396**	366
Average number of employees	**114**	110
Share of sales in Europe, %	**57**	59
Deliveries, '000 m^3	**313**	266

Operating profit



Net sales and operating margin



Recruitment of personnel began during the year; the total number of employees is estimated at about 110.

Operating profit amounted to SEK 21 million (13). Higher deliveries and lower raw materials costs had a positive impact, although the average price level was lower.

Market

The consumption of sawn timber in Europe in 2009 amounted to just over 80 million cubic metres, a decline from the preceding year. Supply was down more than demand, as a result of high prices for and a shortage of raw materials, sawmills' difficulties in finding customers for wood chips, and capacity cuts. As a result, export prices – which fell in 2008 and early 2009 – rose during the second half of 2009.

The Swedish sawmill industry was not hit as hard by the recession as its counterparts were in other parts of Europe, such as Finland and the Baltic countries. Although global consumption decreased, export volumes from Sweden rose in 2009, as a result of a better competitive position thanks to the weaker Swedish krona and the good supply of wood raw materials.

At present the European market is characterised by low consumption and low stocks at producers, importers and end customers. In the longer term, consumption growth is expected to continue as the economy recovers.

Holmen Timber's share of the sawn timber market in Europe is less than one per cent, and the market is fragmented with numerous small operators. Iggesund Sawmill saws pine, and its customers are primarily in the joinery industry, including manufacturers of window frames, solid wooden floors and edge-glued panels, as well as planing mills. The main markets are Scandinavia, the UK, North Africa and the Middle East. North Africa and the Middle East were formerly supplementary markets but have grown to be significant. Sales to these markets take place via the sales company Uni4 Marketing, which is partly owned by Holmen Timber.

Development

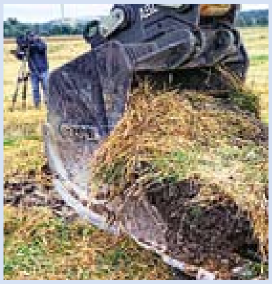
BRAVIKEN SAWMILL. The plan is that the new sawmill, which will be the largest in Scandinavia, will have capacity to produce 550 000 cubic metres of spruce construction timber a year. By investing in greater drying capacity, production can be increased to 750 000 cubic metres in future. Production is scheduled to start at the turn of 2010/2011, and the customer base will consist of builders' suppliers, planing mills and manufacturers of buildings and roof trusses. Construction using wood on a large scale is increasing in Europe and worldwide. The main markets for products from Braviken Sawmill will be Scandinavia and the UK, although products will also be sold elsewhere in Europe and in the USA.

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

IGGESUND SAWMILL. Since 2002, production at Iggesund Sawmill has risen by more than 50 per cent, to 291 000 cubic metres in 2009. This growth is thanks to optimal utilisation of drying capacity and various investments, mainly in a new grading unit and a new log infeed.

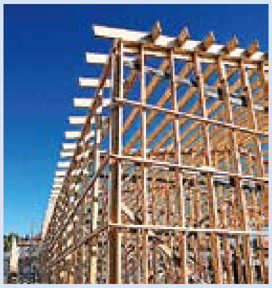
VALUE-ADDED PRODUCTS. Holmen Timber is working on technical sales and product renewal to increase sales of value-added products. These products are classed as industrial wood and account for around a third of total volume. The product area for finger joint window components continued to advance during the year. The new production facilities at Braviken will make Holmen Timber a one-stop supplier of construction and joinery timber, reinforcing the business area and providing synergies in logistics and sales.

Breaking the ground for Braviken Sawmill



Capacity target: 750 000 cubic metres.
Product: Construction timber.
Raw material required: 1.5 million cubic metres of spruce saw timber.
Main market: Europe.
Employees: About 110 people.
Area: 40 hectares.
Start of production: Year-end 2010/2011.

More construction using wood



In recent years, two thirds of Sweden's 290 municipalities have started major construction projects using wood for everything from blocks of flats and public buildings, such as sports halls, to entire town districts. Nearly 120 wooden bridges are built each year, mainly for pedestrians and cyclists but also some for motor vehicles. However, the biggest increase is in use of wood for extensions and additions, where extra storeys are built onto residential properties. Modern wood construction is climate smart and competes with conventional techniques with its rational methods, short delivery times and better energy and climate solutions.

Holmen Skog

Holmen Skog manages the Group's forests, which cover more than one million hectares of productive forestland in Sweden. The wood volume amounts to 119 million forest cubic metres, making Holmen Sweden's fourth largest forest owner.

Operations in 2009

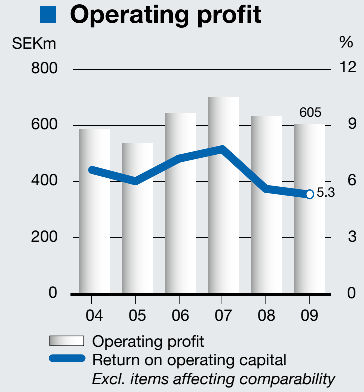
The Swedish forest industry's demand for wood fell dramatically at the end of 2008, and the ongoing very low demand defined the first quarter of 2009. Later in the spring, the situation improved for the sawmills with a renewed increase in the need for saw timber. This led to a timber shortage during the autumn, because the supply of wood did not rise at the same rate.

The situation for pulp and paper manufacturers gradually improved during the second half of 2009, and demand for pulpwood returned to normal levels. Stocks were relatively low at year-end.

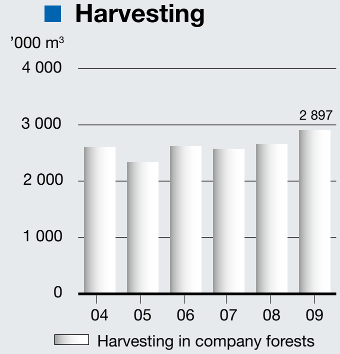
Facts

Facts	2009	2008
Operating profit, SEKm	**605**	632
Investments, SEKm	**69**	21
Operating capital, SEKm	**11 384**	11 415
Average number of employees	**446**	413
Harvesting in company forests, million m^3	**2.9**	2.6
Productive forestland, '000 hectares	**1 032**	1 033
Wood volume, million m^3	**119**	118

Operating profit



Harvesting



The access to forest fuel – mainly branches, treetops and bark – generally remained good throughout Sweden. Buyers were well supplied in the second half of the year.

The prices of pulpwood and timber fell at the start of the year. Pulpwood prices then remained virtually unchanged, while timber prices rose during the second half of the year as a result of strong demand.

The prices of imported wood have varied over time in the same way as prices in Sweden. Exports of roundwood from Sweden were marginal.

Holmen Skog's operating profit reached SEK 605 million (632). The deterioration was due to lower wood prices.

Market

The Swedish forest industry consumes about 75 million cubic metres (m^3sub – solid volume under bark) of wood per year. Most of the wood comes from forests in Sweden. Of the wood harvested in Sweden, saw timber accounts for about 50 per cent, pulpwood about 40 per cent and forest fuels roughly 10 per cent.

Competition for Swedish wood as a raw material is increasing, partly because of rising demand for biofuels used at thermal power stations.

Wood supply

The Holmen Group's Swedish facilities consumed 4.1 million cubic metres of wood in 2009 (4.4 million in 2008).

Holmen Skog obtained 9.9 million (10.4) cubic metres of wood, of which 5.6 million (5.7) was sold to external customers.

The Group harvested 2.9 million cubic metres (2.6) in its own forests.

Most of Holmen's forests are located in northern Sweden where the Group does not have any industrial sites. Formerly, wood from these forests was largely sold to local buyers. Through logistical and swap arrangements, Holmen is using more of this wood than previously in its own facilities, making it possible to reduce the proportion of expensive imported wood.

Braviken Sawmill, currently under construction, will use around 1.5 million cubic metres of spruce saw timber once it has reached full capacity. In preparation for this, Holmen Skog has widened the area from which it obtains wood for the Norrköping region and reinforced its organisation.

Development

INCREASED HARVESTING OPTIONS. A significant proportion of the growth in Holmen's forests takes place in young forests that are not ready for harvesting, so Holmen only harvests slightly more than 80 per cent of annual growth. As these young forests age, the extraction of wood can be increased to the same level as growth.

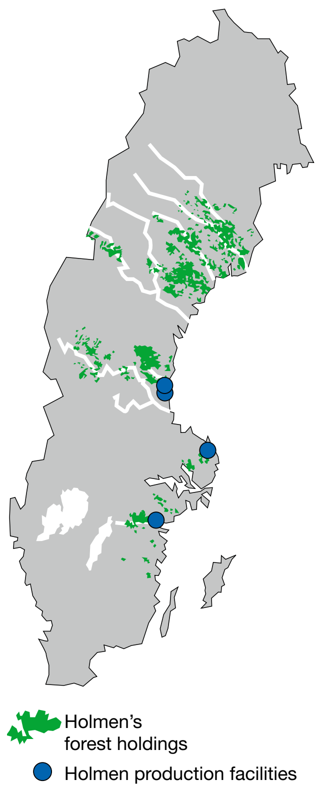
The effects of the new silviculture programme, first introduced in 2006, are also notable. It is estimated that the programme has the potential to raise the growth rate in the Group's forests by about 25 per cent in 30 years' time. This also means that Holmen will be able to increase harvesting by the same amount in future.

The most important measures in the programme are greater use of lodgepole pine, forestland fertilisation, better seedlings and use of spruce and pine seeds from seed orchards where seed has been selected from trees with exceptionally good properties.

NATURE CONSERVATION METHODS. Holmen is working with researchers at the Swedish University of Agricultural Sciences to develop methods of nature conservation in forests. Various ways of helping to increase the biological values of forestland are being tested as part of this collaboration.

GREATER TRANSPORT EFFICIENCY. Holmen expects to be able to reduce its energy consumption in harvesting and transport of wood by approximately 15 per cent in the next few years. This is to be achieved through various measures, including investment in harwarders – a combined machine that uses less fuel than traditional forwarders and harvesters. To reduce the number of transports, a project is being run in which trucks are being modified to accommodate an extra stack of timber on the trailer.

MORE FOREST FUEL. Holmen Skog is helping to develop technology for harvesting forest fuel in response to the growing demand for this fuel. Holmen has also reinforced its own organisation for extraction of and obtaining energy assortment.



Holmen Energi

Holmen Energi is responsible for the Group's energy assets and energy supply. Normal yearly hydro power production amounts to about 1 100 GWh of electricity and contributes to Holmen being one-third self-sufficient in electricity.

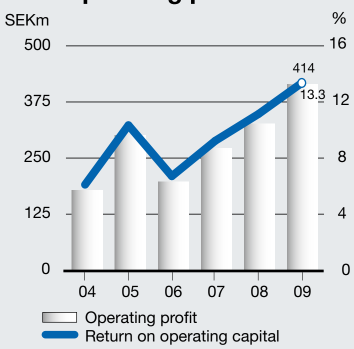
Operations in 2009

Holmen Energi's hydro power production amounted to 1 090 GWh (1 128) during the year, which was 2 per cent lower than during a normal year. Operating profit amounted to SEK 414 million (327), and the improvement mainly stemmed from higher prices. During the year, construction of the new hydro power station on the Iggesundsån river was completed. The new power station replaces three old ones and has been in operation since November 2009.

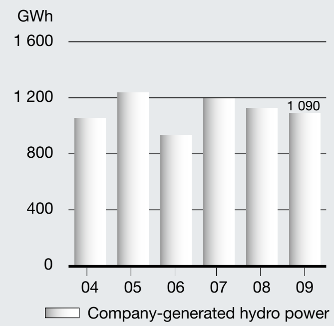
Facts

	2009	2008
Operating profit, SEKm	**414**	327
Investments, SEKm	**88**	76
Operating capital, SEKm	**3 207**	3 006
Average number of employees	**10**	10
Company-generated hydro power, GWh	**1 090**	1 128

Operating profit



Production



Market

A total of 134 TWh of electricity was generated in Sweden during the year, 66 TWh of which came from hydro power. The hydrological balance, that is, the quantity of water stored in the Nordic countryside, was somewhat lower at year-end 2009 than at year-end 2008. The spot price fluctuated during the year, from SEK 350/MWh in May, to SEK 500/MWh in December. The average spot price in Sweden for 2009 was SEK 393/MWh.

Energy supply

Holmen Energi is in charge of supplying Holmen's Swedish mills with electricity. The Group's total consumption amounted to 4 680 GWh in 2009 (5 156) – mostly used by its Swedish paper mills. Holmen's own production, at its 21 wholly and partly owned hydro power stations and back pressure power production at the company's large mills, corresponds to more than 30 per cent of the Group's electricity consumption in Sweden; the remainder is purchased.

The Group's exposure to fluctuations in electricity prices is limited through long-term, fixed-price supply agreements, complemented with financial price hedges (see page 64). The company's own electricity production is priced at market prices and reduces the Group's need to buy electricity externally.

Development

NEW SOURCES OF ENERGY. Holmen Energi also has responsibility for energy development in a broader sense. As part of this mandate, in 2009 Holmen set up a unit for competence and development in biorefining and biofuels for vehicles and other applications: the Holmen Biorefinery Development Centre. It has three employees and is located in Iggesund.

Wind power and peat harvesting are other key development areas, as is investigation of possible pellets production. The aim is to produce 1 TWh of electricity from wind power in future. Unlike existing wind power stations, which are often located in coastal or mountainous areas, the sites that Holmen Energi is exploring are situated in forested areas on Holmen's own land. Forestry operations within wind farms will continue more or less as normal.

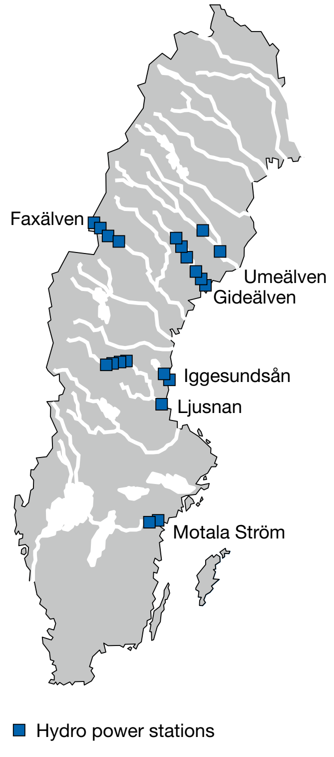
In 2009, wind power studies were conducted on Holmen's land in the area around Örnsköldsvik and near the mill in Hallstavik. The measuring activities are expected to be completed in the spring of 2010. With the help of a partner, preliminary wind power studies were conducted on Holmen's land in the province of Östergötland.

ENERGY COOPERATION. In association with a number of electricity-intensive companies, Holmen runs a company called BasEl i Sverige AB, whose purpose is to improve basic industries' access to electricity at competitive prices. In 2006 some of these companies, including Holmen, set up VindIn AB, a company that aims to develop, construct and operate wind power stations in Scandinavia. VindIn's goal is to generate 1 TWh of electricity from wind power stations each year. The first wind farm is located at Skutskär and has been in use since October 2009. Further investments via VindIn are being investigated.

In collaboration with four other BasEl companies, Holmen has founded a company called Industrikraft i Sverige AB to enable construction of its own nuclear power facilities. To this end, a letter of intent was signed with the power utility Vattenfall during the autumn to proceed with projects to secure future baseload power that does not use fossil fuels.

PEAT HARVESTING. During the autumn, the first deliveries of peat were made from Holmen's site at Stormyran, north of Örnsköldsvik. Peat consists of plant material that, owing to a lack of oxygen, has only partly decomposed into moss and marsh. The incomplete breakdown means that much of the energy content of the biological material is retained, enabling peat to be used as fuel. Peat harvesting provides a way of utilising several of the value-creating resources that the Group has at its disposal. Stormyran's annual future production is estimated at 70 GWh.

ENERGY SAVINGS. Responsibility for improving energy efficiency is decentralised to the mills but coordinated centrally. The new thermomechanical pulp (TMP) line at Braviken, launched at the end of 2008, has already led to significant energy savings. At Iggesund Mill, investments have considerably reduced oil consumption, and bioenergy now accounts for 95 per cent of the mill's internally generated electricity supply.



Production and raw materials

Holmen manufactures its printing paper, paperboard and sawn timber products in Sweden, the UK and Spain. The Group's forest holdings and wholly and partly owned hydro power stations are located in Sweden. The figures shown here relate to 2009.

Self-sufficiency – energy and fibre

About 60 per cent of the wood required annually by the Group is harvested in the company's forests.

The Group's self-sufficiency in electricity is just over 30 per cent, including the power generated at the major mills. More than 70 per cent of the thermal energy used in applications such as the drying processes when making paper and paperboard as well as sawn wood is based on residual products from the company's production processes. At Hallsta Paper Mill, virgin fibre is the only raw material used in production, while Braviken Mill uses both virgin fibre and recovered paper. Production at Holmen Paper Madrid is based solely on recovered paper.

The paperboard mills only use virgin fibre.

Hallsta Paper Mill

Holmen Paper
Raw material: Sprucewood.
Process: TMP and groundwood pulp.
Products: Newsprint, MF Magazine, SC paper and book paper.
Production capacity: 680 000 tonnes/year.
Average No. of employees: 783.

Braviken Paper Mill

Holmen Paper
Raw material: Sprucewood, recovered paper.
Process: TMP and DIP.
Products: Newsprint, coloured newsprint, directory paper and MF Magazine.
Production capacity: 790 000 tonnes/year.
Average No. of employees: 652.

Holmen Paper Madrid

Holmen Paper
Raw material: Recovered paper.
Process: DIP.
Products: Newsprint, MF Magazine and LWC Recycled.
Production capacity: 470 000 tonnes/year.
Average No. of employees: 38.

Internal supply of raw materials	Group	Holmen Skog	Holmen Energi
Harvesting in company forests			
Timber, ’000 m³ sub	1 406	1 406	-
Pulpwood, ’000 m³ sub	1 491	1 491	-
Hydro power production, GWh	1 090	-	1 090

Production, ’000 tonnes	Group	Hallsta	Braviken	Madrid	Wargön	Iggesund Mill	Workington	Iggesund Sawmill
Newsprint, standard	823	62	479	282	-	-	-	-
MF Special	679	433	229	17	-	-	-	-
SC paper	137	137	-	-	-	-	-	-
Coated printing paper	75	-	-	75	-	-	-	-
Paperboard	471	-	-	-	-	254	217	-
Market pulp	48	-	-	-	-	48	-	-
Sawn timber, ’000 m³	291	-	-	-	-	-	-	291
Consumption of important input goods*								
Wood, ’000 m³ sub	4 480	1 265	1 024	-	-	1 378	400	656
Recycled fibre, ’000 tonnes	813	-	340	473	-	-	-	-
Market pulp, ’000 tonnes	128	41	2	-	-	-	85	-
Chemicals, fillers and pigment, ’000 tonnes	320	92	57	50	-	72	49	0
Electric energy, GWh	4 296	1 849	1 589	246	11	256	326	19
Thermal energy, GWh	884	-	-	360	13	-	511	-

* Purchased from outside the production unit. Energy calculated in Madrid’s case takes account of 50 per cent interest in the Cogeneración unit for the production of electricity and thermal energy. The Group’s consumption of wood is computed net, taking account of internal deliveries of chips from Iggesund Sawmill to Iggesund Mill.

Energy balance, GWh	
Electric energy	
Consumption at mills	-4 680
Production at mills*	384
Company-generated hydro power	1 090
Net	-3 206
Thermal energy	
Consumption at mills	-5 634
Production at mills from	
recovered liquors, bark and wood residues	2 916
purchased fossil fuels*	1 097
recovered in the TMP process	1 093
External deliveries	115
Net	-413

* Incl. Holmen’s 50 per cent interest in Cogeneración, Spain

Fibre balance	
Wood, ’000 m³ sub	
Consumption in Sweden	-4 080
Consumption in the UK	-400
Harvesting in company forests	2 897
Net	-1 583
Recovered paper, ’000 tonnes	
Consumption in Sweden	-340
Consumption in Spain	-473
Pulp, ’000 tonnes	
Consumption at mills	-2 134
Production at mills	2 006
External deliveries	48
Net	-80

Sensitivity analysis of raw materials

Wood, recovered paper, energy and chemicals account for Holmen’s principal production costs.

Cost trends are mainly determined by trends in the prices of input goods and how well the Group increases production efficiency.

A one percentage point change in raw materials costs is estimated to have the following impact on consolidated operating profit:

Raw material costs	Impact on the result (SEKm)
Wood, net	9
Recovered paper	8
Pulp	1
Electric energy, net	11
Other energy	4
Chemicals	14

A one percentage point reduction in the cost of wood would thus raise operating profit by roughly SEK 9 million, after taking account of the company’s own wood production.

This estimate does not consider existing electricity price hedges.

For a more detailed sensitivity analysis, see the administration report on page 47.

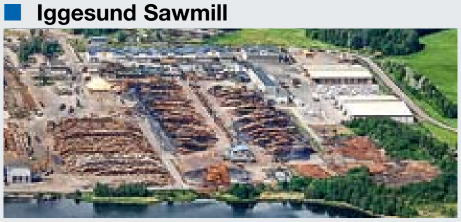
Iggesund Mill

Iggesund Paperboard
Raw material: 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: 935.

Workington Mill

Iggesund Paperboard
Raw material: Sprucewood and purchased sulphate pulp.
Process: RMP.
Product: Folding boxboard.
Production capacity: 200 000 tonnes/year.
Average No. of employees: 483.

Iggesund Sawmill



Holmen Timber
Raw material: Pine saw logs.
Process: Sawmilling.
Products: Redwood sawn timber.
Production capacity: 340 000 m³/year.
Average No. of employees: 99.

The share and shareholders

Holmen was listed on the Stockholm Stock Exchange in 1936, but was called Mo och Domsjö AB at that time. The class A and B shares are listed on Nasdaq OMX Nordic, Large Cap, Stockholm.

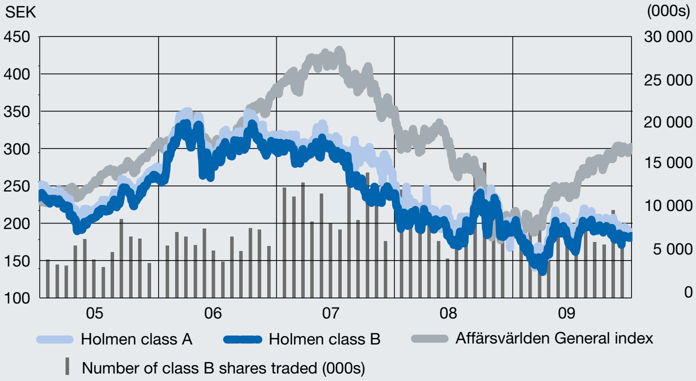
Stock exchange trading

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 10.5 (5 per cent), to SEK 183. During the same period the Stockholm stock exchange rose by 50 per cent. Holmen's market capitalisation of SEK 15 billion (16) represents some 0.4 per cent of the Stockholm stock exchange's total value. Holmen's class B shares reached their highest closing price for the year, SEK 205.5, on 28 August and the lowest closing price, SEK 135, was recorded on 1 April. The daily average number of class B shares traded was 361 000, which corresponds to a value of SEK 65 million. The daily average number of class A shares traded was 400. Some 90 per cent of the trade took place on Nasdaq OMX Nordic. For the past year or two, the Holmen share has also been traded on other trading platforms besides the Nasdaq OMX Nordic exchange, such as BATS, Burgundy, Chi-X and Turquoise.

Return

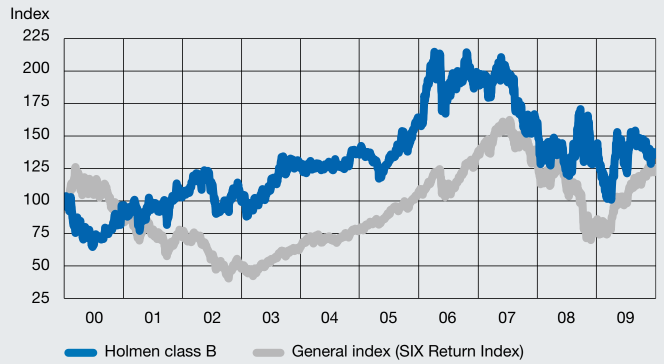
During the past decade, the Holmen share has yielded a total return, including reinvested dividends, of around 3 per cent per year. During that same period, the Affärsvärlden General Index returned 2 per cent per year.

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: Reuters EcoWin and Nasdaq OMX Nordic

Earnings per share (EPS)

Diluted earnings per share equalled SEK 12.0 (7.6). Holmen's diluted earnings per share averaged SEK 13.9 over the past five years.

Dividend

The Board proposes that the AGM, to be held on 24 March 2010, resolves to lower the dividend to SEK 7 (9) per share. The proposed dividend corresponds to 4 per cent of equity. The proposal to reduce the dividend is due to the lower profitability in the industry, chiefly for paper products. The Group is also implementing investments, such as building a new sawmill. Decisions on dividends are based on an appraisal of the Group's profitability, future investment plans and financial position.

- The final date for trading in Holmen shares including right to dividend: 24 March 2010
- Record date for dividend: 29 March 2010
- Payment date for dividend: 1 April 2010

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. Each class A share carries ten votes, and each B share one vote. In other respects, the shares carry the same rights.

Share structure Share	Votes	No. of shares	No. of votes	Quota value	SEKm
A	10	22 623 234	226 232 340	50	1 131.2
B	1	62 132 928	62 132 928	50	3 106.6
Total number of shares		84 756 162	288 365 268		4 237.8
Holding of own B shares bought back		-760 000	-760 000		
Total number of shares outstanding		**83 996 162**	**287 605 268**		
Issued call options B shares		**758 300**			

Changes in share capital 2000–2009	Change in no. of shares	Total no. of shares	Change in share capital, SEKm	Total share capital, SEKm
2001 Withdrawal of shares bought back	-8 885 827	79 972 451	-444.3	3 998.6
2004 Conversion and subscription	4 783 711	84 756 162	239.2	4 237.8

Shareholder structure at 31 December 2009	% of capital	% of votes
L E Lundbergföretagen	28.0	52.0
Kempe Foundations	7.0	16.9
Handelsbanken incl. pension fund	3.1	9.1
Silchester International Investors	10.9	3.2
Alecta	3.2	0.9
Swedbank Robur funds	1.7	0.5
Second Swedish National Pension fund	1.2	0.4
SHB funds	1.1	0.3
Lannebo funds	1.1	0.3
SEB funds	1.1	0.3
Other	41.6	16.1
Total*	**100.0**	**100.0**
* of which non-Swedish shareholders	26.8	8.0

The ten identified shareholders with the largest holdings 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".

Ownership structure

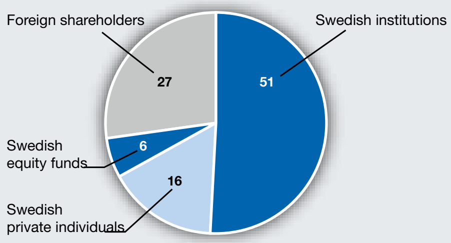
Holmen had a total of 30 425 shareholders at year-end 2009. In absolute numbers, Swedish private individuals made up the largest category of owners: 27 497 shareholders. This corresponds to 90 per cent of the total number of

Ownership structure

No. of shares	No. of shareholders	Percentage of shares
1 – 1 000	27 988	7
1 001 –100 000	2 356	18
100 001 –	81	75
Total	**30 425**	**100**

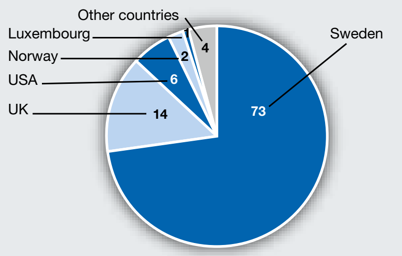
Shareholder categories

Percentage of capital



Shareholders per country

Percentage of capital



About 350 shareholders, representing 87 per cent of the votes, attended Holmen's 2009 AGM.

shareholders. L E Lundbergföretagen AB is the largest shareholder, with 52 per cent of the votes. Shareholders registered in Sweden own 73 per cent (72) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the UK and the USA, accounting for 14 per cent and 6 per cent of the capital, respectively.

Share buy-back

The 2009 Annual General Meeting renewed the Board's mandate to acquire up to 10 per cent of the company's shares. Shares were bought back in 2008 to secure the company's commitments under the terms of the incentive scheme (see below). In total, 760 000 of the company's class B shares were repurchased, corresponding to some 0.9 per cent of the total number of shares on issue and to some 0.3 per cent of the total number of votes. The Board proposes that the 2010 AGM also authorises the Board to buy back and transfer up to 10 per cent of all shares in the company.

Incentive scheme

In 2008, the Group's employees were invited to acquire call options on class B shares in Holmen at market price. As a result, 1 492 of the Group's approximately 4 800 employees bought a total of 758 300 call options at a price of SEK 20 per option; their exercise price is SEK 224.50 per share. Each option entitles the holder to purchase one share during the exercise period in May/June 2013. Holmen has secured its commitments in the scheme by buying back shares.

Analysts

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

Data per share	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Diluted earnings per share, SEK [1]	12.0	7.6	17.8	17.2	14.8	15.1	17.5	23.6	26.4	44.7
Dividend, ordinary, SEK	7 [5]	9	12	12	11	10	10	11	10	9
Dividend, extra, SEK	-	-	-	-	-	-	30	-	-	60
Ordinary dividend as % of:										
Equity	4	5	6	6	6	6	5	6	6	4
Closing listed price	4	5	5	4	4	4	4	5	4	3
Profit for the year	58	118	67	70	74	66	55	45	37	20
Return, equity, % [1]	6	4	9	9	8	8	10	14	16	24
Return, capital employed, % [6]	7	6	10	10	9	10	12	16	18	15
Equity per share, SEK	196	186	200	196	189	184	192	188	176	213
Closing listed price, B, SEK	183	193.5	240	298	262.5	230	255.5	211.5	238.5	280
Average listed price, B, SEK	180	203	277	302	227	228	230	231	226	241
Highest listed price, B, SEK	205.5	242	316	335.5	266	264	271	266.5	297.5	320
Lowest listed price, B, SEK	135	169.5	228	255	190	210	187.5	192	171	191.5
Total closing market capitalisation, SEK '000 million	15.4	16.2	20.6	25.3	22.6	19.5	20.4	16.9	19	22.7
P/E-ratio [2]	15	25	13	17	18	15	14	9	9	6
EV/EBIT [3][6]	13	17	12	14	15	12	10	8	7	10
Closing beta value (48 months), B [4]	0.7	0.5	0.9	1.0	0.7	0.6	0.7	0.6	0.7	0.8
Number of shareholders at year-end	30 425	29 745	30 499	32 189	33 320	36 899	30 902	28 544	27 279	26 355

1) See page 88: Definitions and glossary. 2) Closing listed price divided by earnings per share. 3) Closing market capitalisation plus financial net debt (EV) divided by operating profit (EBIT). 4) Measures the sensitivity of the yield on the B share in relation to the yield on the Affärsvärlden General Index over a period of 48 months. 5) Proposal of the Board. 6) Excl. items affecting comparability and divested activities.

Corporate governance report

Holmen AB is a Swedish public limited company, listed on the Stockholm Stock Exchange (Nasdaq OMX Nordic) since 1936. The stock exchange incorporated the Swedish Code of Corporate Governance (the Code) into its rules for listed companies in 2005. This corporate governance report complies with the rules of the Code and the directions for its application. The corporate governance report has not been examined by the company's auditor.

Swedish Code of Corporate Governance

The Code's rules from 2005 were revised in 2008 and cover general meetings of shareholders, appointment of the Board and auditors, other aspects of the Board, company management and information on corporate governance.

The Code 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.

Laws and articles of association

First, Holmen AB is obliged to comply with the Swedish Companies Act, the rules accompanying its listing on Nasdaq OMX Nordic, Stockholm, and good stock market practice. The Code is an integral part of the stock exchange's regulations. Holmen shall also comply with the company's articles of association.

Shareholders

At year-end, Holmen AB had 30 425 shareholders. See pages 28–30 for information on the share, ownership structure and other details.

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 basic content of other proposals. Shareholders or proxies are entitled to vote for the full number of shares owned or represented and can notify the company of their intention to attend the AGM via the company's website and other means.

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

Proposals for submission to the meeting should be addressed to the Board and submitted in good time before the notice is distributed. Information about the rights of shareholders to have matters discussed at the meeting is provided on the website.

The 2009 AGM was held in Swedish, and the material presented was in Swedish. The notice

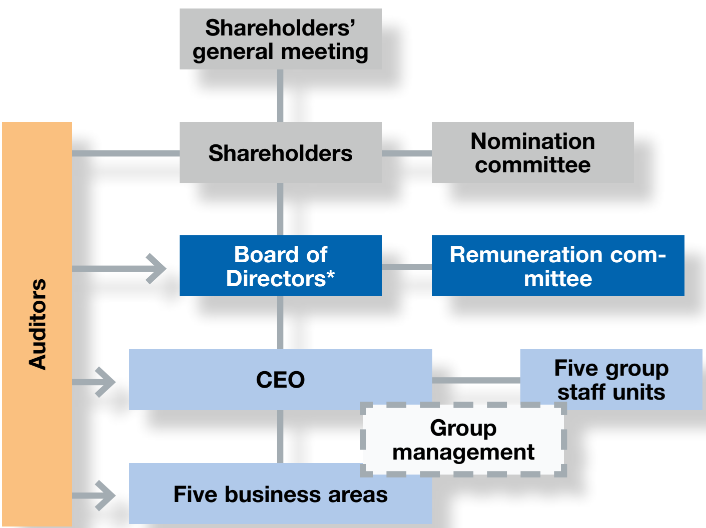
Composition of the nomination committee

Name	Representing	Before AGM: 2009	Before AGM: 2010	Independent of the: company	Independent of the: major shareholders
Per Welin	L E Lundbergföretagen*	x (Chairman)		Yes	No
Mats Guldbrand	L E Lundbergföretagen*		x (Chairman)	Yes	No
Alice Kempe	Kempe Foundations*	x	x	Yes	Yes
Fredrik Lundberg	L E Lundbergföretagen* (Board Chaiman)	x	x	No	No
Håkan Sandberg	Handelsbanken incl. pension fund*	x	x	Yes	Yes

* At 31 August 2009, L E Lundbergföretagen controlled 52.0 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Handelsbanken including the pension fund controlled 9.1 per cent.

convening the meeting, the agenda, the CEO's speech and the minutes are available on the website. The entire Board, the Group management and the company's auditor were present. At the meeting, shareholders had the opportunity to ask and receive answers to questions on issues such as Holmen's environmental work, the proposed dividend, the plans to take part in possible future nuclear power expansion, market trends in 2009, Holmen Paper's efficiency improvement programme and the new Braviken Sawmill. Ossian Ekdahl from Första AP-fonden and Åsa Nisell from Swedbank Robur Fonder 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. No such possibility is planned for the 2010 meeting either.

It was announced on 11 May 2009 that the 2010 AGM would take place in Stockholm on 24 March 2010.



* The audit committee comprises all Board members except for members employed in the company.

Nomination committee

The AGM decided to set up a nomination committee to consist of the chairman of the Board and one representative from each of the three shareholders in the company that control the most votes at 31 August each year. Prior to the 2009 AGM, the nomination committee consisted of Per Welin (L E Lundbergföretagen), Alice Kempe (Kempe Foundations), Håkan Sandberg (Handelsbanken incl. pension fund) and Fredrik Lundberg (Board chairman). Membership of the committee prior to the 2010 AGM is unchanged, except Mats Guldbrand has replaced Per Welin as the representative of L E Lundbergföretagen. Mats Guldbrand is chairman of the nomination committee in the run-up to the 2010 AGM. The majority of the committee members are independent of the company and its management. Two are independent of the shareholder controlling the most votes, namely L E Lundbergföretagen. One member is a Board member.

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.

For the 2010 AGM, the nomination committee proposes the re-election of Fredrik Lundberg (also proposed for re-election as Board chairman), Carl Bennet, Magnus Hall, Carl Kempe, Curt Källströmer, Hans Larsson, Ulf Lundahl and Göran Lundin. Lilian Fossum has declined re-election. The nomination committee also proposes to the AGM that Louise Lindh be elected to the Board as a new member.

The proposed Board fee is SEK 2 475 000, including SEK 550 000 for the chairman and SEK 275 000 for each of the other members. These are the same fees as in the preceding year. 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. There is no rule regarding the maximum period a Board member may serve.

The 2009 AGM re-elected Fredrik Lundberg, Lilian Fossum, Magnus Hall, Carl Kempe, Curt Källströmer, Hans Larsson, Ulf Lundahl and Göran Lundin to the Board. Carl Bennet was elected to the Board to replace Bengt

Pettersson, who declined re-election. Fredrik Lundberg was elected chairman. At the statutory first meeting of the new Board in 2009, 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.

As defined by the Code, seven AGM-elected members are deemed independent of the company. Of these, five are also deemed independent of the company's major shareholders and satisfy all the criteria for experience. 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 executive position in the company.

Information about the members of the Board is provided on pages 36–37.

The Board's activities

The Board held nine meetings in 2009, four in connection with the company's publication of its quarterly reports. At one of these meetings the Board visited Iggesund Mill and Iggesund Sawmill. A two-day meeting was devoted to strategic business planning, and one meeting to the Group's budget for 2010. The other two meetings were held in conjunction with the AGM. During the year the Board 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 final accounts and the company's internal control system. Attendance levels were very high; two members were not able to come to one Board meeting each. The activities of the Board follow a plan that intends 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.

Board members as from the 2009 AGM

Name	Function	Elected	Committees*	Independent of the: company	major shareholders	Attendance at board meetings
Board members						
Fredrik Lundberg	Chairman	1988	Remuneration committee	No	No	9/9
Carl Kempe	Dep. Chairman	1983		Yes	No	9/9
Carl Bennet	Member	2009		Yes	Yes	9/9
Lilian Fossum	Member	2004		Yes	Yes	9/9
Curt Källströmer	Member	2006		Yes	Yes	9/9
Hans Larsson	Member	1990	Remuneration committee	Yes	Yes	8/9
Ulf Lundahl	Member	2004		Yes	No	8/9
Göran Lundin	Member	2001		Yes	Yes	9/9
Magnus Hall	Member, president and CEO	2004		No	Yes	9/9
Total				**7/9**	**6/9**	
Representatives of the employees						
Steewe Björklundh	Member	1998				
Kenneth Johansson	Member	2004				
Karin Norin	Member	1999				
Stig Jacobsson	Dep. member	2004				
Andreas Rastbäck	Dep. member	2008				
Tommy Åsenbrygg	Dep. member	2009				

* The entire Board, except for members employed in the company, form the audit committee.

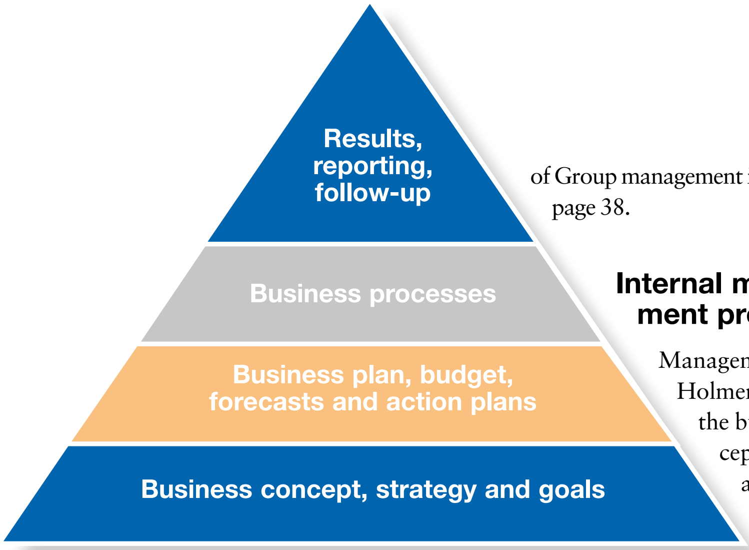
The Board evaluates its activities each year, and the nomination committee has been informed of the content of the 2009 evaluation. This will serve as a basis for planning the Board's work in the next few years.

Group management

The Board has delegated operative responsibility for management of the company and the Group to the CEO. The Board annually decides on instructions covering the distribution of responsibilities 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 units.

Group management met on 11 occasions in 2009, 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 staff units were also discussed and decided on.

Information on the CEO and other members



Internal management processes

of Group management is provided on page 38.

Internal management processes

Management at Holmen is based on the business concept, strategies and goals of the Group and the business areas. The CEO and Group management are accountable to the Board and are responsible for the operational activities, which are decentralised to five business areas. The Group staff units 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. The Group also uses annual budgets, forecasts and action plans for its 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 informal meetings during the year at which it prepared matters pertaining to the remuneration and other employment conditions of the CEO and submitted proposals to the Board. Remuneration and other employment conditions of senior management who report directly to the CEO are decided by the latter in accordance with a pay policy established by the remuneration committee.

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

At the 2009 AGM, the Board chairman gave an account 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. Information on the Board's proposal to the 2010 AGM for guidelines on remuneration to the CEO and other members of senior management is presented in the administration report on page 49.

The 2009 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 then bought a total of 758 300 call options. Holmen's commitments pursuant to this scheme were secured by buying back some of the company's own shares. See the section on the share and shareholders on pages 28–30 for more details. The 2009 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 2009.

Information about remuneration is provided in note 5 on pages 66–67.

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

Holmen's audit committee comprises all Board members except for members employed in the company, that is, the CEO and employee representatives.

The Board's reporting instructions include a requirement 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 2009 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 another 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 2009 is stated in note 6 on page 67. KPMG is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

Internal control

This section contains the Board's annual presentation of how the internal control system is organised insofar as it relates to financial reporting. The presentation is based on the rules in the Code and the guidelines drawn up by working groups in the Confederation of Swedish Enterprise and FAR SRS (the organisation for highly qualified professionals in the accountancy sector in Sweden).

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 it operates. In addition to external rules and recommendations, financial reporting is also covered by internal instructions, directions and systems, as well as internal delegation 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 all major units.

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

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 assessed needs of Holmen's various operations. Holmen's greatest risks regarding financial reporting are linked to the measurement (valuation) of biological assets and property, plant and equipment, as well as being linked to financial transactions.

Holmen has no separate internal auditing function. The Board does not consider that specific circumstances in the business or other conditions exist that justify setting up such a function. In 2008 the company introduced a type of audit procedure whereby experienced accountants and controllers in the Group visit other Group units and examine their internal control procedures. These activities were successful and were therefore also conducted in 2009.

Investor relations

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

Objectives of Holmen's financial reporting

Holmen's external financial reporting shall:

- be correct and complete, and comply with applicable laws, regulations and recommendations
- providea 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 objectives, support correct business decisions at all levels in the Group.

Board of directors

Ulf Lundahl Curt Källströmer Hans Larsson Carl Bennet Carl Kempe Fredrik Lundberg Magnus Hall

Fredrik Lundberg
Chairman. Djursholm. Born in 1951.
Member since 1988. Master of Engineering and Bachelor of Science (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: Cardo AB and Hufvudstaden AB.
Deputy chairman of: Svenska Handelsbanken AB and NCC AB.
Board member: L E Lundbergföretagen AB, AB Industrivärden and Sandvik AB.
Shareholding in Holmen: 734 724 shares.
Shareholding of L E Lundbergföretagen in Holmen: 23 511 000 shares.

Carl Kempe
Deputy Chairman. Örnsköldsvik.
Born in 1939. Member since 1983.
Licentiate in Engineering. DDr. h.c.
Other significant appointments:
Chairman of the Board: Kempe Foundations, MoRe Research AB and UPSC Berzelii Centre for Forest Biotechnology.
Member of the Swedish IIASA committee.
Own and related parties' shareholding in Holmen: 385 125 shares.

Carl Bennet
Gothenburg. Born in 1951. Member since 2009. MBA. D. Eng. h.c. Former President and CEO of Getinge. Chairman of the Board: Getinge, Elanders and Lifco.
Other significant appointments:
Chairman of the Board: University of Gothenburg.
Board member: L E Lundbergföretagen and SSAB.
Shareholding in Holmen: 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. Chairman of Hudiksvalls Sparbank and of Bomäklarna i Hudiksvall AB.
Shareholding in Holmen: 200 call options.

Lilian Fossum
Lidingö. Born in 1962. Member since 2004. MBA. CFO and Executive Vice President Axel Johnson AB.
Other significant appointments:
Board member: Åhléns AB, Axel Johnson International AB, Novax AB, Servera AB, Svensk Bevakningstjänst AB, Oriflame Cosmetics S.A. and Retail and Brands AB.
Shareholding in Holmen: 500 shares.

Magnus Hall
Stockholm. Born in 1959. Member since 2004. MSc (Industrial Engineering). President and CEO.
Other significant appointments: Chairman of the Board of BasEl i Sverige AB and Industrikraft i Sverige AB. Deputy chairman of the Swedish Forest Industries Federation.
Own and related parties' shareholding in Holmen: 12 698 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.
Shareholding in Holmen: 500 call options.
Related parties' shareholding: 500 call options.

Curt Källströmer
Stockholm. Born in 1941. Member since 2006. Banking degree.
Other significant appointments:
Chairman of the Board: Umeå School of Economics.
Board member: Handelsbanken International, Stockholmsmässan AB, SBC AB, Wåhlin Fastigheter AB and AB Skrindan.
Shareholding in Holmen: 600 shares.

Lilian Fossum Göran Lundin Andreas Rastbäck Stig Jacobsson Steewe Björklundh Tommy Åsenbrygg Kenneth Johansson

Hans Larsson
Stockholm. Born in 1942. Member since 1990. Bachelor of Arts.
Other significant appointments:
Chairman of the Board: Svenska Handelsbanken AB, Nobia AB, Attendo AB and Valedo Partners Fund 1 AB.
Shareholding in Holmen: 1 000 shares.

Ulf Lundahl
Lidingö. Born in 1952. Member since 2004. Bachelor of Arts in Legal Science and Bachelor of Science (Econ). Executive VP and Deputy CEO of L E Lundbergföretagen AB.
Other significant appointments:
Board member: Brandkontoret, Indutrade AB, Ramirent OYJ, Cardo AB, Husqvarna AB and SHB Regionbank Stockholm.
Shareholding in Holmen: 4 000 shares.

Göran Lundin
Norrköping. Born in 1940. Member since 2001. Engineer.
Other significant appointments:
Chairman of the Board: Norrköpings Tidningar AB.
Board member: Lorentzen & Wettre AB and Fastighets AB L E Lundberg.
Shareholding in Holmen: 1 000 shares.

Karin Norin
Forsa. Born in 1950. Member since 2009 . Representative of the employees, PTK. Chairman: Unionen Gävleborg, Unionen Holmen-Iggesund and member in Unionen's delegation "Industry 1".
Shareholding in Holmen: 200 call options.
Related parties' shareholding: 200 call options.
Karin Norin was not present for the photograph.

Deputy members

Stig Jacobsson
Iggesund. Born in 1948. Deputy member since 2004. Representative of the employees, LO. Chairman of Paperbranch 15 Iggesund.
Shareholding in Holmen: 500 call options.

Andreas Rastbäck
Örnsköldsvik. Born in 1975. Deputy member since 2008. Representative of the employees, PTK. Chairman of the university graduate association at Holmen Skog.
Shareholding in Holmen: 500 call options.

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

Auditors
KPMG AB.
Principal auditor:

George Pettersson
Authorised public accountant

Group management

Magnus Hall

President and CEO

Magnus Hall

Born in 1959. Joined Holmen in 1985.
Own and related parties' shareholding in Holmen: 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 36.

Group staff units

Anders Almgren

Executive Vice President.
CFO, Group Finance until 15 April 2010.
Born in 1965. Joined Holmen in 1990.
Shareholding in Holmen: 4 600 shares, 4 000 call options.

Ingela Carlsson

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

Lars Ericson

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

Thommy Haglund

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

Sven Wird

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

Business areas

Brynolf Alexandersson

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

Björn Andrén

Head of Holmen Skog until 31 January 2010, when he retired.
Born in 1946. Joined Holmen in 1971.
Shareholding in Holmen: 4 000 call options.

Björn Kvick

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

Håkan Lindh

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

Arne Wallin

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

Sören Petersson will take up the position of head of Holmen Skog on 1 February 2010.

Anders Jernhall will take up the position of head of Group Finance on 15 April 2010.

Anders Almgren

Ingela Carlsson

Lars Ericson

Thommy Haglund

Sven Wird

Brynolf Alexandersson

Björn Andrén

Björn Kvick

Håkan Lindh

Arne Wallin

Quarterly figures

			2009					2008		
SEKm	**Full year**	**IV**	**III**	**II**	**I**	**Full year**	**IV**	**III**	**II**	**I**
Income statement										
Net sales	18 071	4 659	4 387	4 496	4 529	19 334	5 043	4 591	4 826	4 875
Operating costs	-15 175	-3 943	-3 636	-3 806	-3 789	-16 630	-4 437	-3 909	-4 178	-4 107
Depreciation and amortisation according to plan	-1 320	-334	-322	-333	-332	-1 343	-333	-337	-339	-334
Interest in earnings of associates	45	10	13	15	7	50	10	16	12	12
Items affecting comparability *	-	-	-	-	-	-361	-	-298	-63	-
Operating profit	**1 620**	**392**	**442**	**372**	**415**	**1 051**	**284**	**64**	**257**	**446**
Net financial items	-255	-60	-55	-66	-74	-311	-89	-85	-73	-64
Profit/loss before tax	**1 366**	**332**	**386**	**306**	**341**	**740**	**195**	**-22**	**185**	**383**
Tax	-360	-107	-106	-51	-96	-98	76	-2	-61	-111
Profit/loss for the period	**1 006**	**225**	**280**	**256**	**245**	**642**	**271**	**-24**	**124**	**271**
Diluted earnings per share, SEK	12.0	2.7	3.3	3.0	2.9	7.6	3.2	-0.3	1.5	3.2
Net sales										
Holmen Paper	9 303	2 310	2 348	2 361	2 284	10 443	2 854	2 517	2 547	2 525
Iggesund Paperboard	5 023	1 260	1 223	1 274	1 266	4 860	1 194	1 210	1 219	1 237
Holmen Timber	553	155	142	130	127	499	109	116	124	149
Holmen Skog	4 799	1 306	1 048	1 163	1 283	5 443	1 365	1 208	1 433	1 436
Holmen Energi	1 628	465	363	359	442	1 834	501	442	392	499
Elimination of intra-group net sales	-3 236	-837	-737	-791	-872	-3 745	-980	-902	-890	-972
Group	**18 071**	**4 659**	**4 387**	**4 496**	**4 529**	**19 334**	**5 043**	**4 591**	**4 826**	**4 875**
Operating profit/loss										
Holmen Paper	340	-34	107	150	117	280	20	80	100	80
Iggesund Paperboard	419	140	128	77	73	320	16	127	61	116
Holmen Timber	21	19	13	5	-16	13	-7	-1	-2	23
Holmen Skog	605	179	147	144	134	632	179	150	152	151
Holmen Energi	414	138	72	59	144	327	110	33	58	125
Group-wide costs	-191	-50	-43	-51	-47	-149	-30	- 21	-50	-48
Elimination of internal operating profit/loss	13	0	16	-11	9	-10	-4	-6	1	0
Items affecting comparability *	-	-	-	-	-	-361	-	-298	-63	-
Group	**1 620**	**392**	**442**	**372**	**415**	**1 051**	**284**	**64**	**257**	**446**
Operating margin, % **										
Holmen Paper	3.7	-1.5	4.6	6.3	5.1	2.7	0.7	3.2	3.9	3.2
Iggesund Paperboard	8.3	11.1	10.5	6.1	5.8	6.6	1.4	10.5	5.0	9.3
Holmen Timber	3.8	12.2	9.5	3.5	-12.4	2.5	-6.8	-1.1	-1.5	15.3
Group	9.0	8.4	10.1	8.3	9.2	7.3	5.6	7.9	6.6	9.2
Return on operating capital, % **										
Holmen Paper	3.5	-1.5	4.5	6.0	4.6	2.8	0.8	3.2	4.0	3.2
Iggesund Paperboard	9.9	13.6	12.1	7.2	6.9	7.5	1.5	12.1	5.8	11.1
Holmen Timber	6.2	21.0	16.7	5.6	-17.7	3.5	-7.9	-1.3	-2.1	26.2
Holmen Skog	5.3	6.3	5.1	5.0	4.7	5.6	6.3	5.3	5.4	5.3
Holmen Energi	13.3	17.3	9.1	7.7	19.1	11.1	14.8	4.5	7.9	16.9
Group	5.9	5.8	6.4	5.5	6.1	5.0	4.1	5.1	4.5	6.4
Key indicators										
Return on capital employed, % **	7.2	7.0	7.8	6.6	7.3	6.1	4.9	6.3	5.6	7.8
Return on equity, %	6.4	5.5	7.0	6.6	6.4	3.9	6.9	-0.6	3.0	6.4
Deliveries										
Newsprint and magazine paper, ’000 tonnes	1 745	456	455	437	397	2 044	539	493	508	503
Paperboard, ’000 tonnes	477	123	118	119	117	494	115	124	127	127
Sawn timber, ’000 m^3	313	76	76	80	81	266	63	66	66	72
Harvesting own forests, ’000 m^3	2 897	859	704	753	580	2 649	770	631	714	534
Own production of hydro power, GWh	1 090	355	229	203	304	1 128	311	176	254	388

* Item affecting comparability in the third quarter of 2008 relating to a provision of SEK -298 million for the closure of Wargön Mill. The second quarter of 2008 includes SEK -63 million for the closure of PM 2 at Hallsta Paper Mill and an impact on profit due to the fire at Braviken Paper Mill.

** Excl. items affecting comparability.

Ten-year review

SEKm	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
INCOME STATEMENT										
Net sales	18 071	19 334	19 159	18 592	16 319	15 653	15 816	16 081	16 655	15 155
Operating costs	-15 175	-16 630	-15 548	-14 954	-13 205	-12 570	-12 306	-12 205	-12 460	-11 843
Depreciation and amortisation according to plan	-1 320	-1 343	-1 337	-1 346	-1 167	-1 156	-1 166	-1 153	-1 126	-1 045
Interest in earnings of associates	45	50	12	11	20	25	-6	-10	-3	552
Items affecting comparability *	-	-361	557	-	-	-	-	-	-620	2 023
Operating profit	**1 620**	**1 051**	**2 843**	**2 303**	**1 967**	**1 952**	**2 338**	**2 713**	**2 446**	**4 842**
Net financial items	-255	-311	-261	-247	-233	-206	-212	-149	-152	-101
Profit before tax	**1 366**	**740**	**2 582**	**2 056**	**1 734**	**1 746**	**2 126**	**2 564**	**2 294**	**4 741**
Tax	-360	-98	-1 077	-597	-478	-471	-675	-605	-108	-769
Profit for the year	**1 006**	**642**	**1 505**	**1 459**	**1 256**	**1 275**	**1 451**	**1 959**	**2 186**	**3 972**
Diluted earnings per share, SEK	12.0	7.6	17.8	17.2	14.8	15.1	17.5	23.6	26.4	44.7
Net sales										
Holmen Paper	9 303	10 443	10 345	10 140	8 442	7 814	7 788	8 164	8 757	7 618
Iggesund Paperboard	5 023	4 860	5 100	5 240	4 860	4 877	4 920	4 850	4 467	4 186
Holmen Timber	553	499	589	465	460	492	510	572	712	762
Holmen Skog	4 799	5 443	4 775	4 042	3 858	3 780	3 613	3 538	3 982	4 117
Holmen Energi	1 628	1 834	1 590	1 691	1 480	1 258	1 337	1 120	1 108	1 110
Elimination of intra-group net sales	-3 236	-3 745	-3 239	-2 986	-2 781	-2 568	-2 352	-2 163	-2 371	-2 638
Group	**18 071**	**19 334**	**19 159**	**18 592**	**16 319**	**15 653**	**15 816**	**16 081**	**16 655**	**15 155**
Operating profit/loss										
Holmen Paper	340	280	623	754	631	487	747	1 664	2 410	1 389
Iggesund Paperboard	419	320	599	752	626	809	1 001	818	455	569
Holmen Timber	21	13	146	80	13	5	18	-6	-79	-116
Holmen Skog	605	632	702	643	537	586	516	450	455	466
Holmen Energi	414	327	272	197	301	178	193	-26	49	99
Group-wide costs and eliminations	-178	-159	-56	-123	-141	-113	-137	-187	-224	-112
	1 620	**1 412**	**2 286**	**2 303**	**1 967**	**1 952**	**2 338**	**2 713**	**3 066**	**2 295**
Items affecting comparability *	-	-361	557	-	-	-	-	-	-620	2 023
Transferred operations	-	-	-	-	-	-	-	-	-	524
Group	**1 620**	**1 051**	**2 843**	**2 303**	**1 967**	**1 952**	**2 338**	**2 713**	**2 446**	**4 842**
CASH FLOW										
Profit before tax	1 366	740	2 582	2 056	1 734	1 746	2 126	2 564	2 294	4 741
Adjustment items	1 163	1 797	629	1 225	914	1 031	1 169	1 050	1 679	-1 486
Paid income tax	-334	-192	-390	-664	-516	-378	-727	-472	-248	-942
Changes in working capital	678	-686	-345	-259	339	-68	-125	356	61	-388
Cash flow from operating activities	**2 873**	**1 660**	**2 476**	**2 358**	**2 471**	**2 331**	**2 443**	**3 498**	**3 786**	**1 925**
Cash flow from investing activities	**-818**	**-1 124**	**-1 315**	**-947**	**-3 029**	**-1 195**	**-726**	**-1 810**	**-1 669**	**-2 019**
Cash flow after investments	**2 054**	**536**	**1 161**	**1 411**	**-558**	**1 136**	**1 717**	**1 688**	**2 117**	**-94**
Share buy-back	-	-138	-	-	-	-	-	-	-	-2 025
New share issue through conversion and subscription	-	-	-	-	-	474	-	-	-	-
Dividend paid	-756	-1 017	-1 017	-932	-848	-3 199	-880	-800	-5 518	-977

* Items affecting comparability:
Year 2000: Mainly the disposal within the Group of Modo Paper AB, an associate, for SEK 1 848 million, and the repayment of SPP funds of SEK 175 million.
Year 2001: Impairment losses of SEK 620 million on non-current assets.
Year 2007: Impairment losses of SEK 569 million on goodwill and of SEK 1 034 million on property, plant and equipment within Holmen Paper, a reversed impairment losses of SEK 60 million on non-current assets within Holmen Timber, and a positive revaluation of forests of SEK 2 100 million within Holmen Skog.
Year 2008: Closure of Wargön Mill SEK accounted for 298 million and a cost of SEK 115 million was for the closure of PM 2 at Hallsta Paper Mill. Income of SEK 52 million corresponds to the effects on the result of the fire at Braviken Paper Mill.

For a ten-year review of data per share, see page 30.

SEKm	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
BALANCE SHEET										
Non-current assets	23 610	24 329	24 099	23 258	23 702	21 354	18 878	19 442	18 661	18 534
Deferred tax assets	304	342	301	354	352	273	295	194	203	191
Shares and participating interests	1 780	1 836	1 753	1 742	1 739	1 754	1 767	1 721	286	230
Current assets	6 075	7 268	6 549	6 138	5 709	5 149	4 743	4 922	5 366	5 330
Financial receivables	225	175	147	165	132	92	105	54	33	15
Cash and cash equivalents	182	653	394	484	580	367	570	634	399	2 000
Total assets	**32 176**	**34 602**	**33 243**	**32 141**	**32 214**	**28 989**	**26 358**	**26 967**	**24 948**	**26 300**
Equity	16 504	15 641	16 932	16 636	16 007	15 635	15 366	15 185	14 072	17 014
Deferred tax liability	5 045	4 819	5 482	5 030	5 143	5 177	4 557	4 370	4 014	4 264
Financial liabilities and interest-bearing provisions	6 091	8 332	6 518	6 634	7 351	5 335	4 044	4 496	3 593	1 721
Operating liabilities	4 536	5 809	4 311	3 841	3 713	2 842	2 391	2 916	3 269	3 301
Total equity and liabilities	**32 176**	**34 602**	**33 243**	**32 141**	**32 214**	**28 989**	**26 358**	**26 967**	**24 948**	**26 300**
Operating capital										
Holmen Paper	8 789	10 237	9 971	11 541	11 452	9 659	9 461	9 884	9 584	8 564
Iggesund Paperboard	4 114	4 254	4 180	3 935	3 965	3 871	3 885	3 963	4 330	4 877
Holmen Timber	396	366	345	208	230	231	277	258	232	411
Holmen Skog	11 384	11 415	11 264	9 001	8 919	8 842	6 383	6 429	6 517	6 527
Holmen Energi	3 207	3 006	2 960	2 965	2 958	2 930	2 926	2 877	805	826
Group-wide and other	-963	-1 654	-630	-354	-87	-118	65	-242	-424	-412
Operating capital	**26 929**	**27 623**	**28 090**	**27 297**	**27 437**	**25 415**	**22 997**	**23 169**	**21 044**	**20 793**
Deferred tax liability, net	-4 741	-4 477	-5 181	-4 676	-4 791	-4 904	-4 262	-4 176	-3 811	-4 073
Capital employed	**22 188**	**23 146**	**22 909**	**22 621**	**22 646**	**20 511**	**18 735**	**18 993**	**17 233**	**16 720**
KEY RATIOS										
Operating margin, %*										
Holmen Paper	4	3	6	7	7	6	10	21	28	18
Iggesund Paperboard	8	7	12	14	13	17	20	17	10	14
Holmen Timber	4	3	24	17	3	1	3	-1	-11	-7
Group	9	7	12	12	12	12	15	17	18	15
Return on operating capital, %*										
Holmen Paper	4	3	5	6	6	5	8	17	26	17
Iggesund Paperboard	10	8	15	19	16	20	25	20	9	12
Holmen Timber	6	4	64	38	6	2	7	neg	neg	neg
Holmen Skog	5	6	8	7	6	7	8	7	7	7
Holmen Energi	13	11	9	7	10	6	7	5	7	9
Group	6	5	8	8	7	8	10	13	14	12
Key indicators										
Return on capital employed, % *	7	6	10	10	9	10	12	16	18	15
Return on equity, %	6	4	9	9	8	8	10	14	16	24
Debt/equity ratio	0.34	0.48	0.35	0.36	0.41	0.31	0.22	0.25	0.22	-0.02
Deliveries										
Newsprint and magazine paper, ’000 tonnes	1 745	2 044	2 025	2 021	1 764	1 731	1 655	1 528	1 525	1 560
Paperboard, ’000 tonnes	477	494	516	536	492	501	481	453	410	415
Sawn timber, ’000 m^3	313	266	262	248	229	195	189	220	322	360
Harvesting own forests, million m^3	2.9	2.6	2.6	2.6	2.3	2.6	2.7	2.5	2.4	2.3
Own production of hydro power, GWh	1 090	1 128	1 193	934	1 236	1 054	867	1 048	1 362	1 308

Stated in accordance with IFRS from 2004. As far as Holmen is concerned, the principal difference between IFRS 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.

Annual report

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 2009 financial year. The annual report, including the audit report, comprises pages 42-85. The results of the year's operations and the financial position of the parent company and the Group are presented in the administration report and the accompanying income statements and balance sheets, together with the notes and supplementary information. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

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

A 123-metre long wooden bridge has been built at Iggesund Mill, partly using wood from Holmen's forests.

Contents

Administration report

Business overview

Holmen's operations consist of three product-oriented and two raw-material-oriented business areas, which are to be developed through organic growth and selective acquisitions. Europe is by far the largest market, accounting for some 90 per cent of sales. The Holmen Paper business area manufactures printing paper for newspapers, magazines, directories/manuals, advertising materials and books. The paper is manufactured at two mills in Sweden and one in Spain. Iggesund Paperboard produces paperboard for packaging and graphics printing at one mill in Sweden and one in the UK. Holmen Timber produces sawn timber at one sawmill in Sweden. Annual production capacity is 1 940 000 tonnes of printing paper, 530 000 tonnes of paperboard (after structural change at Workington Mill) and 340 000 cubic metres of sawn timber. Holmen Skog manages the Group's forests, which cover just over one million hectares; each year some 2.5 million cubic metres of wood are harvested in the company's forests. Holmen's annual consumption amounts to about 4.5 million cubic metres. Holmen Energi's normal yearly production amounts to some 1 100 GWh of electricity at wholly and partly owned hydro power stations in Sweden. In addition, about 400 GWh of electricity is produced at the mills. Holmen consumes a total of some 4 700 GWh of electricity per year.

The main part of operations in Sweden is run by the parent company. In turn, the latter's operations are run by five companies acting on behalf of the parent company – one for each business area. The parent company is liable for all commitments entered into by these companies. Abroad, operations are chiefly run by wholly owned subsidiaries.

Holmen in 2009

MARKET. The weak economy meant that demand for newsprint in Europe fell considerably in 2009 and was 14 per cent lower than in 2008. Along with weak demand outside Europe, this entailed low capacity utilisation for European producers in 2009. Deliveries of MF Magazine to Europe were 20 per cent lower in 2009 than in 2008, while deliveries of SC paper to Europe were down 9 per cent and of coated paper down 22 per cent.

The long-term trend in demand for virgin fibre board in Europe has been positive. The market in Europe however was weak in 2009, and deliveries from European producers to Europe thus fell by 9 per cent compared to 2008. The situation improved somewhat towards the end of the year.

Demand for sawn timber in Europe was substantially lower in 2009 compared to 2008, which led to considerable production cutbacks among European producers. In the

When Iggesund Paperboard launched its new grades of Invercote and Incada paperboard, new cover paper was also introduced for the paperboard rolls.

second half of the year, the market improved, and stock levels were low. The prices of sawn timber fell from the second half of 2007 until the start of 2009, but the price trend reversed during the second half of 2009.

Demand for pulpwood and timber were low at the start of the year and prices fell. Sawmills' demand for timber climbed to a high level during the year, which led to price rises. Demand for pulpwood increased to a normal level and prices were stable.

In 2009, hydro power production in Sweden was slightly below the normal level. The spot price fluctuated during the year, from SEK 350/MWh in May, to SEK 500/MWh in December. The average price was SEK 393/MWh, which was 20 per cent lower than in 2008.

RESULTS. In 2009, the Group's sales decreased by SEK 1 263 million, to SEK 18 071 million. Operating profit amounted to SEK 1 620 million (2008: 1 051). Operating profit for 2008 included a net amount of SEK -361 million comprising items affecting comparability in the Holmen Paper business area.

The improved operating profit is primarily attributable to higher prices of newsprint and paperboard, while weak demand led to extensive production cutbacks , which had a negative impact on earnings.

Holmen Paper's deliveries declined to 1 745 000 tonnes, compared to 2 044 000 tonnes in 2008, as a consequence of low demand and the closure of capacity. The decline mainly affected standard newsprint and coated paper, while deliveries of MF Magazine were higher. Holmen Paper's operating profit for 2009, was SEK 340 million (280 excluding items affecting comparability in 2008). The improvement is thanks to higher selling prices, but considerable production cutbacks and a less favourable market mix had an adverse effect on results. Lower costs of wood and recovered paper made an impact on profit, but energy costs rose.

Iggesund Paperboard's deliveries were down by 3 per cent in relation to 2008 due to lower demand. Iggesund Paperboard implemented price rises for folding boxboard in the UK market during the second half of 2009. Operating profit for 2009 amounted to SEK 419 million, which was SEK 99 million higher than in the preceding year. The price increases, along with a weaker pound (sterling) and Swedish krona, had a positive impact on results. Production cutbacks and high manufacturing costs adversely affected profit, particularly in the first half of 2009.

Holmen permanently shut down a board machine (BM 1) at Workington Mill in December. Provisions and impairment losses resulting from the shutdown had a negative impact of SEK 75 million on costs.

Holmen Timber's deliveries rose to 313 000 cubic metres, compared to 266 000 cubic metres in 2008. Operating profit amounted to SEK 21 million (13). Higher deliveries and lower raw materials costs had a positive impact, although the average price level was lower.

Operating profit for Holmen Skog amounted to SEK 605 million (632). The figure includes a SEK 16 million (-16) change in the value of the company's forests, calculated in accordance with IAS 41. Operating profit before the change in value of forests fell by SEK 59 million, to SEK 589 million, as a result of lower wood prices, while increased harvesting in the company's own forests had a positive impact. The extent of silviculture rose, entailing higher costs.

Holmen Energi's operating profit increased by SEK 87 million, to SEK 414 million. The rise is largely thanks to higher prices, though production was lower than in 2008 and 2 per cent below that of a normal year.

Net financial items amounted to a loss of SEK 255 million (loss of 311). Lower market interest rates reduced the average borrowing cost to 3.5 per cent (4.5), and net debt was somewhat higher on average than in the preceding year.

The Group's tax expense amounted to SEK 360 million (98), which corresponds to 26 per cent of profit before tax. Tax expense includes SEK 30 million from a successful tax dispute.

Profit after tax was SEK 1 006 million (642). Earnings per share amounted to SEK 12.0 (7.6). The return on equity was 6.4 percent (3.9).

CHANGES IN WORKINGTON. In September 2009 Holmen decided to shut down one of the two board machines at Workington Mill in the UK. The machine, dating from 1967, has an annual production capacity of 70 000 tonnes of folding boxboard in the lower quality segment. Capacity was upgraded on the remaining machine at the same time. The new annual capacity of the mill is 200 000 tonnes (previously 250 000) – a volume that is more tailored to the market. The number of employees is expected to decrease by 99. The shutdown entailed costs as a result of provisions and impairment losses totalling SEK 75 million.

INVESTMENTS. The Group's acquisitions of non-current assets amounted to SEK 759 million (1 160). Cash flow from investing activities totalled SEK -818 million (-1 124). Scheduled depreciation and amortisation amounted to SEK 1 320 million (1 343). The year's investments include investment projects such as a new sawmill at Braviken, a new hydro power station in Iggesund, improved water treatment at Iggesund Mill and a new power production plant at the mill in Madrid. Production in the new sawmill at Braviken Paper Mill in Norrköping is scheduled to start at the turn of 2010/2011.

CASH FLOW. The Group's cash flow from operating activities totalled SEK 2 873 million, of which a reduction in tied up working capital accounted for SEK 678 million. Cash flow from investing activities amounted to SEK -818 million.

The Middle East and North Africa are increasingly important markets for Holmen Timber. Consignments of wood from Iggesund Sawmill are unloaded in Alexandria.

A dividend of SEK 756 million was paid to shareholders during the year.

FINANCING AND FINANCIAL RISK MANAGEMENT. Holmen shall have a strong financial position that provides financial stability and enables the Group to make correct and long-term business decisions relatively independently of the state of the economy and external financing possibilities. The target for the debt/equity ratio is an interval of 0.3–0.8, and strategic planning includes adjustment to this target.

The Group's net financial debt decreased by SEK 1 821 million, to SEK 5 683 million, during the year. The year-end debt/equity ratio was 0.34 (31 December 2008: 0.48). The equity/assets ratio was 51 per cent (45).

At the end of 2009 financial liabilities amounted to SEK 6 091 million, of which SEK 2 298 million was short term. Cash, cash equivalents and financial receivables totalled SEK 407 million. The Group has a contractually agreed credit facility with a syndicate of banks that amounts to EUR 600 million and expires in 2012. Since 2009 the company has also had a bilateral credit facility of SEK 1 300 million that expires in 2016. Neither of the facilities had been used at year-end.

During the year, new long-term financing was raised through an MTN loan of SEK 1 500 million with a four-year maturity. Other financing during the year was arranged mainly via the Group's commercial paper programme, short-term bank loans and utilisation of the contractually agreed EUR 600 million credit facility. Certain other non-current liabilities were paid down. Cash and cash equivalents were deposited with banks. Standard & Poor's lowered its long-term credit rating for Holmen from BBB+ to BBB, with a negative outlook. The short-term rating was lowered to A-3/K-2.

The Group hedges parts of future estimated net flows in foreign currencies. Gains and losses on currency hedges to cover sales in foreign currencies netted a loss of SEK 408 million (loss of 336) during the year, recognised in operating profit. The result was primarily due to the average hedging rate for euro being SEK 9.4 during the year, compared to the average spot exchange rate of SEK 10.6. Taking account of currency hedges, the average exchange rates for the Group's net flows were SEK 9.5 for euro and SEK 7.8 for US dollars. At year-end, some 90 per cent of the Group's estimated net flows in euro for 2010 were hedged at an average exchange rate of SEK 9.7, for 2011 about 85 per cent were hedged at an average of SEK 10.6 and for 2012 about 25 per cent at an average of SEK 10.5. Four months' estimated flows in dollars were hedged at an average exchange rate of SEK 6.9. The fair value of currency hedges not yet recognised in the income statement amounted to a loss of SEK 45 million at the end of 2009.

Prices for the Group's estimated net consumption of electricity in Sweden during the 2010–2012 period are fully hedged. For 2013–2015, prices for some 85 per cent have been hedged. The Group's financial risk management is described in note 2.

EQUITY. In 2009 the Group's equity increased by SEK 863 million, to SEK 16 504 million. Profit for the year amounted to SEK 1 006 million, and the dividend paid was SEK 756 million. Equity has also been affected by other comprehensive income which consists of items such as revaluation of pension liability, currency revaluation of loans, revaluation of transaction hedges and restatement of assets in foreign entities as well as tax on these items. In 2009 other comprehensive income amounted to SEK 613 million, which is mainly attributable to currency hedges that have expired and been recognised in the income statement, and to the fact that the strengthened Swedish krona reduced the negative fair value of transaction hedges. As of 2009 other comprehensive income is presented in a separate "Statement of comprehensive income" following the "income statement".

RESEARCH AND DEVELOPMENT (R&D). The Group conducts R&D in-house at business area level and externally. The external activities are co-run with other players – often at industry-wide level – and in collaboration with universities and colleges. In 2009 Holmen opened a development centre in Iggesund, focusing on biorefining and biofuels. The Group's total investments in R&D amounted to around SEK 100 million in 2009.

TAX DISPUTES. In the dispute concerning Holmen's French subsidiary, the county administrative court decided in the company's favour in December 2008. This has now come into force but had no impact on earnings.

On 15 January 2010, Stockholm County Administrative Court announced its judgment on the tax case involving Holmen's subsidiary MoDo Capital AB. Under the Court's judgment, MoDo Capital's depreciation deduction for the 1997 tax year is disallowed, which results in tax expense estimated at a total of SEK 640 million. Holmen has previously made provision for the tax expense; it is thus not anticipated that the judgment will have any impact on the Group's earnings. Holmen will appeal against the judgment to the Administrative Court of Appeal.

Business outlook

In Holmen's product markets 2009 was a difficult year. Demand for printing paper and paperboard declined by more than 10 per cent and demand for sawn timber fell substantially. This entailed major production cutbacks, which for Holmen primarily took place in Holmen Paper. Meanwhile, prices remained relatively stable and were even increased for printing paper in Europe. Costs were lower than in the preceding year, primarily thanks to lower fibre costs.

The outlook for 2010 is less favourable, in particular for Holmen Paper; there are as yet no signs of an improvement in demand. In addition, ongoing price negotiations are expected to entail lower printing paper prices in Europe. However, the prices for recovered paper, a key raw material, have started to rise during the winter. The market for Iggesund Paperboard and Holmen Timber improved in the second half of 2009, which may create better conditions for 2010. In the wood market, demand for timber is considerable and prices have risen, which increases costs for Holmen Timber, but creates potential for some improvement in Holmen Skog's earnings from wood.

For Holmen Energi, 2010 may be another good year, because prices are largely hedged at favourable levels. Hydro power production depends on precipitation during the year.

Exchange rates have a major impact on profits. The largest currency exposure, which is to the euro, is hedged for 2010 and 2011, and the exchange rates will be slightly more favourable than the hedging contracts that applied for 2009. However, the US dollar has weakened compared to one year ago, which is a negative development.

Investments are estimated to exceed SEK 1 500 million for 2010. One reason is the ongoing sawmill project at Braviken. A survey of energy-related investments is in progress, which may keep the level of investment high to the extent and at the rate that these investments are decided on and implemented.

Information on risks and uncertainties

INCOME. Holmen's income is mainly generated from the sale of printing paper, paperboard and sawn timber in Europe. Changes in prices and deliveries largely depend on market equilibrium in Europe. This in turn is influenced by demand patterns there, trends in production among European producers and changes in imports into Europe, as well as by the opportunities of exporting profitably from Europe. The Group also has sizeable sales of wood from its own forests and electricity from its own power generation. However, wood and electricity are also major costs for the Group's industrial operations.

COSTS. Holmen's principal production costs are those of wood, recovered paper, energy and chemicals. In addition, the costs of deliveries, employees, maintenance and capital are significant. Cost trends are primarily determined by changes in the prices of input goods and employees, and by how successfully the Group improves the efficiency of production and administration.

A one percentage point change in deliveries, prices and costs is estimated to have the following impact on operating profit:*

SEKm	Deliveries	Price
Products		
Printing paper	33	91
Paperboard	24	49
Sawn timber	2	6
Company's own raw materials		
Wood from company forests**	8	12
Company-generated electricity**	5	5

SEKm	Costs
Wood**	21
Recovered paper	8
Pulp	1
Electricity**	16
Other energy	4
Chemicals	14
Distribution costs	15
Other variable costs	9
Staff	27
Other fixed costs	17

* Based on income and costs for 2009.

** Sensitivity regarding the Group's net purchases – taking account of the company's own production of raw materials – is SEK 9 million for wood and SEK 11 million for electricity. The price of the Group's net consumption of electricity in Sweden, which corresponds to some 80 per cent of the Group's total net consumption, is fully hedged for coming years (see note 2).

CURRENCIES. Holmen's earnings are affected by exchange rate fluctuations, mainly because a significant proportion of the Group's sales are invoiced in currencies other than its costs are. Currency hedging is used to reduce this exposure. Taking account of estimated currency flows, a one percentage point weakening of the Swedish krona in relation to the currencies below would have the following effects, without considering currency hedges:

SEKm	Net
SEK / EUR	47
SEK / USD	11
SEK / GBP	2
SEK / other currencies	7

Taking account of currency hedges, a one percentage point weakening of the Swedish krona would have a positive impact of about SEK 20 million on the Group's earnings for 2010. See also note 2.

INTEREST RATES. Based on the duration of the fixed interest rate period and net debt at 31 December 2009, a one percentage point change in the average market interest rate would have an impact of about SEK 20 million on earnings for 2010. As loans at fixed rates of interest mature, the exposure to changes in market interest rates will increase. Disregarding the fixed interest rate period, the exposure to a one percentage point change in the market interest rate is SEK 57 million. See also note 2.

KEY ASSESSMENTS AND ESTIMATES. Note 27 provides an account of key assessments and estimates that, were they to change, could affect earnings in 2010.

SEASONAL EFFECTS. Holmen's earnings are spread relatively evenly over the year. The main seasonal effects are that staff and maintenance costs are lower during the third quarter, maintenance costs are usually higher in the fourth quarter and that a large part of electricity production at the hydro power plants takes place during the first and fourth quarters.

Share information

THE SHARE. 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 A share carries 10 votes and each B share carries 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.

DIVIDEND. The Board proposes that the AGM, to be held on 24 March 2010, approves a lower dividend of SEK 7 (9) per share, which corresponds to 4 per cent of the Group's closing equity. The proposal to reduce the dividend is due to the lower profitability in the industry, chiefly for paper products. The Group is also making investments, such as building a new sawmill.

Holmen is reformulating its dividend target, which used to be 5–7 per cent of the Group's equity. Instead, decisions on share dividends will be based on an appraisal of the Group's profitability, future investment plans and financial position.

Over the past ten years the ordinary dividend has averaged 5 per cent of equity. This means that half of earnings per share per year have been paid out by way of ordinary dividends.

SHAREHOLDERS. At the end of the year, the Holmen shares held by L E Lundbergföretagen AB (corporate identity number 556056-8817) accounted for 52.0 per cent of the total number of votes and 28.0 per cent of the capital, which means that a Group relationship exists between L E Lundbergföretagen, 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 year-end. No other individual shareholder controlled as much as 10 per cent of the votes. A list of major owners' shareholdings is provided in the section on the Holmen share and shareholders on pages 28–30. 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.

According to the company's articles of association, the Board shall have 7–11 members, and they are elected at the AGM. The company's articles contain no other rules regarding the appointment or dismissal of board members or regarding amendments to the articles.

SHARE BUY-BACKS. The company has no specific target for share buy-backs. A mandate to buy back up to 10 per cent of 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 AGM on 24 March 2009 renewed the Board's authorisation to make decisions to buy back up to 10 per cent of the company's total shares. No buy-backs took place in 2009, but 760 000 B shares were repurchased in 2008 to secure the company's commitments as part of the incentive scheme (see below).

The Board proposes that the 2010 AGM authorises the Board to buy back and transfer up to 10 per cent of all shares in the company.

INCENTIVE SCHEME. In 2008 the Group's employees were invited to acquire call options on class B shares in Holmen at market price (calculated by an independent bank). As a result, 1 492 people (one third of all employees) bought a total of 758 300 call options. The price of each option was SEK 20, and 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's commitments in the scheme have been secured through buy-backs of own shares.

Guidelines for determining salaries and other remuneration to members of senior management

The Board proposes that the 2010 AGM resolves in favour of the following guidelines for determining salaries and other remuneration for senior management. See note 5 on page 66 for the guidelines adopted by the AGM in 2009.

These guidelines refer to terms and conditions of employment for the CEO and other members of senior management, namely the business area managers and heads of Group staff functions who report directly to the CEO.

SALARY AND OTHER REMUNERATIONS. The remuneration for the CEO and the senior management shall consist of a fixed, market-based salary. Other benefits, mainly car and accomodation, 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 premium. 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 existing arrangement with a defined benefit pension to one in which the pension is defined premium.

NOTICE AND SEVERANCE PAY. Discontinuation notice 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 of an amount equivalent to two years' salary.

INCENTIVE SCHEME. Any decision on a share and share price based incentive scheme for senior company personnel 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 therefore shall be submitted to the next Annual General Meeting.

Employees

HOLMEN'S HR POLICY focuses on developing leadership, the organisation and employees. HR work is governed by laws, contracts and internal policies. Holmen's combined HR policies constitute the Group's approach to staff policy, and the company has worked with strategic goals for its HR activities for several years.

The chief safety representative at Iggesund Mill talks to one of the operators.

The Group's average number of employees in terms of full-time equivalents was 4 577 (4 829) in 2009. The change is due to staff cuts at Hallsta Paper Mill and the closure of Wargön Mill.

THE NUMBER OF INDUSTRIAL ACCIDENTS per 1 000 employees resulting in more than eight hours of absence fell to 31 (38) in the Group. Holmen aims to reduce the number of accidents to fewer than 10 per 1 000 employees by 2011. No fatal accidents have occurred involving any of the company's employees for a very long time.

TOTAL SICKNESS ABSENCE continued to decrease at Holmen's units as a result of various measures; it fell to 3.7 per cent (4.3) in the Group in 2009.

THE PROPORTION OF FEMALE MANAGERS at Holmen's units is increasing year after year and equalled 16 per cent (13) in 2009. The proportion of women employed in the Group was 19 per cent. The aim is for the proportion of female managers to correspond to the proportion of women employed.

Fourteen women are members of the management teams of the Group, business areas and mills. Two of Holmen's Board members are women, one of whom was elected by the AGM and the other is an employee representative. See note 5 and pages 36-38 for more details.

EMPLOYEE SURVEY. The *Holmen Inblick* employee survey was conducted in 2009. It showed that Holmen has become a better workplace since the previous survey in 2007. Compared to process industries in Europe, Holmen is well above average. Many employees are committed to their work situation, which is illustrated by the response rate of 78 per cent.

Holmen earmarks significant resources each year to develop employees' skills. This mainly comprises increasing professional competence and giving employees the opportunity of advancing to more qualified positions.

WORKFORCE REDUCTIONS. In September Holmen decided to shut down the older board machine at Workington Mill in December 2009. As a result, Holmen reached an agreement with the trade union organisations to reduce the number of employees by 99.

The organisation in Braviken is undergoing an overhaul to improve efficiency. Following trade union negotiations, Holmen decided to make staff cuts that affect 95 employees. By February 2010 a total of 35 people had accepted the offer of a company pension or retirement pension, and 17 were offered employment at Holmen's new sawmill at Braviken. Negotiations with the other employees had not yet been concluded at that point.

Environmental information

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

The environmental standards at Holmen's facilities 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 facilities and statutory supervision conducted by authorities.

The environmental activities largely comprise the planning of issues relating to environmental conditions set by relevant government authorities. The main environmental impact of Holmen's facilities consists of emissions to air and water and the occurrence of noise and waste. As considerable attention is currently being given to energy and climate change, fossil fuels and biofuels are of great interest.

Holmen actively aims to use electricity and heating efficiently, reduce emissions of fossil carbon dioxide and increase its self-sufficiency in terms of energy.

Several projects, studies and corrective measures related to the environment were carried out in 2009. The following are a sample.

- A line for energy-efficient manufacture of thermomechanical pulp (TMP) was inaugurated at Braviken Paper Mill in 2008. Compared to the previous line, the electricity required fell by 15–20 per cent in 2009. The target is a 30 per cent reduction.
- A new plant for chemical flotation has been in operation since the end of the year next to the existing plant (from 1977) for wastewater treatment at Iggesund Mill. This will ensure good conditions in the aquatic environment outside the mill for a long time to come.
- The Group's total fossil carbon dioxide emissions fell by about 35 per cent from 2008 levels. Emissions were halved at the Swedish units. This was the result of gradually replacing oil with biofuels and improving energy efficiency. Since 2005, fossil carbon dioxide emissions have dropped by almost 65 per cent in the Swedish operations.
- Several studies were conducted in consultation with the environmental authorities at industrial sites which have been contaminated by business activities that have been discontinued and where Holmen has run operations. In 2009, studies relating to the sawmills in Stocka, Håstaholmen and Lännaholm and the sulphite mills in Strömsbruk, Domsjö and Loddby had reached various stages. A survey concerning the mechanical pulp mill in Bureå was initiated during the year.

- Operations at Wargön Mill were closed down at the end of 2008. During 2009, work was carried out to assess the presence of pollutants on the factory site and in buildings. This work will be concluded in 2010.

ACTIVITIES IN SWEDEN. At the turn of 2009/2010 Holmen was engaged in environmentally hazardous activities at five facilities that require environmental permits pursuant to the Swedish Environmental Protection Act or the Swedish Environmental Code. The permits include conditions on emissions allowed to air and water. The permits per facility are shown below:

	Permits according to:	
	Environmental Protection Act	Environmental Code
Hallsta Paper Mill	in 2000	
Braviken Paper Mill		in 2002
Iggesund Mill	in 2003	
Skärnäs Terminal		in 1999
Iggesund Sawmill	in 1994	

Holmen also has a production unit in Strömsbruk with operations that the company is obligated to report to authorities. The sales from these units accounted for 58 per cent of the Group's net sales.

In 2009, the first steps were taken to apply for a new environmental permit pursuant to the Environmental Code at the paperboard mill in Iggesund. Corresponding work was launched during the year for Iggesund Sawmill. No other permits of significance need to be renewed or revised in 2010.

Holmen is building a sawmill adjacent to Braviken Paper Mill. The county administrative board granted a permit under the Environmental Code in 2009 and issued related conditions for the construction of the sawmill and the operations that will be run there.

Holmen Energi produces electricity at Holmen's wholly and partly owned hydro power plants. The permits, held by all the units, for water operations (regulations in the Environmental Code) include environmental conditions. In 2006 a decision by the Environmental Court gave the go-ahead to construct a new power station on the River Iggesundsån. This power plant has been in use since the end of 2009 and replaces three old power stations on the site.

Reviews of past water rights decisions may be requested under the Environmental Code. In the case of the river Ljusnan, on which Holmen Energi co-owns a few hydro power plants, such a review is now underway for expansion of production capacity. In river Faxälven's mountain lakes, of which Holmen also has partial ownership, a review has started for regulation of lake Limningen. The storage reservoir is on both Swedish and Norwegian ground.

The Group's mills are participating in the EU trade in carbon dioxide emission rights. The Swedish mills are also active in the trading of electricity certificates.

The operations at the company's facilities in Sweden were certified at the turn of 2009/2010 in accordance with ISO 14001 (environmental management system) and SS 627750 (energy management system). The forestry operations were certified in accordance with ISO 14001, Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification schemes (PEFC).

During the year there were a number of cases of exceeded threshold values, complaints and incidents in the industrial and forestry operations. None of them had any environmental impact or effect on earnings, and they were all resolved by means of corrective measures in accordance with the operations' environmental management systems.

ACTIVITIES OUTSIDE SWEDEN. Of the Group's operations outside Sweden, the facilities in Workington, the UK, and in Madrid, Spain, have some kind of environmental impact. The sales from these facilities accounted for 21 per cent of the Group's net sales.

In 2002, Workington Mill received an environmental permit for its activities pursuant to the EU's IPPC Directive. In 2006, Holmen Paper Madrid received an environmental permit pursuant to the same Directive.

The mills in Workington and Madrid are certified in accordance with ISO 14001. An energy management system was introduced and certified at the mill in Madrid in 2009. Workington Mill has been running its business in accordance with a certifiable energy management system since the beginning of 2008.

Sustainability report

Holmen's HR and environmental activities in 2009 are described in the sustainability report titled *Holmen and its World 2009*, which will be published at the end of March 2010. It will also be published on the website, where links to supplementary environmental information will be available. Together, these constitute Holmen's complete sustainability report for 2009.

The majority of seedlings planted in Holmen's forests come from the company's own nurseries.

Income statement

GROUP, SEKm	Note	2009	2008
Net sales	3	18 071	19 334
Other operating income	4	600	755
Change in inventories		-381	106
Raw materials and consumables		-9 017	-10 929
Staff costs	5	-2 662	-2 965
Other operating costs	6, 21	-3 709	-3 885
Depreciation and amortisation according to plan	10, 11	-1 320	-1 343
Impairment losses	10, 11	-22	-57
Change in value of biological assets	12	16	-16
Interest in earnings of associates	13	45	50
Operating profit		**1 620**	**1 051**
Finance income	7	12	17
Finance costs	7	-267	-328
Profit before tax		**1 366**	**740**
Tax	8	-360	-98
Profit for the year		**1 006**	**642**
Attributable to: owners of the parent company		1 006	642
Earnings per share (SEK)	9		
basic		12.0	7.6
diluted		12.0	7,6
Average number of shares (million)	9		
basic		84.0	84.3
diluted		84.0	84.3

Statement of comprehensive income

GROUP, SEKm	Note	2009	2008
Profit for the year		1 006	642
Other comprehensive income			
Cash flow hedging			
Revaluation of derivatives recognised in equity		567	-1 272
Transferred from equity to the income statement		343	309
Transferred from equity to non-current assets		-1	-1
Actuarial gains and losses in respect of pensions, incl. special employer's contributions		15	-169
Translation difference on foreign operation		-256	445
Hedging of currency risk in foreign operation		254	-541
Tax attributable to other comprehensive income	8	-310	452
Total other comprehensive income		**613**	**-778**
Total comprehensive income		**1 619**	**-135**
Attributable to: owners of the parent company		1 619	-135

Balance sheet

GROUP at 31 December, SEKm	Note	2009	2008
Non-current assets			
Intangible non-current assets	10	27	106
Property, plant and equipment	11	12 473	13 142
Biological assets	12	11 109	11 080
Interests in associates	13	1 770	1 824
Other shares and participating interests	13	10	11
Non-current financial receivables	14	151	87
Deferred tax assets	8	304	342
Total non-current assets		**25 845**	**26 593**
Current assets			
Inventories	15	2 850	3 434
Trade receivables	16	2 712	3 144
Current tax receivable	8	22	141
Other operating receivables	16	490	548
Current financial receivables	14	74	88
Cash and cash equivalents	14	182	653
Total current assets		**6 331**	**8 009**
Total assets		**32 176**	**34 602**
Equity	17		
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		-70	-672
Retained earnings incl. profit for the year		12 056	11 795
Total equity attributable to the owners of the parent company		**16 504**	**15 641**
Non-current liabilities			
Non-current financial liabilities	14	3 472	3 223
Pension provisions	18	320	354
Other provisions	8, 19	1 102	1 080
Deferred tax liabilities	8	5 045	4 819
Total non-current liabilities		**9 939**	**9 475**
Current liabilities			
Current financial liabilities	14	2 298	4 756
Trade payables	20	1 911	2 282
Current tax liability	8	102	14
Provisions	19	274	277
Other operating liabilities	20	1 149	2 157
Total current liabilities		**5 733**	**9 486**
Total liabilities		**15 672**	**18 960**
Total equity and liabilities		**32 176**	**34 602**

For information on the Group's pledged collateral and contingent liabilities see note 22.

Changes in equity

GROUP, SEKm	Share capital	Other contrib-uted capital	Reserves Translation reserve	Reserves Hedge reserve	Retaind earn-ings incl. profit for the year	Total equity
Opening equity 1 Jan 2008	**4 238**	**281**	**39**	**-55**	**12 429**	**16 932**
Comprehensive income	-	-	56	-712	521	-135
Dividends paid					-1 017	-1 017
Buy-backs of company's own shares					-153	-153
Premiums received for issued call options					15	15
Closing equity 31 Dec 2008	**4 238**	**281**	**94**	**-767**	**11 795**	**15 641**
Comprehensive income	-	-	-68	670	1 017	1 619
Dividends paid					-756	-756
Closing equity 31 Dec 2009	**4 238**	**281**	**26**	**-96**	**12 056**	**16 504**

Cash flow statement

GROUP, SEKm	Note	2009	2008
Operating activities			
Profit before tax	26	1 366	740
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 320	1 343
Change in value of biological assets		-16	16
Change in provisions		15	310
Other*		-157	128
Paid income taxes		-334	-192
Cash flow from operating activities before changes in working capital		**2 195**	**2 345**
Cash flow from changes in working capital			
Change in inventories		621	-373
Change in trade receivables and other operating receivables		445	-40
Change in trade payables and other operating liabilities		-389	-273
Cash flow from operating activities		**2 873**	**1 660**
Investing activities			
Acquisition of property, plant and equipment		-747	-1 135
Disposal of property, plant and equipment		28	23
Acquisition of intangible non-current assets		0	-8
Acquisition of biological assets		-5	-12
Disposal of biological assets		5	12
Increase in non-current financial receivables		-107	0
Repayment of non-current financial receivables		3	0
Acquisition of shares and participating interests		-6	-5
Disposal of shares and participating interests		12	2
Cash flow from investing activities		**-818**	**-1 124**
Financing activities			
Raised long-term loans		1 492	927
Repayments of long-term loans		-584	-109
Change in current financial liabilities	26	-2 672	31
Change in current financial receivables		-1	17
Buy-back of company's own shares		-	-153
Premiums received for issued call options		-	15
Dividends paid to the owners of the parent company		-756	-1 017
Cash flow from financing activities		**-2 522**	**-289**
Cash flow for the year		**-467**	**247**
Opening cash and cash equivalents		653	394
Exchange difference in cash and cash equivalents		-4	12
Closing cash and cash equivalents		**182**	**653**

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

Change in net financial debt	2009	2008
Opening net financial debt	-7 504	-5 977
Cash flow		
Operating activities	2 873	1 660
Investing activities (excl. non-current financial receivables)	-714	-1 124
Buy-back of company's own shares	-	-153
Premiums received for issued call options	-	15
Dividends paid	- 756	-1 017
Actuarial revaluation of pension liability	13	-162
Foreign exchange effects and changes in fair value	405	-746
Closing net financial debt	**-5 683**	**-7 504**

Parent company

INCOME STATEMENT, SEKm	Note	2009	2008
Net sales	3	13 436	14 382
Other operating income	4	447	596
Change in inventories		-368	101
Raw materials and consumables		-6 791	-8 252
Staff costs	5	-1 929	-2 320
Other external costs	6, 21	-3 907	-4 296
Depreciation and amortisation according to plan	10,11	-27	-24
Operating profit		**861**	**186**
Income from interests in Group companies	7	1 156	15
Income from interests in associates	7	0	1
Interest income and similar income	7	18	91
Impairment losses on financial non-current assets	7, 24	-436	-
Interest costs and similar costs	7	8	-867
Profit/Loss after financial items		**1 607**	**-575**
Appropriations	25	388	-56
Profit/Loss before tax		**1 995**	**-630**
Tax	8	-331	195
Profit/Loss for the year		**1 664**	**-436**

STATEMENT OF COMPREHENSIVE INCOME, SEKm	2009	2008
Profit/Loss for the year	1 664	-436
Other comprehensive income		
Cash flow hedges		
Revaluation of derivatives recognised in equity	516	-1 470
Transferred from equity to the income statement	403	323
Transferred from equity to non-current assets	-1	-1
Tax attributable to other comprehensive income	-242	302
Total other comprehensive income	**677**	**-845**
Total comprehensive income	**2 341**	**-1 281**

CASH FLOW STATEMENT, SEKm	Note	2009	2008
Operating activities			
Profit/Loss after financial items	26	1 607	-575
Adjustments for non-cash items			
Depreciation and amortisation according to plan		27	24
Change in provisions		-98	451
Other *		31	624
Paid income taxes		-323	-167
Cash flow from operating activities before changes in working capital		**1 244**	**357**
Cash flow from changes in working capital			
Change in inventories		523	-299
Change in operating receivables		392	-128
Change in operating liabilities		-298	87
Cash flow from operating activities		**1 861**	**18**
Investing activities			
Shareholders' contribution paid		-329	-228
Acquisition of property, plant and equipment		-40	-49
Disposal of property, plant and equipment		8	15
Acquisition of intangible non-current assets		-	-8
Disposal of intangible non-current assets		-	0
Increase in external non-current financial receivables		-1	0
Repayment of external non-current financial receivables		-2	0
Acquisition of subsidiaries		-	-208
Disposal of subsidiaries		-	0
Acquisition of shares and participating interests		-	-5
Disposal of shares and participating interests		-	1
Cash flow from investing activities		**-363**	**-482**
Financing activities			
Raised external long-term loans		1 492	927
Repayments of external long-term loans		-563	-106
Change in other financial liabilities	26	-4 124	386
Change in other financial receivables		1 132	1
Buyback of company's own shares		-	-153
Premiums received for issued call options		-	15
Dividends paid to the owners of the parent company		-756	-1 017
Group contributions received		866	656
Group contributions paid		-	-4
Cash flow from financing activities		**-1 952**	**703**
Cash flow for the year		**-454**	**239**
Opening cash and cash equivalents		542	303
Closing cash and cash equivalents		**88**	**542**

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

BALANCE SHEET, at 31 December, SEKm	Note	2009	2008
Assets			
Non-current assets			
Intangible non-current assets	10	15	76
Property, plant and equipment	11	2 590	2 575
Financial non-current assets			
Shares and participations	13, 24	14 411	15 591
Non-current financial receivables	14	2 629	2 722
Total non-current assets		**19 645**	**20 963**
Current assets			
Inventories	15	2 142	2 629
Operating receivables	16	2 371	2 764
Current tax receivable	8	-	117
Current investments	14	74	88
Cash and cash equivalents	14	88	542
Total current assets		**4 675**	**6 140**
Total assets		**24 320**	**27 103**

BALANCE SHEET, at 31 December, SEKm	Note	2009	2008
Equity and liabilities			
Equity	17		
Restricted equity			
Share capital		4 238	4 238
Statutory reserve		1 577	1 577
Revaluation reserve		100	100
Non-restricted equity			
Retained earnings incl. hedge reserve		3 112	2 989
Profit/Loss for the year		1 664	-436
Total equity		**10 691**	**8 468**
Untaxed reserves	25	**2 363**	**2 751**
Provisions			
Pension provisions	18	43	64
Tax provisions	8, 19	45	45
Other provisions	19	559	650
Deferred tax liability	8	538	272
Total provisions		**1 185**	**1 031**
Liabilities			
Non-current financial liabilities	14	5 652	6 464
Current financial liabilities	14	1 916	4 713
Current tax liabilities	8	94	-
Operating liabilities	20	2 419	3 676
Total liabilities		**10 081**	**14 853**
Total equity and liabilities		**24 320**	**27 103**

Pledged collateral and contingent liabilities		2009	2008
Pledged collateral	22	6	6
Contingent liabilities	22	688	766

	Restricted equity			Non-restricted equity			
CHANGES IN EQUITY, SEKm	Share capital	Statutory reserve	Revaluation reserve	Hedge reserve	Retained earnings	Profit/Loss for the year	Total equity
Opening equity 1 Jan 2008	**4 238**	**1 577**	**100**	**19**	**5 049**	**-548**	**10 435**
Appropriation of profits					-548	548	-
Total comprehensive income				-845		-436	-1 281
Group contributions received					472		472
Dividends paid					-1 017		-1 017
Buy-backs of company's own shares					-153		-153
Premiums received for issued call options					15		15
Closing equity 31 Dec 2008	**4 238**	**1 577**	**100**	**-826**	**3 815**	**-436**	**8 468**
Appropriation of profits					-436	436	-
Total comprehensive income				677		1 664	2 341
Group contributions received					638		638
Dividends paid					-756		-756
Closing equity 31 Dec 2009	**4 238**	**1 577**	**100**	**-149**	**3 261**	**1 664**	**10 691**

Notes to the financial statements

Amounts in SEKm, except where otherwise stated

Note 1 Accounting policies

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

Compliance with standards and statutory requirements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative recommendations issued by the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the EU. The Swedish Financial Reporting Board's recommendation (RFR 1.2 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 2.2 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 possibilities of the parent company to apply 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 of 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 and financial liabilities 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 reports are presented in Swedish kronor.

Assessments and estimates in the financial statements

Preparing the financial statements in accordance with IFRS 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 27 Key assessments and estimates.

Changes in accounting policies

The following section describes the amended accounting policies that the Group has applied since 1 January 2009. Other IFRS amendments effective as of 2009 have had no material impact on the Group's accounts.

Presentation of the financial statements
The Group has applied the amended IAS 1 Presentation of Financial Statements since 1 January 2009. As a result of the amendment, income and costs previously recognised directly in equity are instead now recognised in other comprehensive income, which Holmen presents in a separate statement titled statement of comprehensive income, directly following the income statement. Another result of the amendment is that Holmen has added a statement of changes in equity. Comparative periods have been adapted throughout the annual report to follow the new presentation. The changes only affect presentation, so no amounts have been restated – neither regarding earnings per share nor other line items in the financial statements.

Segment reporting
The Group has applied the new IFRS 8 Operating Segments since 1 January 2009; this replaces IAS 14 Segment Reporting. IFRS 8 introduces a management perspective on how to define and present operating segments. The standard has been applied in accordance with its transitional provisions, by adapting the data for the comparative year to the requirements in IFRS 8. Application of IFRS 8 has not entailed any change to segmentation at Holmen, because the segments identified according to IAS 14 are those that Holmen's president and CEO follows up. The company continues to apply the same accounting policies in its operating segments as in the consolidated accounts, i.e. IFRSs, so none of the recognised amounts have changed from those previously recognised.

Disclosures about financial instruments
As a result of amendments to IFRS 7 Financial Instruments, disclosures applicable as of 1 January 2009 affect Holmen's financial reporting, starting with the annual report for 2009. The amendments mainly comprise new requirements on disclosures about financial instruments measured at fair value on the balance sheet. Each instrument is classified as belonging to one of three levels depending on the quality of the input data in the measurement. The classification determines which disclosures to state about the instruments and how to disclose them; level 3, with the lowest input data quality, is subject to more disclosure requirements than the other levels. These disclosure requirements primarily affected notes 7 and 14. The IFRS 7 amendments also entail certain changes to liquidity risk disclosures. Pursuant to the transitional provisions in IFRS 7, comparative data have not been stated during the first year of application for the disclosures required by the amendments.

Borrowing costs
The Group has applied the amended IAS 23 Borrowing Costs since 1 January 2009. As a result of the amendment, the Group capitalises borrowing costs in the acquisition cost of qualifying assets with a commencement date of 1 January 2009 or later. Previously, borrowing costs affected profit/loss in the period to which they were attributable instead of being capitalised. The amendment is being applied prospectively, in accordance with the transitional provisions in IAS 23. For a more detailed description of this accounting policy, see the section titled Finance income and costs further on in this note.

New and amended accounting policies applicable as of 2010
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 are no plans to apply any of the new or amended standards in advance that come into effect in financial years after 2010. New or amended IFRSs applicable as of 2010 are not estimated to have any material impact on the financial statements.

Parent company
In addition to the amended accounting policies stated above for the Group, the following changes affected the parent company in 2009.

Recommendation RFR 2.2. Accounting for Legal Entities, issued by the Swedish Financial Reporting Board, states that the amended version of IAS 1 Presentation of Financial Statements shall be applied with certain exceptions. One effect for the parent company compared to previous reporting is that a statement of comprehensive income has been added after the income statement. Another effect is that Holmen has added a statement of changes in equity.

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 income, assets and liabilities of the operating segment are measured in accordance with the income, assets and liabilities that the company's highest executive decision-maker follows up. See note 3 for more details of the classification and presentation of operating segments.

Classification etc

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

Consolidation principles

Subsidiaries

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

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

Associates

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

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

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

Foreign currency

Transactions denominated in foreign currencies

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other fair value adjustments arising on consolidation, are translated in the consolidated financial statements, from the foreign operation's functional currency, to the Group's reporting currency (Swedish kronor) at closing rates. The income and costs 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 IFRS.

Companies operating on behalf of the parent company

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

The parent company is liable for all commitments entered into by these companies. All income, costs, assets and liabilities, which arise in the operations conducted by the companies, are recognised in Holmen AB's accounts except most parts of investments made as well as some sale of forest properties, that 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 bi-products, rent and land lease income, income from allotted electricity certificates, income earned from emission rights and gains/losses on sales of non-current assets.

State grants are recognised in the balance sheet as deferred income when it is reasonably certain that the grant will be received and that the Group will satisfy the conditions associated with the grant. Grants are distributed systematically in the income statement in the same way and over the same periods as the costs the grants are intended to cover. State grants related to assets are recognised in the balance sheet as a reduction in the carrying amount of the asset.

Finance income and costs

Finance income and costs consist of interest income and interest costs, dividend income and revaluations of financial instruments valued at fair value, as well as unrealised and realised currency gains and losses. Interest income on receivables and interest costs on liabilities are calculated by using the effective interest method. Interest costs include transaction costs for loans, which have been distributed over the duration of the loan; this also applies to any difference between the funds received and the repayment amount. Dividend income is recognised when the dividend is established and the right to receive payment is judged to be certain.

Interest costs normally affect profit/loss in the period to which they relate. Borrowing costs attributable to the purchase, construction or production of qualifying assets are to be capitalised as part of the asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for intended use. Borrowing costs for significant investment projects are capitalised in the Group. Note 11 describes the method applied.

Taxes

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

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

Earnings per share

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

Financial instruments

Financial instruments are valued and recognised in the consolidated financial statements in accordance with IAS 39. The parent company applies the same policies, subject to the restrictions referred to in Chapter 4 Section 14 of the Swedish Annual Accounts Act.

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 settlement date principle.

Bank balances, loan receivables and trade receivables are measured at amortised cost. Impairment testing is performed continually, using objective criteria for such assets. Impairment losses are recognised for the asset if impairment is established. However, a provision is made if a loss is anticipated. Criteria taken into account when making a provision may include non-payment of invoices or other indications that the debtor is experiencing financial difficulties. Shares and participating 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 are valued initially at the value of funds received after deduction of any transaction costs. Normally, the liabilities are valued regularly at their amortised cost using the effective interest method. In those cases where funds received fall short of the amount to be repaid, the difference is allocated over the duration of the loan using the effective interest method. Loans hedged against changes in value and loans recognised on the basis of the fair value option are initially recognised excluding any transaction costs and on an ongoing basis at their fair value.

The fair value option has been applied to one loan with the object of arriving at a fairer presentation of results and thereby reflecting changes in the value of the interest rate swap that belongs to the loan. 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.

Derivatives and hedge accounting

All derivatives are valued at fair value and are recognised in the balance sheet. More or less all derivatives are held for hedging purposes.

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

For the hedging of fair value, the change in the value of the derivative is recognised directly in the income statement. Changes in the value of the hedged item are recognised in a corresponding way.

Changes in the value of hedges relating to net investments in foreign businesses are recognised in the income statement for the parent company and in the other comprehensive income for the Group. Accumulated changes in value are retained in Group equity until the business is disposed of, when the accumulated changes in value are recognised in the income statement. In the case of derivatives that do not fulfil the criteria for hedge accounting, the changes in value are recognised within operating profit/loss or within net financial items, depending on the purpose of the holding.

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 in the calculation – such as discount rates and exchange rates – are taken from market listings where possible. These measurements belong to level 2. Other measurements, for which a variable is based on the company's own assessments, belong to level 3. Holmen's transactions mainly belong to level 2, except for one transaction classified as level 3. Currency options were measured using the Black & Scholes formula.

Intangible non-current assets

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

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

Intangible non-current assets also include patents, licences and IT systems. Intangible non-current assets are amortised over periods of between five and ten years, except for goodwill. Any goodwill is allotted to cash-generating units and is tested for impairment annually. The Group does not currently recognise any goodwill.

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. Gain and losses are recognised in the accounts as other operating income/costs.

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

The following useful lives (years) are used:

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

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

Leasing

In the consolidated accounts lease agreements are classified as finance leases or operating leases. The leasing of non-current assets for which the Group is substantially exposed to the same risks and benefits as if the asset were directly owned is classified as finance leases. The leasing of assets over which the lessor substantially retains ownership is classified as operating leases and the leasing charge is expensed. Within the Group all lease agreements are classified as operating leases.

Biological assets

The Group divides all its forest assets for accounting purposes into growing forests, which are recognised as biological assets at fair value, and land, which is stated at acquisition cost. Any changes in the fair value of the growing forests are recognised in the income statement. Holmen's assessment is that there are no relevant market prices availiable that can be used to value forest holdings as extensive as Holmen's. They are therefore valued by estimating the present value of expected future cash flows from the growing forests. See note 12.

In the parent company, biological assets are valued in accordance with RFR 2.2. This means that biological assets classified as non-current assets are recognised at acquisition cost adjusted for revaluations taking into account the need, if any, for impairment in value.

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

Inventories

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

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

Employee benefits

Pension costs and pension commitments

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

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

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

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

In the parent company's accounts, different grounds are used for computation of defined benefit pension plans than those referred to in IAS 19. The parent company complies with the provisions of the Swedish pension security law (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 only recognised in the accounts if it is shown that the Group has an obligation, without any reasonable possibility of withdrawing it, as a result of a formal, detailed plan to terminate an employment contract before the normal date. When benefits are paid in the form of an offer to encourage voluntary departure, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

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

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

Equity

Consolidated equity comprises share capital, other contributed capital, translation and hedge reserves and retained earnings, including profit/loss for the year. Other contributed capital refers to premiums paid in conjunction with share issues. The translation reserve consists of all exchange differences that arise in the translation of foreign operations' financial statements that are prepared in a currency other than Swedish kronor. The translation reserve also includes exchange differences arising in connection with the revaluation of liabilities and derivatives that are classified as instruments for hedging a net investment in a foreign operation, including tax. The hedge reserve comprises the effective proportion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to underlying transactions that have not yet occurred, including tax. Retained earnings comprise all other parts of equity, including profit/loss for the year.

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

The parent company's equity comprises share capital, statutory reserves, revaluation reserves, retained earnings and profit/loss for the year.

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

Provisions

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

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

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

Contingent liabilities

A contingent liability is recognised when there is a potential commitment that originates in past events, the existence of which will be confirmed only by one or more uncertain future events, or when there is a commitment that is not recognised as a liability or provision because it is not likely that an out-flow of resources will be required.

Group contributions and shareholder contributions for legal entities

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

Miscellaneous

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

Note 2 Financial risk management

The Group's and the parent company's financial activities and financial risk management are centralised within Group Finance. The activities are based on a financial policy established by the Board and are characterised by a low level of risk. The purpose is to minimise the Group's capital costs by using suitable means of financing and to manage and control the Group's financial risks effectively. The most important aspects of this management are described below. Credit risks related to the Group's customers are managed by the relevant business areas and are described in Note 16 Operating receivables.

Currency risk

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

At the beginning of 2009, the Group had currency hedges for the majority of estimated payment flows in euro for 2009 and some of the flows in sterling and US dollars. Gains/losses on currency hedges are recognised in operating profit/loss as and when the hedged items are recognised and in 2009 they amounted to a loss of SEK 408 million (loss of 336). At year-end 2009 about 70 per cent of the estimated net currency flows for 2010 were hedged, some 60 per cent of those for 2011 and roughly 20 per cent of estimated flows for 2012; see the table.

Transaction exposure at 31 December 2009, SEKm*

	12 months estimated net flows	2010 Hedges SEKm	rate**	%	2011 Hedges SEKm	rate**	%	2012 Hedges SEKm	rate**	%
EUR	4 700	4 200	9.70	90	3 600	10.63	85	1 100	10.45	25
USD	1 100	350	6.94	30						
GBP	250	50	11.44	20						
Other	650	50								
Total	**6 700**	**4 650**			**3 600**			**1 100**		

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

The fair value of outstanding transaction hedges at 31 December 2009 amounted to SEK -93 million (-1 123); SEK -48 million (-123) was recognised in the income statement for 2009, and the remainder in other comprehensive income as hedge accounting is applied, of which SEK -162 million for 2010, SEK 108 million for 2011 and SEK 10 million for 2012.

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. The fair value of hedges for investment purchases is recognised in other comprehensive income until the hedge expires. Then, the gain/loss is added to the cost of the non-current asset that was hedged. At 31 December 2009 there were no outstanding hedges for investment purchases. During the period SEK 1 million affected the acquisition cost of hedged items.

Translation exposure

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

Net assets and equity hedges at 31 December 2009, SEKm

	Net assets	Equity hedge
EUR	4 314	4 148
GBP	1 382	456
Other	32	-

Gains on equity hedges amounted to SEK 254 million (loss of 541) in 2009 and are recognised in other comprehensive income as hedge accounting is applied (after deduction of tax SEK 187 million). In the parent company accounts, this gain is recognised in the income statement. The translation of net foreign assets had a negative impact of SEK 255 million (positive: 445) on consolidated equity. The fair value of outstanding equity hedges at 31 December 2009 was SEK -159 million (-456), of which SEK -193 million relates to loans and SEK 34 million to financial derivatives. The accumulated change in value resulting from an equity hedge is recognised in the consolidated income statement if the hedged foreign operation is disposed of.

The effect of changes in exchange rates on consolidated operating profit is described in the administration report on page 48. A one percentage point depreciation in the Swedish kronor exchange rate would have a negative impact of SEK 82 million on equity, including translation of foreign subsidiaries' accounts.

Interest rate risk

The Group's financing costs are influenced by changes in market interest rates. The fixed interest period for the Group's financial assets and liabilities is normally short. The Board can decide to lengthen the period in order to limit the effect of a rise in interest rates. During the year, the average fixed interest rate period varied between 19 and 22 months and was 22 months at the end of 2009. Derivatives in the form of interest rate swaps and FRAs are used to manage the fixed interest period without altering the underlying loans. At 31 December 2009 the fair value of these instruments was a negative amount of SEK 60 million (negative: 132), which is recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement during 2010 and later. The fixed interest period of the net debt, the breakdown by currency and the average interest rate for various fixed rate periods are shown in the table below, in which derivatives that affect the currency distribution and fixed interest period of the liabilities are taken into account.

Fixed interest period, net financial debt, at 31 December 2009, SEKm

	Total	-1 yr	1-3 yrs	3-5 yrs	>5 yrs	Other
SEK	-1 525	51	-	-1 533	-	-43
EUR	-3 944	-2 787	-736	-55	-361	-6
GBP	-280	-9	-	-	-	-271
Other currencies	66	66	-	-	-	-1
Net financial debt	**-5 683**	**-2 679**	**-736**	**-1 588**	**-361**	**-320**
Average interest rate, %		2.7	4.5	4.5	3.9	7.0

The Other column refers to pension provisions; see note 18.

The effect of a change in market interest rates on consolidated operating profit is explained in the administration report (page 48); a one percentage point increase in market interest rates would have a SEK 19 million impact on equity.

Financing risk

Holmen's net financial debt at 31 December 2009 amounted to SEK 5 683 million, of which financial liabilities and interest-bearing pension provisions equalled SEK 6 091 million, cash and cash equivalents SEK 182 million and financial receivables SEK 225 million.

As part of Holmen's strategy, the company is to have a strong financial position that provides financial stability and enables the Group to make correct and long-term business decisions relatively independently of the state of the economy and external financing possibilities. The target for the debt/equity ratio is the interval of 0.3–0.8, and strategic planning includes harmonisation with this target. At the end of the year the debt/equity ratio was 0.34. Standard & Poor's lowered its long-term credit rating for Holmen from BBB+ to BBB with a negative outlook. The short-term rating was lowered to A-3/K-2 at the same time.

Holmen's financing mainly comprises bank loans, bond loans and the issue of commercial paper. Holmen's Swedish commercial paper programme has a framework 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. At 31 December 2009 a negative amount of SEK 945 million was outstanding. Holmen's medium term note (MTN) programme, for issuing bonds, has a framework amount of SEK 4 000 million. Bonds with maturities of 1–15 years can be issued in both Swedish kronor and euro. At 31 December 2009 a negative amount of SEK 2 693 million was outstanding. During the year new long-term financing was raised through MTN loans of SEK 1 500 million and an agreement for a new credit facility of SEK 1 300 million was signed. Other financing during the year was arranged mainly via Holmen's commercial paper programme, utilisation of the contractually agreed EUR 600 million credit facility and short-term bank loans. At 31 December 2009 Holmen had not used any of its credit facilities.

The maturity structure of financial liabilities and assets included in net financial debt and sources of financing are shown in the table below. The table displays carrying amounts where expected interest payments are not included.

	2010	2011	2012	2013	2014-	Total
Financial assets						
Deposits with credit institutions	-	6	2	2	9	**21**
Cash and cash equivalents	182	-	-	-	-	**182**
Derivatives	51	-	-	-	-	**51**
Other financial receivables	23	2	1	1	128	**154**
Total financial receivables	**256**	**8**	**3**	**3**	**137**	**407**
Financial liabilities						
MTN loans	510	-	330	1 493	361	**2 693**
Loans from banks and other credit institutions	551	115	113	1 021	2	**1 802**
Commercial paper programme	945	-	-	-	-	**945**
Bank account liabilities	251	-	-	-	-	**251**
Derivatives	41	28	6	3	-	**78**
Total financial liabilities	**2 298**	**143**	**448**	**2 517**	**363**	**5 770**
Contracted credit facilities			**6 180**		**1 300**	**7 480**

Financing risk refers to the risk that future funding and refinancing of maturing loans may become difficult or expensive. Holmen reduces the risk by maintaining a good spread of maturities for the liabilities and by using contractually agreed credit facilities. Holmen has a contractually agreed credit facility from a syndicate of banks that amounts to EUR 600 million and expires in 2012. Since 2009 the company has also had a bilateral credit facility of SEK 1 300 million that expires in 2016. Both facilities are available for use, provided that the Group's debt/equity ratio is less than 1.5.

The Group plans its financing by forecasting financing needs over the coming years based on the Group's multi-year business plan, budget and forecasts that are regularly updated.

Raw materials

The Group is exposed to price fluctuations for its products and significant input goods; see page 47 in the administration report. OTC trade in financial contracts exists for certain paper and pulp products. Holmen did not trade in such contracts during the year. The price risk for energy can be hedged, but hedging opportunities for other input goods are limited.The Group mainly hedges the risk of fluctuations in electricity prices.

To reduce exposure to electricity price changes, the Group uses physical supply agreements at fixed prices as well as financial hedges. Decisions on hedging electricity prices are made by the Board. In 2009, Holmen's net purchases of electricity amounted to 3 200 GWh, of which about 2 600 GWh in Sweden.
The prices for the Group's estimated net consumption of electricity in Sweden during the 2010–2012 period are fully hedged. For 2013– 2015 the price of about 85 per cent has been hedged. The hedges predominantly consist of physical fixed price contracts. Gains on financial hedges are recognised in the income statement upon maturity and totalled SEK 64 million (27) for 2009. The fair value of outstanding financial hedges totalled SEK 57 million (88) at 31 December 2009. This amount has been recognised in other comprehensive income as hedge accounting is applied, of which SEK 22 million for 2010, SEK 25 million for 2011 and SEK 10 million for 2012. See page 47 for how changes in raw material prices affect the Group's profit. A one percentage point increase in the price of electricity would have a negative impact of SEK 2 million on equity.

Credit risk

The Group's financial transactions give rise to credit risks in relation to financial counterparties. The risk of a counterparty not meeting its commitments is limited by selecting creditworthy counterparties, by limiting the exposure to each counterparty and by using ISDA and FEMA agreements.

At 31 December 2009, the Group had outstanding derivative contracts with a notional amount of about SEK 16 billion and a fair value of SEK -61 million net. Calculated in accordance with the Swedish Financial Supervisory Authority's regulations for financial institutions (FFFS 2007:1), Holmen's total counterparty risk on derivative contracts would amount to SEK 263 million at 31 December 2009. The maximum credit risk for other financial assets is estimated to correspond to their notional amount. Credit risks in relation to the Group's customers are managed by each business area and are described in note 16 Operating receivables.

Insurance

Holmen insures its facilities against property damage and consequential loss. The excess varies from one facility to another, but the maximum is some 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 judged not to justify the cost of insuring the holdings.

Note 3 Operating segment reporting

2009	**Holmen Paper**	**Iggesund Paperboard**	**Holmen Timber**	**Holmen Skog**	**Holmen Energi**	**Group-wide and other**	**Elimina-tions**	**Total Group**
Net sales								
External	9 303	5 023	553	2 745	447	-	-	18 071
Internal	0	0	0	2 054	1 182	-	-3 236	-
Other operating income	238	262	127	119	14	37	-197	600
Operating costs	-8 363	-4 484	-632	-4 303	-1 208	-225	3 446	-15 769
Depreciation and amortisation according to plan	-878	-361	-31	-27	-21	-3	0	-1 320
Impairment losses	-	-22	-	-	-	-	-	-22
Change in value of biological assets	-	-	-	16	-	-	-	16
Interest in earnings of associates	41	-	4	-	-	-	-	45
Operating profit/loss	**340**	**419**	**21**	**605**	**414**	**-191**	**13**	**1 620**
Operating profit/loss excluding items affecting comparability	*340*	*419*	*21*	*605*	*414*	*-191*	*13*	*1 620*
Operating margin excluding items affecting comparability, %	4	8	4	13	25			9
Return on operating capital excluding items affecting comparability, %	4	10	6	5	13			6
Operating assets	10 186	4 781	483	12 646	3 342	419	-392	31 465
Operating liabilities	1 397	666	87	1 262	135	1 382	-392	4 536
Operating capital	8 789	4 114	396	11 384	3 207	-963	0	26 929
Investments	287	260	110	69	88	2	0	818

	Group		Parent company	
Non-current assets per country	**2009**	**2008**	**2009**	**2008**
Sweden	21 415	21 619	17 006	18 231
UK	550	598	-	-
Spain	3 364	3 877	-	-
Other	52	59	-	-
Total	**25 380**	**26 153**	**17 006**	**18 231**

	Group		Parent company	
Net sales by product area	**2009**	**2008**	**2009**	**2008**
Newsprint and magazine paper	9 144	10 177	7 043	7 966
Paperboard	4 865	4 677	2 879	2 699
Pulp	137	128	240	224
Sawn timber	548	499	548	496
Wood	2 745	3 064	2 695	2 997
Power	447	550	1	0
Other	185	241	32	0
Total	**18 071**	**19 334**	**13 436**	**14 382**

	Group		Parent company	
Net sales by market	**2009**	**2008**	**2009**	**2008**
Sweden	4 211	4 940	3 749	4 308
UK	2 083	1 943	1 328	1 189
Germany	2 676	2 597	2 296	2 237
Spain	1 427	1 909	288	390
The Netherlands	771	771	675	661
France	728	786	449	531
Italy	848	953	555	612
Rest of Europe	3 011	3 411	2 313	2 829
Rest of the world	2 316	2 024	1 784	1 624
Total	**18 071**	**19 334**	**13 436**	**14 382**

2008	**Holmen Paper**	**Iggesund Paperboard**	**Holmen Timber**	**Holmen Skog**	**Holmen Energi**	**Group-wide and other**	**Elimina-tions**	**Total Group**
Net sales								
External	10 443	4 845	499	2 997	550	-	-	19 334
Internal	0	15	0	2 446	1 284	-	-3 745	-
Other operating income	350	260	138	129	12	37	-172	755
Operating costs	-9 970	-4 433	-593	-4 898	-1 500	-196	3 916	-17 673
Depreciation and amortisation according to plan	-896	-368	-34	-26	-19	0	-	-1 343
Impairment losses	-57	-	-	-	-	-	-	-57
Change in value of biological assets	-	-	-	-16	-	-	-	-16
Interest in earnings of associates	47	-	3	-	-	-	-	50
Operating profit/loss	**-81**	**320**	**13**	**632**	**327**	**-149**	**-10**	**1 051**
*Operating profit/loss excluding items affecting comparability**	*280*	*320*	*13*	*632*	*327*	*-149*	*-10*	*1 412*
Operating margin excluding items affecting comparability, %*	3	7	3	12	18			7
Return on operating capital excluding items affecting comparability, %*	3	8	4	6	11			5
Operating assets	12 123	4 914	439	12 796	3 149	568	-557	33 432
Operating liabilities	1 886	661	73	1 382	142	2 222	-557	5 809
Operating capital	10 237	4 254	366	11 415	3 006	-1 654	-	27 623
Investments	679	327	19	21	76	2	-	1 123

* Items affecting comparability relate to a SEK 298 million cost of closing down Wargön Mill, SEK 115 million to cover costs associated with the closure of PM 2 at the mill in Hallsta, and a SEK 52 million positive effect on profit of the fire at Braviken.

The business area Holmen Paper manufactures printing paper for daily newspapers, magazines, directories/manuals, advertising material and books at two Swedish mills and one Spanish mill. Iggesund Paperboard produces paperboard for consumer packaging and graphics printing at one Swedish and one UK mill. Holmen Timber produces sawn timber at one Swedish sawmill. Annual production capacity is 1 940 000 tonnes of printing paper, 530 000 tonnes of paperboard and 340 000 cubic metres of sawn timber.

Holmen Skog manages the Group's forests, which cover just over one million hectares. The annual volume of wood harvested in company forests is about 2.5 million cubic metres. Holmen Energi is responsible for the Group's hydro power assets and for developing the Group's operations in the energy sector. Normal yearly production amounts to some 1 100 GWh of electricity at wholly and partly owned hydro power stations in Sweden. Holmen Skog and Holmen Energi are also responsible for supplying the Group with wood and electricity in Sweden, which are important raw materials for the industrial operations.

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

Intra-Group sales between segments are founded on an internal market-based price. The "Group-wide and other" segment comprises Group staff units and Group-wide functions that are not allocated to other segments. No profit items below 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 4 Other operating income

	Group		Parent company	
	2009	2008	2009	2008
Sales of by-products	186	253	111	181
Emission rights	24	18	25	22
Electricity certificates	71	72	63	65
Sales of non-current assets	31	29	8	12
Rental and tenancy income	22	19	19	16
Silviculture contracts	52	44	52	44
Other	215	320	169	257
Total	**600**	**755**	**447**	**596**

Of the sales of by-products in the Group, SEK 124 million (160) relate to rejects from production, SEK 34 million (53) to sawdust, bark, chips etc, and SEK 28 million (40) to external sales of energy.

The Group has been allotted emission rights which, for the most part, have been used for its own production. The surplus resulted in a recognised profit of SEK 24 million (18).

Income from electricity certificates received from the production of renewable energy at the Group's Swedish mills amounted to SEK 71 million (72).

Note 5 Employees, staff costs and remuneration to senior management

	Group		Parent company	
Wages, salaries and social security costs	**2009**	**2008**	**2009**	**2008**
Wages, salaries and other remuneration	1 866	2 054	1 292	1 546
Social security costs	720	807	583	693

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

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

Salary and other remuneration

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

Pension

The normal retirement age shall be 65 years. The company and the employee shall be mutually entitled to request that pension be drawn from 60 years of age. Any pension drawn before 65 years of age shall be either defined benefit or defined premium. 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 existing arrangement with a defined benefit pension to one in which the pension is defined premium (contribution).

Notice and severance pay

Discontinuation notice 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.

Incentive scheme

Any decision on a share and share price based incentive scheme for senior company personnel 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 therefore shall be submitted to the next Annual General Meeting.

Incentive scheme

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

IFRS 2 Share-based Payment is not applicable, because the employees acquired the options at 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 2009, the fee amounted to SEK 2 475 000 (2 475 000). The chairman received a fee of SEK 550 000 (550 000), and each of the other members (except for the CEO) received SEK 275 000 (275 000).

Senior management

The CEO's salary and other benefits for 2009 amounted to SEK 6 768 603 (6 769 821). In 2009, the total pension cost attributable to the CEO (ITP cost and the cost of benefits over and above ITP), calculated in accordance with IAS 19, amounted to SEK 3 263 711 (3 050 305). No variable remuneration was paid.

In 2009, 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 18 206 318 (17 768 644). The total pension cost (ITP cost and the cost of benefits over and above ITP), calculated in accordance with IAS 19, for this group amounted to SEK 10 897 672 (8 570 257) in 2009. No variable remuneration was paid.

For senior management the company is required to give 12 months' notice and the employee six months. In the event of notice being given by the company, termination benefits corresponding to between one and two years' salary are paid, depending on age. For the CEO, a termination benefit of two years' salary is paid.

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

Pension commitments in respect of the Board and senior management

Holmen's pension commitments over and above the ITP plan for the CEO amounted to SEK 15 million (13) at 31 December 2009 and for other members of senior management to SEK 63 million (54), 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.

	2009		2008	
	Average number of full-time equivalents	Of whom women	Average number of full-time equivalents	Of whom women
Parent company				
Sweden	3 227	589	3 465	608
Group companies				
Sweden	-	-	46	5
Australia	3	2	3	1
Belgium	1	-	3	2
Denmark	2	1	3	2
Estonia	20	6	22	6
France	34	8	31	6
Germany	22	8	17	8
UK	514	53	511	54
Hong Kong	5	1	5	1
Italy	8	4	7	4
The Netherlands	116	46	112	30
Poland	7	4	6	3
Portugal	2	1	2	1
Singapore	6	4	5	3
Spain	596	119	573	106
Switzerland	6	2	7	3
USA	8	2	11	3
Total Group companies	**1 350**	**261**	**1 364**	**238**
Total Group	**4 577**	**850**	**4 829**	**846**

The year's decrease in the number of parent company employees is mainly an effect of redundancies in connection with the closure of Wargön Mill, and staff cuts in connection with the restructuring programme at Hallsta Paper Mill.

	Group		Parent company	
Proportion of women, %	**2009**	**2008**	**2009**	**2008**
Board (excl. deputy members)	17	8	17	8
Senior management	9	9	9	9

	Group		Parent company	
Sickness absence in Sweden, %	**2009**	**2008**	**2009**	**2008**
Total sickness absence	3.8	4.6	3.8	4.6
Long-term sick leave (>60 days)	1.7	2.7	1.7	2.7
Sickness absence, men	3.8	4.5	3.8	4.5
Sickness absence, women	3.7	5.3	3.7	5.3
Employees below 29 years of age	2.4	2.5	2.4	2.5
Employees between 30 and 49 years of age	3.1	4.0	3.1	4.0
Employees aged 50 years and above	4.7	5.7	4.7	5.7

Note 6 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	
Remuneration to KPMG	**2009**	**2008**	**2009**	**2008**
Audit assignments	8	7	4	4
Other assignments	5	4	1	1
Total	**13**	**11**	**5**	**5**
Other auditors	0	0	-	-
Total	**13**	**11**	**5**	**5**

Audit assignments refers to the examination of the annual report and accounting records, the administration by the Board and the CEO, other duties that are incumbent on the company's auditors, the provision of advice or other support resulting from observations in connection with the audit or the performance of such other duties. All other activities are defined as other assignments. Over and above the audit assignment, Holmen has consulted KPMG on tax and accounting issues and for various investigations.

Note 7 Income from financial instruments

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Finance income				
Dividend income from Group companies	-	-	1 156	15
Gains on sales of Group companies	-	-	-	0
Gains on sales of shares and participating interests	-	-	-	1
Net profit/loss				
Assets and liabilities measured at fair value via profit/loss for the year - Held for financial risk management*	5	2	5	2
- Other	0	0	0	0
Interest income	7	14	13	88
Total finance income	**12**	**17**	**1 174**	**106**
Finance costs				
Impairment losses on value of shares in Group companies	-	-	-436	-
Net profit/loss				
Assets and liabilities measured at fair value via profit/loss for the year - Held for financial risk management*	-38	-19	114	-176
- Other	23	-2	-	0
Cash and cash equivalents	31	-15	31	-15
Other financial liabilities	1	53	102	-322
Total net profit/loss	**18**	**17**	**247**	**-513**
Interest costs **	-284	-345	-239	-354
Finance costs	**-267**	**-328**	**-428**	**-867**
Net financial items	**-255**	**-311**	**746**	**-761**

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

** SEK -63 million (21) in the Group refers to interest costs on liabilities measured at fair value via profit/loss for the year. Those in the parent company amounted to SEK -63 million (21).

The net gains and losses stated in net financial items mainly relate to currency revaluations of internal loans, hedging of internal lending, currency revaluations of cash and cash equivalents, and hedging of cash and cash equivalents. They also include the revaluation of loans measured at fair value via the income statement and interest rate swaps used to hedge loans at fixed rates of interest. The parent company's net 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 Group in other comprehensive income. The fair value of the interest component in currency forward contracts and value changes in accrued interest and realised interest in fixed-interest-rate swaps are recognised on an ongoing basis in net interest items.

Changes in the value of the loan that is measured at fair value in accordance with the fair value option affected earnings by SEK 23 million (-2), of which changes in market interest rates accounted for a decrease in value of SEK 8 million (decrease of 19). The accumulated change in value of SEK 73 million (50) is recognised in the income statement. Changes in the value of the swap that belongs to the loan measured at fair value using the fair value option had a negative impact of SEK 5 million on earnings. The change in the value of the loan that has been hedged in respect of its fair value had a SEK 3 million impact on profit (decrease of 8) while related interest rate swaps lowered profit by SEK 3 million (increase of 8). There were no changes in value for loans in the parent company.

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

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Exchange gains/losses on trade receivables and trade payables	-26	232	-7	223
Net loss on derivatives stated in working capital	-343	-309	-403	-243
Interest income on trade receivables	1	0	1	0
Interest costs on trade payables	3	0	3	0

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

Note 8 Taxes

Taxes stated in income statement

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Current tax	-474	-488	-307	137
Deferred tax	114	390	-24	57
Total	**-360**	**-98**	**-331**	**195**

The 2009 tax rate for the Group was 26.4 per cent and was mainly affected by the company winning a tax dispute and through loss carry-forwards not recorded. See the table below.

	Group				Parent company			
		2009		**2008**		**2009**		**2008**
	SEKm	**%**	**SEKm**	**%**	**SEKm**	**%**	**SEKm**	**%**
Recognised profit before tax	1 366		740		1 995		-630	
Tax at applicable rate	-359	26.3	-207	28.0	-525	26.3	177	28.0
Difference in tax rate in foreign operations	2	-0.1	2	-0.2	0	0.0	0	0.0
Non-taxable income and non-deductible costs	-2	0.1	-2	0.2	188	-9.4	2	0.3
Standard interest on tax allocation reserve	-15	1.1	-23	3.0	-15	0.8	-23	-3.6
Effect of not stated loss carry-forwards and temporary differences	-30	2.2	16	-2.1	-8	0.4	0	0.0
Tax attributable to previous periods	31	-2.3	-4	0.6	29	-1.4	1	0.2
Change in tax rate on deferred tax asset/liability	0	0.0	331	-44.7	0	0.0	37	5.9
Provision to cover uncertain tax disputes	0	0.0	-225	30.4	0	0.0	0	0
Other	13	-1.0	14	-2.0	0	0.0	1	0.1
Effective tax	**-360**	**26.4**	**-98**	**13.2**	**-331**	**16.6**	**195**	**30.9**

Tax attributable to other comprehensive income

	Group						Parent company					
	2009			2008			2009			2008		
	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
Cash flow hedges	910	-240	670	-964	253	-712	919	-242	677	-1 148	302	-845
Translation differences on foreign operations	-256	-	-256	445	-	445	-	-	-	-	-	-
Hedging of currency risk in foreign operations	254	-66	188	-541	151	-389	-	-	-	-	-	-
Actuarial revaluations	15	-4	11	-169	48	-121	-	-	-	-	-	-
Other comprehensive income	**923**	**-310**	**613**	**-1 230**	**452**	**-778**	**919**	**-242**	**677**	**-1 148**	**302**	**-845**

Taxes as stated in balance sheet

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Deferred tax assets				
Loss carry-forwards	307	347	-	-
Pension provisions	68	73	-	-
Deferred tax liabilities stated net among deferred tax assets	-72	-85	-	-
Other	1	7	-	-
Total deferred tax assets	**304**	**342**	**-**	**-**
Current tax receivable	22	141	-	117
Total tax receivables	**326**	**483**	**-**	**117**

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Deferred tax liabilities				
Non-current assets				
Biological assets*	2 922	2 914	644	635
Property, plant and equipment	1 600	1 512	-4	-4
Tax allocation reserve	618	721	-	-
Transactions subject to hedge accounting	-34	-268	-53	-295
Other, including deferred tax assets stated net among deferred tax liabilities	-61	-61	-49	-64
Total deferred tax liabilities	**5 045**	**4 819**	**538**	**272**
Provisions for taxes	692	692	45	45
Current tax liability	102	14	94	-
Total tax liabilities	**5 839**	**5 525**	**678**	**317**

* For parent company this relates to forestland.

Change in the net of deferred tax assets and deferred tax liabilities

	Group					Parent company			
2009	Opening balance	Stated in the income statement	Stated in other comprehensive income	Translation differences and other	Closing balance	Opening balance	Stated in the income statement	Stated in other comprehensive income	Closing balance
Biological assets*	-2 914	-8	-	-	-2 922	-635	-9	-	-644
Property, plant and equipment	-1 597	52	-	-126	-1 672	4	0	-	4
Pension provisions	80	1	-4	2	78	-	-	-	-
Loss carry-forwards	347	-31	-	-10	307	-	-	-	-
Tax allocation reserve	-721	103	-	-	-618	-	-	-	-
Other	328	-3	-240	0	86	359	-15	-242	102
Deferred net tax liability	**-4 477**	**114**	**-244**	**-135**	**-4 741**	**-272**	**-24**	**-242**	**-538**

* For parent company this relates to forestland.

2008	Group Opening balance	Group Stated in the income statement	Group Stated in other comprehensive income	Group Translation differences and other	Group Closing balance	Parent company Opening balance	Parent company Stated in the income statement	Parent company Stated in other comprehensive income	Parent company Closing balance
Biological assets*	-3 100	186	-	-	-2 914	-677	41	-	-635
Property, plant and equipment	-1 796	189	-	10	-1 597	5	-1	-	4
Pension provisions	53	-15	51	-9	80	-	-	-	-
Loss carry-forwards	348	-13	-	12	347	-	-	-	-
Tax allocation reserve	-753	31	-	-	-721	-	-	-	-
Other	68	12	250	-1	328	40	17	302	359
Deferred net tax liability	**-5 181**	**390**	**301**	**13**	**-4 477**	**-632**	**57**	**302**	**-272**

* For parent company this relates to forestland.

For information on biological assets see Note 12. 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 27.

The deferred tax income recognised in the Group's income statement relates primarily to a change in temporary differences and utilisation of loss carry-forwards. The amount recognised in Other comprehensive income includes deferred tax related to negative changes of SEK 239 million in hedging reserves (positive 253) and negative impact of SEK 4 million from actuarial revaluations (postitive 48).

Of the deferred tax asset in respect of the carry-forwards of unused tax losses, a sum of SEK 94 million relates to loss carry-forwards with no time limitations regarding when they may be utilised. Other loss carry-forwards expire if they are not utilised 2015–2022. The carry-forwards of unused tax losses and temporary differences for which deferred tax assets have not been recognised in the income statement or balance sheet amount to SEK 1 950 million, of which SEK 200 million expire in 2011 and SEK 330 million expire 2022–2024. 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 9 Earnings per share (EPS)

Group

	2009	2008
Total number of shares outstanding, 1 January	83 996 162	84 756 162
Buy-back of company's own shares during the year	-	-760 000
Total number of shares outstanding, 31 December	**83 996 162**	**83 996 162**
Average number of shares, before dilution	83 996 162	84 298 573
Effect of options	-	-
Average number of shares, after dilution	83 996 162	84 298 573
Profit for the year attributable to shareholders, SEKm	1 006	642
Average number of shares before dilution	83 996 162	84 298 573
Basic EPS for the year, SEK	**12.0**	**7.6**
Profit for the year attributable to shareholders, SEKm	1 006	642
Average number of shares after dilution	83 996 162	84 298 573
Diluted EPS for the year, SEK	**12.0**	**7.6**

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 2009 (SEK 180 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 10 Intangible non-current assets

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Accumulated acquisition cost				
Opening balance	170	89	77	10
Investments	0	8	-	8
Change in emission rights	-	70	-	58
Re-classification	-69	-1	-58	-
Disposal and retirement of assets	0	-	-	-
Translation differences	-3	5	-	-
Total	**98**	**170**	**19**	**77**
Accumulated amortisation according to plan				
Opening balance	64	46	1	0
Amortisation for the year	9	13	3	0
Translation differences	-2	4	-	-
Total	**71**	**64**	**4**	**1**
Closing residual value according to plan	**27**	**106**	**15**	**76**

Intangible non-current assets mostly consist of rights to use electricity grids of SEK 6 million (8) and IT systems of SEK 17 million (24). These assets were largely acquired from external sources. They have determinable useful lives and are amortised over 5–10 years. No goodwill applies.

In 2009, emission rights were reclassified from intangible non-current assets to inventories.

Note 11 Property, plant and equipment

Group	Forestland 2009	Forestland 2008	Buildings, other land and land installations 2009	Buildings, other land and land installations 2008	Machinery and equipment 2009	Machinery and equipment 2008	Work in progress and advance payments to suppliers 2009	Work in progress and advance payments to suppliers 2008	Total 2009	Total 2008
Accumulated acquisition cost										
Opening balance	100	100	5 906	5 561	27 092	25 865	221	270	33 319	31 796
Investments	-	-	95	127	546	867	107	140	748	1 134
Re-classifications	-	-	181	49	72	147	-128	-195	126	1
Disposal and retirement of assets	-	-	-19	-5	-708	-82	-	-	-726	-87
Translation differences	0	0	-93	175	-239	294	-1	5	-333	474
Total	**100**	**100**	**6 071**	**5 906**	**26 763**	**27 092**	**199**	**221**	**33 134**	**33 319**
Accumulated depreciation and impairment losses										
Opening balance	-	-	2 775	2 618	17 401	16 194	-	-	20 176	18 813
Depreciation for the year according to plan	-	-	141	137	1 170	1 193	-	-	1 311	1 329
Impairment losses for the year	-	-	-	6	22	51	-	-	22	57
Reversal of previous impairment losses	-	-	-	-	-	-	-	-	-	-
Re-classifications	-	-	-31	-	31	-	-	-	-	-
Disposal and retirement of assets	-	-	-15	-3	-701	-76	-	-	-716	-79
Translation differences	-	-	-22	16	-112	40	-	-	-133	56
Total	**-**	**-**	**2 849**	**2 775**	**17 812**	**17 401**	**-**	**-**	**20 661**	**20 176**
Closing residual value according to plan	**100**	**100**	**3 222**	**3 131**	**8 952**	**9 690**	**199**	**221**	**12 473**	**13 142**

Parent company	Forestland 2009	Forestland 2008	Buildings, other land and land installations 2009	Buildings, other land and land installations 2008	Machinery and equipment 2009	Machinery and equipment 2008	Total 2009	Total 2008
Accumulated acquisition cost								
Opening balance	79	72	137	138	222	203	438	414
Investments	0	7	6	2	33	40	40	49
Re-classifications	-	-	-	-	-	0	-	0
Disposal and retirement of assets	0	0	0	-3	-24	-22	-24	-25
Total	**79**	**79**	**143**	**137**	**231**	**222**	**454**	**438**
Accumulated depreciation according to plan								
Opening balance	-	-	125	125	155	154	280	279
Depreciation for the year according to plan	-	-	1	1	23	23	24	24
Disposal and retirement of assets	-	-	0	-1	-24	-21	-24	-23
Total	**-**	**-**	**126**	**125**	**155**	**155**	**281**	**280**
Accumulated revaluations								
Opening balance	2 416	2 417	1	1	-	-	2 417	2 417
Disposal and retirement of assets	0	0	0	-	-	-	0	0
Total	**2 416**	**2 416**	**1**	**1**	**-**	**-**	**2 417**	**2 417**
Closing residual value according to plan	**2 496**	**2 495**	**18**	**13**	**77**	**66**	**2 590**	**2 575**

Assessed tax values	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Assessed tax values relate to assets in Sweden				
Forest and agricultural properties	14 517	14 520	6 795	6 798
Buildings, other land and land installations	3 056	3 049	28	28
Total	**17 573**	**17 569**	**6 823**	**6 826**

The Group's impairment losses regarding property, plant and equipment are stated in the income statement in the line item Impairment losses. Holmen closed a board machine at Workington Mill in 2009 that belongs to the Iggesund Paperboard business area. This resulted in impairment losses on property, plant and equipment of SEK 22 million. For 2008, impairment losses on non-current assets referred to the closure of operations at Wargön Mill in the Holmen Paper business area.

The year's investments were reduced by SEK 2 million (23) 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 1 581 million (452) at 31 December 2009. The company's capitalised borrowing costs were SEK 1 million in 2009 and are recognised as Work in progress and advance payments to suppliers. An interest rate of 3 per cent was used to determine the amount.

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

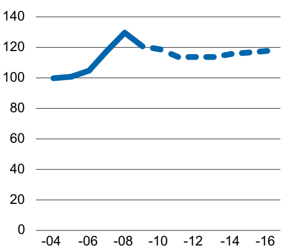
Note 12 Biological assets

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

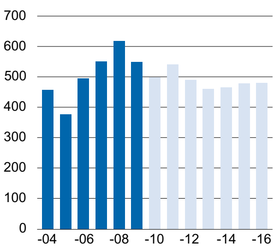
In total, Holmen owns 1 032 000 hectares of productive forestland, with a volume of 119 million forest cubic metres (m^3 total volume over bark) of standing timber, of which 67 000 hectares with 12 million forest cubic metres of standing timber have been set aside as nature reserves. According to the current harvesting plan, which came into effect in 2000, harvesting during the 2000–2009 period is to amount to an average of 2.5 million m^3 of timber and pulpwood per year. The same plan states that the annual harvesting for the 2010–2019 period will be more than 1 per cent higher. The harvesting volume is then planned to increase gradually and then stabilise at about 3.0 million m^3 per year in about 40 years' time. This corresponds to an average increase in harvesting of 0.4 per cent per year. Just over 50 per cent of the wood harvested consists of timber that is sold to sawmills, and the remainder mainly consists of pulpwood, which is sold to the pulp and paper industry. A new harvesting plan is estimated to be complete in 2011 and may entail different harvesting rates.

In 2009, the cash flow from the growing forests decreased to SEK 522 million (622), mainly as a result of lower prices. On average, the cash flows in 2001–2009 amounted to approximately SEK 491 million per year. Holmen based its valuation of 31 December 2009 on the prices prevailing at the end of the year. An assumption has been made that prices will fall somewhat in 2011, see the graph below. From 2011 and thereafter, long-term price assumptions have been used, with an annual increase of 1 per cent until 2035 and thereafter a rise of 2 per cent a year. The cash flow forecast for 2010–2016 is shown in the figure below. Costs are estimated to increase from present-day levels by about 2 per cent per year. The price and cash flows for the period 2017–2035 are estimated to increase by 0.5 per cent per year, after which they are expected to increase broadly in line with the assumed level of inflation of 2 per cent.

Average price
Historical and forecast



Cash flow
Historical and forecast



The cash flows are discounted using an interest rate of 5.5 per cent (2008: 5.5) after tax. The discount rate was calculated on the basis of the Group's target for its debt/equity ratio (on average 0.55), an assumed long-term, nominal risk-free interest rate of 4.5 per cent, a risk premium of 1 per cent for borrowed capital and of 2 per cent for equity. Tax is taken into account at a rate of 26.3 per cent.

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

The value of the forest assets was estimated at the end of 2009 at SEK 11 109 million, i.e. the value of the estimated cash flows before tax. The attributable deferred tax liability was estimated at SEK 2 922 million. The net carrying amount after tax of the growing forests was thus SEK 8 187 milliion. The change in the value of the growing forests can be divided into:

Group	**2009**	**2008**
Opening balance	11 080	11 073
Acquisition of growing forest	5	12
Sales of growing forest	0	-2
Change due to harvesting	-552	-622
Change in fair value	568	606
Other changes	8	13
Closing carrying amount	**11 109**	**11 080**

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 2009 this item amounted to SEK 16 million (-16).

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

	Change in value (SEKm)	
Group	Before tax	After tax
Annual change, + 0.1% per year		
Harvesting rate	420	310
Price inflation	420	310
Cost inflation	-250	-190
Change in level, +1%		
Harvesting	160	120
Prices	280	200
Costs	-150	-110
Discount rate, +0.1%	-250	-180

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 which the calculations are based on are raised by 1 per cent for all years (change of level).

Note 13 Interests in associates and other shares and participating interests

	Group		Parent company	
Associates	**2009**	**2008**	**2009**	**2008**
Carrying amount at start of year	1 824	1 745	77	77
Investments	4	0	4	0
Disposals	-15	-2	0	-1
Re-classifications	3	0	3	0
Interest in associates' earnings	45	50	-	-
Dividends received	-80	-	-	-
Translation difference	-12	30	-	-
Impairment losses	-	0	-	0
Carrying amount at 31 December	**1 770**	**1 824**	**84**	**77**

The parent company's opening balance includes accumulated impairment losses of SEK 34 million. There was no impairment during the year. Dividends received refers to the associate Peninsular Cogeneración S.A.

	Group		Parent company	
Other shares and participating interests	**2009**	**2008**	**2009**	**2008**
Carrying amount at start of year	11	7	11	6
Investments	3	4	2	4
Disposals	-	0	-	-
Re-classifications	-3	0	-3	0
Translation difference	0	0	-	-
Impairment losses	0	-	0	-
Carrying amount at 31 December	**10**	**11**	**9**	**11**

There were no material impairment losses on the value of other shares and participating interests during the year.

Parent company and Group holdings of shares and interests in associates

				2009			**2008**		
	Corporate ID No.	Registered office	No. of shares	Interest %*	Carrying amount at parent comp. SEK thousands	Value of holding in Group accounts, SEK thousands	Interest %*	Carrying amount at parent comp. SEK thousands	Value of holding in Group 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	Sundsvall	9 886	49.4	-	1 481 898	49.4	-	1 481 898
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	1 856	11 596	36.0	1 856	7 725
Industriskog AB	556193-9470	Falun	25 000	33.3	37	37	33.3	37	37
Pressretur AB	556188-2712	Stockholm	334	33.4	-	-	33.4	-	-
PÅAB, Pappersåtervinning AB	556142-5116	Norrköping	500	50.0	109	109	50.0	109	109
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.83	74 755	74 755	6.83	74 755	74 755
VindIn AB	556713-5172	Stockholm	200	14.28	6 910	7 224	-	-	-
Baluarte Sociedade de Recolha e Recuperação de Desperdicios, Lda, Portugal		Alcochete	2	50.0	-	41 736	50.0	-	42 049
Ets Emilie Llau S.A., France		Lorp-Sentaraille	678	24.0	-	24 257	38.0	-	41 019
Peninsular Cogeneración S.A., Spain		Madrid	4 500	50.0	-	92 031	50.0	-	140 270
Other shares owned by the parent company					-	-		38	38
Total					**83 767**	**1 770 143**		**76 895**	**1 824 399**

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

Parent company and Group holdings of shares and participating interests in other companies

				2009			**2008**		
	Corporate ID No.	Registered office	No. of shares	Interest %*	Carrying amount at parent comp. SEK thousands	Value of holding in Group accounts, SEK thousands	Interest %*	Carrying amount at parent comp. SEK thousands	Value of holding in Group accounts, SEK thousands
Parent company									
Industrikraft i Sverige AB	556761-5371	Stockholm	100 000	20.0	2 800	2 800	20.0	1 200	1 200
SweTree Technologies AB	556573-9587	Umeå	73 500	2.7	6 280	6 280	2.7	5 640	5 640
VindIn AB	556713-5172	Stockholm	-	-	-	-	7.1	3 410	3 410
Miscellaneous shares owned by the parent company					389	389		587	587
Total					**9 469**	**9 469**		**10 837**	**10 837**
Group									
Miscellaneous shares						348			372
Total					**9 469**	**9 816**		**10 837**	**11 209**

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

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

Brännälvens Kraft AB, Gidekraft AB, Vattenfall Tuggen AB and VindIn AB are classified as associates even though the holdings are less than 20 per cent, since shareholder agreements provide significant influence over each company's activities. The holding in VindIn AB was reclassified in 2009, from shares and participating interests in other companies, to associates.

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	
	2009	**2008**	**2009**	**2008**
Income	814	861	378	320
Profit/loss	40	51	-2	4
Assets	763	728	209	200
Liabilities	447	362	156	156
Equity	315	366	53	44

Note 14 Financial instruments

Group 2009	Items recognised at fair value via profit of the year: Loans valued at fair value	Items recognised at fair value via profit of the year: Derivatives	Derivatives with hedge accounting	Trade receivables and loan receivables	Available-for-sale assets	Other liabilities	Total carrying amount	Fair value
Financial instruments included in net financial debt								
Non-current financial receivables								
Deposits with credit institutions	-	-	-	21	-	-	21	21
Derivatives	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	131	-	-	131	131
				151			**151**	**151**
Current financial receivables								
Accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	17	34	-	-	-	51	51
Other financial receivables	-	-	-	17	-	-	17	17
		17	**34**	**23**			**74**	**74**
Cash and cash equivalents								
Current deposit of cash and cash equivalents	-	-	-	17	-	-	17	17
Bank balances	-	-	-	165	-	-	165	165
				182			**182**	**182**
Non-current liabilities								
MTN loans	-	-	-	-	-	2 183	2 183	2 205
Loans from banks and other credit institutions	-	-	-	-	-	1 252	1 252	1 252
Derivatives	-	-	37	-	-	-	37	37
			37			**3 435**	**3 472**	**3 495**
Current liabilities								
Commercial paper programme	-	-	-	-	-	945	945	945
Bank account liabilities	-	-	-	-	-	251	251	251
Current portion of long-term loans	371	-	-	-	-	623	994	994
Derivatives	-	19	22	-	-	-	41	41
Accrued interest	-	-	-	-	-	54	54	54
Other current liabilities	-	-	-	-	-	12	12	12
	371	**19**	**22**			**1 886**	**2 298**	**2 298**
Financial instruments not included in net financial debt								
Other shares and participating interests	-	-	-	-	10	-	10	-
Trade receivables	-	-	-	2 712	-	-	2 712	2 712
Derivatives (recognised among operating receivables)	-	2	223	-	-	-	225	225
Trade payables	-	-	-	-	-	1 911	1 911	1 911
Derivatives (recognised among operating liabilities)	-	50	208	-	-	-	258	258

Non-current financial receivables consist of non-current interest-bearing deposits with credit institutions, financial receivables from other companies, which, substantially, are interest-bearing, and prepayments relating to committed credit facilities. Over and above this, the figure includes the fair values of non-current derivatives. 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 translation gains. Current financial receivables substantially have fixed interest periods of less than 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 on deposit with banks or in current deposit accounts at banks. The average rate of interest on the Group's financial assets in 2009 was around 1.5 per cent (3.3).

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

Group 2008	Items recognised at fair value via profit of the year: Loans valued at fair value	Items recognised at fair value via profit of the year: Derivatives	Derivatives with hedge accounting	Trade receivables and loan receivables	Available-for-sale assets	Other liabilities	Total carrying amount	Fair value
Financial instruments included in net financial debt								
Non-current financial receivables								
Deposits with credit institutions	-	-	-	26	-	-	26	26
Derivatives	-	32	-	-	-	-	32	32
Other financial receivables	-	-	-	29	-	-	29	29
		32		**55**			**87**	**87**
Current financial receivables								
Accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	31	34	-	-	-	65	65
Other financial receivables	-	-	-	16	-	-	16	16
	-	**31**	**34**	**23**	**-**	**-**	**88**	**88**
Cash and cash equivalents								
Current deposit of cash and cash equivalents	-	-	-	243	-	-	243	243
Bank balances	-	-	-	410	-	-	410	410
	-	**-**	**-**	**653**	**-**	**-**	**653**	**653**
Non-current liabilities								
MTN loans	-	-	-	-	-	1 266	1 266	1 282
Loans from banks and other credit institutions	394	-	-	-	-	1 423	1 817	1 825
Derivatives	-	13	126	-	-	-	139	139
	394	**13**	**126**	**-**	**-**	**2 689**	**3 223**	**3 247**
Current liabilities								
Commercial paper programme	-	-	-	-	-	1 467	1 467	1 467
Bank account liabilities	-	-	-	-	-	146	146	146
Current portion of long-term loans	-	-	-	-	-	567	567	567
Derivatives	-	60	95	-	-	-	155	155
Accrued interest	-	-	-	-	-	161	161	161
Other current liabilities	-	-	-	-	-	2 260	2 260	2 260
	-	**60**	**95**	**-**	**-**	**4 602**	**4 756**	**4 756**
Financial instruments not included in net financial debt								
Other shares and participating interests	-	-	-	-	11	-	11	-
Trade receivables	-	-	-	3 144	-	-	3 144	3 144
Derivatives (recognised among operating receivables)	-	14	144	-	-	-	157	157
Trade payables	-	-	-	-	-	2 282	2 282	2 282
Derivatives (recognised among operating liabilities)	-	135	1 056	-	-	-	1 191	1 191

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.

Liabilities valued at fair value amount to SEK 573 million (598). The amount repayable in respect of these liabilities is SEK 538 million. The maturity structure and average rate of interest for the Group's liabilities are shown in note 2. A total of SEK 1 916 million of the parent company's liabilities mature within one year. In addition to the financial assets and liabilities identified above, pension liabilities (see note 18) are also included in net financial debt.

The loan measured at fair value using the fair value option and its related swaps comes under measurement level 3 as per IFRS 7, because interest payments and loan repayments partly depend on inflation assumptions for the current year. Note 7 states the impact on profit from revaluation of these items; the effect of changed assumptions was immaterial. Other items measured at fair value belong to measurement level 2 as per IFRS 7.

The fair value in the tables above has either been taken directly from listed market prices or by calculating the discounted cash flows. In cases where the latter method is used, all variables used in the calculation, such as discount rates and exchange rates, are taken from market listings. The difference between fair value and carrying amount arises because certain liabilities are not valued at fair value in the balance sheet, but are stated at their amortised cost. In the case of trade receivables and trade payables the carrying amount is used as the fair value, as this is judged to be an accurate reflection of the fair value. When it has not been possible to determine a reliable fair value for shares and participating interests, they have been excluded from the tables.

Parent company 2009	Items recognised at fair value via profit of the year: Loans valued at fair value	Items recognised at fair value via profit of the year: Derivatives	Derivatives with hedge accounting	Trade receivables and loan receivables	Available-for-sale assets	Other liabilities	Total carrying amount	Fair value
Financial instruments included in net financial debt								
Non-current financial receivables								
Deposits with credit institutions	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
Receivables from Group companies	-	-	-	2 602	-	-	2 602	2 602
Other financial receivables	-	-	-	27	-	-	27	27
				2 629			**2 629**	**2 629**
Current financial receivables								
Accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	51	-	-	-	-	51	51
Receivables from Group companies	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	17	-	-	17	17
		51		**23**			**74**	**74**
Cash and cash equivalents								
Current deposit of cash and cash equivalents	-	-	-	-	-	-	-	-
Bank balances	-	-	-	88	-	-	88	88
				88			**88**	**88**
Non-current liabilities								
MTN loans	-	-	-	-	-	2 183	2 183	2 205
Loans from banks and other credit institutions	-	-	-	-	-	1 240	1 240	1 240
Liabilities to Group companies	-	-	-	-	-	2 193	2 193	2 193
Derivatives	-	-	37	-	-	-	37	37
			37			**5 615**	**5 652**	**5 675**
Current liabilities								
Commercial paper programme	-	-	-	-	-	945	945	945
Bank account liabilities	-	-	-	-	-	249	249	249
Current portion of long-term loans	-	-	-	-	-	619	619	619
Derivatives	-	19	22	-	-	-	41	41
Accrued interest	-	-	-	-	-	54	54	54
Liabilities to Group companies	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	7	7	7
		19	**22**			**1 875**	**1 916**	**1 916**
Financial instruments not included in net financial debt								
Other shares and participating interests	-	-	-	-	9	-	9	-
Trade receivables	-	-	-	1 988	-	-	1 988	1 988
Derivatives (recognised among operating receivables)	-	2	190	-	-	-	192	192
Trade payables	-	-	-	-	-	1 489	1 489	1 489
Derivatives (recognised among operating liabilities)	-	50	248	-	-	-	298	298

Parent company 2008	Items recognised at fair value via profit of the year							
	Loans valued at fair value	Derivatives	Derivatives with hedge accounting	Trade receiv-ables and loan receivables	Available-for-sale assets	Other liabilities	Total carrying amount	Fair value
Financial instruments included in net financial debt								
Non-current financial receivables								
Deposits with credit institutions	-	-	-	-	-	-	-	-
Derivatives	-	32	-	-	-	-	32	32
Receivables from Group companies	-	-	-	2 663	-	-	2 663	2 663
Other financial receivables	-	-	-	27	-	-	27	27
	-	**32**	**-**	**2 690**	**-**	**-**	**2 722**	**2 722**
Current financial receivables								
Accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	65	-	-	-	-	65	65
Receivables from Group companies	-	-	-	-	-	-	-	-
Other financial receivables		-	-	16	-	-	16	16
	-	**65**	**-**	**23**	**-**	**-**	**88**	**88**
Cash and cash equivalents								
Current deposit of cash and cash equivalents	-	-	-	226	-	-	226	226
Bank balances	-	-	-	316	-	-	316	316
	-	**-**	**-**	**542**	**-**	**-**	**542**	**542**
Non-current liabilities								
MTN loans	-	-	-	-	-	1 262	1 262	1 282
Loans from banks and other credit institutions	-	-	-	-	-	1 404	1 404	1 412
Liabilities to Group companies	-	-	-	-	-	3 660	3 660	3 660
Derivatives	-	13	126	-	-	-	139	139
	-	**13**	**126**	**-**	**-**	**6 325**	**6 464**	**6 493**
Current liabilities								
Commercial paper programme	-	-	-	-	-	1 467	1 467	1 467
Bank account liabilities	-	-	-	-	-	143	143	143
Current portion of long-term loans	-	-	-	-	-	567	567	567
Derivatives	-	154	1	-	-	-	155	155
Accrued interest	-	-	-	-	-	125	125	125
Liabilities to Group companies	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	2 255	2 255	2 255
	-	**154**	**1**	**-**	**-**	**4 558**	**4 713**	**4 713**
Financial instruments not included in net financial debt								
Other shares and participating interests	-	-	-	-	11	-	11	-
Trade receivables	-	-	-	2 343	-	-	2 343	2 343
Derivatives (recognised among operating receivables)	-	33	105	-	-	-	138	138
Trade payables	-	-	-	-	-	1 738	1 738	1 738
Derivatives (recognised among operating liabilities)	-	137	1 098	-	-	-	1 235	1 235

Note 15 Inventories

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Raw materials and consumables	830	885	534	534
Timber and pulpwood	211	297	182	237
Finished products and work in progress	1 081	1 454	756	1 118
Felling rights	577	737	541	684
Electricity certificates and emission rights	152	62	129	56
Total	**2 850**	**3 434**	**2 142**	**2 629**

The year's impairment losses on inventories adversely affecting profit for the year amount to SEK 70 million (26) for the Group and to SEK 40 million (28) for the parent company. In 2009, emission rights were reclassified from intangible non-current assets to inventories.

Note 16 Operating receivables

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Trade receivables				
Group companies	-	-	114	162
Associates	46	64	46	64
Other	2 666	3 080	1 828	2 118
Total trade receivables	**2 712**	**3 144**	**1 988**	**2 343**
Current receivables				
Group companies	-	-	0	-
Associates	9	5	5	5
Other	160	220	113	143
Derivatives	225	157	192	138
Prepayments and accrued income	96	166	72	135
Total other operating receivables	**490**	**548**	**383**	**421**
Total operating receivables	**3 202**	**3 692**	**2 371**	**2 764**

Trade receivables are stated after deduction of anticipated and actual credit losses. The Holmen Paper business area's trade receivables correspond to 58 per cent of the Group's total trade receivables, while those of Iggesund Paperboard account for 27 per cent. The Group's trade receivables mainly relate to European customers. Trade receivables denominated in foreign currencies are valued at closing rates. The fair values of derivatives relate to hedges for future cash flows.

Customer 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. At 31 December 2009 some 50 per cent (54) of the Group's trade receivables were insured against credit losses. Holmen's exposure to individual customers is limited and in 2009 sales to the five largest customers accounted for just under 11 per cent of the Group's total turnover.

During the year, losses on trade receivables had a negative SEK 14 million (negative: 1) impact on earnings.The provision for anticipated credit losses on trade receivables amounted to SEK 21 million (13) at 31 December 2009 and it has been recognised net together with trade receivables. During the year the provision was reduced by SEK 0 million (-22) as a result of actual credit losses, and was increased by SEK 8 million (2) as a result of changes in the provision for anticipated credit losses.

At 31 December 2009 trade receivables of SEK 120 million (144) had been due for payment for more than 15 days, excluding trade receivables for which provisions had been made. The maturity structure of these items is shown in the next table:

Group, SEKm	**2009**	**2008**
Total trade receivables	2 712	3 144
Of which overdue > 15 days *	120	144
Of which overdue > 30 days **	92	88

* incl. overdue > 30 days.
** excl. bad debts/provisions recognised in profit/loss.

Note 17 Equity

Share capital

		31 Dec 2009	
Parent company	Number	Quotient value	SEKm
Registrered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total number of shares	**84 756 162**		**4 237.8**
Bought back class B shares	-760 000		
Total number of shares outstanding	**83 996 162**		
Issued call options, B shares	**758 300**		

Share capital

		31 Dec 2008	
Parent company	Number	Quotient value	SEKm
Registrered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total number of shares	**84 756 162**		**4 327.8**
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 2009 the Group's own shareholding was 760 000 shares (760 000). None of the Group's own shares were sold during the year.

The Board proposes that the AGM, to be held on 24 March 2010, approves a dividend of SEK 7 per share. The proposed dividend totals SEK 588 million. The preceding year, the dividend paid was SEK 9 per share (SEK 756 million).

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had a negative impact of SEK 132 million (1 294) on parent company equity. In the Group, valuation of derivatives and other financial instruments had a negative impact of SEK 96 million (1 291) 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. Neither the parent company nor the subsidiaries are subject to external capital requirements, except for Holmen Försäkring AB, the Group's insurance company that insures Group companies internally, 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, see the administration report on pages 46 and 48.

Note 18 Pension provisions

Holmen has defined benefit occupational pension plans for its salaried employees in Sweden (ITP plan) and for most of its employees in the UK. These plans provide benefits based on final salary and period of employment. The scheme in the UK has been closed for new entrants since the end of June 2004. Since then, new employees have been offered a defined contribution pension scheme. Occupational pension plans for "blue-collar" employees in Sweden are defined contribution plans.

The commitments arising out of the pension schemes in the UK are placed in trusts. The defined benefit commitments over and above the ITP plan for Group management in Sweden are secured by means of a pension fund. These commitments are recognised in the consolidated accounts as defined benefit plans in accordance with IAS 19. Most of the defined benefit pension commitments on behalf of salaried employees in Sweden are secured by means of insurance policies with Alecta. As Alecta cannot provide sufficient information to permit the ITP plan to be stated in the accounts as a defined benefit plan it is stated in accordance with statement UFR 6 of the Swedish Financial Reporting Board as a defined contribution plan. The year's premiums for pension insurance policies taken out with Alecta amounted to SEK 37 million (24), of which SEK 35 million (22) 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 2009, Alecta's collective consolidation level was 141 per cent (112).

	Group		Parent company	
Pension costs	**2009**	**2008**	**2009**	**2008**
Defined benefit plans				
Staff cost	-17	-20	7	-10
Finance income	0	2	0	-
Finance costs	-28	-7	-3	-1
Total defined benefit plans stated in income statement	-45	-25	4	-11
Defined contribution plans				
Staff cost	-145	-104	-132	-92
Total recognised in income statement	**-190**	**-129**	**-128**	**-103**

The year's actuarial adjustment for the Group was SEK 15 million (-169), including the cost of associated special employer's contribution of SEK 2 million (7), which was recognised in other comprehensive income. The accumulated actuarial revaluation amounts to a cost of SEK 113 million (128).

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

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Commitments				
Commitments at 1 January	-1 553	-1 769	-189	-183
Cost of employment during current period	-21	-20	-6	0
Interest costs	-87	-88	-3	-1
Actuarial gains/losses	-118	75	-	-
Premiums paid by employees	-7	-7	-	-
Pensions paid	105	89	31	24
Transferred from provisions	-13	-36	-13	-36
Settlements	4	6	-	6
Exchange differences	-16	198	-	-
Commitments at 31 December	**-1 706**	**-1 553**	**-180**	**-189**
Plan assets				
Fair value of assets at 1 January	1 199	1 521	125	135
Expected return	59	83	-	-
Actuarial gains/losses	131	-237	-	-
Real return (parent company)	-	-	19	10
Premiums paid by employer	53	54	-	-
Premiums paid by employees	7	7	-	-
Pensions paid	-74	-63	-8	-
Exchange differences	11	-167	-	-
Fair value of assets at 31 December	**1 385**	**1 199**	**137**	**125**
Pension provisions, net	**-320**	**-354**	**-43**	**-64**

Of the Group's total commitments, SEK 53 million (68) refers to those that are not funded, while the rest are wholly or partially funded commitments. Of the parent company's commitments, SEK 43 million (58) are secured under the act on safeguarding pension obligations, Tryggandelagen.

Plan assets by type are as shown below:

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Plan assets				
Equity	611	457	52	35
Bonds	691	617	85	89
Current fixed income investments	84	125	0	1
	1 385	**1 199**	**137**	**125**

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

Key actuarial assumptions, Group (weighted average), %	**2009 31 Dec**	**2008 31 Dec**
Discount rate	5.5	5.4
Expected return on plan assets	5.5	4.9
Pay increases in the future	4.2	3.9
Inflation in the future	3.4	2.9

The expected return on fixed income securities was estimated on the basis of highly rated long-term bonds; in the case of shares, a risk premium was added.

A discount rate of 4.2 per cent (4.0) and salary levels at the balance sheet date were used for calculating the amount of the parent company's pension commitment.

Five-year figures, Group	**2009**	**2008**	**2007**	**2006**	**2005**
Present value of commitments	-1 706	-1 553	-1 769	-1 866	-1 818
Fair value of plan assets	1 385	1 199	1 521	1 510	1 400
Net	-320	-354	-247	-356	-418
Adjustments based on experience					
Defined benefit commitments	-11	-3	4	15	
Plan assets	131	-237	-6	32	

The Group's payments into the funded defined benefit plans in 2010 are expected to amount to SEK 51 million.

Note 19 Other provisions

	Provisions for taxes		Silviculture provision		Other provisions		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Group								
Carrying amount at start of year	692	426	153	141	511	193	1 357	759
Provisions during the period	-	267	100	101	145	391	246	759
Utilised during the period	-	-	-93	-88	-132	-74	-224	-162
Translation differences	-	-	-	-	-3	0	-3	0
Closing carrying amount	**692**	**692**	**161**	**153**	**522**	**511**	**1 375**	**1 357**
Of which non-current part of the provisions	692	692	71	54	338	333	1 102	1 080
Of which current part of the provisions	-	-	90	99	184	178	274	277
Parent company								
Carrying amount at start of year	45	45	153	141	496	46	695	231
Provisions during the period	-	-	100	101	30	522	130	623
Utilised during the period	-	-	-93	-88	-128	-72	-221	-160
Closing carrying amount	**45**	**45**	**161**	**153**	**398**	**496**	**604**	**695**
Of which non-current part of the provisions	45	45	71	54	269	320	386	419
Of which current part of the provisions	-	-	90	99	129	177	218	275

Holmen has made a provision of SEK 692 million to cover disputes and uncertainties relating to taxes. Holmen has one large tax case still in progress, affecting MoDo Capital, a Holmen subsidiary. In January 2010, the County Administrative Court did not rule in favour of the company, resulting in tax expense estimated at a total of about SEK 640 million. The provision for taxes covers this expense; it is thus not anticipated that the expense will affect the Group's earnings. Holmen will appeal against the judgment to the Administrative Court of Appeal.

The silviculture provision relates to a provision to cover coming reforestation measures to be taken after completion of final harvesting. The measures are normally carried out within three years after harvesting.

Other provisions primarily relate to obligations to restore the environment, as well as staff costs and restructuring costs. In 2009 production ceased on Workington's BM1 board machine, and major staff cuts were initiated at Braviken Paper Mill. In 2008, operations ceased at Wargön Mill, and production was discontinued on the PM 2 machine and the line for recovered paper at Hallsta Paper Mill. By the end of 2009, provisions of SEK 254 million had been made to cover the costs of these restructuring measures.

Note 20 Operating liabilities

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Trade payables				
Group companies	-	-	129	136
Associates	39	62	0	-
Other	1 872	2 220	1 360	1 602
Total trade payables	**1 911**	**2 282**	**1 489**	**1 738**
Current liabilities				
Associates	-	2	-	2
Other	253	237	203	193
Derivatives	258	1 191	298	1 235
Accruals and deferred income	637	727	429	509
Total other operating liabilities	**1 149**	**2 157**	**930**	**1 938**
Total operating liabilities	**3 060**	**4 439**	**2 419**	**3 676**

All trade payables are due for payment within one year.

Accruals and deferred income in the parent company mainly consists of staff costs of SEK 207 million (225) and discounts of SEK 46 million (60).

Fair values of derivatives relate substantially to hedging of future cash flows; see notes 2 and 14.

Note 21 Operating leases

In 2009, the Group's lease payments amounted to SEK 25 million (23), and the parent company's to SEK 9 million (12). The Group's lease agreements relate to forklift trucks. No new lease agreements of any significance for the business were entered into during the 2009 financial year. No leased equipment was rented out.

The breakdown of future lease payments is as follows:

	Group			Parent company		
	2010	**2011 –2015**	**2016–**	**2010**	**2011 –2015**	**2016–**
Future lease payments	21	19	-	8	0	-
Present value of future lease payments	21	18	-	7	0	-

The contracts have remaining durations ranging from 1 to 5 years. The Group's future lease payments for existing lease agreements amounted to SEK 33 million at the end of 2008. Those in the parent company amounted to SEK 6 million.

Apart from lease agreements, Holmen has time charter contracts in respect of five ships that are used to distribute the company's products. The contracts were entered into in 2006 and 2008 and run for a remaining 1 to 7 years.

Note 22 Pledged collateral and contingent liabilities

	Pledged collateral value			
	Property mortgages	Other collateral	Total pledged collateral	Total pledged collateral
			2009	2008
Group				
For own liabilities				
Financial liabilities	6	15	21	25
Total	**6**	**15**	**21**	**25**
Parent company				
For own liabilities				
Financial liabilities	6	-	6	6
Total	**6**	**0**	**6**	**6**

	Group		Parent company	
Contingent liabilities	**2009**	**2008**	**2009**	**2008**
Surety on behalf of Group companies	-	-	602	444
Other contingent liabilities	140	671	86	321
Total	**140**	**671**	**688**	**766**

The parent company's surety on behalf of Group companies relates mainly to surety for loans in the subsidiary Holmen Energi Elhandel AB.

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 23 Related parties

Of the parent company's net sales of SEK 13 436 million (14 382), 0.8 (0.9) per cent relates to deliveries to Group companies. The parent company's purchases from Group companies amounted to SEK 143 million.

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 24).

L E Lundbergföretagen AB is a large shareholder in Holmen (see page 29). 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 2009, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 550 000 as Board chairman of Holmen.

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

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

Transactions with related parties

	Sale of products to related parties		Purchase of products from related parties		Other (e.g. interest, dividend)		Liability to related parties		Receivable from related parties	
Group	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Associates	220	190	273	384	1	1	39	64	194	104
Parent company										
Subsidiaries	103	134	143	291	1 146	41	2 322	3 813	2 716	2 842
Associates	220	190	0	-	1	1	0	2	87	104

For fees and remuneration paid to members of the Board see note 5.

Note 24 Interests in Group companies

Parent company	2009	2008
Accumulated acquisition cost		
Carrying amount at start of year	17 426	17 397
Purchases	-	208
Shareholder contribution	323	228
Sales	-1 073	-407
Closing balance at 31 December	**16 676**	**17 426**
Accumulated revaluations		
Carrying amount at start of year	2 299	2 299
Closing balance at 31 December	**2 299**	**2 299**
Accumulated impairment losses		
Carrying amount at start of year	4 222	4 222
Impairment losses for the year	436	-
Closing balance at 31 December	**4 658**	**4 222**
Closing carrying amount	**14 318**	**15 503**

The parent company's impairment losses on participating interests in Group companies are recognised in the income statement in the line item Impairment losses on financial non-current assets, and refer to holdings in Swedish subsidiaries.

Several mergers took place within the Group during the year, aiming to simplify the company's structure in Sweden; Iggesund Kraft AB, Junkaravan AB and MoDo Holding AB were merged with Holmen Energi Elhandel AB.
In conjunction with the mergers, Holmen AB transferred its shares in the relevant subsidiaries to Holmen Energi Elhandel AB, reported in the line item Sales (negative: SEK 1 073 million). The transfer took place at the carrying amount.

Parent company's direct holdings of interests in subsidiaries

				2009		2008	
	Corporate ID No.	Registered office	No. of shares	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
Fiskeby AB	556000-9218	Norrköping	2 000 000	100	646 160	100	646 160
Holmen Energi Elhandel AB	556537-4286	Stockholm	1 000	100	100	100	100
Holmens Bruk AB	556002-0264	Norrköping	49 514 201	100	4 286 121	100	4 286 121
Holmen Försäkring AB	516406-0062	Stockholm	10 000	100	45 304	100	45 175
AB Iggesunds Bruk	556000-8053	Hudiksvall	6 002 500	100	3 932 558	100	3 932 558
Iggesund Kraft AB	556422-0902	Örnsköldsvik	-	-	-	100	61 361
Junkaravan AB	556227-3630	Örnsköldsvik	-	-	-	100	549 125
MoDo Capital AB	556499-1668	Stockholm	1 000	100	71 552	100	96 588
MoDo Holding AB	556537-6281	Örnsköldsvik	-	-	-	100	462 372
Skärnäs Terminal AB	556008-3171	Hudiksvall	4 800	100	2 913	100	2 913
Other Swedish Group companies					3 211		90 836
Total Swedish holdings					**8 988 402**		**10 173 793**
Holmen France Holding S.A.S., France		Paris	40 000	100	5 192	100	5 192
Iggesund Decoupe France, S.A., France **		Valence	-	100	-	100	-
Holmen UK Ltd, UK		Workington	1 197 100	100	1 518 959	100	1 518 959
Holmen Paper UK Ltd **		London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd **		Workington	-	100	-	100	-
Holmen GmbH, Germany		Hamburg		100	655	100	655
Holmen Suecia Holding S.L., Spain		Madrid	9 448 557	100	3 577 265	100	3 577 265
Holmen Paper Madrid S.L. **		Madrid	-	100	-	100	-
Cartón y Papel Reciclado S.A. (Carpa), Spain **		Madrid	-	100	-	100	-
Iggesund Paperboard Asia Pte Ltd, Singapore		Singapore	800 000	100	4 273	100	4 273
Iggesund Paperboard Europe B.V., the Netherlands		Amsterdam	35	100	207 733	100	207 733
Iggesund (Paper & Board) Services B.V. **		Utrecht	-	100	-	100	-
AS Holmen Mets, Estonia		Tallinn	500	100	-	100	-
Other non-Swedish Group companies					15 029		15 122
Total non-Swedish holdings					**5 329 106**		**5 329 199**
Total					**14 317 508**		**15 502 992**

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

Note 25 Untaxed reserves

Parent company	31 Dec 2009	Appropriations	31 Dec 2008
Accumulated depreciation and amortisation in excess of plan			
Intangible non-current assets	4	0	4
Property, plant and equipment	9	5	4
Total	**13**	**5**	**8**
Tax allocation reserve			
Assessment of tax 2004	0	-518	518
Assessment of tax 2005	0	-590	590
Assessment of tax 2006	520		520
Assessment of tax 2007	490		490
Assessment of tax 2008	570		570
Assessment of tax 2009	55		55
Assessment of tax 2010	715	715	
	2 350	**-393**	**2 743**
Total	**2 363**	**-388**	**2 751**

Note 26 Cash flow statement

		Group	Parent company	
Interest paid and dividends received	**2009**	**2008**	**2009**	**2008**
Dividends received	-	-	1 156	15
Interest received	7	14	19	87
Interest paid	-287	-335	-272	-331
Total	**-280**	**-320**	**903**	**-229**

Change in current liabilities

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme and to utilisation of the Group's long-term committed credit facility. In 2009, a number of different short-term loans amounting in total to SEK 8 760 million (9 327) were raised within the Group's commercial paper programme, and SEK 9 295 million (11 398) was repaid. Several different short-term loans amounting in total to SEK 1 880 million (2 702) were raised in 2009 within the Group's long-term credit facility, and SEK 4 131 million (516) were repaid.

For a specification of cash and cash equivalents see Note 14.

Note 27 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 for which there is a significant risk that future events and new information could alter these assessments and estimates, mainly include:

Biological assets

Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. The most material estimates made relate to how much harvesting can be increased in the future, what changes there will be in pulpwood and timber prices, how high inflation will be, and what discount rate is used. Note 12 provides a sensitivity analysis for the valuation of changes in these estimates. The carrying amount of biological assets at 31 December 2009 was SEK 11 109 million and the attributable deferred tax liability SEK 2 922 million, to give a net value of SEK 8 187 million.

Tax

Holmen has one large tax case still in progress, affecting MoDo Capital, a Holmen subsidiary. In January 2010, the County Administrative Court did not rule in favour of the company, resulting in tax expense estimated to total SEK 640 million. The provision for taxes covers this expense; it is thus not anticipated that it will have any impact on the Group's earnings. Holmen will appeal against the judgment to the Administrative Court of Appeal. See notes 8, 19 and 22.

Net deferred tax assets of SEK 307 million are recgonised 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 fiscal temporary differences corresponding to tax of some SEK 570 million not stated in the consolidated accounts on the grounds for assessment that utilisation must be likely. See note 8.

Pensions

The Group's provision for pensions amounts to SEK 320 million on the basis of defined benefit pension commitments valued at SEK 1 706 million and plan assets of SEK 1 385 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 18.

Environment

Provisions have been made to cover environmentally-related measures associated with former activities based on estimated future site-restoration costs. Moreover it is judged that the company has a responsbility for environmental measures that cannot at present be quantified but that could involve costs in the future. See note 22.

Restructuring

In 2009 production ceased on Workington's BM 1 board machine, and major staff cuts were initiated at Braviken Paper Mill. In 2008, operations ceased at Wargön Mill, and production was discontinued on the PM 2 paper machine and the line for recovered paper at Hallsta Paper Mill. By the end of 2009, provisions of SEK 254 million had been made to cover the costs of these restructuring measures. The uncertainty regarding the amount of the provision relates primarily to the cost of restoring the mill site and how much income will be received from the sale of machinery. Restructuring costs normally arise as a consequence of changes in the business. The Group makes minor changes on an ongoing basis, and costs associated with these are not normally specified separately. No 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. Changes in conditions may have an effect on the estimated recoverable amount applied in connection with future impairment tests. Uncertainty about trends in the demand for and price of newsprint is greater than usual.

Proposed treatment of unappropriated earnings

The following unappropriated earnings of the parent company are at	
the disposal of the Annual General Meeting:	SEK
Net profit for the 2009 financial year	1 664 178 896
Retained earnings brought forward	3 112 287 430
	4 776 466 326
The Board of Directors propose that	
an ordinary dividend of SEK 7 per share (83 996 162 shares) be paid to shareholders	587 973 134
and that the remaining amount be carried forward	4 188 493 192
	4 776 466 326

The Board of Holmen AB has proposed that the 2010 Annual General Meeting resolves in favour of paying a dividend of SEK 7 per share, a total of SEK 588 million, which is a reduction of SEK 2 per share compared to the previous year.

The proposed dividend means that 4 per cent of the Group's equity at 31 December 2009 will be paid out by way of dividend. 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 58 per cent of the net profit for 2009.

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 2009 was 0.34. Payment of the proposed dividend would raise the debt/equity ratio by around 0.05.

Holmen AB's equity at 31 December 2009 amounted to SEK 10 691 million, of which non-restricted equity was SEK 4 776 million. The Group's equity on the same date amounted to SEK 16 504 million. Complying with IFRS, no distinction is made at Group level between restricted and non-restricted equity.

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

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

The annual report and the Group's financial statements were approved for publication by the Board in its decision of 22 February 2010. 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 24 March 2010.

Stockholm, 22 February 2010

Fredrik Lundberg
Chairman

Kenneth Johansson
Board member

Ulf Lundahl
Board member

Carl Bennet
Board member

Carl Kempe
Deputy chairman

Göran Lundin
Board member

Steewe Björklundh
Board member

Curt Källströmer
Board member

Karin Norin
Board member

Lilian Fossum
Board member

Hans Larsson
Board member

Magnus Hall
Board member and
Chief Executive Officer

Our audit report was submitted on 24 February 2010.

KPMG AB

George Pettersson
Authorised public accountant

Audit report

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

We have audited the annual report, the Group's financial statements, the accounting records and the administration of the Board of Directors and the CEO of Holmen AB for the year 2009. The annual report and the Group's financial statements are included in the printed version of this document on pages 42–84. The Board of Directors and the CEO have responsibility for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual report and the application of international financial reporting standards IFRS as adopted by the EU and the Swedish Annual Accounts Act when preparing the Group's financial statements. Our responsibility is to express our opinion on the annual report, the Group's financial statements and the administration on the basis of our audit.

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

The annual report were prepared in accordance with the Swedish Annual Accounts Act and gives a true and fair view of the company's financial position and the result of its operations in accordance with generally accepted accounting principles in Sweden. The Group's financial statements were prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Swedish Annual Accounts Act and give a true and fair view of the Group's financial position and the result of its operations. The administration report is consistent with the other parts of the annual report and the Group's financial statements.

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

Stockholm, 24 February 2010

KPMG AB

George Pettersson
Authorised public accountant

Annual General Meeting

The 2010 Annual General Meeting of Holmen AB will be held at “Vinterträdgården”, Grand Hôtel (the Royal entrance), Stockholm, at 4.00 p.m. CET on Wednesday 24 March.

Participation in Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting shall be entered in the register of shareholders maintained by Euroclear Sweden AB no later than Thursday 18 March 2010, and shall notify the company by no later than Thursday 18 March 2010 at:

Holmen AB
Group Legal Affairs
P.O. Box 5407
SE-114 84 Stockholm
Sweden

Notification may also be made via the company’s website www.holmen.com or by telephone +46 8 666 21 11 or by fax +46 660 759 78.

Shareholders whose shares are registered in a nominee name should temporarily re-register their shares in their own name with Euroclear Sweden so that this takes effect no later than Thursday 18 March 2010 to be entitled to participate in the Annual General Meeting.

Dividend

The Board has proposed that a dividend of SEK 7 (9) per share be paid to shareholders. The Board has proposed Monday 29 March 2010 as the record date for entitlement to dividend. Provided the Annual General Meeting resolves in favour of the proposal, the dividend is expected to be distributed by Euroclear Sweden on Thursday 1 April 2010. Shareholders are requested to inform their account operator of any change of name and/or address.

Annual Report

The Annual Report for 2009 will be posted in the week starting 8 March to shareholders who have indicated their wish to receive it in this way. New shareholders will be informed in connection with the distribution of the shareholder magazine *Holmen Business Report*, how to order and cancel printed and electronically transmitted financial information via the website under Shareholder service.

Sustainability Report

Holmen and its World 2009 will be published at the same time as the Annual Report and will describe Holmen’s holistic approach to the environment, social responsibility and financial development. The complete sustainability report for 2009 is available on the website. The report will be posted in the week starting 15 March to shareholders who have indicated their wish to receive it in this way.

Availability and languages

The financial information and *Holmen and its World 2009* are available on the website in both English and Swedish. *Holmen and its World* is also available in Spanish.

All material is available on the website, where you can also place orders and start subscriptions. You can also do this via:

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Group Public Relations
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Sweden
Phone +46 8 666 21 00
Fax +46 8 666 21 30
e-mail: info@holmen.com

Information

Two reports for 2009

Holmen's shareholders are the main target readership for the annual report, which is published in both English and Swedish. It is posted in the week starting 8 March to shareholders who have indicated their wish to receive it in this way. In addition to its annual report Holmen also publishes a separate sustainability report entitled *Holmen and its World*. This is written for a broad readership, including customers, employees, school pupils and local residents where Holmen has large facilities.

The sustainability report is published in Swedish and English in connection with the Annual General Meeting. A Spanish version is published in May. The annual report and the sustainability report are avaliable at and can be ordered from Holmen's website.

Website

You can follow Holmen's progress throughout the year by visiting the company's website: www.holmen.com

New information was added during 2009, primarily based on the needs and interests of shareholders and investors. Extensive historic data, such as the price trend of the Holmen share over the years and dividend history, are available under the headings Investors and shareholders, The share. Shareholders can also easily calculate the return that they have received on their own shareholding. The website gives visitors access to analysis tools for the income statements of the Group and its business areas. The cash flow statement and key indicators are also presented. Additionally, you can read about the Group's financing, ratings and maturity structure of loans and get access to press releases, printed matter and other published information.

Online press conferences

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.

Holmen Business Report

The interim reports are presented in our shareholder magazine *Holmen Business Report*, which is published along with the quarterly reports.
The magazine also includes the CEO's comments, news and articles on current Holmen events. *Holmen Business Report* can be ordered via Holmen's website www.holmen.com and it is published in Swedish and English.

Reporting schedule

For 2010 Holmen will publish the following financial reports:

Interim report, January–March	**6 May**
Interim report, January–June	**11 August**
Interim report, January–September	**26 October**
Year-end report for 2010	**2 February 2011**

For 2011 Holmen will publish the following financial reports:

Interim report, January–March	**6 May**
Interim report, January–June	**17 August**
Interim report, January–September	**26 October**
Annual General Meeting 2011	**30 March**

Definitions and glossary

Definitions

Capital employed	Operating capital reduced by the net sum of deferred tax assets and deferred tax liabilities. Average values are calculated on the basis of quarterly data.
Cash flow after investments	Cash flow from operating activities, less cash flow from investing activities.
Debt/equity ratio	Net financial debt divided by the sum of equity and minority interests, if any.
Earnings per share (EPS)	Profit for the year divided by the weighted average number of shares outstanding, adjusted for buy-back of shares, if any, during the year. Diluted EPS means that any diluting effect from outstanding call options has been taken into account.
Equity/assets ratio	Equity plus minority interests, if any, expressed as a percentage of total assets.
Financial assets	Non-current and current financial receivables and cash and cash equivalents.
Net financial debt	Non-current and current financial liabilities and pension provisions, less financial assets.
Items affecting comparability	See the ten-year review on page 40.
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.
Return on capital employed	Operating profit/loss (excl. items affecting comparability and transferred operations) expressed as a percentage of the average capital employed.
Return on equity	Profit for the year, expressed as a percentage of the 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 the average operating capital.

Glossary

Biofuel/biorefining	Renewable fuels, such as wood (including liquors, bark and crude tall oil).
DIP/De-Inked Pulp	Pulp manufactured from de-inked recovered paper.
FBB/Folding Box Board	Multi-layered paperboard made from mechanical and chemical pulp.
FSC	Forest Stewardship Council. An international forest certification system to promote use of the world's forests in ways that are acceptable according to three sets of criteria: environmental, social and economic.
Groundwood pulp	Mechanical pulp produced by grinding wood against a grindstone.
LWC/Light Weight Coated	Lightweight coated wood-containing paper. Mainly used for magazines, manuals and directories.
MF Special/Machine Finished	Includes standard and coloured newsprint.
MWC/Medium Weight Coated	Medium weight coated wood-containing paper. Used for magazines, manuals, directories and advertising print.
PEFC	Programme of the Endorsement of Forest Certification schemes. An international forest certification system. In Sweden the PEFC and FSC standards are broadly identical.
RMP/Refiner Mechanical Pulp	Pulp produced from the refining of chips with or without chemical or thermal treatment.
SBB/Solid bleached board	Multi-layer paperboard made from bleached chemical pulp.
SC/Super Calender	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).
TMP/Thermo-mechanical	Obtained by heating spruce chips and then grinding them in refiners.
Virgin fibre board	Paperboard produced from fibre that has not previously been used to make paperboard or paper, in contrast to recycled fibre/recovered fibre.

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Holmen in 90 seconds

Operations

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

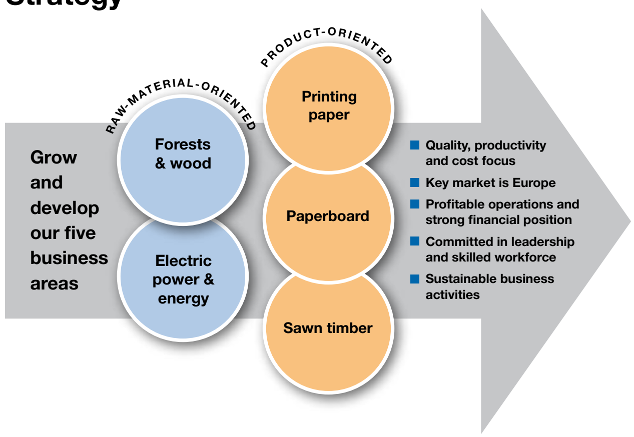
The business area **Holmen Paper** manufactures printing paper for daily newspapers, magazines, directories/manuals, advertising matter and books at two Swedish mills and one Spanish mill. **Iggesund Paperboard** produces paperboard for consumer packaging and graphics printing at one Swedish and one UK mill. **Holmen Timber** produces sawn timber in one Swedish sawmill. Annual production capacity is 1 940 000 tonnes of printing paper, 530 000 tonnes of paperboard and 340 000 cubic metres of sawn timber.

Holmen Skog manages the Group's just over one million hectares of forests. The annual volume of wood harvested in company forests is some 2.5 million cubic metres. **Holmen Energi** is responsible for the Group's hydro power assets and for developing the Group's business within the energy sector. Normal yearly production amounts to about 1 100 GWh of electricity at wholly and partly owned hydro power stations in Sweden. Holmen Skog and Holmen Energi are also responsible for the Group's wood and electricity procurement in Sweden; these are important input goods for the industrial operations.

SEKm	2009	2008	2007	2006	2005
Income statement					
Net sales	18 071	19 334	19 159	18 592	16 319
Operating costs	-15 175	-16 630	-15 548	-14 954	-13 205
Depreciation and amortisation	-1 320	-1 343	-1 337	-1 346	-1 167
Interest in associates	45	50	12	11	20
Items affecting comparability	-	-361	557	-	-
Operating profit	1 620	1 051	2 843	2 303	1 967
Net financial items	-255	-311	-261	-247	-233
Profit before tax	1 365	740	2 582	2 056	1 734
Tax	-360	-98	-1 077	-597	-478
Profit for the year	1 006	642	1 505	1 459	1 256
Operating profit by business area					
Holmen Paper	340	280	623	754	631
Iggesund Paperboard	419	320	599	752	626
Holmen Timber	21	13	146	80	13
Holmen Skog	605	632	702	643	537
Holmen Energi	414	327	272	197	301
Group central	-178	-159	-56	-123	-141
Items affecting comparability	-	-361	557	-	-
Group	1 620	1 051	2 843	2 303	1 967
Cash flow					
Operating activities	2 873	1 660	2 476	2 358	2 471
Investing activities	-818	-1 124	-1 315	-947	-3 029
Cash flow after investments	2 054	536	1 161	1 411	-558
Key indicators					
Return, %					
capital employed*	7.2	6.1	10.0	10.0	9.0
equity	6.4	3.9	9.2	9.0	8.0
Debt/equity ratio, times	0.34	0.48	0.35	0.36	0.41
The share					
Earnings per share, SEK	12.0	7.6	17.8	17.2	14.8
Ordinary dividend, SEK	7**	9	12	12	11
Closing listed price, B, SEK	183	193.5	240	298	262.5
P/E ratio	15	25	13	17	18
EV/EBIT*	13	17	12	14	15

* Excl. items affecting comparability
** Proposal of the Board

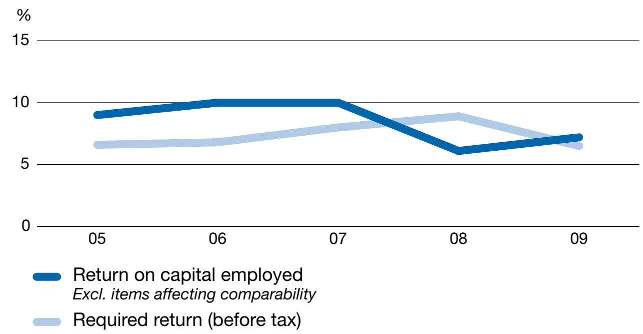
Strategy



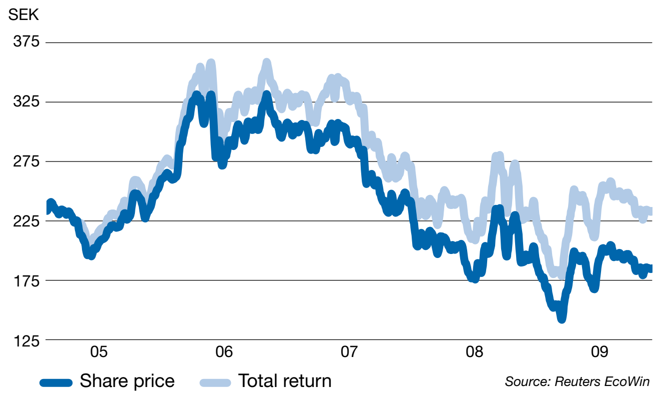
Financial targets

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

Profitability



Share price and total return, Holmen B



Major shareholders

Major shareholders	% of capital	% of votes
L E Lundbergföretagen	28.0	52.0
Kempe Foundations	7.0	16.9
Handelsbanken incl. pension fund	3.1	9.1
Silchester International Investors	10.9	3.2
Alecta	3.2	0.9
Other	47.8	17.9
Total*	100.0	100.0
* of which non-Swedish shareholders	26.8	8.0

HOLMEN

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