

HOLMEN

2015

ANNUAL REPORT



Contents

The Board of Directors and the CEO of Holmen Aktiebolag (publ.), corporate identity number 556001-3301, submit their annual report for the parent company and the Group for the 2015 financial year.

The annual report comprises pages 4–89. The results of the year's operations and the financial position of the parent company and the Group are presented in **the administration report, pages 4–55**, and the accompanying financial statements, together with the notes and supplementary information. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

The annual report describes Holmen's financial development as well as the Group's sustainability work. The management and handling of

relevant sustainability issues has a major impact on profitability, risk and thus the opportunity to create value. The basis for the sustainability information presented is the sustainability issues identified as key in view of the business that Holmen conducts, which is subject to permit requirements under environmental legislation in the countries in which the Group operates. For more information on how the key sustainability issues have been identified, please see the GRI index on the Holmen website. Holmen reports on its sustainability work in accordance with the Global Reporting Initiative's GRI G4 guidelines at Core level. The Sustainability Report comprises pages 10–11, 32–41 and 90–91, the GRI index on the Holmen website and the pages on the Holmen website as set out in the GRI index. The submitted information on sustainability work is audited by a third party, see separate assurance report on the Holmen website.

The year in brief	4
CEO's message	6
Business operations	
Strategy	8
A sustainable business	10
Forest	12
Energy	16
Paperboard	20
Printing paper	24
Sawn timber	28
A sustainable future	32
Environment	34
Employees	38
Society and stakeholders	40
Risk management	42
Corporate governance	
Corporate governance report	46
Board of Directors	50
Group management	52
Shareholder information	53

Financial statements	
Income statement	56
Statement of comprehensive income	57
Balance sheet	58
Changes in equity	59
Cash flow statement	60
Parent company	62
Notes	64
Proposed appropriation of profits	88
Audit report	89
Audit of Sustainability Report	89
Five-year review, sustainability	90
Ten-year review, finance	92
Definitions and glossary	94
Calendar	95

*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.*

The year in brief



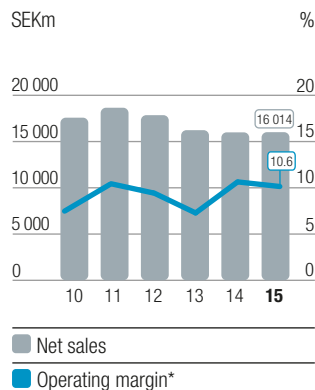
THE GROUP'S OPERATING PROFIT excluding items affecting comparability was SEK 1 700 million. Earnings were negatively affected by price decreases for printing paper and sawn timber, as well as a number of significant rebuilding and maintenance shutdowns. This was largely offset by a weaker Swedish krona, good production and cost rationalisations. Investments amounted to SEK 832 million and cash flow after investments was SEK 1 694 million. The dividend paid was SEK 840 million. Net financial debt decreased to SEK 4 799 million, giving

a debt/equity ratio of 0.23. The Board proposes a dividend of SEK 10.5 per share.

OUTLOOK. The market situation for paperboard is good, but in 2016 it will be affected by new capacity being added to the market. In 2016, Iggesund Paperboard will complete an investment programme to increase paperboard and pulp capacity. In addition to driving up volumes, this will also cut production costs. Structural demand for printing paper is falling. Holmen Paper is continuing its transition to a speciality

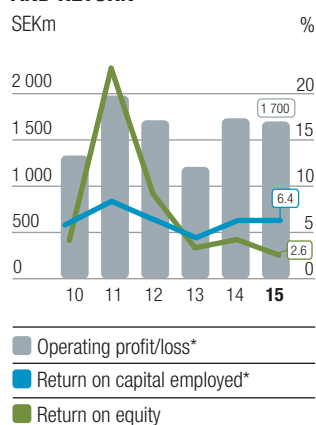
paper manufacturer by increasing sales of magazine and book paper based on fresh fibre, while reducing its dependence on newsprint. Demand for sawn timber is good, but a high level of supply is putting the market under pressure and the trend for 2016 is uncertain. The harvest of Holmen's own forest is following the harvesting plan. Production of hydro power was high in 2015 due to an abundant water supply, but is expected to return to normal levels in 2016.

NET SALES AND OPERATING MARGIN



* Excl. items affecting comparability.

OPERATING PROFIT/LOSS AND RETURN



* Excl. items affecting comparability.

FACTS

	2015	2014
Net sales, SEKm	16 014	15 994
Operating profit/loss, SEKm	769	1 284
Operating profit/loss, SEKm**	1 700	1 734
Profit for the year, SEKm	559	907
Earnings per share, SEK	6.7	10.8
Dividend per share, SEK	10.5*	10
Return on capital employed, %**	6.4	6.4
Return on equity, %	2.6	4.3
Debt/equity ratio, times	0.23	0.28
Investments, SEKm	832	834
Average number of employees	3 315	3 359

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

Quarter 1

PAPERBOARD UPGRADE. Iggesund Paperboard presents an upgrade to Invercote G for improved print quality.

'CARE BY IGGESUND' LAUNCHED. Iggesund Paperboard broadens and improves its service concept – from distribution, sample deliveries and knowledge sharing to local technical support and transparent raw material supply.

POPULAR SHEETED PAPER. To meet customer demand for smaller print runs, it is now possible to order Holmen TRND in sheets.

Quarter 2

NEW BOARD MEMBER. The AGM elects Henriette Zeuchner, President and CEO of Berling Media, as a new member of Holmen's Board.

NEW PAPER GRADE. Holmen Paper launches Holmen UNIQ, an SC paper with high thickness in relation to the paper's weight. This allows the customer to reduce the basis weight and cut their distribution costs.

BIO-BASED MATERIALS OF THE FUTURE. A pilot plant for the development of crystalline nanocellulose in commercial applications is planned in Örnsköldsvik. The initiative is a joint venture involving Holmen, SP Technical Research Institute of Sweden, MoRe Research and Melodea.

CODE OF CONDUCT. Holmen implements a Code of Conduct to clarify the Group's position in areas relating to business ethics, employees and the surrounding community.

Quarter 3

INCREASED CAPACITY. The timber sorting rebuild at Iggesund Sawmill is completed, bringing a 15 per cent increase in production capacity.

CHANGES TO THE GROUP MANAGEMENT. Ola Schultz-Eklund is appointed the new Director of Technology. Fredrik Nordqvist becomes CEO of the Holmen Energi business area.

AWARD. At the Pro Carton/ECMA Awards, a packaging solution made from Invercote is named 'Carton of the Year'.

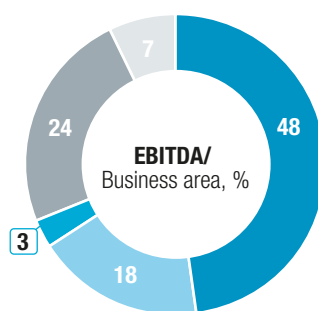
SPRUCE AND PINE IN BRAVIKEN. Braviken Sawmill, which produces spruce sawn timber, now also begins production of sawn timber in pine.

Quarter 4

MORE EFFICIENT ORGANISATION. Holmen Skog conducts a restructuring and at the same time the business and marketing focus is strengthened.

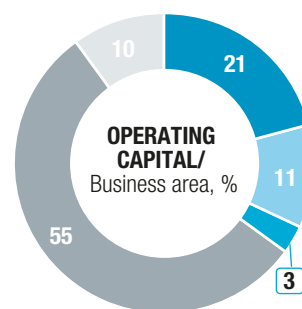
FIRE AT HALLSTA PAPER MILL. In November a fire breaks out in the pulp mill. Paper production is suspended for almost two weeks, after which parts of the paper mill are restarted.

PAPER APPROVED FOR FOOD. All paper grades produced on PM 53 at Braviken Paper Mill are approved for use in products that come into contact with food.



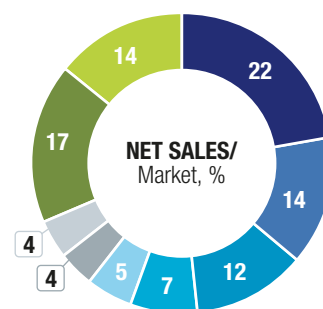
Total: 2 673

Igesund Paperboard	1 346 SEKm
Holmen Paper	514 SEKm
Holmen Timber	86 SEKm
Holmen Skog	668 SEKm
Holmen Energi	198 SEKm



Total: 31 155

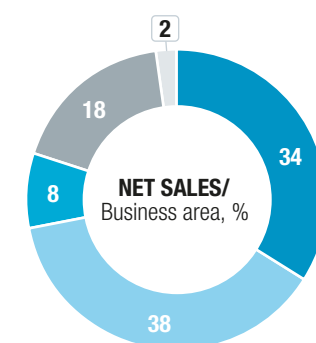
Igesund Paperboard	6 622 SEKm
Holmen Paper	3 558 SEKm
Holmen Timber	924 SEKm
Holmen Skog	17 589 SEKm
Holmen Energi	3 351 SEKm



Total: 16 014

Sweden*	22%
UK	14%
Germany	12%
Spain	7%
Italy	5%
France	4%
Netherlands	4%
Rest of Europe	17%
Rest of the world	14%

*Of which forest and power 19%.



Total: 16 014

Igesund Paperboard	5 472 SEKm
Holmen Paper	6 148 SEKm
Holmen Timber	1 314 SEKm
Holmen Skog	2 814 SEKm
Holmen Energi	268 SEKm



Dear shareholder

The year's profits are on a par with 2014 and show that the company remains on the right path. Good production and cost rationalisations across the operations have outweighed the effects of price drops and shutdowns for rebuilds and maintenance. Against the background of this, the Board has resolved to propose a dividend of SEK 10.5 (10) per share.

On the industrial front, over the year we have taken steps towards a smaller but more efficient operation for printing paper, a more productive and flexible sawmill organisation and a well invested paperboard business with potential for growth.

Major renewable assets in forest and energy, and a large-scale industrial operation with a leading position in high-performance consumer paperboard make Holmen an interesting company for the long term.

Rooted in renewable forest and energy assets

The climate negotiations in Paris in late 2015 led to the world's leaders agreeing a global climate deal. This agreement states that action must be taken to preserve and improve the capacity to capture and store greenhouse gases. I find it particularly interesting that the importance of the forests is specifically underlined in this context. On the home front, discussions are under way about the future role of forest raw material, not least from a climate and energy supply perspective.

With 1.2 million hectares of forest land, Holmen is one of Sweden's biggest forest owners. Of Holmen's land, around 20 per cent is currently used for nature conservation purposes, split between voluntary set-asides and areas subject to legal protection. For many years Holmen has sustainably managed the forests with a focus on increasing growth over time, and thus has the potential to capture carbon dioxide in the growing forests and forest products.

There is no doubt that the forest as a raw material has good future prospects, not least in the transition to a bio-economy, whereby products based on fossil raw materials are replaced with renewable alternatives. However, a fundamental condition for being able to increase growth in the forest over the long term, and thus having the scope to extract more raw material, is the right to manage the forest. This is a crucial question for the Swedish forest

industry, but also ultimately a question of ownership rights that Holmen and I take extremely seriously and that we intend to defend in every way.

Hydro power, which accounts for 90 per cent of the energy assets in Holmen, is similar to the forest assets in that it is renewable and in theory has an infinite lifetime. Like the forest, hydro power is also at the centre of the debate on Sweden's future energy supply. Although hydro power is both renewable and controllable, and is seen as critical for the future energy system, the conditions for hydro power are challenging. The prevailing tax burden, where hydro power is taxed considerably more harshly than combined heat and power, for example, makes necessary reinvestments in hydro power unviable on today's terms.

Despite discussions on the right to manage the forest and the current tax burden on hydro power, our forestry and energy assets have the potential to deliver stable revenue that grows over time – if only they are given reasonable conditions. At the same time, they are key resources in the transition to a sustainable future, both today and for future generations.

Investments for strong competitiveness

As a market leader in the highest quality segment for paperboard Iggesund Paperboard, with its Invercote and Incada brands, holds a strong position in a growing market. The investments of recent years, first in energy boilers at both mills and later in increased pulp production at Iggesund Mill, have resulted in lower production costs and higher pulp capacity. Including the planned investment in Workington, there is potential to increase overall paperboard production by around 10 per cent. Thanks to strong brands and successful product development, we feel there are good conditions for selling this volume on a market characterised by increased competition due to new capacity.

Holmen Paper is in the middle of a wide-

ranging process of change and in 2015 took an important step towards fulfilling its speciality paper strategy through investment in a new product direction for PM 53 at Braviken. An exciting opportunity in a tough market. Hallsta Paper Mill is a prime example of what is possible, with book and magazine paper having replaced newsprint. A smaller, more agile and much more efficient operation focusing on speciality paper gives us a greater customer base, with improved opportunities to grow in more markets without further large-scale investment.

Holmen Timber operates in a market that, despite relatively strong demand, is unbalanced by high supply, which has led to downward pressure on prices. The investments in increased productivity at Iggesund Sawmill and the ability to saw both spruce and pine at Braviken have consolidated competitiveness while also broadening the product range. Despite a tough market situation, sawn timber has a solid future ahead of it, with building in wood both cost- and time-efficient, while also bringing major climate benefits.

New challenges require continuous improvement

Large parts of the forest industry, including Holmen, are confronted with both structural and cyclical challenges. As such, it is good to have a number of major investments behind us, as we enter a quieter investment period with a focus on extracting the potential from the investments we have made. However, the challenges of the market require aggressive action in sales and marketing to reach out to new markets and new customers with an advanced service offering. We are also continuously reviewing our organisation and working practices. Reduced production costs, driven by more efficient processes that allow lower staffing levels, are necessary in order to remain competitive.

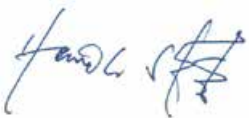
In a time of change, leadership that sets out clear expectations and targets is key in creating the understanding and participation that is

required to achieve results. As a responsible and trustworthy company, continuous improvement and a willingness to develop must underscore everything we do.

Holmen has been affiliated to the UN's Global Compact since 2007 and sees it as only natural to support its ten principles, which cover areas such as human rights and social and environmental responsibility. These three areas have been incorporated into the Code of Conduct that we presented in 2015. Over the year, our policies have also been subject to review. These include the business ethics policy and its guidelines, which address matters such as anti-corruption measures and competition issues. This work is incredibly valuable in providing clearer guidance in our everyday work and setting out what is expected from everyone who works at Holmen.

Finally, I would like to thank all our employees for their hard work. Over the past year, we have taken steps that prove our ability to make the necessary changes. Our capacity to adapt to a changing world and take on new challenges will remain crucial to our continued success.

Stockholm, 17 February 2016



Henrik Sjölund
President and CEO



Strategy



Holmen's strategy is to own forest and energy assets and to develop industrial operations in paperboard, printing paper and sawn timber.



The substantial forest and energy assets shall deliver stable revenue that grows over time.



Large-scale industrial operations at efficient facilities shall provide good profitability through the refining of forest raw material into high-performance consumer paperboard, cost-effective printing paper and sawn timber for the joinery and construction industries.

STRATEGIC DIRECTION: RAW MATERIALS AND PRODUCTS

FOREST Active forestry

The revenue from and future value of Holmen's forest holdings are to increase through active and sustainable forestry, a clear focus on costs and the further development of methods, technologies and expertise. The position in the wood market and economies of scale will contribute to the competitiveness of the industrial operations.

ENERGY Long-term hydro power

Holmen's hydro power is to be managed with a focus on long-term profitability. The potential to develop wind power on Holmen's land will be monitored such that it can be exploited when good profitability is assured.

PAPERBOARD Organic growth

Iggesund Paperboard's position as a market leader in Europe when it comes to high-performance paperboard for consumer products is to be reinforced through product development, while exploiting opportunities for global growth. Well invested production facilities, self-sufficient in energy, ensure competitive production costs and the opportunity to grow through complementary investments.

PRINTING PAPER Specialisation with focus on cash flow

Holmen Paper will increase its proportion of speciality paper that exploits the properties of fresh fibre to create a lighter paper that offers the customer cost savings in both production and distribution. The structural downturn in the market demands a constant focus on costs, while also continuously developing market position.

SAWN TIMBER Large-scale integrated production

Holmen Timber produces sawn timber for the joinery and construction industries. Holmen's competitiveness is based on a strong organisation for wood procurement and cost-efficiency through large-scale production integrated with the Group's paper and paperboard mills.

FINANCIAL TARGETS

OUTCOME 2015

COMMENT

PROFITABILITY

The aim is that forest and energy, which constitute two-thirds of the Group's assets, will provide a stable return on capital employed of at least 5 per cent, while the industrial business will consistently return more than 10 per cent. Taken together this means that the Group's return will exceed 7 per cent.

The return on capital employed was 6.4 per cent.

Sawn timber and printing paper delivered weak profitability over the year, which means that the Group did not fully meet its target for returns.

CAPITAL STRUCTURE

Our financial position must be strong in order to secure room for manoeuvre when making long-term commercial decisions. The target for debt/equity ratio is a maximum of 0.5.

The debt/equity ratio was 0.23.

The debt/equity ratio has been at levels around 0.3 in recent years.

DIVIDEND

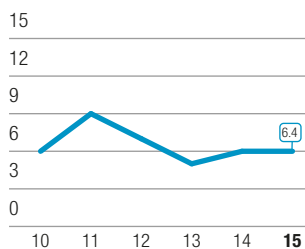
Decisions on dividends are to be based on an appraisal of the Group's profitability, investment plans and financial position.

The Board proposes a dividend of SEK 10.5 per share in 2016.

The proposed dividend corresponds to 4.2 per cent of equity. Over the past five years the dividend has averaged 4 per cent of equity.

PROFITABILITY

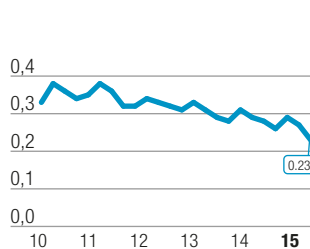
Return on capital employed, %



Excl. items affecting comparability

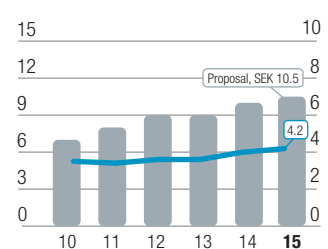
CAPITAL STRUCTURE

Debt/equity ratio, times



DIVIDEND PER SHARE

SEK %



■ Dividend

■ Dividend as percentage of equity

SUSTAINABILITY TARGETS

OUTCOME 2015

COMMENT

INCREASED GROWTH IN HOLMEN FORESTS

By 2050, annual growth in Holmen's forests is to be 25 per cent higher than in 2007. This will deliver both larger harvests of wood from the Group's forests and greater capture of carbon dioxide.

Progress will be checked in the next inventory of Holmen's forests in 2021.

Silviculture measures to ensure increased growth have been identified and implemented.

REDUCED USE OF FOSSIL FUELS

By 2020, use of fossil fuels at the Group's mills will be down 75 per cent compared with 2005.

The use of fossil fuels at the mills has fallen by 62 per cent since 2005.

Investments in biofuel boilers and energy efficiencies have led to a significant reduction in the use of fossil fuels.

INCREASED PRODUCTION OF RENEWABLE ELECTRICITY

Company-generated renewable electricity shall account for 50 per cent of Holmen's total electricity consumption by 2020, compared with 31 per cent in 2005.

The proportion of company-produced renewable electrical energy rose to 52 per cent.

The commissioning of Varsvik wind farm and high levels of hydro power generation increased renewable electricity production over the year.

A sustainable business

The growing forest is the starting point for all Holmen's business. Using the renewable raw material that the forest yields and power from its own energy assets, the Group's paper mills and sawmills currently produce paperboard, printing paper and sawn timber. A business that benefits the climate.

AT THE HEART OF HOLMEN'S STRATEGY lie its natural, renewable raw materials from sustainably managed forests and fossil-free energy production from hydro and wind power. The raw materials are refined into products which, like the forest, benefit the climate. Making best use of the forest raw material at every stage of the value chain, so that it generates the highest possible return, is fundamental in establishing a sustainable business. By focusing on financial stability and profitability, in combination with far-reaching responsibility for the environment, employees and the wider world, Holmen has created the conditions for a sustainable business that generates value for shareholders, customers and other stakeholders.

Holmen operates sustainable forestry with high growth. The volume of wood is built up over a period of around 70–90 years and after harvest a new growth cycle begins. The key to long-term profitability in forestry is increased productivity in both silviculture and harvesting. This involves both fully exploiting current methods and technologies, and developing new

ones. Optimum use of resources and positive effects on the climate are guiding principles all the way along the chain, from the plant nurseries to development of the renewable products of tomorrow.

HOLMEN'S FOREST AND ENERGY ASSETS are highly valuable to the company. They help deliver stable revenue, while also providing advantages when procuring raw material for the product-oriented business areas. The Group's forest holdings amount to approximately 1.3 million hectares, of which just over one million are productive forest land. Holmen is a little over 60 per cent self-sufficient in wood. Electricity production at the wholly and partly owned hydro power stations and wind farms, together with the electricity production at the larger mills, covers half of the Group's electricity consumption.

Production at Holmen's mills and sawmills is largely based on renewable electrical and thermal energy. The extensive investments of recent years in biofuel boilers at the paperboard mills in Iggesund and Workington have

sought to make these mills self-sufficient in both electrical and thermal energy. Investments in energy efficiency at Holmen Paper's mills in Hallstavik and Braviken have led to a substantial increase in their self-sufficiency with regard to thermal energy. All these initiatives are gradually establishing a secure energy supply, while also significantly reducing emissions of fossil carbon dioxide from our operations in recent years.

THE RENEWABLE WOOD RAW MATERIAL from Holmen's forests makes an important contribution to the vital work of promoting effective resource management and combating climate change. It does this in part through the standing forest which, like wooden structures and joinery products, stores large quantities of carbon dioxide, and in part through the substitution effect that occurs when renewable material and biofuels from the forest replace fossil materials. In addition, Holmen's paper and paperboard products can be recycled into new products or bioenergy.

KEY FIGURES FOR HOLMEN'S OPERATIONS FROM A CLIMATE PERSPECTIVE 2015

Holmen's operations contribute to positive climate effects – partly through carbon dioxide being captured and stored in the forests and products, and partly through resource-efficient production largely running on renewable energy. Thanks to investments in company-produced energy and the development of new products based on forest raw material, the positive climate effects will be improved in the future.

Emissions of fossil carbon dioxide from the manufacture of raw materials and input goods, production facilities and transport	-465 000 tonnes
<i>Of which emissions from:</i>	
<i>forestry machines</i>	30 000 tonnes
<i>manufacture of input goods</i>	80 000 tonnes
<i>production facilities</i>	180 000 tonnes
<i>transport of raw materials and products</i>	175 000 tonnes
Carbon dioxide captured in the growing volume of wood ¹⁾	495 000 tonnes
Carbon dioxide captured in sawn timber ²⁾	605 000 tonnes
Fossil carbon dioxide emissions potentially prevented when Holmen sawn timber replaces climate-negative construction materials	1 100 000 tonnes
Net, capture of carbon dioxide and substitution effect	1 735 000 tonnes

1) About 85 per cent of the annual growth is harvested. The volume of wood in the forest thus increases each year.

2) Carbon dioxide stored in products with a lifetime of more than 70 years.

Forest

Thanks to active forestry, the volume of wood in Sweden's forests has almost doubled in the past 100 years. Younger and middle-aged stands, where growth is greatest, absorb more carbon dioxide than older stands, where growth is in decline. This is why a managed forest is better for the climate than an unmanaged one.

Read more on page 12

Paperboard

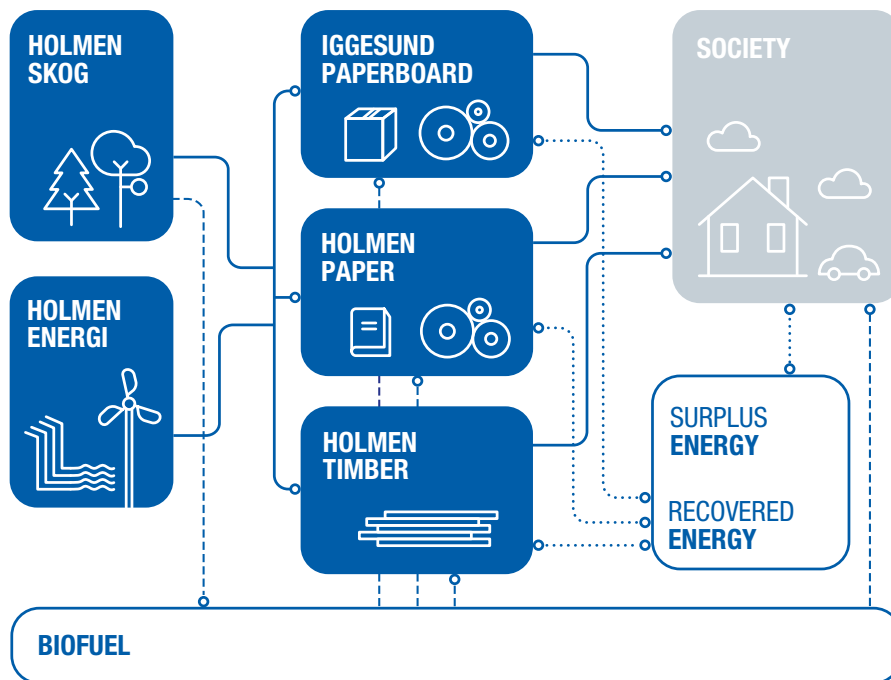
Invercote and Incada are both made using fresh fibre sourced from sustainably managed forests. The combination of fresh fibre and the special properties of the paperboard make it possible to manufacture attractive and functional packaging solutions that offer an excellent substitute for packaging based on fossil raw materials.

Read more on page 20

Printing paper

Holmen's printing paper from its Swedish paper mills is based entirely on fresh fibre. With low basis weights, it boosts customers' efficiency, competitiveness and sustainability work, while in the long run contributing to a functional recovered paper system.

Read more on page 24



Energy

Hydro power has a unique advantage over other renewable energy sources, since it is controllable. By increasing or decreasing the flow of water through the turbine, production can be adapted to demand to some extent. What is more, hydro power is a never-ending energy source.

Read more on page 16

Sawn timber

Wooden buildings have climate benefits built in from the start, since the wooden structure in a building stores the carbon dioxide that has been absorbed by the growing trees. Choosing wood for construction also cuts emissions, plus less energy is required for manufacture and transport.

Read more on page 28



Forest

Holmen Skog is responsible for the active and sustainable management of the Group's forest holdings, comprising over a million hectares of land.

Thanks to active forestry, the volume of wood in Sweden's forests has almost doubled in the past 100 years. The capacity of the forest to capture carbon dioxide, combined with a growing volume of wood, therefore helps to combat climate change. However, it is important to remember that the forest's absorption of carbon dioxide changes over time and is governed

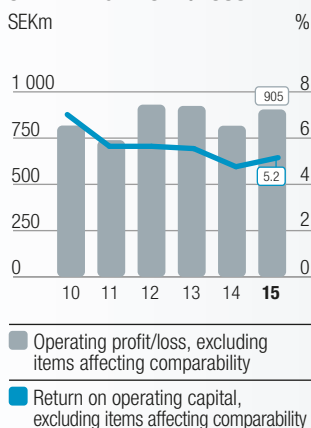
by the age of the trees. Younger and middle-aged stands, where growth is greatest, absorb more carbon dioxide than older stands, where growth is in decline. The rule of thumb is therefore simple: The more the volume of wood in our forests grows, the better it is for the climate. This is why a managed forest is better for the climate than an unmanaged one.

RESULTS 2015

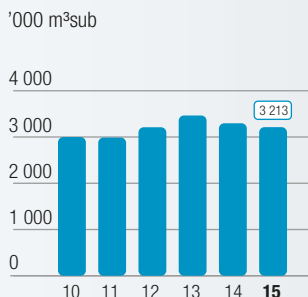
Holmen Skog's earnings from operations for 2015 increased by SEK 103 million to SEK 638 million, mainly owing to lower costs for handling storm fellings and the effects of implemented rationalisations. Operating profit, which includes a change in value of SEK 267 million, totalled SEK 905 (817) million.

Holmen Skog acquired a total of 11.2 (11.4) million m³sub of wood, of which 5.9 (6.1) million m³sub was sold to external customers. 3.2 (3.3) million m³sub of wood was harvested from its own forests, including 0.1 (0.1) million m³sub of forest fuel. Holmen's Swedish production units consumed a net of 4.8 (4.8) million m³sub of wood.

OPERATING PROFIT/LOSS



HARVESTING IN HOLMEN'S FORESTS



FACTS

	2015	2014
Earnings from operations, SEKm	638	535
Operating profit/loss incl. change in value of forests, SEKm	905	817
Investments, SEKm	31	86
Operating capital, SEKm	17 589	17 340
Average number of employees	384	418
Harvesting in own forests, '000 m ³ sub	3 213	3 297

WHAT LONG-TERM ROLE DO YOU SEE FOR THE FOREST?

Demand for raw material from the forest for construction, packaging, hygiene purposes and energy will be driven by a constantly growing global population. At the same time, we face climate change making its presence felt in many ways. For both these reasons, we need to get our forests growing better. In other words, we have to go even further in working our forests in an active and sustainable manner.

WHAT DO YOU MEAN BY YOUR VISION 'WE GROW THE FUTURE'?

For me, on the one hand it is about us preserving and developing all the assets of the forest for generations to come. On the other hand, the vision conveys a longstanding responsibility in our roles as forest owner, wood buyer and supplier to sawmills and mills. As an engaged and competent forestry business partner, we contribute raw material to a growing bio-economy.

HOW CAN YOU BECOME MORE EFFICIENT?

One perspective is about improving productivity at every level, for example through new technology and advanced methods. The other perspective is about making the organisation more efficient and tailored to the future. We worked on our processes and roles in 2015, and in the autumn we launched a new organisation that combines high expertise in forestry with a stronger commercial and market focus.

WHAT VALUE DOES THE FOREST BRING?

Through our way of working, we have shown that active forestry promotes sustainable growth, both in the forest and the economy. The growth in our forests has long exceeded the extraction of wood and we are working towards the target of increasing growth by 25 per cent by 2050 compared with the base year 2007. Overall, this translates into a steady increase in the volume of wood, making it an inspiring and important target for Holmen and for the climate.

*Sören Petersson,
CEO Holmen Skog*



Market

MARKET DEVELOPMENT. In 2015, demand for logs was high and the supply of pulpwood was high. Selling prices remained largely unchanged compared with the previous year. Price levels continued to be significantly higher in southern Sweden than in the rest of the country. Supply of forest fuel was higher than demand.

THE VOLUME OF WOOD in Sweden amounts to around 3 billion m³ growing stock, solid over bark. Growth is approximately 95 million m³sub per year, of which 70–80 million m³sub is harvested. Of the annual harvest, logs and pulpwood account for 90 per cent in an even split. The remainder is firewood.

Holmen's volume of wood currently stands at around 119 million m³ growing stock, solid over bark. By 2050, the volume of wood is expected to have grown to 160 million m³ growing stock, solid over bark, with the harvest increasing from 3 to 4 million m³sub per year.

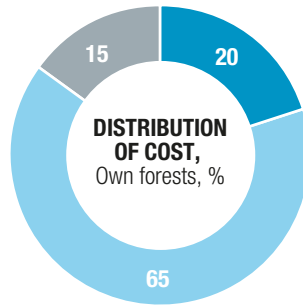
Value of the forest

GROWTH AND HARVEST. The growth of the forest and its value are dependent to a large extent on how it is managed. Holmen's goal is to increase growth in its own forests by 25 per cent by 2050 (base year 2007: 4.4 million m³ growing stock, solid over bark per year).

Annual harvesting is governed by a long-term plan based on forest inventories that are conducted every 10 years. The latest plan dates from 2011. According to the present long-term harvesting plan, around 85 per cent of annual growth is harvested in Holmen's forests. Up until 2020, the average harvest will amount to 3.0 million m³sub per year.

ECONOMIC VALUE. Holmen's forest holdings are recognised at fair value under international accounting standard IAS 41. A valuation is made by calculating the present value of expected cash flows from the growing forests over the next 100 years. Cash flow is made up of the net balance of sales revenues and costs of harvesting, silviculture and administration. The valuation is based on a long-term trend price that is on a par with the average price over the past 10 years. This price is adjusted upwards by 2 per cent per year. The cost forecast is based on present-day levels and is adjusted upwardly by just over 2 per cent per year. The cash flows are discounted using an interest rate of 5.5 per cent. The carrying amount as at 31 December 2015 was SEK 17 173 million. A deferred tax liability of SEK 3 788 million is stated in relation to that figure, which means that the growing forest, net after tax, is recognised at SEK 13 385 million. For more details, see Note 11, page 77.

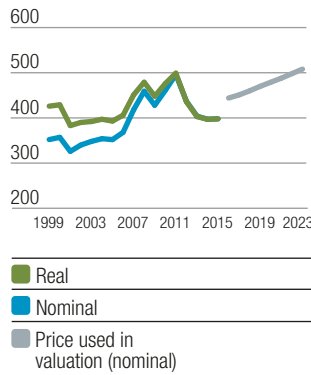
SOCIAL VALUE. The world we live in is already affected by major challenges in terms of resources and climate. There is therefore an urgent need to transition to an economy where resource-efficient and climate-smart products replace those that consume the planet's resources. Holmen's growing, sustainably managed forests have a key role to play in this. By actively managing the forest and using forest raw material to manufacture products and generate renewable energy, Holmen helps to benefit the climate and promote sustainable social development.



Silviculture	20 %
Harvesting	65 %
Fixed costs	15 %

PRICES

SEK/m³sub



Forestry

ACTIVE AND SUSTAINABLE. Holmen operates sustainable forestry with a focus on high growth. The volume of wood is built up over a period of around 70–90 years and after harvest a new growth cycle begins. The most important silviculture measures come in the years immediately after harvest. The soil is prepared and the land is reforested through planting or sowing. The forest is cleaned and thinned in order to select trees with the best potential for continuing their growth. Around 10–30 years before the forest is harvested, it can be fertilised to further boost growth. Holmen fertilises around 8 000 hectares per year.

2015 saw the launch of the book 'The Art of Growing Forests'. The book details the key role of the forest in a sustainable society and Holmen's way of conducting active forestry that is enduringly sustainable.

INCREASED PRODUCTIVITY is the key to long-term profitability in forestry. The focus lies on both fully exploiting current methods and technologies, and developing new ones. Holmen is actively involved in several development collaborations with manufacturers, researchers and innovators.

In 2015, Holmen finished trialling a new type of forest machine, the harwarder, a combined harvester and forwarder that fells and then transports the logs out to the road. Skogforsk has evaluated the concept and highlights advantages such as more efficient wood handling and lower fuel consumption.

SILVICULTURE AND REGENERATION. The annual cost of silviculture, stewardship and fertilisation is around SEK 160 million. The measures, which follow Holmen's forest stewardship programme, are aimed at increasing the rate of growth in the company's own forests. Holmen quality assures the regeneration and conducts long-term development work that covers the entire chain from seed to new planting. Each year, 30 million new seedlings are produced at Holmen's nurseries, with the majority planted on the Group's land.

LASER DATA. In 2015, Holmen introduced laser data as a basis for making decisions and planning its forestry. The data provides updated information on the height and density of the forest, plus the topography of the land. The information creates better opportunities to carry out the right forestry measures at the right time, making the operation more efficient.

WILDLIFE DAMAGE AND INSECT ATTACKS are problems that affect the forest's growth and value. Holmen loses around 400 000 m³ growing stock, solid over bark, per year due to grazing from wild animals. The shared target for the forest industry is to adapt the wildlife populations so that seven out of ten pines can grow to maturity undamaged. This will be achieved through good collaboration with the hunters.

Holmen's trial of waxing the seedlings to combat pine weevils proved positive in 2015, and now the ultimate ambition is for all seedlings to be waxed.

THE FOREST AS A SOCIAL ASSET. The forest is not only important from a socioeconomic perspective. It also has significant environmental and recreational

value, while the forest has a documented positive effect on health and well-being.

Holmen gives particular consideration to forests that are valuable in terms of aesthetics and experiences, and that many people visit for outdoor pursuits, relaxation and exercise.

ECOSYSTEM SERVICES is a concept involving the benefits that people and society get from the natural world. The production of fibre raw material is one example that already has a market value. Other examples of ecosystem services from the forest include carbon capture, biodiversity, job opportunities, recreation, meat, mushrooms and berries. Various processes are under way in Sweden and internationally to survey, develop and evaluate ecosystem services. Holmen has begun studies to investigate the business opportunities that could be developed out of the many ecosystem services that exist in the forest.

BIODIVERSITY is rooted in a complex interplay between many different species in different natural habitats. A total of around 20 per cent of Holmen's forest land is used for nature conservation purposes. This includes forest land voluntarily set aside, wooded unproductive forest that is protected by law, and environmental consideration within the managed forest.

Holmen Skog applies various measures to ensure biodiversity. Prescribed burning is an effective way to kickstart the forest's natural regenerative processes and create habitat for a wealth of species. Other measures include selective felling, establishing wetlands and damaging trees to create dead wood. In natural environments that have been shaped by humanity over the centuries, Holmen

HOLMEN'S FORESTS 2015

Total land acreage	1 269 000 ha
Total forest land acreage*	1 153 000 ha
- of which nature conservation areas	202 000 ha
Productive forest land**	1 042 000 ha

Total volume of wood, on productive forest land*** **119 000 000 m³ growing stock, solid over bark**

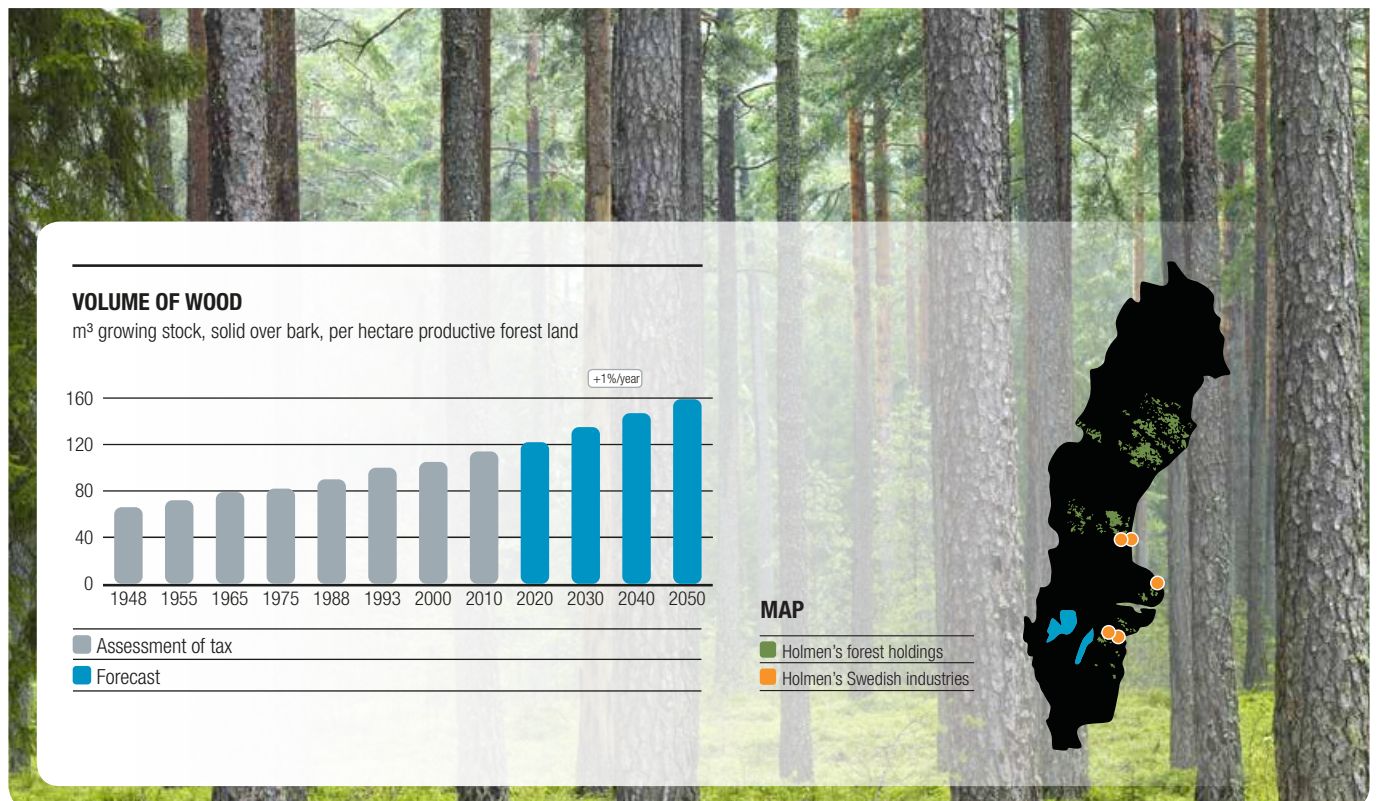
* Analysis conducted by the Swedish National Forest Inventory, according to the international definition of forest land: Land with an area of more than 0.5 hectares, a tree canopy cover of more than 10 per cent and trees with a minimum height of 5 metres at maturity.

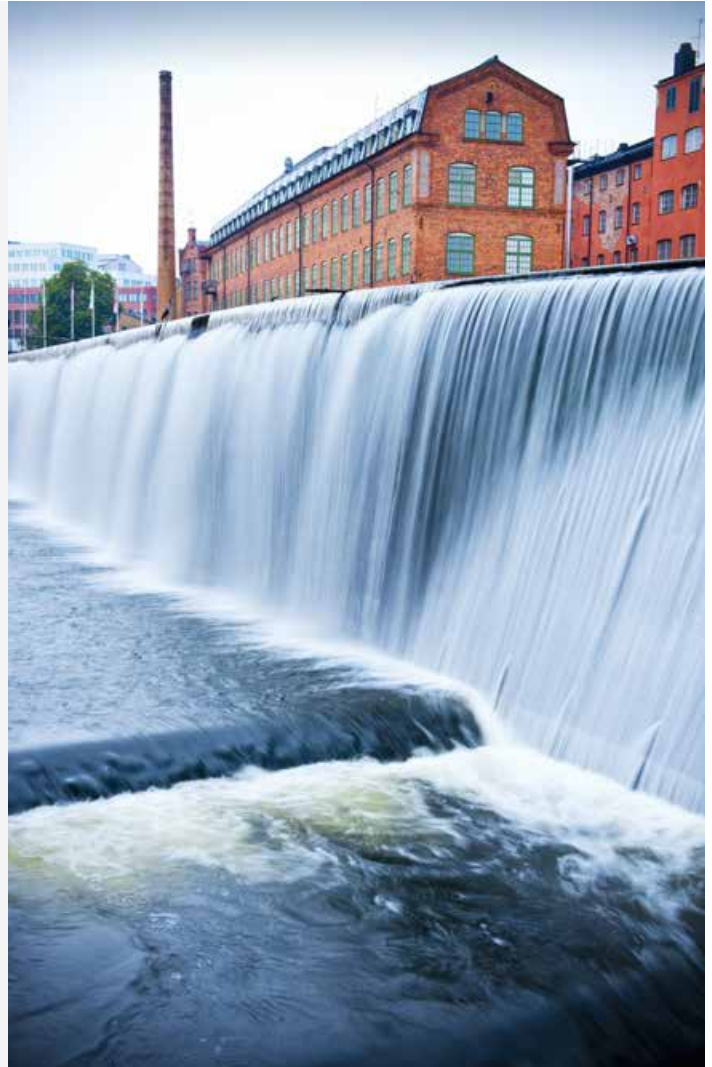
** Forest land that on average can produce 1 m³ growing stock, solid over bark per hectare and year (on average during the growth period of the forest stand).

*** Adjusted in relation to previous years due to new measurement method.

takes responsibility for reinstating broadleaf forest and pasture, for example.

CLIMATE CHANGE. The conifers in the Nordic landscape have been around for as long as 500 million years and as such are extremely old organisms with an incredible capacity to adapt to change. A warmer climate may, however, affect the forest in various ways. Growth may increase in certain areas, but periods of ground frost may become shorter, which makes harvesting more difficult. The seedlings from the plant nurseries are selected to grow and thrive in a changing climate, and Holmen's silviculture programme is robust in climate terms.





Energy

Holmen Energi is responsible for developing the Group's renewable hydro and wind power production.

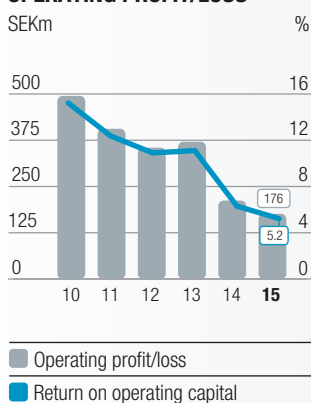
Hydro power has a unique advantage over other renewable energy sources, since it is controllable. By increasing or decreasing the flow of water through the turbine, production can be adapted to demand to some extent. Hydro power is thus a vital part of the Swedish energy system and, what is

more, it is a never-ending energy system realigns itself with renewable resources, hydro power thus offers considerable social benefit. In contrast to fossil energy, it also emits no carbon dioxide.

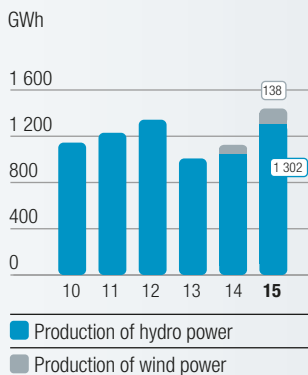
RESULTS 2015

The year's operating profit amounted to SEK 176 (212) million. Production was just over 15 per cent higher than usual, but earnings decreased as a result of low prices.

OPERATING PROFIT/LOSS



COMPANY-GENERATED HYDRO AND WIND POWER



FACTS

	2015	2014
Operating profit/loss, SEKm	176	212
Investments, SEKm	18	32
Operating capital, SEKm	3 351	3 401
Average number of employees	11	10
Company-generated hydro and wind power, GWh	1 441	1 113

HOLMEN'S FIRST WIND FARM ON ITS OWN LAND IS A YEAR OLD. HOW HAS IT LIVED UP TO EXPECTATIONS?

The 17 wind turbines in Varsvik delivered beyond expectations in the calibration stage in late autumn 2014. In 2015 we switched to regular operation and since then the generation from the turbines has been on a par with what was expected.

WHAT OPPORTUNITIES DO YOU SEE FOR HYDRO POWER?

Hydro power plays several key roles in the Swedish energy system. It is renewable, and its controllability is of major importance to a system in which other energy sources vary according to the weather. Hydro power production could be further increased, but under the current political conditions this is simply not a practical option. If investments are to be made, attitudes towards hydro power have to change. Its importance for system balance and as an energy reserve must be better appreciated.

WHAT ARE THE KEY ADVANTAGES OF HYDRO POWER?

A hydro power station can supply climate-smart, renewable energy for more than a hundred years, as long as it is maintained and developed. The need for investment is relatively small. For every kilowatt hour produced via hydro power, electricity production from energy sources with a greater environmental impact, such as oil and coal, can be cut back.

WHAT ARE THE MARKET CONDITIONS LIKE?

Unfortunately the conditions for hydro power have deteriorated. The tax on power station properties has risen dramatically in recent years, which in practice means that renewable energy of this type is subject to punitive taxation. Under the current market conditions, we cannot justify reinvestments in our facilities, which is a serious issue for future energy supply. A strengthening of capacity in the national grid between north and south is vital for the industry from an energy and price perspective.



*Fredrik Nordqvist,
CEO Holmen Energi*

Market

A TOTAL OF 159 (150) TWh of electricity was produced in Sweden during 2015, of which hydro power made up 75 (64) TWh. Nuclear power produced 54 (62) TWh and wind power production continued its growth, reaching 16 (12) TWh. The remaining 13 (13) TWh constituted thermal energy.

The average spot price in 2015 for Sweden was SEK 200 (290) per MWh, which was 30 per cent lower than in the previous year. The price of electricity forwards over the coming year fell 30 per cent to approximately SEK 200 per MWh.

Own energy assets

HOLMEN ENERGI is responsible for the Group’s hydro and wind power plants. Electricity production at the 25 wholly and partly owned hydro power stations and wind farms, together with electricity production at the larger mills, covers 56 per cent of the Group’s electricity consumption. Holmen’s electricity consumption at the production units amounted to 3 994 (4 067) GWh in 2015.

Development

HYDRO POWER dominates Holmen’s energy production. It is a climate-smart, renewable energy source with low investment needs and a long life. In addition, controllable hydro power plays an important role in a system in which other energy sources vary according to the weather. The phasing out of existing nuclear power further increases its importance.

As a consequence of abundant rainfall in spring and summer, the water reservoirs filled up early and annual production was up 24 per cent in 2015, compared with the previous year. Hydro power production is highly cost-effective, but the costs have increased due to the substantial increase in the property tax imposed in recent years. In 2015, the property tax for Holmen’s wholly and partly owned hydro power plants totalled SEK 93 (92) million.

Since the scope to expand hydro power is limited, Holmen’s work is focused on upgrading existing power stations and dams, and improving efficiency. With today’s tax costs and market prices for electricity, it is difficult to achieve profitable reinvestments.

2014 saw the Swedish Energy Agency and the Swedish Agency for Marine and Water Management (SwAM) present a national strategy for hydro power. The aim of the strategy is to ensure environmental improvement measures that take into account the importance of hydro power for the electricity system. In 2015, stakeholders submitted proposals for a financial solution, where hydro power owners can receive help with the cost of environmental adaptation measures and compensation for production losses, and for making the environmental permit process efficient and sensible.

WIND POWER. Holmen’s strategy is to work with partners to develop wind power projects on its own land that are profitable over the long term. Wind surveys have been conducted over several years at more than 10 sites on Holmen’s land. Work is under way on evaluating suitable technologies, infrastructure and general efficiency, in order to push forward with the best sites.

The current challenge is that there are too many electricity certificates on the market and electricity



production exceeds demand in Sweden. Combined with lower prices for coal and emission allowances, this has led to historically low electricity prices. Taken as a whole, these circumstances make building wind power capacity an unprofitable option.

THE WIND FARM in Varsvik is the first large-scale wind farm in the County of Stockholm. The facility, which was brought on stream and calibrated in autumn 2014, comprises 17 wind turbines with a total installed power of 51 MW. The project was completed as planned in 2015 and has now switched to regular operation. Production totalled 164 GWh in 2015.

The wind farm is owned through a joint venture, Varsvik AB, which has Holmen and the international investment fund Eurofideme 2 as 50 per cent shareholders.

THE WIND POWER COMPANY VindIn AB is owned by several electricity-intensive companies in Sweden, of which Holmen is one. VindIn owns a total of 40 turbines distributed across three wind farms – Skutskär and Trattberget in Sweden, and Svalskulla in Finland. In 2015, VindIn’s overall production rose to 317 (211) GWh, with Holmen’s share amounting to 56 (37) GWh.

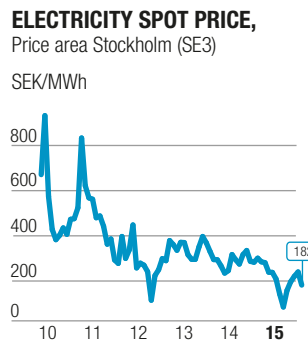
PERMIT PROCESSES. In autumn 2015, a permit was obtained to establish a wind farm on the Group’s land outside Örnsköldsvik. The conditions on site are judged to be very good, but for the time being the project is not considered viable due to the prevailing market situation.

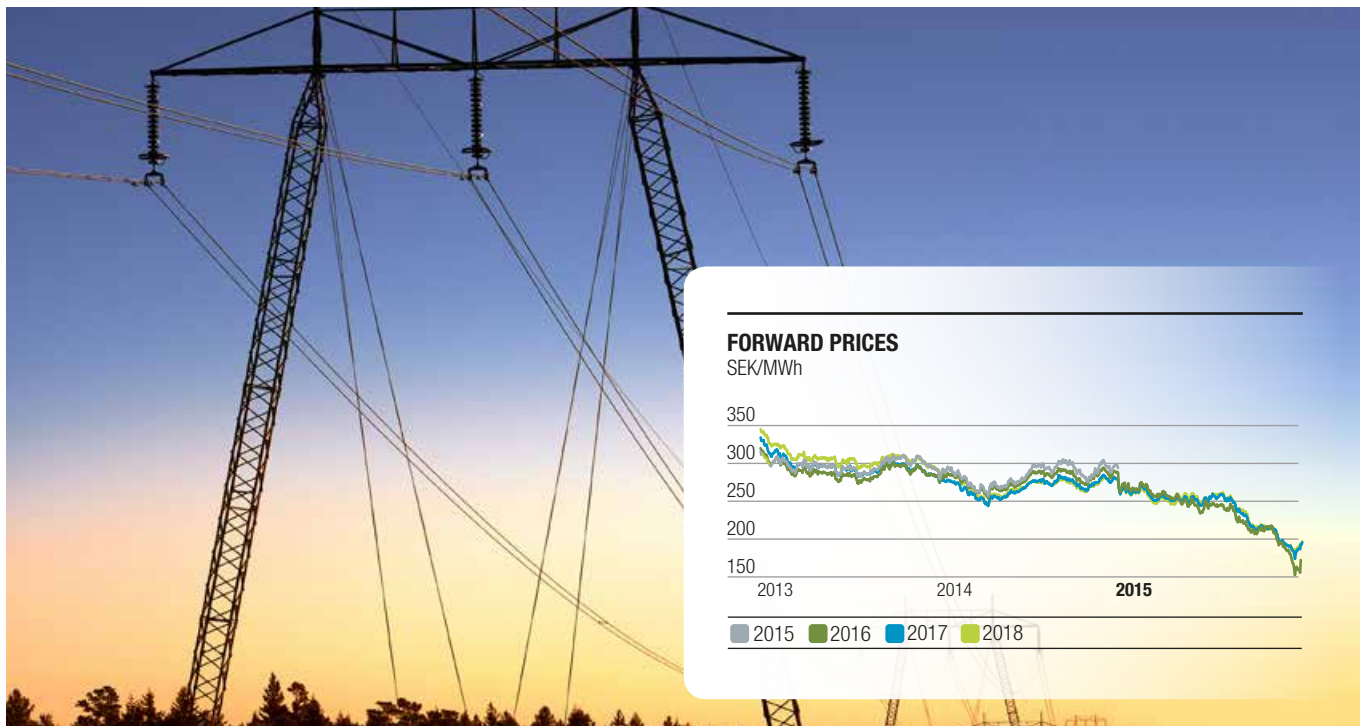
Permit processes for wind power on Holmen’s land in Västerbotten continued in 2015.

The application for an environmental permit for wind power at the UK paperboard mill in Workington was rejected in October 2015.

PEAT. Holmen’s peat field outside Örnsköldsvik was taken into use in 2009 and is harvested annually for energy purposes. In contrast to 2014, 2015 had a rainy summer, which led to a poorer annual harvest, equating to 63 (93) GWh electrical energy.

In 2015, Holmen Energi continued to examine the possibility of using peat as a raw material for the production of soil improvers. This work was conducted in collaboration with Holmen Skog’s nurseries and the results over the year have shown that peat has considerable potential in this area.

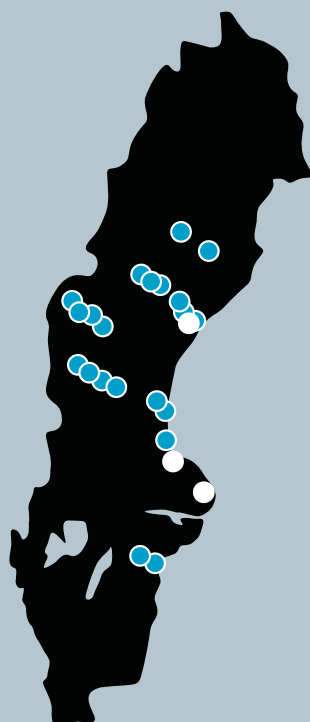




HOLMEN WHOLLY OR PARTLY OWNS

21 HYDRO POWER STATIONS

4 WIND FARMS



- Hydro power stations
- Wind farms (plus 1 in Finland)

HOLMEN POWER PLANTS

RIVERS	HYDRO POWER STATIONS	HOLMEN'S PRODUCTION SHARE		YEAR OF CONSTRUCTION
		%	GWH*	
Umeälven	Harrsele	49.4	470	1957–58
	Tuggen	21.5	97	1962
Gideälven	Stennäs	9.9	3	1985–96
	Gammelbyforsen	9.9	1	—
	Björna	9.9	8	—
	Gideå	9.9	9	—
	Gidböle	9.9	7	—
	Gideåbacka	9.9	7	—
Faxälven	Linnvasselv	7.2	14	1961–74
	Junsterforsen	100	115	—
	Gäddede	30	23	—
	Bågede	100	70	—
Iggesundsån	Pappersfallet	100	7	1915
	Iggesunds kraftstation	100	22	2009
Ljusnan	Sveg	20	30	1949–75
	Byarforsen	20	17	—
	Krokströmmen	8.7	45	—
	Långströmmen	11	29	—
	Ljusne Strömmar	7.4	17	—
Motala Ström	Holmen	100	112	1990
	Bergsbron-Havet	100	10	1927
OWNER	WIND FARMS	HOLMEN'S PRODUCTION SHARE		YEAR OF CONSTRUCTION
		%	GWH*	
Varsvik	Varsvik	50	83	2014
VindIn	Skutskär	17.7	5	2009
	Trattberget	17.7	38	2012
	Svalskulla, Finland	17.7	9	2014

* Refers to normal production



Paperboard

Iggesund Paperboard is a market leader in the highest quality segments for consumer packaging and paperboard for advanced graphical printing.

The paperboard products from Iggesund Paperboard have attracted various international awards for their standout properties, which are appreciated by brand owners, converters and creatives around the world. But another important property goes beyond quality, production efficiency and design freedom. It is about sustainability and responsible use of the planet's resources.

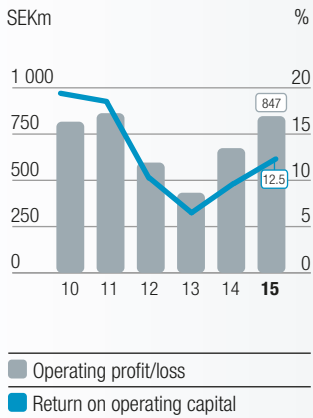
Invercote and Incada are both made using fresh fibre sourced from sustainably managed forests. The combination of fresh fibre and the special properties of the paperboard make it possible to manufacture attractive and functional packaging solutions that offer an excellent substitute for packaging based on fossil raw materials. Our paperboard is thus able to further the transition to a bio-economy.

RESULTS 2015

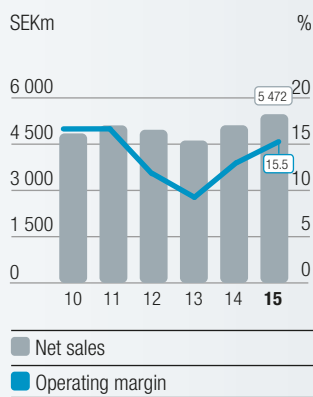
Iggesund Paperboard's deliveries in 2015 amounted to 499 000 tonnes, which was 1 per cent higher than in 2014.

Operating profit for the year was SEK 847 (674) million. The improvement was due to a weaker Swedish krona and reduced production costs.

OPERATING PROFIT/LOSS



NET SALES AND OPERATING MARGIN



FACTS

	2015	2014
Net sales, SEKm	5 472	5 113
Operating profit/loss, SEKm	847	674
Investments, SEKm	324	288
Operating capital, SEKm	6 622	6 790
Average number of employees	1 432	1 389
Deliveries, '000 tonnes	499	493

HOW WOULD YOU SUM UP 2015?

We are continuing to strengthen our position in Europe, while also building a platform for selective global growth. We know we have the potential to grow as long as we focus on good customer relations, cost-efficiency and productivity.

WHAT DO THE POSITIVE RESULTS MEAN FOR THE BUSINESS?

The positive trajectory of the results comes from our long-term work on change, both on the marketing front and at the mills. I am particularly pleased that our upgraded Invercote G was so warmly welcomed by the market. Invercote G is a strategically important product that works in all printing processes and is optimised for digital printing. The upgrade makes it possible to print on the inside of the packaging, which considerably expands the design options for our customers. At our mills, the energy investments have improved our competitiveness by reducing variable costs and they have practically eradicated our dependence on fossil fuels.

HOW DID THE MILLS PERFORM OVER THE YEAR?

Production was good in both Iggesund and Workington. In Iggesund, we completed our capacity project at the pulp mill as planned, giving us the opportunity for continued organic growth. In Workington, we are gearing up for a capacity increase on the board machine during 2016. We are in a strong position with our committed employees, well invested machinery and our Invercote and Incada brands.

WHAT OPPORTUNITIES DO YOU SEE TO DELIVER EVEN MORE CUSTOMER BENEFIT?

A year ago, we launched our service offering 'Care by Iggesund'. Our customers are buying more than just world-class sustainable paperboard. We also want to improve customer benefit by leading the way in strong service concepts, customer relationship management and partnership for innovation.



*Annica Bresky,
CEO Iggesund Paperboard*

Market

EUROPE. For the products that Iggesund Paperboard manufactures, folding box board (FBB) and solid bleached board (SBB), the market grew by 1 per cent in 2015 to 2.7 million tonnes. The products remain in the higher premium segments and within SBB, Iggesund Paperboard is the leading producer, growing more than the market. The year saw several fine paper mills announce switches to paperboard production as a consequence of the structural downturn in the paper industry. The prices largely remained stable over the year.

GLOBAL. Asia, primarily China, accounts for the greatest global increase in the packaging area, due in part to an emerging middle class and ongoing urbanisation. In 2015 growth slowed somewhat, on account of China's generally weakening economic situation. In the USA, supply and demand remained in balance. Prices in Asia and the USA were unchanged over the year.

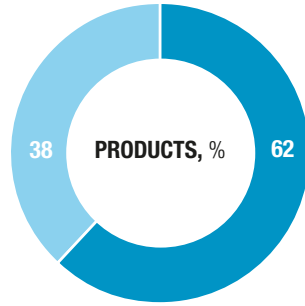
Products

MARKET POSITION. Iggesund Paperboard is a global market leader in the segment for high-performance paperboard for consumer packaging and graphical applications. The key customer categories are converters, who make packaging, and wholesalers and printers, who buy paperboard for use in graphical applications. Customers particularly appreciate the high and consistent quality, which contributes to predictability in the production processes, and the excellent print quality. Iggesund Paperboard is also well positioned for the rapid growth in digital printing technology.

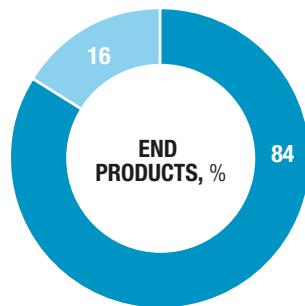
STRONG BRANDS. Iggesund Paperboard manufactures and markets paperboard products under two brands: Invercote (SBB), which is produced at Iggesund Mill, and Incada (FBB), which is made at the mill in Workington. Both have received international industry awards and rank highly in brand surveys. At the Pro Carton/ECMA Awards, two of the top prizewinning packaging solutions were made from Invercote. Invercote G also won the category of media for digital print in the US-based newsletter Quick Printing's annual poll of its international readers.

APPLICATIONS. Invercote and Incada are used primarily to make consumer packaging for confectionery, cosmetics, perfumes, wine, spirits, pharmaceuticals, food products and tobacco. With one of the market's most complete product ranges, coupled with additional finishing options via the laminating plant in Strömsbruk, Iggesund Paperboard offers sustainable, innovative and customised products. What is more, they meet the very highest of standards – all the way from the customer's industrial processes to the final consumer experience. In addition, Invercote and Incada meet the market's growing demand for packaging solutions that are suitable for digital printing.

Invercote and Incada are also highly regarded among designers and producers in the graphics industry, who employ the products in everything from advertising print to cards and covers.

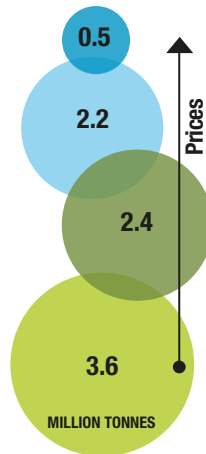


■ Solid bleached board	62%
■ Folding boxboard	38%



■ Consumer packaging	84%
■ Graphical printing	16%

EUROPEAN PAPERBOARD MARKET 2015



■ SBB Prestige products, graphical products, perfumes, confectionery and cigarettes.	0.5
■ FBB Confectionery, pharmaceuticals, cigarettes, frozen goods, skin care and hygiene articles.	2.2
■ SUB/LPB (solid unbleached board and liquid packaging board) Beverages, dairy products and dry goods.	2.4
■ WLC (white lined chipboard) Dry goods and household products.	3.6

Development

RENEWABLE. The market trends in the packaging industry focus primarily on innovative packaging solutions, the importance of packaging in brand building, and sustainability. Commitment to sustainability is a global trend that manifests itself in various ways in different markets, but generally speaking, concrete sustainability work is a necessary door opener to new customers.

Both of Iggesund Paperboard's mills hold chain-of-custody certification for FSC® and Iggesund Mill also holds PEFC™ certification. All the wood purchased for paperboard production comes from well managed and sustainable forests. The end product is high-performance, renewable paperboard based on fresh fibre. As well as bringing unique properties to the products, fresh fibre is also a necessary addition to the recovered fibre cycle.

CUSTOMER FOCUS. 2015 saw further development of the 'Care by Iggesund' service concept that was launched in the previous year. All the elements are now in place – greater global sales activity, improved delivery service, enhanced knowledge and technical support regarding the products Invercote and Incada, expanded stocks in Asia and the USA plus a broader service offering in Russia. The concept also includes Iggesund Paperboard's environmental documentation plus access to analysis facilities at its own accredited laboratory for sensory and chemical analysis, known as the smell and taste lab, at Iggesund Mill. Detailed market surveys were conducted in 2015 to identify future customer needs, marketing opportunities and potential for improvement. This forms the basis for the continued strategic development of Iggesund Paperboard's product portfolio.

PRODUCT DEVELOPMENT. Iggesund Paperboard consolidated its leading position in the premium segment for all printing techniques with the 2015 launch of the upgraded Invercote G, whose coating on the reverse side allows printing on the inside of the packaging too. With custom paperboard products like Invercote G, Iggesund Paperboard is driving progress and has created a platform for volume growth in Europe and globally. Just like packaging paperboard, the graphical range has also been adapted to the market so that customers can benefit fully from digital printing – partly via the upgraded Invercote G, and partly through increased availability with regard to the most common formats of digital printing presses.

Digital printing is showing strong growth, with the impetus coming from every direction – brand owners, designers, converters and printing press manufacturers. Iggesund Paperboard is developing the products of the future in close collaboration with leading players, customers and brand owners.

PRODUCTIVITY. Capacity utilisation at both mills is high and overall production increased, which also led to a reduction in variable costs. Despite the long maintenance shutdown in the spring, the mill in Workington delivered a similarly high level as in the previous year. Iggesund Mill broke the record for monthly paperboard production on a couple of occasions over the year.

In November there was a stoppage at the mill in Iggesund for maintenance and a rebuild. This included upgrading the recovery boiler from 18 to 24-month inspection intervals, which increases the available capacity at the plant. Investments have been made to optimise pulp production, so that capacity can be increased by 50 000 tonnes per year. The capacity increases at Iggesund Mill have been made possible by the new recovery boiler.

Investments are under way at the mill in Workington to increase paperboard capacity by 20 000 tonnes per year. A rebuild of the press section will also improve product quality.

The investments at the two mills, totalling SEK 530 million, are scheduled to be completed during the first half of 2016.

ENERGY SUPPLY. The 2013 investment in the biofuel boiler at the mill in Workington now enables the mill to use only fossil free electricity and thermal energy. In 2015, the surplus energy was distributed

to the local community. The biofuel boiler is fired primarily by wood chips, roundwood and bark. This is supplemented by biofuel from energy crops that local farmers grow as part of an agreement with the mill. Energy crops are a welcome way for farmers to diversify their operations and achieve a steady revenue stream.

Over the year, energy management at the mill in Workington was certified to ISO 50001.

The recovery boiler at Iggesund Mill was completed in 2012 and has gradually been calibrated to optimise energy yields and reduce emissions of fossil carbon dioxide. The goal is to achieve fossil free operation, and in 2015 the boiler ran over 99 per cent on biofuels.

In autumn 2015, Iggesund Paperboard once again found itself among the finalists for the 'Bio Strategy of the Year Award' for the long-term work on sustainable energy solutions at its mills. The award is presented by the international industry organisation PPI.

IGGESUND MILL

Raw materials: Softwood and hardwood pulpwood.

Process: Sulphate pulp.

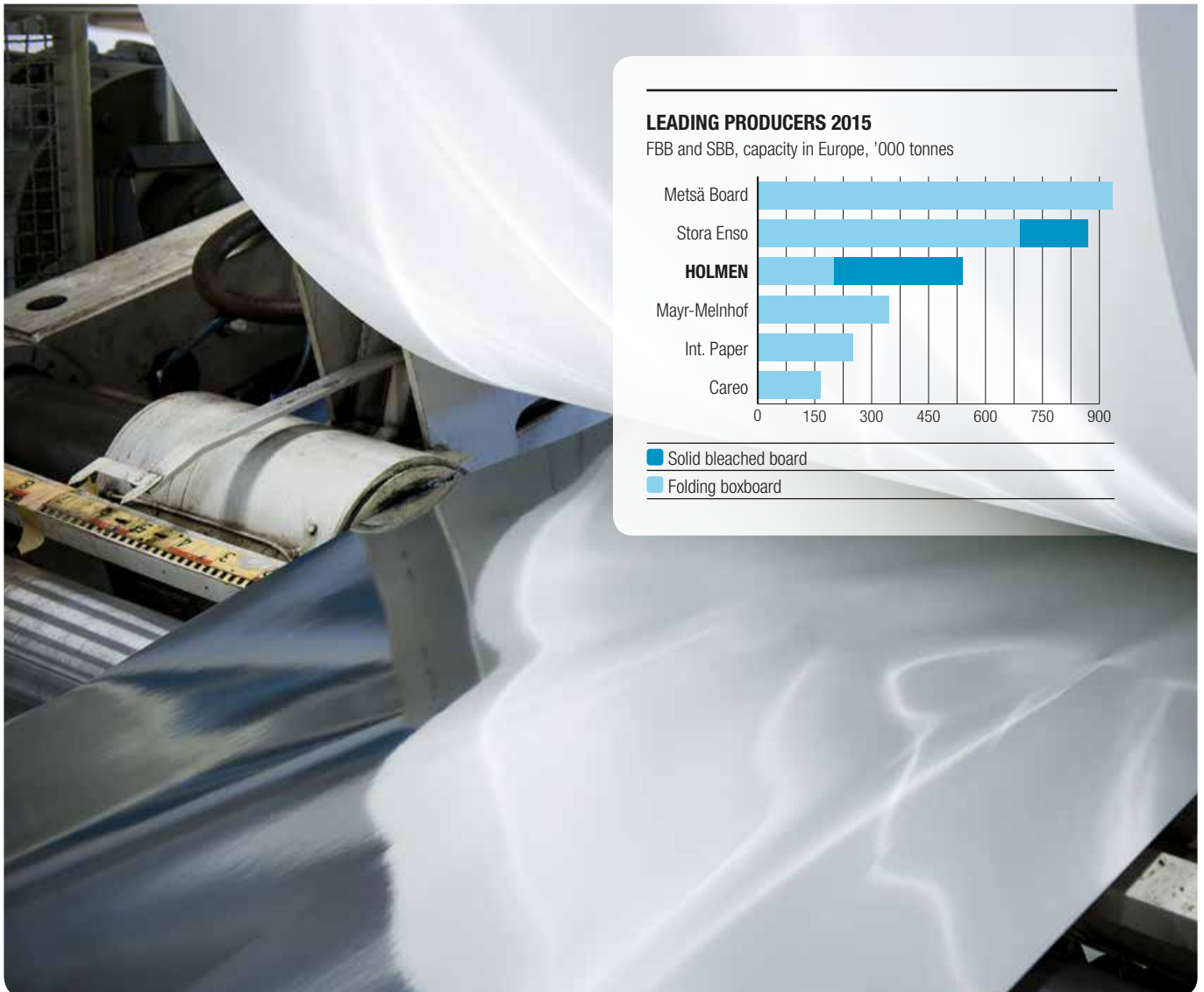
Products: Solid bleached board, plastic-coated paperboard and sulphate pulp.

WORKINGTON MILL

Raw materials: Spruce pulpwood and purchased sulphate pulp.

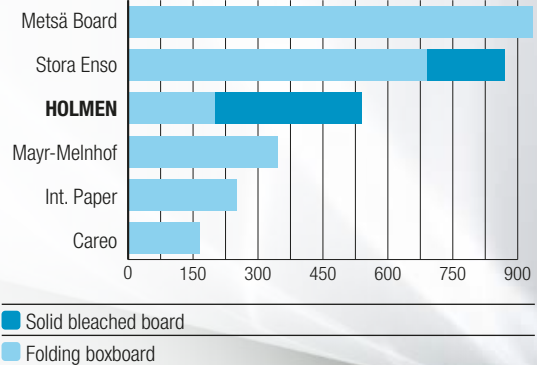
Process: RMP.

Products: Folding boxboard.



LEADING PRODUCERS 2015

FBB and SBB, capacity in Europe, '000 tonnes





Printing paper

Holmen Paper is a speciality paper producer that uses the properties of fresh fibre to provide cost-effective alternatives to traditional paper choices.

Holmen's printing paper from its Swedish paper mills is based entirely on fresh fibre. There is thus no recovered fibre in Holmen's modern magazine and book paper. But how does that sit with the ecocycle approach and Holmen's ambitious sustainability work? Really well actually. It is in fact necessary for fresh wood fibre to be added to the recovered paper system since, while wood fibre can be re-used up to seven times, after that it

is expended. Holmen's fresh fibre-based printing paper is also traceable. And the trail leads back to Swedish forests, where the forestry is conducted in a responsible manner.

With low basis weights, Holmen's printing paper boosts customers' efficiency, competitiveness and sustainability work, while in the long run contributing to a functional recovered paper system by topping it up with fresh fibre.

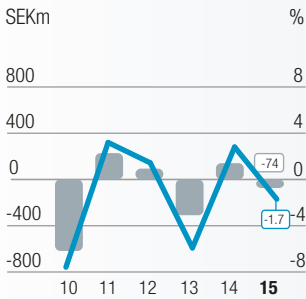
RESULTS 2015

Holmen Paper's deliveries over the year amounted to 1 325 000 tonnes, which was 2 per cent higher than in 2014, despite a rebuilding shutdown and a fire. Magazine and book paper accounted for 60 per cent of deliveries.

Operating profit/loss for the year was SEK -74 (141) million, excluding items affecting comparability. The decrease in profit was due to lower selling prices, as well as costs and production losses from a rebuilding shutdown at Braviken Paper Mill. This was partly offset by a weaker Swedish krona and the implemented rationalisations.

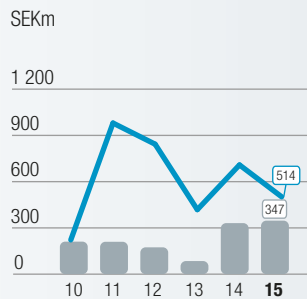
In November 2015, production at Hallsta's two paper machines was stopped owing to a fire at the pulp factory. Production at PM 12 was resumed after 12 days, while production at PM 11 is expected to restart in March 2016. The loss of revenue during the shutdown and reconstruction costs are covered by insurance, with the exception of SEK 30 million in deductible.

OPERATING PROFIT/LOSS



- Operating profit/loss excl. items affecting comparability
- Return on operating capital, excl. items affecting comparability

INVESTMENTS AND EBITDA



- Investments
- EBITDA excl. items affecting comparability

FACTS

	2015	2014
Net sales, SEKm	6 148	6 247
EBITDA, SEKm	514	725
Operating profit/loss excl. items affecting comparability, SEKm	-74	141
Investments, SEKm	347	331
Operating capital, SEKm	3 558	4 666
Average number of employees	1 150	1 220
Deliveries, '000 tonnes	1 325	1 305

HOLMEN PAPER CONTINUES TO CHALLENGE THE MARKET WITH NEW PRODUCTS. WHY?

It forms a natural part of our strategy of being a speciality paper producer that draws on all the great properties of fresh fibre. We have now made investments to fulfil that strategy and as such we are able to offer even more cost-effective alternatives to traditional paper choices.

WHAT HAVE THE INVESTMENTS AT THE SWEDISH MILLS INVOLVED?

The energy restructuring at the mill in Hallstavik has proved a success, and sales of bark to local energy producers have resulted in new revenue streams. In January 2015, we carried out an extensive rebuild of PM 53 at Braviken Paper Mill in order to produce our new SC paper, Holmen UNIQ. We are seeing volume growth and rising interest in the market for this innovative paper.

HOW IS THE SWITCH TO MAGAZINE AND BOOK PAPER GOING?

We are keeping to our strategy of being the leading producer of innovative, fresh fibre-based magazine and book paper with low basis weights that help our customers to make a greater impact and save money without compromising on quality or feel. Following our investments, we now have highly efficient machines for optimum utilisation of capacity, while also continuing our product development.

WHAT IS HAPPENING AT THE MOMENT?

We are continuing to calibrate our plants in order to improve efficiency and cut costs. If we are to recoup our investments, we also need to increase our activity in the market. We are therefore boosting our sales processes and our customer-facing work in existing and future markets. Paper will still be needed in the future and I am convinced that our product and market mix will make a difference.

*Nils Ringborg,
CEO Holmen Paper*



Market

THE EUROPEAN MARKET for wood-containing printing paper amounted to 16.9 million tonnes in 2015, down around 5 per cent on the previous year. The market is affected by an imbalance between supply and demand. Selling prices fell during the year.

MAGAZINE PAPER. European demand for magazine paper declined by 5 per cent to 9.7 million tonnes, although demand rose in the segments in which Holmen operates.

BOOK PAPER. The market for book paper was stable. Demand for wood-containing book paper, a product that Holmen Paper supplies, amounted to around 400 000 tonnes.

NEWSPRINT. Demand dropped by 8 per cent to 6.7 million tonnes. During the first six months of the year, capacity cuts amounting to approximately 700 000 tonnes were made at three European mills, which led to a temporary improvement in capacity utilisation.

Products

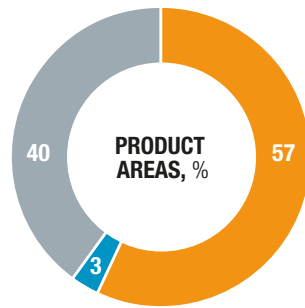
MARKET POSITION. Holmen Paper develops and sells fresh fibre-based magazine and book paper that provides retailers, printing firms and publishers around the world with cost-effective alternatives to traditional paper choices. As a result of restructuring at the mills, continued product development and intensified sales work, the proportion of magazine and book paper is rising at an accelerating pace. Newsprint is thus increasingly becoming a product for local markets, although it continues to form an important part of the product mix.

PRODUCTION is based at two paper mills in Sweden and one in Spain. The Spanish mill almost exclusively manufactures newsprint, with production based entirely on recovered paper. At Holmen's Swedish mills, fresh fibre is used as the basis for growth in uncoated magazine paper (LWU) and book paper with unique properties that bring financial savings for customers. As a consequence of this strategy, the proportion of newsprint outside the local markets is being reduced.

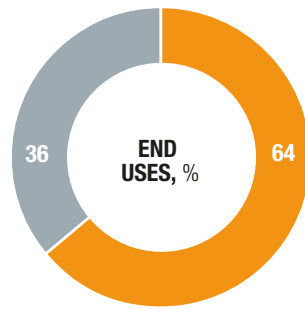
INNOVATION. Holmen's magazine and book paper enables customers to produce printed material with lower basis weights, but with the same thickness as the traditional grades. The result is lower paper purchasing costs and reduced distribution and postage costs for the finished material. Holmen leads the way in product development, but other manufacturers have begun launching products with similar properties. The positive point here is that this type of paper is more quickly becoming a standard, with increased supply and greater security for customers.

In 2015, all paper grades produced on PM 53 at Braviken Paper Mill became approved for use in products that come into contact with food.

MAGAZINE PAPER. As an industry leader in the development of new products, Holmen Paper began production on its latest addition, Holmen UNIQ,

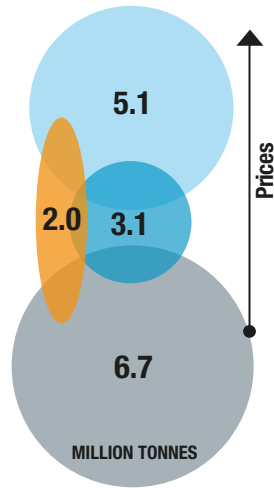


LWU/Book	57%
SC	3%
Newsprint	40%



Magazines, catalogues, direct mail and books	64%
Newspapers	36%

EUROPEAN PRINTING PAPER MARKET 2015



LWC/MWC Magazines, product catalogues and direct mail.	5.1
SC paper Magazines, product catalogues and direct mail.	3.1
LWU/Book Magazines, supplements, catalogues, direct mail and books.	2.0
Newsprint Newspapers and direct mail.	6.7

in spring 2015. Holmen UNIQ is based entirely on fresh fibre and offers a combination of bulk, brightness and gloss that helps customers to cut their purchasing and distribution costs, compared with traditional SC grades. Holmen UNIQ is thus a natural complement to the other product brands in the LWU family: Holmen VIEW, Holmen XLNT and Holmen TRND. All of these offer a superb combination of quality and cost benefits in areas where more expensive paper grades have dominated. The main applications are magazines, product catalogues, supplements and direct mail.

BOOK PAPER. With a market share of over 40 per cent, Holmen BOOK is the market's leading paper in Europe for paperbacks and hardback books. The bright, even surface and high stability provide an excellent reading experience. 2015 saw the launch of Holmen BOOK Extra which, with its higher brightness, challenges traditional paper choices for hardback books. The fact that Holmen BOOK is now produced at both Hallsta and Braviken Paper Mill brings benefits in terms of efficiency, capacity and availability.

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

Development

PRODUCT LAUNCHES. Production of the new SC paper Holmen UNIQ began at Braviken Paper Mill in May 2015. This addition marks a clear strategic shift towards a product mix in which fresh fibre-based magazine and book paper provides the volume growth and the production of newsprint in Sweden is reduced correspondingly. The installation of a new calender on PM 53 was the largest and most significant measure ahead of the launch, but in order to achieve the special brightness that characterises Holmen UNIQ, the whole production chain has been developed – from forest to finished product. To maintain the brightness in the raw material, the lead times from harvest to pulp manufacture have been reduced. In addition, the chemical bleaching has been adapted to meet the new standards for brightness and volume. The product range has also been expanded to include wider reels, in order to meet the demand in the gravure printing market. Overall, the new Holmen UNIQ is the first of its kind on the market and a product with great potential for rapid volume growth.

Also in 2015, an upgraded version of Holmen VIEW was launched with different basis weights plus improved surface and gloss properties. Other new additions were Holmen BOOK Extra, with its higher brightness for finer paperbacks and hardback books, and Holmen TRND in sheet form for smaller print productions.

MARKET AND SALES. The European market, particularly Germany, the UK and France, continues to set the tone, but there is also potential to grow in other markets. The judgement is that the product mix has

every chance of success on continents other than Europe. Holmen Paper has established sales of magazine and book paper in the USA, parts of Latin and South America, and China and India.

Holmen Paper's sales target is challenging and so the marketing organisation has been restructured with a focus on customer recruitment, more effective market communication and continued strong customer service. This ongoing work also includes developing service and logistics solutions. The sales team is growing in number. Sales outside Europe are conducted via a combination of Holmen's own sales force and agents steeped in the local markets with established logistical solutions.

PRODUCTIVITY AND EFFICIENCY. The successful restructuring at the paper mill in Hallstavik continued in autumn 2015 with the upgrading of PM 12. These measures, which related mainly to electricity and automation, have led to improved efficiency and higher production volumes. The restructuring has made Hallsta Paper Mill a competitive plant and one of the most resource-efficient in Europe in its product segment. The mill has been made more efficient and modern, with a management of its energy balance that is unique in the industry. A new revenue stream has also been added, since the bark that was previously used for thermal energy generation at the mill is now sold as biofuel to external energy producers. Towards the end of the year, the mill suffered a fire. Production ceased for almost two weeks, after which PM 12 was restarted. PM 11 is expected to be back up and running in March 2016.

Braviken Paper Mill had a new calender installed on PM 53, a project that affected the whole produc-

tion chain at the mill in one way or another. As a consequence of the strategy focusing on fresh fibre-based products, recovered paper handling ceased in Braviken in May.

Following the restructuring, the Swedish units have the capacity to produce over 1.1 million tonnes of fresh fibre-based printing paper, primarily magazine and book paper. Both the proportion and the volume are expected to continue growing over coming years. In parallel, productivity has risen by 40 per cent over the past five years.

The factory in Madrid is cost-effective, as well as a world leader among comparable mills when it comes to efficient use of water. Production, for example, uses 100 per cent recovered water. In 2015, issues affecting the mill included the economic situation and the higher cost of recovered paper and electricity.

ECOCYCLE. Holmen Paper's magazine paper and book paper are based on spruce fresh fibre sourced from sustainably managed forests in Sweden. This constantly adds fresh fibre to the recovered paper system in Europe, which is necessary for the system to survive and allow the manufacture of recovered paper-based products. Production at the Swedish mills holds chain-of-custody certification for PEFC™ and FSC®. Braviken Paper Mill coordinates electrical and thermal energy production with Braviken Sawmill in an energy-efficient bio co-location, with by-products from the sawmill providing an important raw material source for the paper mill. The measures of recent years at the two Swedish mills have reduced the need for fossil fuel, while also enabling Holmen Paper to support bio-based heat generation by external energy producers.



BRAVIKEN PAPER MILL

Raw materials: Spruce pulpwood and recovered paper*.

Process: TMP*.

Products: Magazine paper, book paper and newsprint.

HALLSTA PAPER MILL

Raw materials: Spruce pulpwood.

Process: TMP*.

Products: Magazine paper and book paper.

HOLMEN PAPER MADRID

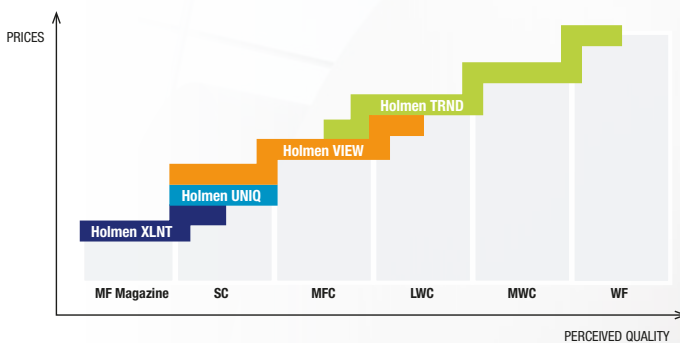
Raw materials: Recovered paper.

Process: DIP.

Products: Newsprint.

* In 2015, production at the recovered paper plant (DIP) at Braviken Paper Mill ceased.

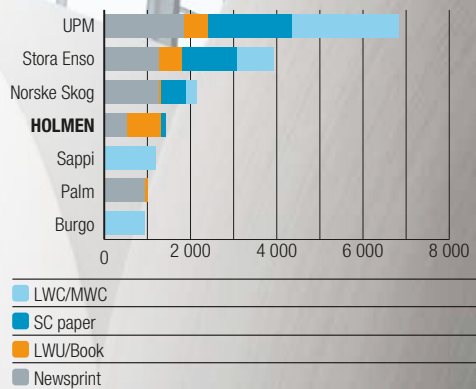
CHALLENGING TRADITIONAL PAPER CHOICES



Holmen's paper challenges traditional paper choices. The fresh fibre gives high bulk, which means that printed material retains its overall thickness despite lower basis weights. The end product is thus just as thick but lighter. This enables customers to buy less paper by the tonne, and in addition it gives them lower distribution costs per copy.

LEADING PRODUCERS 2015

Printing paper, capacity in Europe, '000 tonnes





Sawn timber

Holmen Timber produces sawn timber for the joinery and construction industries at large-scale sawmills that are integrated with the Group's paper and paperboard mills.

There is a key difference between wooden buildings and those built in other materials – wooden buildings have climate benefits built in from the start, since the wooden structure in a building stores the carbon dioxide that has been absorbed by the growing trees in the forest. Another of sawn timber's climate benefits is the substitution effect. The manufacture of construction

materials such as concrete or steel causes emissions of fossil carbon dioxide into the atmosphere. Choosing wood for construction instead cuts emissions, plus less energy is required for manufacture and transport. The renewability of the wood raw material is naturally also helping to make the construction of modern apartment blocks in wood increasingly common.

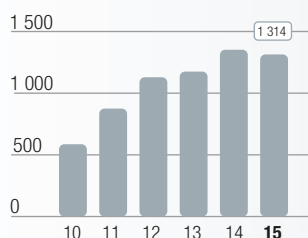
RESULTS 2015

Holmen Timber's deliveries amounted to 730 000 cubic metres over the year, which was slightly higher than in 2014.

Operating profit for the year was SEK 9 (37) million, excluding items affecting comparability. The decrease was due to lower selling prices and higher costs for logs. The decrease was offset by a weaker Swedish krona and by depreciation being SEK 46 million lower as a result of the impairment made in 2014.

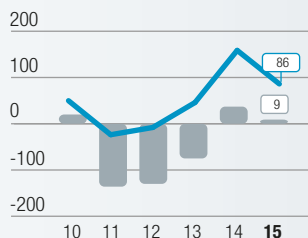
NET SALES

SEKm



OPERATING PROFIT/LOSS

SEKm



■ Operating profit/loss, excl. items affecting comparability

■ EBITDA

FACTS

	2015	2014
Net sales, SEKm	1 314	1 352
EBITDA, SEKm	86	160
Operating profit/loss excl. items affecting comparability, SEKm	9	37
Investments, SEKm	103	55
Operating capital, SEKm	924	901
Average number of employees	213	199
Deliveries, '000 m ³	730	725

HOW HAS THE FOCUS AT BRAVIKEN SAWMILL CHANGED?

As a result of an investment in 2015, Braviken Sawmill now also saws pine. The products are of the same type as at Iggesund Sawmill, but with less specialisation. The start-up in autumn 2015 worked well.

WHAT HAS HAPPENED AT IGGESUND SAWMILL?

Investments were also implemented here in 2015. The timber sorting at the end of the saw line was remodelled and calibration began in autumn 2015. This investment strengthens Iggesund Sawmill's competitiveness through more efficient flows and 15 per cent higher production capacity.

HOW DOES THE FUTURE LOOK?

Demand for sawn timber is good, but oversupply has led to pressure on prices. Over the long term, there is every indication that the benefits of wood will lead to increased market share, particularly for construction timber. Building in wood is environmentally sound and economically advantageous.

HOW ARE THE COMPLETED INVESTMENTS AFFECTING YOUR CUSTOMER OFFERING?

A fundamental ambition at both sawmills is to combine efficient base production with a higher degree of finishing and a more differentiated product range. For the sawmill in Braviken, this means a broader product range that establishes a strong position for the future and greater options for customisation.



*Johan Padel,
CEO Holmen Timber*

Market

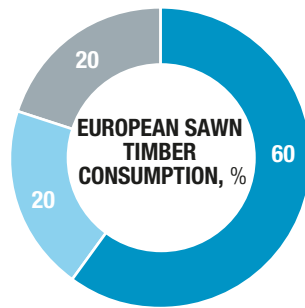
The European market developed well in 2015, largely owing to a positive trend in Germany, the Netherlands and the UK, as well as the domestic market in Sweden. Overall demand grew in Europe by 2 per cent to just over 84 million cubic metres in 2015. At the same time, supply was higher than consumption. In the Middle East and North Africa, total demand for sawn timber fell by 2 per cent in 2015 to around 10 million cubic metres. Selling prices gradually decreased over the year.

The trend in the USA remained positive in 2015, with consumption rising. Prices dropped, however, due to a high domestic supply and a large influx of sawn timber from Canada.

The sawn timber market in China slowed due to the generally weakened economic situation. As in other markets, sawn timber importers' stocks grew, which exerted downward pressure on prices. One positive signal is that China has launched a state programme to increase the use of wood in house-building. In Japan, demand for construction timber remained stable over the year, but supply was high here too.

Products

MARKET POSITION. Holmen Timber is to be the customer's preferred choice when it comes to high-quality base products for joinery and construction purposes. The investment in modern and efficient sawmills with a competitive wood supply and high productivity allows for cost-effective production. Adaptability, flexibility and high technical standards in the processes deliver products with the right properties for industrial finishing. Holmen Timber's focus on sustainability along the entire production



Construction timber	60%
Joinery timber	20%
Packaging timber	20%

chain combines with its approach of maintaining close contact with customers to lay the foundation for long-term and profitable customer relations.

With two modern sawmills, total production capacity amounts to 900 000 cubic metres of sawn timber in pine and spruce.

BUILDING WITH WOOD is Holmen Timber's product category for construction timber primarily in spruce. Production takes place at Braviken Sawmill, with customers including builders' merchants, planing mills, and house and roof truss manufacturers. The key markets are located in Europe.

LIVING WITH WOOD is Holmen Timber's product category for joinery timber, which is used in applications such as windows, doors, staircases, flooring and furniture. The pine products are manufactured at Iggesund Sawmill, and from autumn 2015 also Braviken Sawmill. Customers include the joinery and furniture industries, builders' merchants and window and flooring manufacturers. The key markets are Scandinavia, the UK, North Africa and the Middle East.

WOOD FOR PALLETS AND PACKAGING is a product segment that provides a natural complement to the production of joinery and construction timber at Holmen's two sawmills. The segment makes up around 10 per cent of Holmen Timber's total production, with the products used for advanced packaging solutions. Globally, pallets and packaging account for 20 per cent of sawn timber use.

Development

PRODUCT DEVELOPMENT focuses primarily on meeting high customer standards with regard to lengths, dimensions and quality. There is a core focus on minimising waste and on maximising both the yield from each log and the value of the by-products that arise from production. Balancing the different needs requires rational production and stock management as well as precise planning of loading and logistics.

BRAVIKEN SAWMILL is a modern sawmill for the efficient manufacture of spruce construction timber. A strategic investment was carried out in the summer of 2015, aimed at diversifying sawn timber production to include pine, and at enabling the production of decking and joists for outdoor purposes. This investment included an upgrade of the timber sorting, saw line and drying section, plus expansions of the timber yard and warehousing – all in order to ensure rational production and smooth flows when handling two types of wood. A broader product portfolio opens up new marketing opportunities, while also making the raw material supply more flexible, reducing transport costs and cutting environmental impact.

IGGESUND SAWMILL manufactures pine joinery timber that is customised at a very early stage. The logs are x-rayed, for example, to make best possible use of their properties. Now centre-free products are cut directly on the saw line, which brings major drying benefits and contributes to the sawmill's high productivity, as well as saving energy. A number of



minor investments in recent years have contributed to higher productivity, minimal waste and products that are better adapted to the next processing stage. Over the summer and autumn of 2015, the sawmill underwent a major rebuild of the timber sorting at the end of the saw line. This investment has increased annual production capacity by 15 per cent to 400 000 cubic metres sawn timber.

ENERGY EFFICIENCY. Holmen's bio co-locations at Braviken and Iggesund make full use of the whole tree. Chips from the sawmills serve as raw material for pulp production at the paper and paperboard mills. By-products such as bark and wood shavings become biofuel and are converted into energy and district heating. The circle is closed when the surplus heat from the mills is used for drying processes at the sawmills.

Building the future in wood

SUSTAINABLE. Wood makes a unique construction material, since it is renewable and part of the natural ecocycle. The supply is inexhaustible, as long as the forest is managed in an active and responsible manner and, just like the growing trees in the forest, wooden structures store carbon dioxide. The climate benefit increases even more when wood is able to replace materials such as concrete and steel, whose manufacture causes considerable emissions of carbon dioxide. The manufacture of wood products also requires relatively little energy, compared with concrete and steel, and the by-products make useful biofuels. High awareness of sustainability issues and responsible forestry has grown around the world, and now wood with environmental certification

from PEFC™ and FSC® is an established standard in the leading markets.

EFFICIENT. Modern timber-frame construction using new types of structural element offers opportunities to build more quickly and more efficiently than when using traditional methods and materials. The path from decision to building work is shorter, as is the time until completion. Complex structural elements can be prefabricated under protected and controlled conditions, before being delivered to the construction site ready for assembly. The simplified logistics bring lower costs and time savings, and allow for more efficient transport that reduces the impact on people and the environment in urban centres and other densely populated areas.

THE DEVELOPMENT and construction of modern, high-rise apartment blocks in wood has long been driven by trailblazers such as the USA, Germany, Austria and Sweden. In 2015 China, the world's largest construction market, launched a state programme to promote more building in wood. This decision was prompted by growing environmental awareness in China.

In Sweden, it is now possible to talk about something of a breakthrough for high-rise wooden buildings, an area that is developing at a rapid rate. 180 of Sweden's municipalities are now home to new-build high-rises in wood, and 10–15 per cent of all the apartment blocks now being constructed have a wooden carcass. In addition, a number of municipalities in Sweden have adopted a strategy that makes wood the first choice for newbuilds commissioned by the municipality or on municipal land.

BRAVIKEN SAWMILL
Raw materials: Spruce and pine saw logs*.
Process: Sawmilling.
Products: Spruce and pine sawn timber*.

IGGESUND SAWMILL
Raw materials: Pine saw logs.
Process: Sawmilling.
Products: Pine sawn timber.

** In 2015, an investment enabled the production of pine sawn timber at Braviken Sawmill.*



A sustainable future

At the end of 2015, the world's leaders agreed a global climate deal. The increase in the global average temperature must be kept well below 2°C in order to limit the impact on the climate. Taking into account the storage of carbon dioxide in the forests and products, plus the production of renewable energy, the forest industry is uniquely placed to help make this possible.

THE CLIMATE NEGOTIATIONS in Paris led to the world's leaders agreeing a global climate deal. This agreement states that action must be taken to preserve and improve the capacity to capture and store greenhouse gases. The importance of the forests is specifically underlined in this context. Society will therefore increasingly be turning its attention to the forests as one of the solutions to the problem of climate change. Holmen has long operated sustainable forestry, whereby carbon dioxide is captured in the forest and its products. All the while that future opportunities for renewable wood fibre are being identified, intensive work is also under way to develop today's products. This is expected to lead to rising demand for forest raw material. The growth in Holmen's forests already outstrips the annual harvest of wood and it is expected that forest growth and harvesting could increase by 25 per cent over a 40-year horizon. Holmen thus has a firm place in the sustainable society of the future.

HOLMEN'S OPERATIONS contribute to positive climate effects in various ways – above all through carbon dioxide being captured and stored in the growing forests and so in the forest products.

Around 85 per cent of the growth in Holmen's forests is harvested annually, to be used for products and for fossil-free energy production. Over

the foreseeable future, annual growth in Holmen's forests is expected to exceed the harvests, and the Group's growth target indicates that carbon dioxide storage will increase in the future. At the same time, society will continue to be supplied with packaging, printing paper, sawn timber, fossil-free energy and other products made from the forest as a raw material. The growing forest and the products that it generates form a crucial cornerstone of the transition to a bio-economy in which fossil raw materials are replaced with renewables.

THE MODERN FOREST INDUSTRY has a central role to play in a future society that makes increasing use of bio-based raw materials and products. The circular economy is a concept that shares some DNA with a bio-economy. Being part of a circular economy means promoting business opportunities that involve a circular ecocycle. With a renewable raw material, recovery of chemicals and energy in the mills, plus products that allow material recovery or, once expended, use in fossil-free energy production, Holmen is already extremely well placed in terms of the circular economy.

Very nearly 100 per cent of the by-products and waste that arise from Holmen's operations is collected and used for various purposes. End-of-life paper and paperboard products top up the

recovered paper ecocycle with much-needed fresh fibre. Used fibre can be recycled up to seven times before it ends up as biofuel. Fresh fibre and recovered fibre thus complement each other, since the paper industry in continental and central Europe is based largely on recovered fibre. Without fresh fibre, there is no future recovered fibre.

THE TARGET SET OUT in the global agreement on climate change can be achieved by increasing the use of existing renewable products, alongside the development of new materials and products aimed at replacing their fossil-based equivalents.

The Group is working on identifying and developing new business opportunities, based on Holmen's renewable wood raw material and the by-products that arise in production. The main emphasis of this work is on product development and enhancing process efficiency, although forest growth and improving the efficiency of forestry are also important focal areas. Research is also being conducted into the components that make up wood: cellulose, hemicellulose and the binding agent lignin, which can be used, for example, to produce light, strong and sustainable products for structural solutions in the construction industry. An important starting point for the work is that the



new business opportunities must be linked to Holmen's existing industrial sites.

MUCH OF HOLMEN'S RESEARCH and development work is done jointly with other players, often within the same industry, and through collaborations with universities, colleges and research institutes. One example of such a collaboration is the establishment of a pilot plant for crystalline nanocellulose in Örnsköldsvik. The plant will be the first of its kind in Europe. The material has many interesting properties and can be used for construction materials, biocomposites and printed electronics. Operations at the plant are based on the technology of the Israeli startup company Melodea, with Holmen discharging its role both as a catalyst for getting the plant built and as a shareholder in Melodea.

While new products can form part of the solution to climate and resource issues, they also lay the foundations for economic growth and employment. Furthermore, the sustainably managed forests are important for people's wellbeing and as a place for recreation, hunting and fishing. The forests of the future will be a major and vital natural asset in several ways and for many generations to come.

SUSTAINABLE DEVELOPMENT for employees, business partners and owners depends on companies showing good profitability and a strong financial position. As an employer, Holmen must work to ensure good leadership and safe working conditions, while also motivating and developing its personnel. It is also essential that the business follows rules on business ethics and takes a holistic view, whereby the environment is protected according to the precautionary principle.

The Group's CEO has ultimate responsibility for driving progress towards sustainable development. The Group's Director of Environmental and Sustainable Affairs has a coordinating role in this area and reports to Group management. Continuous improvement and regular follow-up of the business lay the foundation for Holmen's development in economic, social and environmental terms. And this also underpins Holmen's contribution to a sustainable future.

WHAT RESPONSIBILITY DO YOU TAKE FOR THE ENVIRONMENT AROUND YOUR PRODUCTION FACILITIES?

The investments we have made in recent years with regard to bio-based energy production have cut our emissions of fossil carbon dioxide significantly. This is good locally, regionally and also globally. In order for us to run our business, we have to meet the emission conditions set by the environmental authorities. New emission regulations from the EU now apply to our industry and over the coming years we will be focusing our work on ensuring that our operations comply with these new regulations. Particular efforts are required at the mill in Workington in order to meet the mandatory requirements concerning emissions of process water.

HOW DOES HOLMEN TAKE RESPONSIBILITY FOR ITS EMPLOYEES?

Skilled and committed employees are what drive Holmen forward and it is our responsibility to give them opportunities to succeed, develop and enjoy their jobs. A safe work environment is essential to this and the task of bringing the number of industrial accidents down has the highest priority. This area is set to come into ever sharper focus as all the mills gain certified management systems for work environment issues.

WHAT RESPONSIBILITY DO THE INDIVIDUAL EMPLOYEES CARRY?

As a Holmen employee, you have both great freedom and many rights, but with that comes considerable responsibility. Drawn up in 2015, the Group's Code of Conduct clarifies and emphasises the requirements and expectations that apply to Holmen's employees and their everyday work.

HOW DO YOU ENSURE THAT YOUR SUPPLIERS OPERATE ACCORDING TO HOLMEN'S PRINCIPLES?

In addition to the Code of Conduct for Holmen, we also have a Code of Conduct for suppliers. The aim, as far as possible, is to ensure that this part of the value chain also operates according to Holmen's principles. The challenge with the Codes of Conduct and the other steering documents is to find procedures that in the long run help to follow up compliance with the steering documents.

IS IT FAIR TO SAY THAT HOLMEN TAKES RESPONSIBILITY FOR COMING GENERATIONS?

Yes, I think it is. Holmen's sustainably managed forests play a central role in this. Growing forests capture and store carbon dioxide and contribute raw material for climate-smart products, while also delivering important recreational value. For every tree harvested, at least two new ones are planted. You could say that we are growing the future.

*Lars Strömberg,
Director of Environmental
and Sustainable Affairs*



ENVIRONMENT

Holmen's forests, production processes and products contribute to the development of a bio-based economy. The focus of the environmental work is on continuously reducing the Group's impact on the environment and the climate, and on ensuring that the Group complies with environmental rules and regulations.

HOLMEN'S ENVIRONMENTAL RESPONSIBILITY.

Environmental and energy concerns play a natural role in Holmen's planning of its production and investments. The Group's operations are characterised by resource-efficient use of renewable raw materials and energy. Energy, chemicals and fibre are recovered as far as possible, in order to minimise the environmental impact of production. The section on risk management on page 42 outlines Holmen's preventive work on eco-related risks and how they are managed.

Holmen follows the requirements laid down by environmental legislation and the environmental authorities. Compliance is ensured via statutory official inspections and through the improvement work that is being implemented at the production facilities within the framework of the environmental and energy management systems.

The main environmental impact from the industrial sites takes the form of emissions to air and

water. Information on production and priority environmental parameters is presented on pages 90–91.

ENVIRONMENTAL TARGETS FOR sustainable development. Holmen has been working on Group-wide environmental targets for sustainable development for several years. Increased production and use of products made from renewable forest raw material is important for the production itself and for the climate. Holmen therefore has a target of increasing growth in Holmen's forests by 25 per cent by 2050 compared with 2007.

The Group's target for fossil fuels is to reduce their use by 75 per cent by 2020 compared with 2005 levels. The investments in bio-based energy production in Iggesund Paperboard and the adjusted energy strategy within Holmen Paper have had a huge impact on fossil fuel use in recent years. The reduction up until 2014 thus already stands at 74 per cent. In 2015 there was a high-

pressure leak in the steam turbine at the mill in Workington. As a result the mill was forced to use natural gas as fuel for steam and heat production. The downward trend in the Group's use of fossil fuels was thus interrupted. Action has been taken and in 2016 the Group's use of fossil fuels is expected to be down by around 70 per cent compared with 2005. The third climate-related sustainability target is to increase company-produced renewable electrical energy as a proportion of total electricity use by Holmen. The target for 2020 is for production to reach 50 per cent, compared with 31 per cent for the base year 2005. In 2015, company-produced renewable electrical energy accounted for 52 per cent of Holmen's total electricity use. Work is now being focused on maintaining this reduction at a sustainable rate. Holmen owns areas of land that are suitable for the erection of wind turbines. Due to the current market situation for this type of elec-

SUSTAINABILITY TARGETS

OUTCOME 2015 COMMENT

INCREASED GROWTH IN HOLMEN FORESTS

By 2050, annual growth in Holmen's forests is to be 25 per cent higher than in 2007. This will deliver both larger harvests of wood from the Group's forests and greater capture of carbon dioxide.

Progress will be checked in the next inventory of Holmen's forests in 2021.

Silviculture measures to ensure increased growth have been identified and implemented.

REDUCED USE OF FOSSIL FUELS

By 2020, use of fossil fuels at the Group's mills will be down 75 per cent compared with 2005.

The use of fossil fuels at the mills has fallen by 62 per cent since 2005.

Investments in biofuel boilers and energy efficiencies have led to a significant reduction in the use of fossil fuels. The downward trend in the use of fossil fuels was interrupted in 2015 due to a high-pressure leak in the steam turbine at the mill in Workington. The mill was forced to use natural gas for steam and heat production.

INCREASED PRODUCTION OF RENEWABLE ELECTRICITY

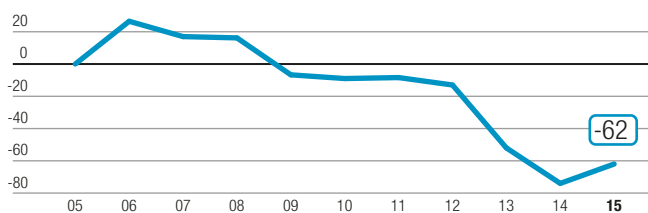
Company-generated renewable electricity shall account for 50 per cent of Holmen's total electricity consumption by 2020, compared with 31 per cent in 2005.

The proportion of company-produced renewable electrical energy rose to 52 per cent.

The commissioning of Varsvik wind farm and high levels of hydro power generation increased renewable electricity production over the year.

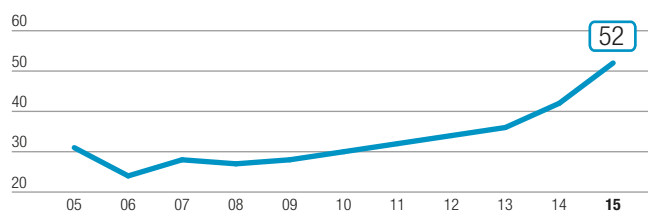
USE OF FOSSIL FUELS

(base year 2005), %



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

(base year 2005), %



ENVIRONMENTAL PERMITS FOR THE GROUP'S PRODUCTION FACILITIES

Iggesund Mill ¹⁾	2013
Workington Mill ²⁾	2002
Hallsta Paper Mill ³⁾	2000
Braviken Paper Mill ⁴⁾	2002
Holmen Paper Madrid ²⁾	2006
Iggesund Sawmill ⁴⁾	2014
Braviken Sawmill ⁴⁾	2010

- 1) The Environmental Code. In addition, operations subject to notification requirements take place at the production unit in Strömsbruk. Port activity (at Skärnäs Terminal) alongside Iggesund Mill has held an environmental permit under the Environmental Code since 1999. An application for a new environmental permit is to be submitted for Iggesund Mill in 2016 (production increase). The operations at the Strömsbruk production unit and Skärnäs Terminal are included in this application.
- 2) IPPC environmental permit.
- 3) Environmental Protection Act.
- 4) The Environmental Code.

CERTIFICATIONS FOR MANAGEMENT SYSTEMS

PRODUCTION FACILITIES ^{1,2,3)}	ENVIRONMENT	ENERGY	QUALITY	HEALTH AND SAFETY
Iggesund Mill ⁴⁾	2001	2005	1990	2016 ⁵⁾
Workington Mill	2003	2015	1990	2005
Hallsta Paper Mill	2001	2005	1993	2012
Braviken Paper Mill	1999	2006	1996	2015
Holmen Paper Madrid	2002	2009	2000	2016 ⁵⁾
Iggesund Sawmill ⁶⁾	1999	2006	1997	2016 ⁵⁾
Braviken Sawmill ⁶⁾	2011	2011	2011	2016 ⁵⁾

- 1) Certifications can be viewed on the Holmen website – www.holmen.com/certificates
- 2) Environment/ISO 14001:2004, Energy/ISO 50001:2011, Quality/ISO 9001:2008, Health & Safety/OHSAS 18001:2007. The years given in the table are the years when the certification was first issued. The certifications mean that procedures are in place for planning, implementation and follow-up, as well as measures to enable continuous improvement in the work on the various management systems.
- 3) Operations at Holmen Skog are certified in accordance with environmental management system ISO 14001:2004. Holmen Skog also holds certification in accordance with the criteria issued by PEFC™ and FSC®. Holmen Skog's chain-of-custody certification (FSC® Controlled Wood) provides assurance that non-certified wood also comes from verified sources. In addition, all the facilities at which wood raw material is used have chain-of-custody certification.
- 4) The certifications include the production unit in Strömsbruk and operations at Skärnäs Terminal.
- 5) The certificate will be issued in the first half of 2016.
- 6) Joint certification for the two sawmills from 2011.

tricity production, the economic preconditions for investing in wind power are not in place to the extent that was predicted a few years ago.

OPERATIONS THAT REQUIRE A PERMIT were being conducted at seven facilities at the end of 2015. The permits specify conditions regarding permitted production volumes and permitted emissions to air and water. Five of the facilities are located in Sweden, with sales equivalent to 60 per cent of Group net sales. The two remaining facilities are located in Workington, UK, and Madrid, Spain. Their combined share of Group net sales was 19 per cent in 2015.

2013 marked the entry into force of the EU's Industrial Emissions Directive (IED). The new legislation entails more stringent requirements for using the best available technology. Holmen has

investigated the extent to which operations at the pulp, paper and paperboard mills need to be adapted in order to meet the tightened emission requirements by October 2018. The environmental status of the mills is good and all the mills except the one in Workington already largely meet the new requirements. Work is under way in Workington to determine what action is required for the mill to meet the requirements concerning discharge of process water.

An application for a new environmental permit for a production increase at Iggesund Mill will be submitted in 2016. The unit in Strömsbruk and the port operations at Skärnäs Terminal will be included in the application.

The production of electrical energy at Holmen's wholly and partly owned hydro power

stations is covered by a permit for water operations. The government commission on activities using or impacting on water, Vattenverksamhetsutredningen (SOU 2014:35), has proposed a system that will facilitate the assessment of reservoirs and hydro power stations, with a view to reducing the environmental impact of hydro power and securing its central position in the energy supply network. One proposal is that all hydro power stations in Sweden that have not received a water judgement should undergo an environmental impact assessment. It is currently impossible to tell what economic consequences this might have for Holmen.

In 2015, Holmen Energi received the last permit needed for the erection of 69 wind turbines on Holmen's land outside Örnsköldsvik.



Due to the current market situation, however, putting up the turbines is not considered financially viable at this time.

Permit processes also continued in 2015 for other sites on Holmen's land in the county of Västerbotten.

In late 2015, the environmental authorities rejected an application to erect a wind farm at the mill in Workington. The prospect of obtaining leave to appeal was judged to be poor. At the same time, the scope for profitability in wind power has radically worsened due to decisions by the British government. Under these circumstances, the project has been shelved.

EMISSION ALLOWANCES and electricity certificates. Through investments in bio-based energy production at several facilities, Holmen has been able to significantly reduce its need for fossil fuels. As a result of this, the Group has been able to sell its allotted emission allowances for carbon dioxide within the framework of the EU Emissions Trading Scheme. Holmen has been allocated emission allowances for the trading period up until 2020.

The Group has produced renewable electricity for several years and electricity certificate trading has generated revenues. In the UK, electricity distributors have to meet a certain quota for renewable electricity, and producers of renewable electrical energy receive green Renewables Obligation Certificates (ROCs) in proportion to the amount of electricity generated. The biofuel boiler in Workington received such certificates in 2015 and sold them on.

EXCEEDANCES AND COMPLAINTS. The environmental manager within each operation handles incoming complaints and any incidents that occur. During the year there were a number of cases of

exceeded threshold values, as well as complaints and incidents in the industrial and forestry operations. Complaints are often submitted directly to the mills, for example by local residents. Just under 30 industrial incidents were reported by the mills to the supervisory authorities during the year. The nonconformities were not of a significant nature in terms of environmental impact or impact on profits. Corrective measures were taken to deal with these cases, in line with the environmental management system of the operations concerned. Towards the end of the year, Hallsta Paper Mill suffered a fire. No environmental impact was noted. The fire caused production to be shut down. The loss of revenue is covered by insurance, with the exception of SEK 30 million in excess liability.

Sustainability in the wider world

GLOBAL GROWTH. In September 2015, the member states of the UN adopted 17 global goals for achieving economic, social and sustainable development around the world. This goals have subsidiary aims focusing on eradicating extreme poverty, creating equality and tackling climate change. There are several eco-related goals, for example on sustainably managed forests, resource-efficient water consumption, the climate and renewable energy. Holmen is already active in these areas.

THE CLIMATE NEGOTIATIONS in Paris in December 2015 led to the world's leaders agreeing a global climate deal. The general target is to keep global warming well below 2°C, and preferably limit it to 1.5°C, by cutting emissions of greenhouse gases. The agreement on climate change states that action must be taken to preserve and improve the capacity to capture and store greenhouse gases. The importance of the forests is specifically

underlined in this context. Holmen operates forestry with long-term sustainability, whereby carbon dioxide is captured in the forest and its products, primarily sawn timber. Over the long term, Holmen will therefore be an important player in ensuring that the target set out in the global agreement on climate change can be achieved.

ENVIRONMENTAL TARGETS IN THE EU. Targets have been set by the EU in order to cut emissions of fossil carbon dioxide and save energy in Europe. In early 2015, the European Commission launched the Energy Union Framework Strategy, aimed at taking a joined up approach to energy issues. As part of this work, EU leaders agreed on new targets for climate and energy. Translated to the corporate sector, which includes Holmen, emissions of carbon dioxide are to be cut by 43 per cent by 2030 (base year 2005). The proportion of energy consumption represented by renewables is to increase to 27 per cent within the same timeframe. Holmen is in favour of the EU's action programmes and targets. However, the Group's ambitions in the climate and energy area go further.

NATIONAL ENVIRONMENTAL quality objectives. The Swedish environmental quality system comprises 16 environmental quality objectives in areas such as climate impact, air pollution and biodiversity. Swedish businesses are expected to contribute measures that show how systematic environmental work is good for society and for commerce. Several environment-related studies and measures have been implemented within the Group over the past year, and these have contributed in various ways to achieving the environmental quality objectives. Holmen's measures and the outcomes of these are presented on the next page in relation to a selection of Sweden's environmental quality objectives.





NATIONAL ENVIRONMENTAL QUALITY OBJECTIVES AND HOLMEN'S ENVIRONMENTAL WORK

REDUCED CLIMATE IMPACT

- Based on growth data from the past five years, it has been calculated that approximately 85 per cent of the growth in Holmen's forests is harvested each year and used for products. For 2015, this means that almost 500 000 tonnes of carbon dioxide was captured by the growing forest stands.
- The investment in a new recovery boiler at the paperboard mill in Iggesund has significantly reduced emissions of fossil carbon dioxide, which has an impact on the climate. Emissions fell by around 50 per cent between 2013 and 2015. The aim is to become self-sufficient in heat and electricity. As a result of extensive energy investments in 2013, the paperboard mill in Workington runs on biofuel and is self-sufficient in electricity. In addition, fossil-free electricity is distributed to the local community.
- Major energy efficiency initiatives have been implemented at Hallsta Paper Mill over the past two years, focusing primarily on increased heat recovery from pulp manufacture and paper machines. The bark that was previously used as fuel at the mill is now sold for fossil-free energy production. Emissions of fossil carbon dioxide from the mill ceased almost entirely in 2015.
- At Braviken Paper Mill, oil consumption has been cut through improvements in the operational strategy for the mill's steam system, greater efficiency in the solid fuel boiler and increased steam recovery from the production of thermo-mechanical pulp. Under these measures, emissions of fossil carbon dioxide fell over 50 per cent between 2013 and 2015.
- 99 per cent of the by-products and waste that arose from Holmen's operations in 2015 was collected and used for various purposes. As biofuel-based material, over 70 per cent was used for energy production at Holmen's own plants or sold off for fossil-free energy production elsewhere. The remaining amount, just under 30 per cent, was used for other purposes, such as construction material or producing soil products.

CLEAN AIR

- With the investments made over recent years at Iggesund Mill concerning the new recovery boiler and a system for the destruction of weak gases, emissions to air of sulphur, nitrogen oxides and dust from the recovery process fell by around 70, 10 and 50 per cent respectively between 2013 and 2015.
- A change in energy production at the mill in Madrid began in 2014 with the switch to a new energy boiler. This led to a reduction in emissions

of acidifying nitrogen oxides of around 90 per cent between 2013 and 2015, from 640 tonnes to a little under 60 tonnes.

A NON-TOXIC ENVIRONMENT

- In consultation with the environmental authorities, studies are being conducted at contaminated discontinued industrial sites where Holmen has operated in the past. Studies relating to the sawmills at Stocka, Länna-holm and Yxviken, the sulphite mills at Strömsbruk, Domsjö and Lodbby, the former mechanical pulp mill in Bureå and a surface treatment plant in Iggesund continued in 2015. Remediation work was completed at two landfill sites in Hälsingland during the year. Measures to decontaminate the former industrial site of Håstaholmen Sawmill commenced during the year and will be completed in the first half of 2016.

THRIVING WETLANDS – SUSTAINABLE FORESTS – A RICH DIVERSITY OF PLANT AND ANIMAL LIFE

- Holmen Skog has been working with the Swedish Wetlands Fund for the past 10 years. Since the collaboration began around 40 wetlands have been created.
- Holmen Skog works actively on setting aside parts of its productive forest land with a view to preserving, improving and creating natural assets. In 2015, courses were run on Visions for Good Environmental Consideration in Forestry for Holmen personnel and contractors.
- In 2014, Holmen reached an agreement to sell almost 10 000 hectares of forest with high conservation value to the Swedish Environmental Protection Agency in order to create a nature reserve. In exchange, Holmen was offered the opportunity to purchase around 18 000 hectares of forest land of equivalent value. Work on this land deal continued in 2015, with a focus on practical matters such as field studies, examination of usage rights and drawing up a nature conservation agreement.

FLOURISHING LAKES AND STREAMS

- Holmen's forests contain lakes, streams and other water-rich environments, which are all sensitive ecosystems with rich fauna. The water in the forests is a priority area for Holmen. Over the past five years, Holmen Skog has completed an inventory of over 1 000 road culverts in the forest road network that present obstacles to migration for fish and other aquatic organisms. Of these, around 170 required remedial work. This remedial work was completed in 2015.

EMPLOYEES

Holmen's core values of courage, commitment and responsibility aim to create a culture driven by a desire for development. Expectations concerning what the organisation and its employees should achieve are clarified through a process of management by objectives, under which success factors are identified and progress is monitored via key performance indicators.

HEALTH AND SAFETY. Holmen has seen a good trend in recent years, with the number of accidents falling. Unfortunately this downward trend was broken in 2015. The figure was thus 8.8 industrial accidents per 1 million hours worked (2014: 6.5). An interim target of max. 4.0 has been set for the end of 2016 (base year 2012: 11.6).

The aim is to ensure injury-free operations for employees by offering a healthy, inspiring and safe work environment in physical, psychological and social terms. Safer work environments are always high on the agenda and the issue is monitored constantly at management level. As a result of the extensive work carried out in 2015, all the production facilities will have certified management systems in place for health and safety work in accordance with OHSAS 18001 during the first half of 2016. The certifications mean that the Group now runs joint, systematic health and safety work. Over the next two years, this work will be focused on safety behaviours, common rules and exchange of experiences.

Sickness absence was 4.2 per cent in 2015, which was somewhat higher than in the industry as a whole. Long-term sick leave (more than 60 days) stands at 1.8 per cent. The good health index is a measure of the share of employees with no sick leave during the year. The figure for 2015 was 48 per cent, which is on a par with recent years.

MANAGEMENT BY OBJECTIVES. In the course of 2015, a common management by objectives process was established within the Group. On the basis of the business area's strategy, every part of the organisation has set out its objectives, critical success factors and key performance indicators. Use of a simple tool for continuous follow-up ensures that the organisation is applying appropriate priorities to attain the objectives established.

During the year, more and more of the Group's employees were involved in the process and consequently management by objectives has become an automatic part of day-to-day work.

Holmen's core values of *courage, commitment and responsibility* combine with the Code of Conduct to create a framework for how employees should act and how leadership should be structured. Holmen's values help to create a dynamic and development-led organisation, in which the employees feel involved and proud.

CHANGE MANAGEMENT. Several business areas were subject to an organisational review during the year. Holmen Paper adapted its sales organisation such that it is now aligned with the strategic focus on speciality papers. Holmen Skog completed an extensive reorganisation to improve efficiency and cut costs.

In 2015, Iggesund Mill embarked on a three-year



programme of organisational development aimed at improving the mill's competitiveness. The programme seeks to develop the work culture and working practices, with a focus on leadership, employeeship, management by objectives and effective teams. At the same time, a new organisational structure was implemented at the mill. This will entail a gradual reduction in the workforce up until 2017 through natural turnover.

As a means of support for employees – both financial and in their efforts to find new work – during cutbacks, Holmen is affiliated to the employment transition fund Trygghetsfonden TSL.

Productivity, defined as production per employee per year, has increased over several years, while the number of employees within the Group continues to fall (see diagram). This is due to organisational changes, investments and more efficient working practices and processes. In 2015, productivity was lower as a result of maintenance and rebuilding shutdowns.

SKILLS DEVELOPMENT and talent management are crucial in tackling the changes taking place in the industry. To ensure the development of good leadership, Holmen runs internal leadership programmes for managers at all levels. There are also development programmes for specialists who do not have employees directly under them, but who work in change management.

EQUALITY AND DIVERSITY. Development opportunities must be fair and equal irrespective of sex, ethnicity, religion, age, disability, sexual orientation, nationality, political opinion, union membership, social background, health status or family responsibilities. No discrimination or harassment in the workplace is permitted.

The forest industry is traditionally male-dominated. The proportion of female managers in the Group has risen over the past few years, and now one in five of Holmen's managers are women. Holmen is of the firm belief that mixed groups perform very well and strengthen Holmen as a company.

UNION COOPERATION. A relationship with the union organisations that is based on trust is hugely important and helps drive Holmen forward. Collaboration with trade unions takes place in the Holmen European Works Council and in consultation groups at various levels in the company. The company's employees are represented on the Group Board by three members and three deputy members. In a move to make union-related work more efficient, during the year a working group was put together by the parties and tasked with drawing up a new Group-wide cooperation agreement.

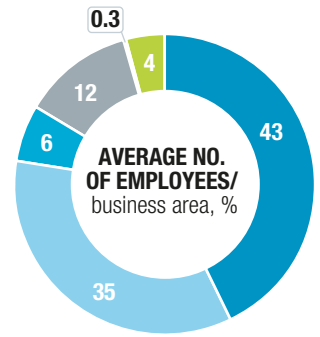
CODE OF CONDUCT AND POLICIES

The UN Global Compact, the eight fundamental conventions of the International Labour Organization (ILO) and the OECD's guidelines for multinational companies form the basis for Holmen's Code of Conduct. The code, which has been signed by the Group's CEO, provides guidance on day-to-day operations and clarifies what expectations are made of Holmen's employees. All employees will be given training in the code.

In 2015, the Group's policies and guidelines have been subject to a review. These include the recently adopted business ethics policy and its accompanying guidelines, which address matters such as anti-corruption measures and competition issues. Employees in areas such as sales and purchasing

who face a high risk of encountering unauthorised behaviour are receiving special training on the business ethics policy.

Holmen employees who wish to report suspected breaches of the Code of Conduct are able to do so via their immediate superior. Irregularities can also be reported by employees and external stakeholders via the whistleblower function. This function was backed up in 2015 by rules clarifying the types of cases that can be reported. At the same time, the rules on case management were made more robust, with a corporate lawyer and the director of sustainable and environmental affairs taking receipt of the cases and examining them.



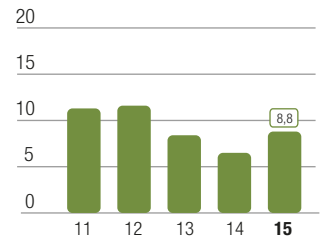
Total: 3 315

Iggesund Paperboard	1 432
Holmen Paper	1 150
Holmen Timber	213
Holmen Skog	384
Holmen Energi	11
Group common	125



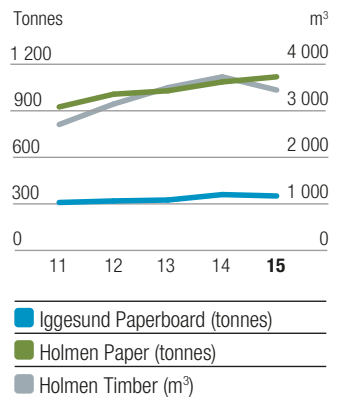
INDUSTRIAL ACCIDENTS

with more than 8 hours of absence, per million hours worked



PRODUCTIVITY

Production/employee per year



SOCIETY AND STAKEHOLDERS

Holmen has identified its stakeholders based on what they do, and how they affect the company and the wider world. The dialogue with stakeholders creates opportunities for Holmen to identify strengths and weaknesses, and to develop its sustainability work.

STAKEHOLDERS BY RELATIONSHIP



- Holmen
- Stakeholders who are part of day-to-day operations
- Stakeholders who are important from a long-term perspective

SOCIAL BENEFIT. Investments in research and development, plus collaborations and dialogues with companies, organisations, schools and public authorities, have positive effects, both locally and in the wider society.

Holmen’s business also creates jobs for contractors, suppliers and various social functions. This is all good for the economy.

By maintaining the Group’s forests and lakes, and making them accessible for recreation and outdoor pursuits, Holmen lays the foundation for people’s improved quality of life and wellbeing. Last but not least, Holmen’s operations as a whole bring social benefits through a positive impact on the climate, sustainable use of resources and biodiversity.

OUR EMPLOYEES are the key to a successful enterprise that is sustainable in the long term. Holmen places great emphasis on ensuring its employees’ safety, delegating responsibility and stimulating the desire for personal and professional development, rooted in the company’s core values. The Group works systematically to give employees opportunities to influence and develop the business through ongoing feedback and dialogue between managers and workers. Employee representatives have seats on the Group’s Board. The priority issues are health and safety, leadership and management by objectives.

WHISTLEBLOWER FUNCTION. A whistleblower function is in place to allow employees and other stakeholders to act if they suspect improper conduct within Holmen. The rules relating to this function were clarified during the year. In 2015, concerns were raised about a contractor used by Holmen Skog. Since the case had already been dealt with, no separate investigation was deemed necessary.

CUSTOMERS AND BUSINESS PARTNERS have high expectations of products and services, good business practices and clear sustainability principles. Holmen’s production takes place in Europe and over 85 per cent of the Group’s deliveries relate to this market. Other exports go primarily to the USA, North Africa, the Middle East and countries in Asia.

A new business ethics policy was drawn up in 2015, along with accompanying guidelines. This policy gives clear guidance on how to maintain good business practices when dealing with external contacts in the various markets.

In dealing with us, customers want to know that Holmen has a committed and ambitious sustainability programme in place. Holmen welcomes the fact that

issues of sustainable forestry, chain of custody in the wood supply and the climate effects of products have become an integral part of commercial discussions. Holmen is expanding its presence into more and more countries, with customer service and relationship building increasing accordingly. Customer satisfaction surveys are a key tool in customer dialogue.

In 2015, Iggesund Paperboard conducted an interview-based survey on product development. Around 50 converters and printing firms were contacted. In the survey, 90 per cent of the respondents stated that sustainability issues are important or very important in business relations, and 75 per cent of the respondents felt that the significance of sustainability will increase over the next five years. Importantly for Iggesund Paperboard, which already has a strong sustainability profile, 85 per cent also reported that sustainability issues influence their choice of packaging solutions. Almost all of those questioned expressed a desire to replace their non-renewable packaging components with renewables. Plastic is the material that most respondents wanted to replace.

SUPPLIERS. 2014 saw the continued implementation of Holmen’s Code of Conduct for suppliers. Responsibility for the code lies with the Group’s head of strategic purchasing and the director of environmental and sustainable affairs. The Group’s purchasing organisation has received training and the Supplier Code of Conduct is now included in all new supply contracts. The code increases the focus on human rights and working conditions among suppliers, with a view to ensuring good conditions for everyone who works in Holmen’s value chain. A risk assessment is performed, with suppliers in high-risk countries subject to stricter requirements on proving their compliance with the principles in the Code of Conduct. The risk assessment is conducted using the Maplecroft tool.

In 2015, Holmen launched a Code of Conduct aimed primarily at its own employees. In conjunction with this, Holmen’s Supplier Code of Conduct was updated to include self-assessment. Holmen will be focusing resources in areas where the risks are deemed to be greatest.

By the end of 2015, suppliers accounting for around 25 per cent of the Group’s purchasing volume had signed up to, and thus declared their compliance with, the Supplier Code of Conduct. Work is under way to verify these.

Of the assessments carried out so far, only one minor discrepancy concerning freedom of association has been noted. In this case, discussions led to



the supplier changing its internal procedures. Subsequent compliance will now be followed up by the responsible purchaser.

NEW LEGISLATION IN THE UK. The UK Modern Slavery Act was introduced in 2015. The new legislation contains requirements that companies operating in the UK must report how they tackle human rights issues, with a focus on their suppliers. These issues appear in Holmen's Code of Conduct for its employees, and the corresponding code for suppliers, as key aspects that must be assessed and followed up.

PUBLIC AUTHORITIES. The majority of Holmen's operations require environmental permits. Openness and transparency allow the Group to establish the conditions for good oversight of and trust in Holmen's actions. Various authorities and the general public, particularly local residents near the mills, have opportunities to give their views in relation to permit applications.

SHAREHOLDERS, INVESTORS AND ANALYSTS. Sustainability carries significant weight in the assessments made by investors and analysts looking to establish relationships with companies that are sustainable in the long term.

The continuous analysis work and dialogue with different stakeholder groups contribute valuable insights on how work in this area can be improved within Holmen. All this creates a need for Holmen to provide information on the sustainability work that it conducts.

The fact that Holmen has been included in several sustainability indexes can be seen as a stamp of approval that Holmen is working with sustainability issues in a good way. The reporting to the UN Global Compact and CDP, reporting in line with GRI and the annual report of the Group are effective ways of providing relevant data for the analysis of Holmen.

CDP – CARBON DISCLOSURE PROJECT

CDP's Climate Change Program is the name of an international federation that in 2015 represented 822 institutional investors with assets totalling around SEK 860 billion. CDP seeks to encourage companies around the world to reduce their impact on the climate and nature's resources, and it presents an annual report on the outcome of its work. Using information from almost 5 500 listed companies, CDP has built up the world's largest database of climate information. This information is made available to support strategic business and investment decisions. Holmen has reported to the CDP Climate Change Program since 2007.

CDP WATER PROGRAM. In 2015, CDP sent out a questionnaire to 1 100 companies around the world on the risks and opportunities associated with water use. Holmen is among the third that completed the questionnaire.

CDP FORESTS PROGRAM. In 2015, CDP sent out a questionnaire to around 850 companies around the world on the risks and opportunities of silviculture from a climate perspective. Holmen is among the one fifth of companies that completed the questionnaire.



HOLMEN'S OPERATIONS 2015

broken down into stakeholders based on the Group income statement

		SEKm
Customers	Sales of paper, paperboard, sawn timber, wood and electricity	17 216
Suppliers	Purchases of products, materials and services, along with depreciation, etc.	-14 111
Employees	Wages and payroll charges	-2 335
Lenders	Interest	-90
State	Taxes	-120
Shareholders	Net profit	559
	Board's dividend proposal	882

SUSTAINABILITY INDEXES



THE UN GLOBAL COMPACT



Holmen has been part of the UN Global Compact and its corresponding Nordic network since 2007. Each year the Group reports its sustainability work according to the ten principles of the Global Compact. The principles relate to human rights, social conditions, the right to establish trade unions, environmental responsibility and anti-corruption. Holmen's website describes how the Group complies with and works to the Global Compact's principles.

The UN Global Compact 100 is a global stock index that tracks compliance with the ten sustainability principles and combines this with financial performance. The 100 companies around the world judged to be the best at creating good returns through sustainable business practices are listed on the index. Holmen has held GC100 status in the years 2013–2015.

Risk management

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

PRICE AND MARKET



EARNINGS SENSITIVITY

A one percentage-point change

SEKm DELIVERIES PRICES

PRODUCTS

Paperboard	30	53
Printing paper	19	60
Sawn timber	3	13

COMPANY'S OWN RAW MATERIALS

Wood from company forests	8	12
Company-generated electricity	3	3

EARNINGS SENSITIVITY

A one percentage-point change

SEKm COSTS

Wood*	25
Electricity*	12
Chemicals	11
Recovered paper	4
Other variable costs	8
Delivery costs	13
Employees	23
Other fixed costs	14

* Earnings sensitivity in the table is based on the Group's gross consumption of wood and electricity. Taking account of harvesting of company forests and production of own electricity, net earnings sensitivity for the Group is SEK 13 million for wood and SEK 9 million for electricity.

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

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

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

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

In addition, pulp and thermal energy are significant input goods in the production of printing paper and paperboard. Holmen produces 96 per cent of the pulp and virtually all thermal energy that it requires at its own mills using a highly integrated production process. The procurement of raw materials is underpinned through backward integration along the production chain by owning forests and hydro power production facilities. Purchases of other goods for

Group units are coordinated centrally, and purchasing work is organised within product groups with a number of selected suppliers per group.

To reduce exposure to electricity price fluctuations, the Group uses physical supply agreements at fixed prices, supplemented with financial hedges. In 2015, the company's net purchases of electricity amounted to 1 771 GWh, of which 1 755 GWh was in Sweden. Prices for the Group's estimated net consumption of electricity in Sweden are 80–90 per cent hedged for 2016–2018, 40 per cent hedged for 2019–2020 and 25 per cent hedged for 2021. Gains on financial electricity hedges are recognised in the income statement when they expire; for 2015 they totalled SEK 6 million (0). The fair value of outstanding financial hedges at 31 December 2015 was SEK -365 million (-147). This is recognised in other comprehensive income as hedge accounting is applied. Under current hedging, a one percentage-point increase in the price of electricity would have a SEK 6 million impact on equity.

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

Earnings sensitivity

A one percentage-point change in deliveries, prices and costs is estimated to have the impact on operating profit/loss shown in the table to the left. The table is based on income and expenses for 2015.

Earnings are relatively evenly spread over the year. The clearest seasonal effects are lower personnel costs in the third quarter and the fact that electricity production at the hydro plants is normally higher in the first and fourth quarters.

CURRENCIES

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

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

competitiveness and the currency situation. At the beginning of 2015, flows in euros were fully hedged for 2015, while flows in dollars and sterling were hedged for 4 months. Gains/losses on currency hedges are recognised in operating profit/loss as and when the hedged item is recognised. In 2015 they amounted to a loss of SEK -73 million (-116). The hedging of estimated net flows for future periods is shown in the table below.

Earnings sensitivity

Calculated on the basis of existing hedges and the exchange rates at the turn of 2015/2016 (euro: 9.20, US dollar: 8.4 and sterling: 12.5), exchange rate differences are not expected to

have any effect on consolidated operating profit for 2016 compared with 2015. A one percentage-point weakening in the Swedish krona compared with the level at year-end would have a positive impact on operating profit for 2016 of SEK 35 million compared with 2015.

Excluding currency hedges, a one percentage-point weakening of the Swedish krona in relation to other currencies would have the effects on operating profit shown in the table below.

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.

TRANSACTION EXPOSURE AT 31 DECEMBER 2015, SEKm*		HEDGES		
	12-MONTH ESTIMATED NET FLOWS	SEKm	RATE**	
EUR/SEK	3 500	3 830	9.35	
USD/SEK	1 450	420	8.46	
GBP/SEK	1 350	360	12.87	
EUR/GBP	630	190	0.74	

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

The fair value of outstanding transaction hedges at 31 December 2015 was SEK 82 million (-105). SEK 9 million (-35) was recognised in the income statement for 2015, and the remainder in other comprehensive income as hedge accounting is applied, of which the majority relates to 2016. The fair value of hedges for investment purchases is recognised in other comprehensive income until expiry, at which point the gain/loss is added to the cost of the non-current asset that was hedged. The fair value of outstanding hedges for investment purchases amounted to SEK 5 million at 31 December 2015. During the period, the cost of hedged items increased by SEK 10 million.

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

Exposure that arises when the profits/losses of foreign subsidiaries are translated into Swedish kronor is not normally hedged. Hedging exposure that arises when subsidiaries' assets and liabilities are translated into Swedish kronor (known as equity hedging) is assessed on a case-by-case basis and is arranged based on the value of net assets upon consolidation. The hedges take the form of foreign currency loans or forward foreign exchange contracts.

EARNINGS SENSITIVITY A one percentage-point change	
SEKm	NET
SEK/EUR	35
SEK/USD	15
SEK/GBP	15
SEK/other currencies	8

31 DEC 2015 SEKm	NET ASSETS	EQUITY HEDGE
EUR	1 298	1 019
GBP	2 406	473
Other	25	-

Gains on equity hedges amounted to SEK 14 million (-101) in 2015 and are recognised in other comprehensive income as hedge accounting is applied. In the parent company accounts, this gain is recognised in the income statement. The translation of net foreign assets had an impact of SEK -8 million (363) on consolidated equity. The fair value of outstanding equity hedges at 31 December 2015 was SEK 25 million (-49), of which SEK 1 million relates to loans and SEK 24 million to financial derivatives. A one percentage-point weakening of the Swedish krona would have a positive impact of SEK 22 million on equity, including the translation of foreign subsidiaries' earnings and taking account of currency hedges.

INTEREST RATES

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

The fixed interest periods for the Group's financial assets and liabilities are normally short. The Board can decide to lengthen these periods in order to limit the effect of a rise in interest rates. Derivatives in the form of interest rate swaps are used to manage fixed interest periods without altering underlying loans. Fixed interest periods for net debt and the breakdown by currency are shown in the table, in which derivatives that affect the currency distribution and fixed rate periods of the liabilities are taken into account.

The Group's average interest rate on borrowing was 1.5 per cent in 2015. At the turn of 2015/2016, the average cost of borrowing was 1.3 per cent, based on applicable market interest rates and existing fixed interest periods. A one percentage-point increase in the average market

FIXED INTEREST PERIODS, NET FINANCIAL DEBT 31 DECEMBER 2015, SEKm						
TOTAL	-1 YEAR	1-3 YEARS	3-5 YEARS	>5 YEARS	OTHER	
SEK	-3 737	-2 710	-400	-600	-	-27
EUR	-527	-519	-	-	-	-8
GBP	-584	-488	-	-	-	-95
Other currencies	49	49	-	-	-	-
Net financial debt	-4 799	-3 669	-400	-600	-	-130

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

interest rate from the level at year-end would have a negative impact of about SEK 31 million on profit/loss for 2016. As loans with fixed interest rates mature, the exposure to changes in market interest rates rises. Excluding the fixed rate periods, the exposure to a one percentage-point change in the market interest rate is SEK 48 million, calculated according to the size of the debt at 31 December 2015. The fair value of the

derivatives used to manage the fixed interest periods amounted to SEK -82 million (-97) at 31 December 2015, which was recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement from 2016 onwards. Under existing interest rate hedges, a one percentage-point increase in market interest rates would have a SEK 28 million impact on equity.

CREDIT

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

The risk that the Group’s customers will not fulfil their payment obligations is limited by means of creditworthiness checks, internal credit limits per customer and, in some cases, by insuring trade receivables against credit losses. Credit limits are continually monitored.

At 31 December 2015 the Group’s trade receivables totalled SEK 1 987 million, of which 42 per cent (39) were insured against credit losses. Exposure to individual customers is limited. Sales to the five largest customers accounted for 13 per cent of the Group’s total sales in 2015. During the year, credit losses on trade receivables in the form of provisions and impairment losses had a negative SEK 27 million (negative 3) impact on earnings. At 31 December 2015, trade receivables of SEK 87 million (83) were past due for more than 30 days. After individual assessment of all trade receivables, a provision of SEK 38 million has been made for expected credit losses. The credit quality of financial assets that are neither past due nor impaired is deemed to be good.

Financial transactions give rise to credit risks in relation to financial counterparties.

A maximum credit risk and settlement risk are established for each financial counterparty and are monitored continually.

At 31 December 2015, the Group had outstanding derivative contracts with a nominal amount of about SEK 10 billion and a net fair value of SEK -340 million. Holmen’s total credit risk in derivative transactions amounted to SEK 640 million at year-end 2015. This calculation is based on the maturity and historical volatility of different types of derivative. The maximum credit risk for other financial assets is estimated to correspond to their nominal amount.



FINANCING

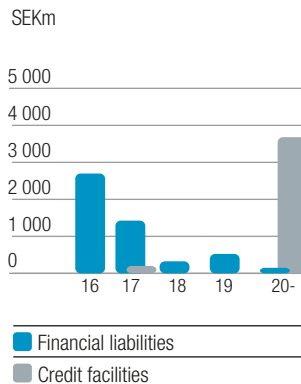
Group exposure to being unable to meet the need for future funding and refinancing maturing loans.

Holmen’s strategy specifies that its financial position should be strong to ensure that it has the freedom to take long-term business decisions. The target for debt/equity ratio is a maximum of 0.5. Holmen’s financing mainly comprises bond loans and the issue of commercial paper. Holmen reduces the risk of future funding becoming difficult or expensive by using long-term contractually agreed credit facilities and maintaining a good spread of maturities for its liabilities. The Group plans its financing by forecasting financing needs over the coming years based on the Group’s multi-year business plan, budget and profit forecasts that are regularly updated.

Net financial debt declined by SEK 1 108 million during the year and stood at SEK 4 799 million at 31 December 2015, consisting of financial liabilities and interest-bearing pension provisions of SEK 5 124 million, cash and cash equivalents of SEK 221 million and financial receivables of SEK 104 million. During the year, a bond loan of SEK 300 million was issued with a 3-year maturity. In addition, a euro-denominated bond loan for approximately SEK 300 million was repaid. At 31 December 2015, current borrowings were SEK 2 698 million. The Group has contracted a credit facility of EUR 400 million (SEK 3 680 million) with a syndicate of nine banks. In June 2015, this credit facility was extended by one year and expires in June 2020. In addition, the company has a bilateral credit facility of SEK 200 million that matures in 2017. All credit facilities remained unutilised at year-end. They are available for use provided that the Group’s debt/equity ratio is below 1.25. At year-end, the debt/equity ratio was 0.23. Standard & Poor’s long-term credit rating on Holmen is BBB and the short-term rating is A-2. Holmen’s Swedish commercial paper programme has a facility amount of SEK 6 000 million. Commercial paper with a time-to-maturity of up to one year can be issued in both Swedish kronor

and euros. Holmen’s medium term note (MTN) programme, for issuing bonds, has a facility amount of SEK 6 000 million. Bonds with maturities of 1–15 years can be issued in both Swedish kronor and euro. At year-end, SEK 2 144 million in commercial paper and SEK 2 700 million in bonds were outstanding.

FINANCIAL LIABILITIES



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



FACILITIES

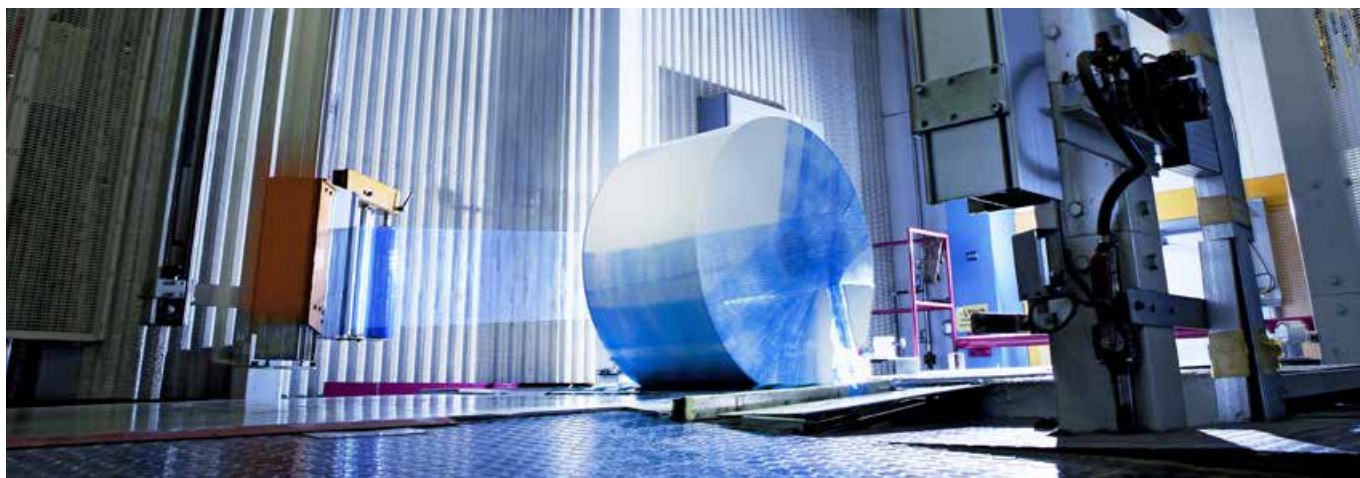
Sudden and unforeseen incidents causing damage, such as fires and machine breakdowns, may damage facilities and goods in transit.

The aim is to protect employees, the environment, assets and operations well and cost-effectively, but also to constantly increase involvement in preventive work. Risks are minimised through damage prevention measures, good maintenance, training, long-term planning in the modernisation/renewal of facilities and good administrative procedures. Risk assessments are performed by risk engineers linked to insurance companies, as well as by independent consultants and via internal controls.

Holmen insures its facilities to their replacement value against property

damage and consequential loss. The excess varies from one facility to another, but the maximum is SEK 30 million for any one claim. In November 2015, production at Hallsta's two paper machines was stopped owing to a fire at the pulp factory. Production at PM12 was resumed after 12 days, while production at PM11 is expected to restart in March 2016. The loss of revenue during the shutdown and reconstruction costs is covered by insurance, with the exception of SEK 30 million in excess liability.

The Group's forest holdings are not insured. They are widely dispersed over large parts of the country, and the risk of large-scale simultaneous damage is not judged to justify the cost that insuring the forest holdings would entail. The Group has liability insurance that also covers sudden and unforeseen environmental damage affecting 'third parties'.



ENVIRONMENT

The main environmental impact consists of emissions to air and water and the occurrence of noise and waste. There is a risk of conditions for operations set by the environmental authorities being breached. Landfills and discontinued industrial sites may lead to costs for restoring the environment. The organisation and management of the environmental activities are stipulated in Holmen's environment and energy policy. In the event of process disturbances, the environment takes precedence over production. In ongoing and discontinued operations, the environmental impact must be acceptable for people and the environment. Forestry must be undertaken with as much consideration for the environment as possible. The points below are examples of how Holmen continually works on preventing and managing different types of environmental risk:

- Self-monitoring according to emissions regulations determined by environmental authorities
- Self-monitoring of bodies of water outside mills
- Self-monitoring of the management of chemicals and waste
- Checks by authorities of protection against serious chemical accidents
- Environmental risk assessments
- Checks and inspections by authorities
- Reporting to public authorities
- Group-wide climate and energy targets
- Certified environmental and energy management systems incorporating environmental and energy targets
- Environmental certification and chain-of-custody certification according to PEFC™ and FSC® respectively
- Combating damage to forest caused by weather, insects, fungus and moose
- External checks of certified management systems
- Self-monitoring according to power industry guidelines for dam safety
- Studies and remediation measures at discontinued sites in consultation with environmental authorities.

HEALTH AND SAFETY

Health and safety remains a priority issue for Holmen and its employees. The Group's work environment policy sets out the principles for achieving safe labour conditions. The points below are examples of how Holmen continually works on preventing and managing health and safety risks:

- Certified health and safety management systems
- Group-wide industrial accident targets
- External checks of certified management systems
- Checks by authorities of protection against serious chemical accidents
- Reporting to public authorities
- Reporting and follow-up of incidents and accidents
- Risk assessment of contractor work.



Corporate governance

Holmen AB is a Swedish public limited company, listed on the Stockholm Stock Exchange (Nasdaq Stockholm) since 1936. The preparation of a corporate governance report is a requirement under the Swedish Annual Accounts Act. This corporate governance report complies with the rules and instructions stipulated in the Swedish Code of Corporate Governance.

Shareholders

AT YEAR-END Holmen had 28 176 shareholders. Swedish private individuals made up the largest category of owners, comprising 25 768 shareholders. This corresponds to 91.2 per cent of the total number of shareholders. The largest owner at year-end, with 61.6 per cent of votes and 32.9 per cent of capital, was L E Lundbergföretagen AB, which means that a Group relationship exists between L E Lundbergföretagen AB (corporate ID number 556056-8817), whose registered office is in Stockholm, and Holmen. The Kempe Foundations' holdings of Holmen shares amounted to 17.0 per cent of votes and 7.0 per cent of capital at the same date. No other individual shareholder controlled as much as 10 per cent of the votes. Employees have no holdings of Holmen shares via a pension fund or similar system. There is no restriction on how many votes each shareholder may cast at the AGM. See pages 53–55 for further information on the shares and ownership structure.

General meeting of shareholders

THE NOTICE convening the annual general meeting is sent no earlier than six and no later than four weeks before the meeting. The notice contains: a) information about registering intention to attend and entitlement to participate in and vote at the meeting; b) a numbered agenda of the items to be addressed, c) information on the proposed dividend and the main content of other proposals. Shareholders or proxies are entitled to vote for the full number of shares owned or represented and can notify the company of their intention to attend the AGM by letter, telephone, e-mail or the company's website. Notices convening an Extraordinary General Meeting (EGM) called to deal with changes to the company's articles of association shall be sent no earlier than six and no later than four weeks before the meeting.

PROPOSALS FOR SUBMISSION to the AGM 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.

AGM 2016. It was announced on 20 April 2015 that the 2016 AGM would take place in Stockholm on 13 April 2016.

Nomination committee

COMPOSITION AND MANDATE. The AGM resolved to establish a nomination committee to consist of the chairman of the Board and one representative from each of

ANNUAL GENERAL MEETING 2015

The 2015 AGM and the material presented was in Swedish. The notice convening the meeting, the agenda, the CEO's speech and the minutes are available on the company's website. The meeting was attended by all AGM-elected Board members, Group management and the company's auditors. During the AGM, the shareholders had the opportunity to ask and obtain answers to questions. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. The minutes of the meeting were checked and approved by Eva Axelsson of KPA Pension and Martin Wallin of Lannebo Fonder.

It was not possible to follow or participate in the meeting from other locations using communication technology. Similarly, no such possibility is planned for the 2016 meeting.

the three shareholders in the company that control the most votes at 31 August each year. The composition of the nomination committee for the 2015 and 2016 AGMs is shown in the table. The nomination committee's mandate is to submit proposals for the election of Board members and the Board chairman, for the Board fee and auditing fees and, where applicable, for the election of auditors. The committee's proposals are presented in the notice convening the AGM.

PROPOSAL TO THE BOARD. For the 2016 AGM the nomination committee proposes that the Board consist of nine members elected by the AGM. The nomination committee proposes the re-election of the current Board members: Fredrik Lundberg (who is also proposed for re-election as chairman of the Board), Carl Bennet, Carl Kempe, Lars G Josefsson, Louise Lindh, Ulf Lundahl, Henriette Zeuchner and Henrik Sjölund, and that Lars Josefsson be elected as a new Board member. Göran Lundin has declined re-election.

Composition of the Board

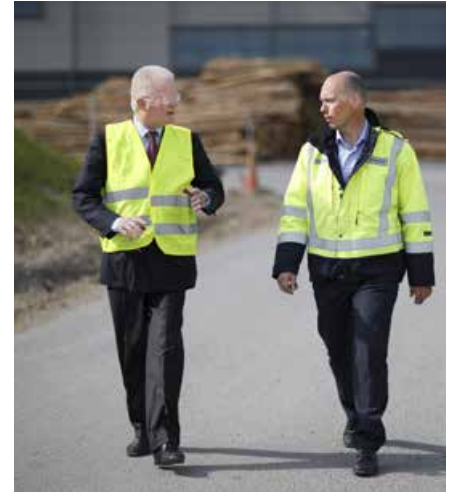
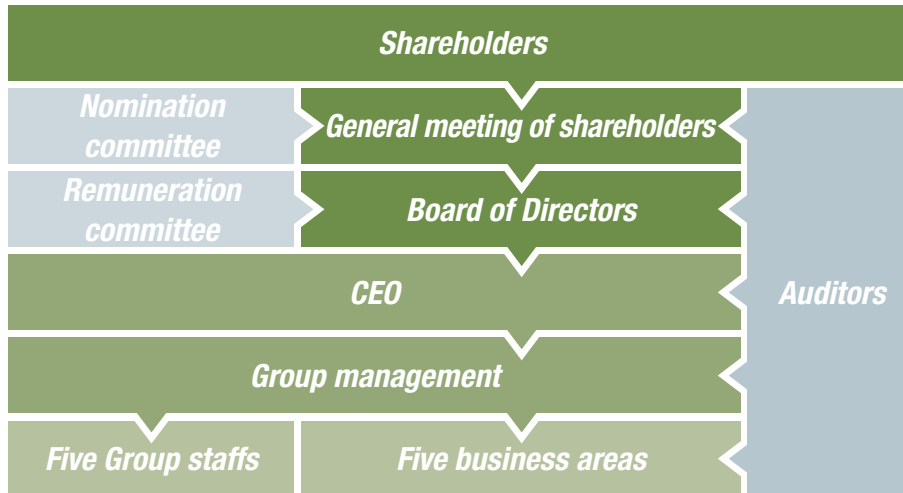
ANNUAL ELECTION. The members of the Board are elected each year by the AGM for the period until the end of the next AGM. According to the company's articles of association, the Board shall have 7–11 members, and they are to be elected at the AGM. The company's articles of association contain no other rules regarding the appointment or dismissal of Board members, or regarding amendments to the articles, or restrictions on how long members can serve on the Board.

THE 2015 AGM re-elected Fredrik Lundberg, Carl Bennet, Lars G Josefsson, Carl Kempe, Louise Lindh, Ulf Lundahl, Göran Lundin and Henrik Sjölund to the Board and elected Henriette Zeuchner as a new Board member. Fredrik Lundberg was re-elected chairman. At the statutory first meeting of the new Board in 2015, 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.

Of the nine Board members elected by the AGM, eight are deemed independent of the company as defined by the Code. The CEO is the only Board member with an operational position in the company. Further information about the members of the Board is provided on pages 50–51.





The Board's activities

INFORMATION AND WORKING PROCEDURES. The activities of the Board follow a plan that, among other things, aims to ensure that the Board obtains all requisite information. Each year the Board decides on written working procedures and issues written instructions. The latter relate to the division of responsibilities between the Board and the CEO and the information that the Board is to receive continually regarding financial developments and other key events. Employees of the company participate in Board meetings to submit reports.

EVALUATION. An assessment is conducted each year to develop the activities of the Board. Each Board member responded to a questionnaire with relevant questions relating to the work of the Board and the members were also able to make proposals on how the work of the Board could be further developed. Their responses were presented and discussed at a Board meeting. The chairman of the Board prepared a report on the results of the 2015 assessment for the nomination committee,

which will form the basis for the planning of the Board's activities for the coming year.

Remuneration

PREPARATION. The Board has appointed a remuneration committee consisting of Fredrik Lundberg and Carl Bennet. During the year, the committee prepared matters pertaining to the remuneration and other employment conditions of the CEO, as well as a share savings programme.

Remuneration and other employment conditions for senior management who report directly to the CEO are decided by the latter in accordance with a pay policy established by the remuneration committee. The remuneration committee has evaluated the application of both this policy and the guidelines on the remuneration of senior management adopted by the Annual General Meeting.

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

BOARD MEETINGS IN 2015

The Board held nine meetings in 2015, four of which were in connection with the company's publication of its quarterly reports. A two-day meeting was dedicated to strategic operational planning. A meeting was held in conjunction with a study visit to Hallsta Paper Mill and the Varsvik wind farm. One meeting dealt with the Group's budget for 2016. Two meetings were held in connection with the company's AGM. The Board also paid special attention to strategic, financial and accounting issues, monitoring business operations and major investment matters. On two occasions the company's auditors reported directly to the Board, presenting their observations from their audit of the accounts and internal control. All AGM-elected board members attended all the meetings.

BOARD MEMBERS AS OF THE 2015 AGM

BOARD MEMBERS	POSITION	ELECTED	ATTENDANCE	FEE (SEK)	INDEPENDENT OF THE:	
					COMPANY	MAJOR SHAREHOLDERS
Fredrik Lundberg*	Chairman	1988	9/9	650 000	Yes	No
Carl Kempe	Deputy chairman	1983	9/9	325 000	Yes	No
Carl Bennet*	Member	2009	9/9	325 000	Yes	No
Lars G Josefsson	Member	2011	9/9	325 000	Yes	Yes
Louise Lindh	Member	2010	9/9	325 000	Yes	No
Ulf Lundahl	Member	2004	9/9	325 000	Yes	Yes
Göran Lundin	Member	2001	9/9	325 000	Yes	Yes
Henriette Zeuchner	Member	2015	9/9	325 000	Yes	Yes
Henrik Sjölund	Member, President and CEO	2014	9/9	–	No	Yes
Total					8/9	5/9

* Representatives of the remuneration committee

EMPLOYEE REPRESENTATIVES

Steewe Björklundh, member, elected 1998
Per-Arne Berg, deputy member, elected 2015

Kenneth Johansson, member, elected 2004
Daniel Hägglund, deputy member, elected 2014

Tommy Åsenbrygg, member, elected 2009
Martin Nyman, deputy member, elected 2010

COMPOSITION OF THE NOMINATION COMMITTEE

NAME	REPRESENTING	BEFORE AGM:		INDEPENDENT OF THE:	
		2016	2015	COMPANY	LARGEST SHAREHOLDER (IN TERMS OF VOTES)
Mats Guldbrand	L E Lundbergföretagen*	x (chairman)	x (chairman)	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Alice Kempe	Kempe Foundations*	x	x	Yes	Yes
Hans Hedström	Carnegie funds*	x	x	Yes	Yes

* At 31 August 2015, L E Lundbergföretagen controlled 61.6 per cent of the votes, the Kempe Foundations controlled 17.0 per cent and Carnegie funds (Sweden) controlled 1.7 per cent.

AT THE 2015 AGM the Board set out its proposals regarding guidelines for remuneration of the CEO and other senior management, i.e. heads of business areas and heads of Group staffs who report directly to the CEO. The AGM adopted the guidelines in the proposal.

FOR THE 2016 AGM the Board is proposing the following guidelines. The guidelines apply to agreements entered into after the AGM's resolution:

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 other than possible share-related incentive programmes determined by the AGM.

The retirement age is normally 65. Pension benefits should be based on defined contributions and comply with the ITP plan. Additional defined-contribution pension solutions may occur.

The period of notice shall be six months, regardless of whether notice is given by the company or the member of senior management. In the event of notice being given by the company, severance pay can be paid corresponding to no more than 18 months' salary.

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

The Board is entitled to depart from these guidelines in individual cases should special reasons exist. In the event of such a deviation, information about this and the reasons for such deviation shall be submitted to the next AGM.

THESE GUIDELINES and information about remuneration are presented in Note 4 on page 70.

The 2015 AGM approved the Board fee and payment of the auditors' fee as invoiced.

Group management

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

between the Board and the CEO.

Holmen's Group management includes nine individuals: the company's CEO, the heads of four business areas and the heads of four Group staffs.

MEETINGS IN 2015. Group management met on 10 occasions in 2015, dealing with matters such as earnings trends and reports before and after Board meetings, business plans, budgeting, investments, internal control and reviews of market conditions, general development of the economy and other external factors affecting the business. Projects relating to business areas and Group staffs were also discussed and decided on. Work on updating policies and guidelines is ongoing and a code of conduct was established during the year.

Information on the CEO and other members of Group management is provided on page 52.

Audit

KPMG, which has been Holmen's auditor since 1995, was re-elected by the 2015 AGM as auditor for a period of one year. Authorised accountant Joakim Thilsted was appointed as the principal auditor. KPMG audits Holmen AB and almost all of its subsidiaries.

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

DUTIES OF THE BOARD. Holmen allows the Board to perform duties that would otherwise be performed by an audit committee. The Board's reporting instructions include requirements that the members of the Board shall receive a report each year from the auditors confirming that the company's organisation is structured to enable satisfactory supervision of accounting, management of funds and other aspects of the company's financial circumstances. In 2015 the auditors reported to the entire Board at two meetings. Over and above this, the auditors reported to the Board chairman and the CEO on two occasions and to the CEO at one further meeting.

In addition to the audit assignment, Holmen has consulted KPMG on matters pertaining to taxation, accounting and for various investigations. The remuneration paid to KPMG for 2015 is stated in Note 5 on page 71. KPMG is required

to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

Internal control

The Board of Directors does not believe that particular circumstances in the business or other conditions exist to justify an internal audit function. The internal control managed by the Group, together with the activities carried out by the external auditors, is deemed to be sufficient.

PURPOSE AND STRUCTURE. Holmen's internal control activities have two purposes: to ensure that the Group lives up to its objectives for financial reporting (see box on page 49) and to minimise risks of fraud to which the Group may be subject.

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

The framework for internal control was evaluated and further developed in 2015. Web-based systems support for self-evaluations has been introduced and has made monitoring and feedback easier.

CONTROL ENVIRONMENT. The basis for Holmen's framework for internal control is the control environment, which is defined through policies, guidelines, procedures, instructions and manuals. The control environment is maintained by means of an organisational structure with clearly defined roles and areas of responsibility and individuals' awareness of their role in maintaining adequate internal control. The Board of Directors is ultimately responsible for internal control, in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code. Under this code, the Board is also responsible for ensuring that the company is managed in a sustainable and responsible manner. Day-to-day responsibility for all these matters is delegated to the CEO. Holmen's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules in each country where the company operates.

INTERNAL MANAGEMENT PROCESSES

Strategy and targets

Business plan, budget and management by objectives

Business processes

Earnings, reporting and monitoring

Code of conduct	Policies	Authority
Values	Guidelines	Authorisation rules
	Central and local instructions	

The Group's strategy provides guidance for Holmen's business operations. Below the Board, the President and CEO and Group management, the business is organised into five business areas with responsibility for the relevant operating activity. The Group staffs are in charge of coordinating certain matters, such as business administration and finance, human resources, legal affairs, technology and public relations.

The Group establishes an annual business plan that addresses strategic issues.

Targets for the coming year are based on a specific process of management by objectives. These targets form the basis for budgeting and specific action plans.

The business areas manage operating activities according to these targets. Sales, purchasing and production processes are in place to support this.

Earnings are monitored by means of continual financial reporting. Measures to be implemented are monitored through additional follow-up procedures.

Holmen's code of conduct provides guidance on day-to-day operations and clarifies what expectations are made of employees. Policies, guidelines and instructions set the frame of reference by clarifying authorisation and rules.

rates. In addition to external rules and recommendations, financial reporting is also covered by internal instructions, directions and systems.

During the year, a code of conduct was established by the CEO. The code provides guidance on day-to-day operations and clarifies what expectations are made of Holmen's employees. Training about the code began in the autumn for all employees. No breaches of the code were detected during the year.

Work is underway to review policies and guidelines, and in 2015 a business ethics policy was adopted, along with related guidelines. The policy addresses matters such as anti-corruption measures and competition issues. Employees in areas such as sales and purchasing that face a high risk of encountering unauthorised behaviour will receive special training in these issues. No cases of corruption were detected during the year. Holmen's Spanish subsidiary is one of many companies that were investigated by the Spanish competition authority (see Note 21 for further details).

RISK ASSESSMENT. Risk assessment activities are based on identifying and evaluating the risks

that can result in the Group's financial reporting objectives not being met. The results of these risk-related activities are compiled and developed under the guidance of Group Finance.

Holmen's greatest risks regarding financial reporting are linked to the valuation of biological assets and property, plant and equipment as well as to financial transactions (see the section on risk management on pages 42–45).

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

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

The self-assessments that are completed by all Group units set out what control requirements apply for each respective process. These need to state whether the respective control requirements have been met and what proof of

GOALS

HOLMEN'S FINANCIAL REPORTING

Holmen's external financial reporting shall:

- be correct and complete, and comply with applicable laws, regulations and recommendations
- provide a true and fair description of the company's business
- support a reasoned and informed valuation of the business.

Internal financial reporting shall, over and above these three goals, support correct business decisions at all levels in the Group.

verification exists. As Holmen's various units differ, the self-assessments have been adapted to their various activities.

FOLLOW-UP AND EVALUATION. Follow-up and testing of control activities are performed continually to ensure that risks have been satisfactorily considered and addressed. The self-assessments contain integrated action plans for those control requirements that are not met. The self-assessments are followed up on a continual basis and discrepancies are reported to the steering group for internal control each quarter. Reporting to Group management takes place once a year. The company's auditors report their observations from the review of internal control to the Board during the year. Follow-ups are an important tool for understanding what deficiencies may exist in the Group, and how these can be minimised by putting in place new control requirements.

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

Financial reporting requirements are communicated to employees via the code of conduct, policies, guidelines and manuals published on the company's intranet. A whistle-blower function is available so that employees and other stakeholders can highlight any deficiencies in Holmen's financial reporting or possible areas of concern at the company. Regulations relating to this function were clarified during the year.

Board of Directors



FREDRIK LUNDBERG

CARL KEMPE



LARS G JOSEFSSON



ULF LUNDAHL



HENRIK SJÖLUND



LOUISE LINDH



STEEWE BJÖRKLUNDH

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

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

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

Henrik Sjölund Norrköping. Born in 1966. Member since 2014. M.Sc. in International Economics. President and CEO. Other significant appointments: Board member of Swedish Forest Industries Federation. Shareholding: 2 000 shares.

Louise Lindh Stockholm. Born in 1979. Member since 2010. M.Sc. in Economics. Executive vice president Fastighets AB L E Lundberg. Other significant appointments: Chairman of J2L Holding AB. Board member of Hufvudstaden AB and L E Lundbergföretagen AB. Shareholding: 100 000 shares.

Ulf Lundaahl Lidingö. Born in 1952. Member since 2004. Bachelor of Laws and M.Sc. in Economics. Other significant appointments: Chairman of Fidelio Capital AB and Ramirent plc. Board member of Attendo AB, Eitel AB, Indutrade AB and SHB Regionbank Stockholm. Shareholding: 4 000 shares.

Steewe Björklundh Hudiksvall. Born in 1958. Member since 1998. Employee representative, LO.

This information refers to 31 December 2015.



PER-ARNE BERG

DANIEL HÄGGLUND



GÖRAN LUNDIN



MARTIN NYMAN



CARL BENNET



TOMMY ÅSENBRYGG



KENNETH JOHANSSON



HENRIETTE ZEUCHNER

Per-Arne Berg Forsa. Born in 1955. Deputy member since 2015. Employee representative, PTK. Chairman of the Holmen-Iggesund Trade Union Club.

Daniel Hägglund Örnsköldsvik. Born in 1982. Deputy member since 2014. Employee representative, PTK.

Göran Lundin Norrköping. Born in 1940. Member since 2004. Engineer. D. Tech. h.c. Other significant appointments: Chairman of Printed Electronics Arena at Linköping University. Board member of Fastighets AB L E Lundberg. Shareholding: 1 000 shares.

Martin Nyman Iggesund. Born in 1978. Deputy member since 2010. Employee representative, LO. Chairman of Swedish Paper Workers branch 15, Iggesund.

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

Tommy Åsenbrygg Skebobruk. Born in 1968. Member since 2015. Employee representative, PTK. Deputy chairman of Ledarna, Hallsta Paper Mill. Shareholding: 100 shares.

Kenneth Johansson Söderköping. Born in 1958. Member since 2004. Employee representative, LO. Section chairman of the Swedish Paper Workers Union branch 53, Holmen Paper Braviken.

Henriette Zeuchner Stockholm. Born in 1972. Member since 2015. M.Sc. in Economics and Bachelor of Laws. President and CEO of Berling Media AB. Other significant appointments: Board member of the NTM Group. Shareholding: 400 shares.

Auditors: KPMG AB

Principle Auditor: Joakim Thilstedt *Authorised public accountant*

Group management



HENRIK SJÖLUND



NILS RINGBORG



SÖREN PETERSSON



ANNICA BRESKY



JOHAN PADEL



OLA SCHULTZ-EKLUND



INGELA CARLSSON



LARS ERICSON



ANDERS JERNHALL

Henrik Sjölund President and CEO.
Born in 1966. Joined Holmen in 1993.
Shareholding: 2 000 shares.

Henrik Sjölund has no significant shareholdings and no ownership in companies with which the Group has important business relations. Further information about the CEO is provided on page 50.

Nils Ringborg CEO Holmen Paper.
Born in 1958. Joined Holmen in 1988.
Shareholding: 1 500 shares.

Sören Petersson CEO Holmen Skog.
Born in 1969. Joined Holmen in 1994.
Shareholding: 3 600 shares.

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

Johan Padel CEO Holmen Timber.
Born in 1966. Joined Holmen in 2014.

Ola Schultz-Eklund Director of Technology.
Born in 1961. Joined Holmen in 1994.

Ingela Carlsson Director of Communications.
Born in 1962. Joined Holmen in 2008.
Shareholding: 400 shares.

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

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

This information refers to 31 December 2015.

Shareholder information

In 2015, the price of Holmen's class B shares decreased by SEK 5 or 2 per cent. Earnings per share excluding items affecting comparability was SEK 15.8. It is proposed that the dividend be raised to SEK 10.5 (10).

Stock exchange trading

Holmen was listed on the Stockholm Stock Exchange in 1936, but was called Mo och Domsjö AB at that time. Holmen's two series of shares are listed on Nasdaq Stockholm, Large Cap. During the year, the price of Holmen's class B shares decreased by SEK 5 or 2 per cent, to SEK 262. The Stockholm Stock Exchange rose by 7 per cent over the same period. Holmen's market capitalisation of SEK 22.3 billion (22.3) represents some 0.4 per cent of the total value of the Stockholm Stock Exchange. Holmen's class B shares reached their highest closing price for the year, SEK 306, on 6 February, and the lowest closing price, SEK 219, was recorded on 24 August. The daily average number of class B shares traded was 196 000, which corresponds to a value of SEK 51.4 million. The daily average number of class A shares traded was 1 000. Some 70 per cent of trading took place on Nasdaq Stockholm. The Holmen shares have also been traded on other trading platforms, such as BATS Europe, Chi-X and Turquoise.

Earnings per share

Earnings per share excluding items affecting comparability was SEK 15.8. Earnings per share including items affecting comparability was SEK 6.7 (10.8).

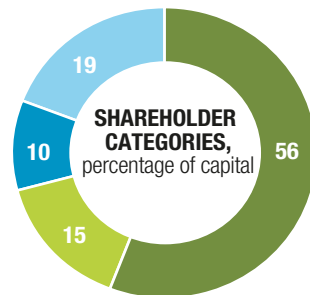
Dividends

Decisions on dividends are based on an appraisal of the Group's profitability, future investment plans and financial position. The Board proposes that the AGM, to be held on 13 April 2016, approve a dividend of SEK 10.5 (10) per share. The proposed dividend corresponds to 4.2 per cent of equity. Over the past five years the dividend has averaged 4 per cent of equity.

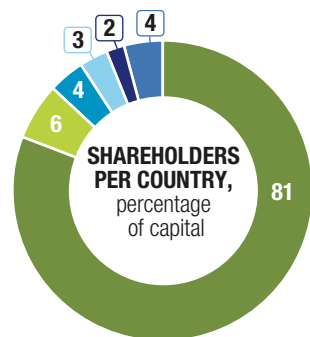
- The final date for trading in Holmen shares including right to dividend: 13 April 2016.
- Record date for dividend: 15 April 2016.
- Payment date for dividend: 20 April 2016.

Share structure

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



Swedish institutions	56%
Swedish equity funds	15%
Swedish private individuals	10%
Foreign shareholders	19%



Sweden	81%
US	6%
Luxembourg	4%
UK	3%
Norway	2%
Other countries	4%

Ownership structure

Holmen had a total of 28 176 shareholders at year-end 2015. In absolute numbers, Swedish private individuals made up the largest category of owners: 25 768 shareholders. This corresponds to 91 per cent of the total number of shareholders. Shareholders registered in Sweden own 81 per cent (81) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the US and Luxembourg, accounting for 6 per cent and 4 per cent of the capital, respectively. The largest owner at the turn of 2015/2016, with 61.6 per cent of votes and 32.9 per cent of capital, was L E Lundbergföretagen AB.

Share buy-backs

The company has no specific target for share buy-backs. There is a mandate to repurchase up to 10 per cent of all the company's shares. Any buy-backs are regarded as a complement to dividend payments to adjust the capital structure when circumstances are deemed favourable. The 2015 Annual General Meeting renewed the Board's mandate to decide on the acquisition of up to 10 per cent of the company's shares through the acquisition of class B shares. No shares were repurchased during the year. As previously, the company holds 0.9 per cent of all shares. The Board proposes that the 2016 AGM also authorise the Board to repurchase and transfer up to 10 per cent of all shares in the company through the acquisition of class B shares.

Shareholder communication

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

Analysts

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

DATA PER SHARE

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Diluted earnings per share, SEK ¹⁾	6.7	10.8	8.5	22.1	47.1	8.4	12.0	7.6	17.8	17.2
Dividend, SEK	10.5 ⁵⁾	10	9	9	8	7	7	9	12	12
Dividend as % of:										
Equity	4	4	4	4	3	3	4	5	6	6
Closing listed price	4	4	4	5	4	3	4	5	5	4
Profit for the year	158	93	106	41	17	83	58	118	67	70
Return, equity, % ¹⁾	3	4	3	9	23	4	6	4	9	9
Return, capital employed, % ⁶⁾	6	6	5	7	9	6	7	6	10	10
Equity per share, SEK	248	250	248	248	235	201	196	186	200	196
Closing listed price, B, SEK	262	266	234	192	198	221	183	194	240	298
Average listed price, B, SEK	264	236	198	186	201	195	180	203	277	302
Highest listed price, B, SEK	306	272	235	204	251	226	206	242	316	336
Lowest listed price, B, SEK	219	209	173	169	156	173	135	170	228	255
Total closing market capitalisation, SEK '000 million	22.3	22.3	19.7	16.2	16.6	18.5	15.4	16.2	20.6	25.3
P/E ratio ²⁾	39	25	28	9	4	26	15	25	13	17
EV/EBITDA ^{3) 6)}	10	10	11	9	7	10	7	9	8	9
Closing beta value (48 months), B ⁴⁾	0.7	0.8	0.7	0.9	0.8	0.8	0.7	0.5	0.9	1.0
Number of shareholders at year-end	28 176	27 788	27 692	28 440	28 899	28 339	30 425	29 745	30 499	32 189

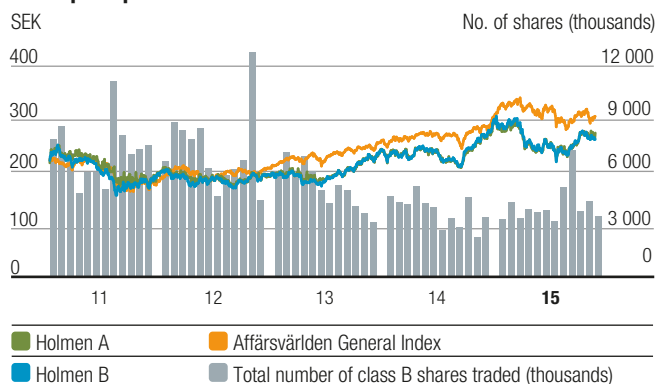
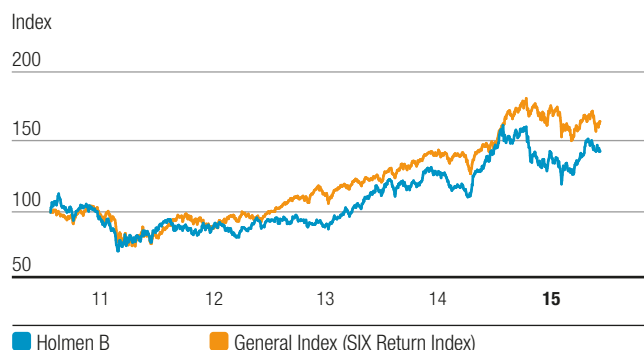
1) See page 94: Definitions and glossary. 2) Closing listed price divided by earnings per share. 3) Market capitalisation plus net financial debt at year-end (EV) divided by EBITDA.

4) Measures the sensitivity of the yield on class B shares in relation to the yield on the Affärsvärlden General Index over a period of 48 months. 5) Proposal of the Board. 6) Excl. items affecting comparability.

SHARE STRUCTURE

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



Share price performance for Holmen class A and B and General Index**Total return for Holmen B and General Index***Incl. reinvested dividend without tax*

Source: Macrobond

CHANGES IN SHARE CAPITAL 2000–2015

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

SHAREHOLDER STRUCTURE AT 31 DECEMBER 2015

	% of capital	% of votes
L E Lundbergföretagen	32.9	61.6
Kempe Foundations	7.0	17.0
Carnegie funds (Sweden)	5.7	1.7
Alecta	3.2	0.9
Lannebo funds	2.9	0.9
DFA funds (US)	2.3	0.7
SHB funds	1.9	0.6
Nordea funds	1.7	0.5
Norges Bank Investment Management	1.5	0.4
Fredrik Lundberg	1.0	0.9
Total	60.1	85.1
Other	39.9	14.9
Total*	100.0	100.0
* Of which non-Swedish shareholders.	18.9	5.7

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

**OWNERSHIP STRUCTURE**

No. of shares	Share-holders	Percentage of shares
1–1 000	26 000	6
1 001–100 000	2 106	14
100 001–	70	80
Total	28 176	100



INCOME STATEMENT

GROUP, SEKm	NOTE	2015	2014
Net sales	2	16 014	15 994
Other operating income	3	1 203	1 021
Change in inventories		-187	83
Raw materials and consumables		-8 661	-8 713
Personnel costs	4	-2 335	-2 268
Other operating costs	5, 20	-3 689	-3 393
Depreciation and amortisation according to plan	9, 10	-1 240	-1 265
Impairment losses	10	-555	-450
Change in value of biological assets	11	267	282
Profit/loss from investments in associates and joint ventures	12	-46	-7
Operating profit/loss		769	1 284
Finance income	6	1	1
Finance costs	6	-91	-149
Profit/loss before tax		679	1 137
Tax	7	-120	-230
Profit/loss for the year		559	907
Attributable to:			
Owners of the parent company		559	907
Earnings per share (SEK)	8	6.7	10.8
Average number of shares (million)	8	84.0	84.0

Operating profit amounted to SEK 769 million (1 284). Operating profit was negatively affected by SEK 931 million in items affecting comparability relating to impairment losses on property, plant and equipment, provisions for fixed-price electricity supply agreement costs and the effects of a fire. Operating profit for 2014 included an impairment loss on property, plant and equipment of SEK -450 million.

Operating profit excluding items affecting comparability amounted to SEK 1 700 million (1 734). Earnings were negatively affected by price decreases for printing paper and sawn timber, as well as a number of significant rebuilding and maintenance shutdowns. This was largely offset by a weaker Swedish krona, good production and cost rationalisations.

Net financial items for 2015 totalled SEK -90 million (-147). During the year, interest costs of SEK 2 million (1) were capitalised in conjunction with major investment projects, reducing the recognised interest expense. The average cost of borrowing declined to 1.5 per cent (2.3), and average net debt was lower than in the preceding year.

Tax recognised totalled SEK -120 million (-230) in 2015, which corresponds to 18 per cent of profit before tax.

STATEMENT OF COMPREHENSIVE INCOME

GROUP, SEKm	NOTE	2015	2014
Profit/loss for the year		559	907
OTHER COMPREHENSIVE INCOME			
Revaluations of defined benefit pension plans	17	208	-170
Tax attributable to items that will not be reclassified to profit/loss for the year	7	-44	34
Total items that will not be reclassified to profit/loss for the year		165	-137
Cash flow hedging			
Revaluation		-111	-343
Transferred from equity to the income statement		67	116
Transferred from equity to non-current assets		10	1
Translation difference on foreign operations		8	355
Hedging of currency risk in foreign operations		22	-101
Share in joint ventures' other comprehensive income		3	-
Tax attributable to items that will be reclassified to profit/loss for the year	7	3	72
Total items that will be reclassified to profit/loss for the year		1	100
Total other comprehensive income		166	-37
Total comprehensive income		724	870
Attributable to:			
Owners of the parent company		724	870

BALANCE SHEET

GROUP AT 31 DECEMBER, SEKm	NOTE	2015	2014
NON-CURRENT ASSETS			
Intangible non-current assets	9	107	114
Property, plant and equipment	10	10 321	11 265
Biological assets	11	17 173	16 867
Investments in associates and joint ventures	12	1 914	1 970
Other shares and participating interests	12	4	4
Non-current financial receivables	13	43	40
Deferred tax assets	7	6	1
Total non-current assets		29 567	30 261
CURRENT ASSETS			
Inventories	14	3 089	3 198
Trade receivables	15	1 987	2 328
Current tax receivable	7	12	44
Other operating receivables	15	519	394
Current financial receivables	13	61	22
Cash and cash equivalents	13	221	187
Total current assets		5 889	6 172
Total assets		35 456	36 434
EQUITY			
	16		
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		-209	-210
Retained earnings incl. profit/loss for the year		16 543	16 660
Total equity attributable to the owners of the parent company		20 853	20 969
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	2 295	2 488
Pension provisions	17	130	400
Other provisions	18	585	533
Deferred tax liabilities	7	5 508	5 480
Total non-current liabilities		8 519	8 901
CURRENT LIABILITIES			
Current financial liabilities	13	2 698	3 269
Trade payables	19	1 916	1 882
Current tax liability	7	53	248
Provisions	18	157	69
Other operating liabilities	19	1 259	1 096
Total current liabilities		6 085	6 564
Total liabilities		14 603	15 465
Total equity and liabilities		35 456	36 434

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

CHANGES IN EQUITY

GROUP, SEKm

	RESERVES					TOTAL EQUITY
	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TRANSLATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS INCL. PROFIT/LOSS FOR THE YEAR	
Opening equity balance 1 Jan 2014	4 238	281	-224	-85	16 645	20 854
Profit/loss for the year	-	-	-	-	907	907
Other comprehensive income	-	-	276	-177	-137	-37
Total comprehensive income	0	0	276	-177	771	870
Dividend paid	-	-	-	-	-756	-756
Closing equity balance 31 Dec 2014	4 238	281	51	-261	16 660	20 969
Profit/loss for the year	-	-	-	-	559	559
Other comprehensive income	-	-	25	-24	165	166
Total comprehensive income	0	0	25	-24	723	724
Dividend paid	-	-	-	-	-840	-840
Closing equity balance 31 Dec 2015	4 238	281	76	-284	16 453	20 853

CASH FLOW STATEMENT

GROUP, SEKm	NOTE	2015	2014
OPERATING ACTIVITIES			
Profit/loss before tax	25	679	1 137
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 240	1 265
Impairment losses		555	450
Change in value of biological assets		-267	-282
Change in provisions		236	4
Other*		37	11
Income tax paid		-398	-191
Cash flow from operating activities before changes in working capital		2 083	2 394
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in inventories		123	-24
Change in trade receivables and other operating receivables		275	-111
Change in trade payables and other operating liabilities		45	-82
Cash flow from operating activities		2 526	2 176
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-826	-691
Disposal of property, plant and equipment		24	10
Acquisition of intangible non-current assets		-12	-73
Acquisition of biological assets		-36	-49
Disposal of biological assets		26	4
Increase in non-current financial receivables		-8	-17
Repayment of non-current financial receivables		0	-2
Acquisition of shares and participating interests		0	-17
Disposal of shares and participating interests		0	0
Cash flow from investing activities		-832	-834
FINANCING ACTIVITIES			
Raised long-term borrowings		300	400
Repayments of long-term borrowings		-326	-421
Change in current financial liabilities	25	-792	-655
Change in current financial receivables		0	-3
Dividend paid to owners of the parent company		-840	-756
Cash flow from financing activities		-1 659	- 1 434
CASH FLOW FOR THE YEAR			
Cash and cash equivalents at beginning of year		187	275
Exchange gains/losses on cash and cash equivalents		0	4
Cash and cash equivalents at end of year		221	187

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

	2015	2014
CHANGE IN NET FINANCIAL DEBT		
Opening net financial debt	-5 907	-6 116
Cash flow		
Operating activities	2 526	2 176
Investing activities (excl. non-current financial receivables)	-824	-816
Dividend paid	-840	-756
Revaluations of defined benefit pension plans	206	-173
Foreign exchange effects and changes in fair value	40	-223
Closing net financial debt	-4 799	-5 907

PARENT COMPANY

INCOME STATEMENT, SEKm	NOTE	2015	2014
Net sales	2	13 989	14 077
Other operating income	3	696	1 013
Change in inventories		-186	29
Raw materials and consumables		-8 057	-8 182
Personnel costs	4	-1 814	-1 753
Other external costs	5, 20	-4 278	-3 996
Depreciation and amortisation according to plan	9, 10	-26	-27
Operating profit/loss		324	1 161
Profit/loss from investments in Group companies	6, 23	-118	195
Profit/loss from investments in associates	6	0	0
Interest income and similar income	6	38	19
Impairment losses on value of shares and participating interests	6	-	0
Interest expense and similar costs	6	-83	-240
Profit/loss after financial items		161	1 135
Appropriations	24	821	1 219
Profit/loss before tax		982	2 353
Tax	7	-244	-483
Profit/loss for the year		738	1 870

STATEMENT OF COMPREHENSIVE INCOME, SEKm	NOTE	2015	2014
Profit/loss for the year		738	1 870
Other comprehensive income			
Cash flow hedging			
Revaluation		-134	-307
Transferred from equity to the income statement		94	151
Transferred from equity to non-current assets		10	1
Tax attributable to other comprehensive income	7	7	34
Total items that will be reclassified to profit/loss for the year		-23	-121
Total comprehensive income		715	1 749

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

The item 'Appropriations' includes Group contributions of SEK 486 million (1 777). The item 'Interest expense and similar costs' in the income statement includes the result of SEK 22 million (-101) from hedging equity in foreign subsidiaries.

CASH FLOW STATEMENT, SEKm	NOTE	2015	2014
OPERATING ACTIVITIES			
Profit/loss after financial items	25	161	1 135
Adjustments for non-cash items			
Depreciation and amortisation according to plan		26	27
Change in provisions		258	-22
Other*		107	131
Income tax paid		-420	-186
Cash flow from operating activities before changes in working capital		133	1 085
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in inventories		159	-19
Change in operating receivables		178	-98
Change in operating liabilities		19	-4
Cash flow from operating activities		490	963
INVESTING ACTIVITIES			
Shareholders' contribution paid		0	4
Acquisition of property, plant and equipment		-48	-41
Disposal of property, plant and equipment		11	8
Increase in external non-current financial receivables		-9	-17
Repayment of external non-current financial receivables		0	0
Disposal of shares and participating interests		0	0
Cash flow from investing activities		-46	-47
FINANCING ACTIVITIES			
Raised external long-term borrowings		300	400
Repayments of external long-term borrowings		-326	-421
Change in other financial liabilities	25	-732	-616
Change in other financial receivables		709	-1 399
Dividend paid to owners of the parent company		-840	-756
Group contributions received		493	1 777
Group contributions paid		-7	0
Cash flow from financing activities		-404	-1 015
CASH FLOW FOR THE YEAR			
Cash and cash equivalents at beginning of year		115	213
Cash and cash equivalents at end of year		155	115

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

BALANCE SHEET at 31 December, SEKm	NOTE	2015	2014
ASSETS			
Non-current assets			
Intangible non-current assets	9	8	9
Property, plant and equipment	10	2 922	2 912
Financial non-current assets			
Shares and participations	12, 23	12 018	12 145
Non-current financial receivables	13	3 214	3 329
Total non-current assets		18 163	18 396
Current assets			
Inventories	14	2 336	2 494
Operating receivables	15	2 026	2 162
Current tax receivable	7	-	-
Current investments	13	61	22
Cash and cash equivalents	13	155	115
Total current assets		4 578	4 793
Total assets		22 741	23 188

BALANCE SHEET at 31 December, SEKm	NOTE	2015	2014
EQUITY AND LIABILITIES			
Equity			
Restricted equity	16		
Share capital		4 238	4 238
Statutory reserve		1 577	1 577
Revaluation reserve		100	100
Non-restricted equity			
Retained earnings incl. hedge reserve		3 698	2 691
Profit/loss for the year		738	1 870
Total equity		10 351	10 476
Untaxed reserves	24	1 994	2 330
Provisions			
Pension provisions	17	5	11
Tax provisions	18	45	45
Other provisions	18	892	630
Deferred tax liability	7	569	585
Total provisions		1 512	1 271
Liabilities			
Non-current financial liabilities	13	3 295	2 898
Current financial liabilities	13	2 698	3 263
Current tax liability	7	53	221
Operating liabilities	19	2 837	2 730
Total liabilities		8 884	9 111
Total equity and liabilities		22 741	23 188
COLLATERAL AND CONTINGENT LIABILITIES			
Collateral	21	148	149
Contingent liabilities	21	89	95

CHANGES IN EQUITY, SEKm

	RESTRICTED EQUITY				NON-RESTRICTED EQUITY		
	SHARE CAPITAL	STATUTORY RESERVE	REVALUATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS	PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
Opening equity balance 1 Jan 2014	4 238	1 577	100	-143	2 883	828	9 483
Appropriation of profits	-	-	-	-	828	-828	-
Profit/loss for the year	-	-	-	-	-	1 870	1 870
Other comprehensive income	-	-	-	-121	-	-	-121
Total comprehensive income	0	0	0	-121	828	1 042	1 749
Dividend paid	-	-	-	-	-756	-	-756
Closing equity balance 31 Dec 2014	4 238	1 577	100	-264	2 954	1 870	10 476
Appropriation of profits	-	-	-	-	1 870	-1 870	-
Profit/loss for the year	-	-	-	-	-	738	738
Other comprehensive income	-	-	-	-23	-	-	-23
Total comprehensive income	0	0	0	-23	1 870	-1 132	715
Dividend paid	-	-	-	-	-840	-	-840
Closing equity balance 31 Dec 2015	4 238	1 577	100	-287	3 985	738	10 351

NOTES TO THE FINANCIAL STATEMENTS

Amounts in SEKm, unless otherwise stated

1. Accounting policies	64	14. Inventories	82
2. Operating segment reporting	68	15. Operating receivables	82
3. Other operating income	70	16. Equity, parent company	82
4. Employees, personnel costs and remuneration to senior management	70	17. Pension provisions	83
5. Auditors' fee and remuneration	71	18. Other provisions	84
6. Net financial items and income from financial instruments	72	19. Operating liabilities	84
7. Tax	73	20. Operating leases	84
8. Earnings per share	75	21. Collateral and contingent liabilities	85
9. Intangible non-current assets	75	22. Related parties	85
10. Property, plant and equipment	76	23. Investments in Group companies	86
11. Biological assets	77	24. Untaxed reserves	87
12. Investments in associates, joint ventures and other shares and participating interests	78	25. Cash flow statement	87
13. Financial instruments	79	26. Critical accounting estimates and judgements	87

NOTE 1. ACCOUNTING POLICIES

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

COMPLIANCE WITH STANDARDS AND STATUTORY REQUIREMENTS

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

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

VALUATION PRINCIPLES APPLIED IN PREPARING THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE GROUP

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

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

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

ESTIMATES AND JUDGEMENTS IN THE FINANCIAL STATEMENTS

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

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

CHANGES IN ACCOUNTING POLICIES

Amended IFRSs applied by the Group from January 1, 2015 are described below.

Fees to public authorities

The application of IFRIC 21 has not had any material effect on the Group's accounting. The amendment means that property tax levies are booked in full on January 1 instead of the debt being booked as the cost is recognised in the income statement.

New and amended accounting policies applicable as of 2016

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. Additions or amendments applicable from the 2016, such as changes to the Swedish Annual Accounts Act and IAS 1, are expected to have a limited effect on the Group's accounting and the preparation of financial reports. New or amended IFRSs effective as of 2017 are not expected to have any material impact on the Group's accounting.

SEGMENT REPORTING

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

CLASSIFICATION

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

CONSOLIDATION PRINCIPLES

Subsidiaries

A subsidiary is a company over which the parent company, Holmen AB, exercises a controlling influence. Controlling influence exists if Holmen AB has control over an investment object, is exposed or entitled to variable returns on its involvement and can exercise its control of the investment to influence the size of return. In determining whether one company has control over another, potential shares with an entitlement to vote and whether de facto control exists are taken into account.

The consolidated accounts are prepared using the acquisition method, whereby the parent company indirectly acquires the assets and assumes the liabilities of the subsidiary, valued at fair value. The difference between the cost of the shares and the fair value of the acquired identifiable net assets is treated as goodwill. The subsidiary companies' income and expenses, and their assets and liabilities, are stated in the consolidated accounts as of the date when the Group gains control

(acquisition date) until such time as the Group no longer has control. Intra-Group receivables and liabilities, transactions between companies in the Group and related unrealised gains are eliminated in their entirety.

Holdings recognised in accordance with the equity method

Associates

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

Jointly owned companies/joint ventures

In accounting, joint ventures are those companies for which the Group, through cooperation agreements with one or more parties, has joint control whereby the Group has rights to the net assets instead of direct rights to assets and commitments in liabilities. Holdings in joint ventures are consolidated in the consolidated accounts using the equity method. Holmen's jointly owned companies are such that the holding has previously been recognised using the equity method and financial reporting consequently complies with IFRS 11 Joint Arrangements.

The equity method

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

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

FOREIGN CURRENCY

Transactions denominated in foreign currencies

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other consolidated surplus and deficit values, are translated in the consolidated accounts, from the foreign operation's functional currency, to the Group's reporting currency (Swedish kronor) at the balance sheet date. The income and expenses of foreign operations are translated into Swedish kronor at an average rate that is an approximation of the exchange rates prevailing at the date of each transaction. Differences arising during the currency translation of foreign operations and the related effects of hedging net investments are recognised in other comprehensive income and are accumulated in a separate component of equity called the translation reserve. In the disposal of a foreign operation, the accumulated translation differences attributable to the business are realised, less any currency hedging, in the consolidated income statement.

COMPANIES OPERATING ON BEHALF OF THE PARENT COMPANY

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

The parent company is liable for all commitments entered into by these companies. All income, expenses, assets and liabilities, which arise in the operations conducted by the companies, are recognised in Holmen AB's accounts, except for the majority of investments made as well as some sales of forest properties, which are instead recognised in some of the Group's subsidiaries.

INCOME

Net sales

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

Other operating income

Income from activities not forming part of the company's main business is stated as other operating income. This item mainly comprises sales of by-products, rent and land lease income, income from allotted electricity certificates, income earned from emission allowances and gains/losses on sales of non-current assets.

State grants

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

Exchange transactions

In some cases, forest land is exchanged for other forest land of similar type and value. Such exchange is recognised in the consolidated accounts as an exchange of one asset for another, i.e. without any form of revenue recognition as the exchange does not constitute a revenue-generating transaction. In the parent company, however, this type of transaction is recognised as a sale of forest land, with recognition of revenue as other operating income and an acquisition of a new 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 capitalised in the consolidated accounts as part of the asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use and that is relevant for the Group in connection with major investment projects.

TAXES

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

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

EARNINGS PER SHARE

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

FINANCIAL INSTRUMENTS

Financial instruments are measured and recognised according to IAS 39.

Recognition in and derecognition from the balance sheet

A financial asset or liability is stated in the balance sheet when the company becomes a party in accordance with the contractual conditions of the instrument. A financial asset is removed from the balance sheet when the rights referred to in the contract have been realised or mature, or when the company no longer has control over them. A financial liability is removed from the balance sheet when the undertaking in the contract is performed or expires in some other way. Spot transactions are stated in accordance with the trade date principle. Trade receivables are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has provided a product or service and there is a contractual obligation to pay, even if an invoice has not yet been received. A financial asset and a financial liability are only offset and recognised at a net amount where a legal right to offset the amounts exists and there is an intention to settle the items

at a net amount or simultaneously realise the asset and settle the liability. Financial assets, excluding shares, and financial liabilities have been classified as current if the amounts are expected to be recovered or paid within 12 months of the balance sheet date. Shares have been classified as non-current if they are intended to be held in the operation permanently.

Measurement of financial instruments

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

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

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

Financial liabilities at fair value through profit/loss. Financial liabilities are measured initially at the value of funds received after deduction of any transaction costs. Normally, the liabilities are measured on a current basis at amortised cost using the effective interest method. In those cases where funds received fall short of the repayment amount, the difference is allocated over the duration of the loan using the effective interest method. Profit/loss from financial instruments is recognised in net financial items or operating profit/loss, depending on the purpose of the holding.

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

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

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

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

Fair value estimation. The fair value of financial instruments traded on an active market is based on listed market prices and belongs to measurement level 1 as per IFRS 13. Where there are no listed market prices, fair value has been calculated using discounted cash flows. In calculating discounted cash flows, all variables used for the calculations, such as discount rates and exchange rates, are taken from market listings where possible. In calculating discounted cash flows, the mean of exchange rates and discount rates is used. These valuations belong to measurement level 2. Other valuations, for which a variable is based on own assessments, belong to measurement level 3. Holmen's measurement of financial instruments belongs exclusively to measurement level 2. Currency options are valued using the Black & Scholes formula, when appropriate.

INTANGIBLE NON-CURRENT ASSETS

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

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

is recognised in the income statement as costs when incurred. Development expenditures recognised in the balance sheet are stated at cost less accumulated amortisation and impairment losses.

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

The following useful lives (years) are used:

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

If there is any indication that the carrying amount is too high, an analysis is made in which the recoverable value of single or inherently related assets is determined at the higher of the net selling price and the utility value. The net realisable value is the estimated selling price after deduction of the estimated cost of selling the asset. The utility value is measured as expected future discounted cash flow.

The discount rate applied takes account of the risk-free rate and the risk associated with the asset. An impairment loss consists of the amount by which the recoverable amount falls short of the carrying amount. Impairment loss is reversed if there has been any positive change in the circumstances upon which the determination of the recoverable amount is based. A reversal may be made up to, but not exceeding, the carrying amount that would have been recognised, less depreciation, if there had been no impairment.

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

LEASING

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

BIOLOGICAL ASSETS

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

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

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

INVENTORIES

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

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

EMPLOYEE BENEFITS

Pension costs and pension obligations

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

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

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

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

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

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

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

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

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

Termination benefits

Termination benefits in connection with the termination of employment contracts are recognised in the accounts if it is shown that the Group has an obligation, without any reasonable possibility of withdrawing, as a result of a formal, detailed plan to terminate an employment contract before the

normal date. When benefits are paid in the form of an offer to encourage voluntary redundancy, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term benefits

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

EQUITY

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

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

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

PROVISIONS

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

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

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

CONTINGENT LIABILITIES

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

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS FOR LEGAL ENTITIES

Group contributions are recognised in the parent company in accordance with RFR 2's alternative rule, i.e. Group contributions paid or received are recognised as appropriations.

Shareholder contributions are recognised as an increase in the item 'Investments in Group companies'. In addition, a review is conducted as to whether an impairment loss on the value of the shares is necessary. This review complies with standard rules on the valuation of this asset item. Shareholder contributions received are recognised directly in non-restricted equity.

OTHER

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

NOTE 2. OPERATING SEGMENT REPORTING

2015	IGGESUND PAPERBOARD	HOLMEN PAPER	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP-WIDE AND OTHER	ELIMINATIONS	TOTAL GROUP
Net sales								
External	5 472	6 148	1 314	2 814	268	-3	-	16 014
Internal	-	-	-	2 667	91	-	-2 757	-
Other operating income	739	238	251	179	32	196	-434	1 203
Operating costs	-4 866	-6 312	-1 479	-4 992	-196	-219	3 191	-14 872
Depreciation and amortisation according to plan	-499	-588	-77	-29	-22	-25	-	-1 240
Impairment losses	-	-555	-	-	-	-	-	-555
Change in value of biological assets	-	-	-	267	-	-	-	267
Share of profits of associates	-	-45	-1	-	2	-3	-	-46
Operating profit/loss	847	-1 115	9	905	176	-53	-	769
<i>Operating profit/loss excluding items affecting comparability*</i>	<i>847</i>	<i>-74</i>	<i>9</i>	<i>905</i>	<i>176</i>	<i>-163</i>	<i>-</i>	<i>1 700</i>
Operating margin excluding items affecting comparability, %	15	-1	1	17	49	-	-	11
Return on operating capital excluding items affecting comparability, %	12	-2	1	5	5	-	-	5
Operating assets	7 409	4 459	1 081	18 790	3 462	254	-330	35 126
Operating liabilities	787	901	157	1 202	111	1 142	-330	3 971
Operating capital	6 622	3 558	924	17 589	3 351	-888	-	31 155
Investments	324	347	103	31	18	8	-	832

* Items affecting comparability relate to impairment loss on non-current assets, a provision for costs and the effects of a fire totalling SEK -931 million.

NON-CURRENT ASSETS PER COUNTRY	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Sweden	26 817	26 779	14 948	15 066
UK	2 044	2 021	-	-
Spain	648	1 410	-	-
Other	6	6	-	-
Total	29 515	30 216	14 948	15 066

NET SALES BY PRODUCT AREA	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Paperboard	5 248	4 890	3 340	3 076
Printing paper	5 956	6 079	5 925	6 053
Pulp	211	212	326	325
Sawn timber	1 311	1 352	1 313	1 352
Wood	2 812	2 957	2 806	2 940
Energy	268	320	268	320
Other	206	184	12	11
Total	16 014	15 994	13 989	14 077

NET SALES BY MARKET	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Sweden	3 598	3 822	3 575	3 802
UK	2 223	2 110	1 431	1 474
Germany	1 981	2 066	1 774	1 756
Spain	1 109	979	911	806
Italy	846	898	795	851
France	710	648	621	572
Netherlands	626	642	542	556
Rest of Europe	2 753	2 765	2 264	2 316
Rest of the world	2 167	2 063	2 076	1 944
Total	16 014	15 994	13 989	14 077

NOTE 2. OPERATING SEGMENT REPORTING

2014	IGGESUND PAPERBOARD	HOLMEN PAPER	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP-WIDE AND OTHER	ELIMINATIONS	TOTAL GROUP
Net sales								
External	5 113	6 247	1 352	2 957	320	4	-	15 994
Internal	-	-	-	2 683	69	-	-2 752	-
Other operating income	697	166	265	150	17	147	-421	1 021
Operating costs	-4 648	-5 677	-1 457	-5 228	-178	-276	3 173	-14 291
Depreciation and amortisation according to plan	-487	-584	-123	-29	-21	-21	-	-1 265
Impairment losses	-	-	-450	-	-	-	-	-450
Change in value of biological assets	-	-	-	282	-	-	-	282
Share of profits of associates	-	-12	-	-	5	-1	-	-7
Operating profit/loss	674	141	-413	817	212	-146	-	1 284
<i>Operating profit/loss excluding items affecting comparability*</i>	<i>674</i>	<i>141</i>	<i>37</i>	<i>817</i>	<i>212</i>	<i>-146</i>	<i>-</i>	<i>1 734</i>
Operating margin excluding items affecting comparability, %	13	2	3	14	54	-	-	11
Return on operating capital excluding items affecting comparability, %	10	3	3	5	6	-	-	5
Operating assets	7 521	5 634	1 040	18 580	3 493	294	-379	36 183
Operating liabilities	731	968	138	1 240	91	1 038	-379	3 829
Operating capital	6 790	4 666	901	17 340	3 401	-744	-	32 354
Investments	288	331	55	86	32	57	-	849

* Items affecting comparability refer to an impairment loss on non-current assets of SEK -450 million.

The Iggesund Paperboard business area produces paperboard for consumer packaging and graphical printing at one Swedish and one UK mill. The Holmen Paper business area manufactures printing paper for magazines, product catalogues, direct mail, books and daily newspapers at two mills in Sweden and one in Spain. Holmen Timber produces sawn timber at two Swedish sawmills. In 2015, the Group produced 0.5 million tonnes of paperboard, 1.3 million tonnes of printing paper and 0.7 million m³ of sawn timber.

Holmen Skog manages the Group's forests, which cover just over one million hectares. The normal annual volume of wood harvested in company forests is about 3.1 million m³sub. Holmen Energi is responsible for the Group's hydro and wind power assets and for developing the Group's operations in the energy sector. Production amounted to 1.4 TWh in 2015. Holmen Skog and Holmen Energi are also responsible for supplying the Group with wood and electricity, respectively, in Sweden.

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

Intra-Group sales between segments are founded on an internal market-based price. The 'Group-wide and other' segment comprises Group staffs and Group-wide functions that are not allocated to other segments. No profit items after operating profit/loss are allotted to the business areas.

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

NOTE 3. OTHER OPERATING INCOME

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Sales of by-products	358	394	194	262
Certificates, renewable energy	435	323	130	144
Emission allowances	48	53	44	44
Sales of non-current assets	37	13	28	317
Rent and land lease income	42	31	25	25
Silviculture contracts	67	71	67	71
Other	215	137	208	151
Total	1 203	1 021	696	1 013

Of the sales of by-products in the Group, SEK 123 million (161) relates to rejects from production, SEK 104 million (77) to sawdust, bark, chips etc., and SEK 130 million (156) to external sales of energy.

Income from renewable energy certificates received from the production of renewable energy at the Group's mills amounted to SEK 435 million (323).

The Group has been allotted emission allowances that have been used partly within its own production. The surplus resulted in a gain of SEK 48 million (53).

NOTE 4. EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR MANAGEMENT

WAGES, SALARIES AND SOCIAL SECURITY COSTS	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Wages, salaries and other remuneration	1 665	1 600	1 233	1 221
Social security costs	633	596	534	482

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

The 2015 AGM decided on the following guidelines for determining the salaries and other remuneration of the CEO and other senior management, namely the heads of the business areas and heads of Group staffs who report directly to the CEO.

Salary and other benefits

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

Pension

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

Notice and severance pay

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

Incentive scheme

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

Remuneration committee

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

Deviations in individual cases

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

REMUNERATION OF BOARD AND SENIOR MANAGEMENT**Board**

A fixed Board fee shall be paid to the members of the Board elected by the AGM. The CEO, however, does not receive any Board fee. For 2015, fees to the Board amounted to SEK 2 925 000 (2 600 000). The chairman received a fee of SEK 650 000 (650 000), and each of the other seven (six) members received SEK 325 000 (325 000).

Senior management

Salary and other benefits for the CEO in 2015 amounted to SEK 7 198 063 (9 925 651). The total pension cost for the CEO, calculated in accordance with IAS 19, amounted to SEK 3 616 009 (4 449 375). No variable remuneration was paid.

In 2015, the salaries and other benefits of other senior management, i.e. the heads of the four (five) business areas and the heads of the four (six) Group staffs who report directly to the CEO, totalled SEK 18 883 727 (26 947 050).

The total pension cost for this group, calculated in accordance with IAS 19, amounted to SEK 9 856 250 (12 821 925) in 2015. No variable remuneration was paid.

For senior management, employed from 2011, a mutual notice period of six months applies. In the event of notice being given by the company, deductible severance pay corresponding to 18 months' salary is paid. These terms apply to five people. For four senior management employment contracts, signed before 2011, the employee is required to give six months' notice and the company must give 12 months' notice. In the event of notice being given by the company, severance pay corresponding to between one and two years' salary is paid, depending on age.

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

Pension obligations in respect of the Board and senior management

Holmen's pension obligations over and above the ITP plan for the CEO amounted to SEK 9 million (8) at 31 December 2015 and for other members of senior management to SEK 24 million (45), calculated in accordance with IAS 19. The Group also has a SEK 7 million (7) obligation for one Board member, Göran Lundin, former CEO of Holmen. The pension obligations are secured using plan assets managed by an independent pension fund.

	AVERAGE NUMBER OF FULL-TIME EQUIVALENTS		AVERAGE NUMBER OF FULL-TIME EQUIVALENTS	
	OF WHICH WOMEN	OF WHICH WOMEN	OF WHICH WOMEN	OF WHICH WOMEN
	2015		2014	
Parent company				
Sweden	2 422	467	2 487	486
Spain	11	6	11	7
Group companies				
Estonia	8	2	9	3
France	13	5	11	5
Germany	20	10	20	8
Hong Kong	6	1	5	1
Italy	7	3	7	3
The Netherlands	104	37	94	32
Poland	7	4	7	5
Portugal	1	-	1	-
Russia	1	1	-	-
Singapore	6	3	5	3
Spain	268	50	278	50
Switzerland	3	1	5	1
UK	429	50	412	41
US	9	3	7	2
Total Group companies	882	170	861	153
Total Group	3 315	643	3 359	645

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

PROPORTION OF WOMEN, %	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Board (excl. deputy members)	17	18	17	18
Senior management	22	25	22	25
Other employees	19	19	19	19
Total	19	19	19	19

NOTE 5. AUDITORS' FEE AND REMUNERATION

The audit firm KPMG was elected by the 2015 Annual General Meeting as Holmen's auditors for a period of one year. KPMG audits Holmen AB and almost all of its subsidiaries.

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
REMUNERATION TO KPMG				
Audit assignments	6	7	4	4
Tax advice	3	1	1	1
Other services	0	0	-	0
Total	10	8	5	5
Other auditors	1	0	-	-
Total	11	9	5	5

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

NOTE 6. NET FINANCIAL ITEMS AND INCOME FROM FINANCIAL INSTRUMENTS

	GROUP		PARENT COMPANY			GROUP		PARENT COMPANY	
	2015	2014	2015	2014		2015	2014	2015	2014
FINANCE INCOME									
Dividend income from Group companies	-	-	8	546	Exchange gains/losses on trade receivables and trade payables	99	191	69	164
Net profit/loss					Net gain/loss on derivatives stated in working capital	-67	-116	-82	-81
Assets and liabilities measured at fair value through profit/loss for the year					Interest income on trade receivables	1	1	1	1
- Held for financial risk management*	-	-33	15	-33	Interest costs on trade payables	-1	-4	-1	-4
Cash and cash equivalents	-	-5	-	-5					
Other financial receivables	-	38	7	41					
Interest income	1	1	16	15					
Total finance income	1	1	46	565					
FINANCE COSTS									
Impairment losses on value of shares in Group companies	-	-	-126	-351					
Impairment losses on other shares and participating interests	-	-5	-	-					
Net profit/loss									
Assets and liabilities measured at fair value through profit/loss for the year									
- Held for financial risk management*	-10	-	-12	-67					
Cash and cash equivalents	5	-	5	-					
Other financial liabilities	3	0	3	-34					
Total net profit/loss	-2	-6	-130	-452					
Interest costs**	-89	-143	-79	-139					
Finance costs	-91	-149	-209	-591					
Net financial items	-90	-147	-163	-26					

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

** SEK -38 million (-27) in the Group refers to interest costs on derivatives measured at fair value through profit/loss for the year. Those in the parent company amounted to SEK -38 million (-27). Other interest income and interest costs are related to financial items not measured at fair value.

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

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

Information on financial risks is stated in the administration report on pages 42–45.

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

NOTE 7. TAX

TAXES STATED IN INCOME STATEMENT	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Current tax	-134	-485	-252	-403
Deferred tax	14	255	9	-80
Total	-120	-230	-244	-483

Tax recognised totalled SEK -120 million, corresponding to 18 per cent of profit before tax.

	GROUP				PARENT COMPANY			
	2015		2014		2015		2014	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit/loss before tax	679		1 137		982		2 353	
Tax at applicable rate	-149	22.0	-250	22.0	-216	22.0	-518	22.0
Difference in tax rate in foreign operations	4	-0.5	4	-0.4	0	0.0	0	0.0
Non-taxable income and non-deductible costs	-16	2.3	4	-0.3	-25	2.5	38	-1.6
Standard interest on tax allocation reserve	-3	0.4	-6	0.5	-3	0.3	-5	0.2
Effect of unstated loss carry-forwards and temporary differences	4	-0.6	22	-2.0	0	0.0	0	0.0
Tax attributable to previous periods	19	-2.8	-4	0.3	0	0.0	2	-0.1
Change to tax rate on deferred tax assets/liabilities	21	-3.1	0	0.0	0	0.0	0	0.0
Other	0	0.0	0	0.0	0	0.0	0	0.0
Effective tax	-120	17.7	-230	20.2	-244	24.8	-484	20.6

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	GROUP						PARENT COMPANY					
	BEFORE TAX		AFTER TAX		BEFORE TAX		AFTER TAX		BEFORE TAX		AFTER TAX	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cash flow hedging	-31	7	-24	-226	50	-177	-30	7	-23	-155	34	-121
Translation difference on foreign operations	8	-	8	355	-	355	-	-	-	-	-	-
Hedging of currency risk in foreign operations	22	-5	17	-101	22	-79	-	-	-	-	-	-
Revaluations of defined benefit pension plans	208	-43	165	-170	34	-137	-	-	-	-	-	-
Other comprehensive income	207	-41	166	-143	106	-37	-30	7	-23	-155	34	-121

TAXES AS STATED IN BALANCE SHEET

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Deferred tax asset	6	1	-	-
Current tax receivable	12	44	-	-
Total tax receivables	18	46	-	-

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
DEFERRED TAX LIABILITIES				
Non-current assets				
Biological assets*	3 788	3 718	634	632
Property, plant and equipment	1 363	1 361	-1	-2
Tax allocation reserve	438	512	-	-
Transactions subject to hedge accounting	-81	-74	-81	-74
Other, including deferred tax assets stated net among deferred tax liabilities	0	-38	17	29
Total deferred tax liabilities	5 508	5 480	569	585
Current tax liability	53	248	53	221
Total tax liabilities	5 561	5 728	622	806

* For the parent company this relates to forest land.

NOTE 7. TAXES, CONT.

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

	GROUP					PARENT COMPANY				
	OPENING 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	
2015										
Biological assets*	-3 718	-69	-	-	-3 788	-632	-2	-	-634	
Property, plant and equipment	-1 361	8	-	-10	-1 363	2	-1	-	1	
Pension provisions	77	-15	-43	4	22	-	-	-	-	
Tax allocation reserve	-512	74	-	-	-438	-	-	-	-	
Other	35	16	7	5	64	45	12	7	64	
Deferred net tax liability	- 5 479	14	-36	-1	-5 502	-585	9	7	-569	

	GROUP					PARENT COMPANY				
	OPENING BALANCE	STATED IN THE INCOME STATEMENT	STATED IN OTHER COMPREHENSIVE INCOME	TRANSLATION DIFFERENCES AND OTHER	CLOSING BALANCE	OPENING BALANCE	STATED IN THE INCOME STATEMENT	STATED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE	
2014										
Biological assets*	-3 654	-64	-	-	-3 718	-542	-90	-	-632	
Property, plant and equipment	-1 760	421	-	-22	-1 361	2	0	-	2	
Pension provisions	40	-2	34	7	77	-	-	-	-	
Tax allocation reserve	-389	-123	-	-	-512	-	-	-	-	
Other	-38	23	50	0	35	1	10	34	45	
Deferred net tax liability	-5 802	255	84	-15	-5 479	-538	-80	34	-585	

*For the parent company this relates to forest land.

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

For information concerning provisions for taxes see Note 18.

The deferred tax income recognised in the consolidated income statement relates primarily to a change in temporary differences. The amount recognised in other comprehensive income includes deferred tax related to changes of SEK 7 million (50) in hedging reserves and an impact of SEK -43 million (34) from the revaluation of defined benefit pension plans.

At year-end there were tax loss carry-forwards and temporary differences corresponding to approximately SEK 790 million in tax for which deferred tax assets have not been recognised in the income statement and balance sheet. Of these, SEK 460 million relate to loss carry-forwards, attributable to operations in Spain. There is no time limit on the use of these. The Group's assessment is that it is unlikely that these tax loss carry-forwards, for which a deferred tax receivable is not recognised, will be able to be used in respect of future profit within the foreseeable future.

NOTE 8. EARNINGS PER SHARE

	GROUP	
	2015	2014
Total number of shares outstanding, 1 January	83 996 162	83 996 162
Buy-back of company's own shares during the year	-	-
Total number of shares outstanding, 31 December	83 996 162	83 996 162
Shareholders' share of profit for the year, SEKm	559	907
Average number of shares	83 996 162	83 996 162
EPS for the year, SEK	6.7	10.8

In previous years 760 000 class B shares were repurchased, which corresponds to approximately 0.9 per cent of the total number of shares outstanding, and to approximately 0.3 per cent of the total number of votes.

NOTE 9. INTANGIBLE NON-CURRENT ASSETS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
ACCUMULATED ACQUISITION COST				
Opening balance	215	151	26	26
Investments	12	73	-	-
Disposal and retirement of assets	-1	-12	-	-
Translation differences	-1	3	-	-
Total	225	215	26	26
AMORTISATION AND IMPAIRMENT LOSSES, ACCUMULATED				
Opening balance	101	92	17	16
Amortisation for the year	19	18	1	1
Impairment losses for the year	-	-	-	-
Disposal and retirement of assets	-1	-12	-	-
Translation differences	-1	3	-	-
Total	118	101	18	17
Residual value according to plan at end of year	107	114	8	9

Intangible non-current assets mostly consist of IT systems of SEK 80 million (91). These assets were largely acquired from external sources. They have determinable useful lives and are amortised over 5–20 years. No goodwill applies for the Group.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

GROUP	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		WORK IN PROGRESS AND ADVANCE PAYMENTS TO SUPPLIERS		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Accumulated acquisition cost										
Opening balance	165	137	6 970	6 758	30 964	29 918	153	108	38 252	36 921
Investments	-	22	60	61	811	417	-17	62	854	561
Reclassifications	-	-	-	-	4	17	-4	-17	-	0
Disposal and retirement of assets	-	-	-5	-5	-526	-93	-3	-	-533	-98
Translation differences	2	7	-22	156	8	705	0	1	-13	868
Total	167	165	7 003	6 970	31 260	30 964	130	153	38 560	38 252
Amortisation and impairment losses, accumulated										
Opening balance	-	-	3 822	3 454	23 166	21 363	-	-	26 988	24 817
Depreciation and amortisation according to plan for the year	-	-	142	140	1 080	1 106	-	-	1 222	1 246
Impairment losses for the year	-	-	306	148	249	302	-	-	555	450
Disposal and retirement of assets	-	-	-4	-4	-477	-90	-	-	-481	-94
Translation differences	-	-	-19	84	-25	484	-	-	-45	569
Total	-	-	4 247	3 822	23 992	23 166	-	-	28 239	26 988
Residual value according to plan at end of year	167	165	2 756	3 148	7 268	7 798	130	153	10 321	11 265

PARENT COMPANY	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
Accumulated acquisition cost								
Opening balance	434	90	139	140	248	245	822	475
Investments	26	344	-	0	23	21	49	365
Reclassifications	-	-	-	-	-	-	-	-
Disposal and retirement of assets	0	0	0	-1	-39	-18	-39	-19
Total	461	434	139	139	232	248	832	822
Accumulated depreciation and amortisation according to plan								
Opening balance	-	-	128	127	184	175	312	302
Depreciation and amortisation according to plan for the year	-	-	1	1	24	25	25	26
Disposal and retirement of assets	-	-	0	0	-36	-16	-36	-17
Total	-	-	129	128	172	184	301	312
Accumulated revaluations								
Opening balance	2 401	2 415	1	1	-	-	2 402	2 416
Disposal and retirement of assets	-12	-14	-	-	-	-	-12	-14
Total	2 390	2 401	1	1	-	-	2 391	2 402
Residual value according to plan at end of year	2 850	2 835	11	12	60	65	2 922	2 912

The Group's impairment losses on property, plant and equipment are stated in the income statement in the line item 'Impairment losses'. The estimated recoverable amount for the Group's printing paper assets decreased in 2015 as a result of weak profitability in the production of standard newsprint, and at year-end it was less than the carrying amounts. This resulted in an impairment loss of SEK -555 million on property, plant and equipment. In 2014, impairment losses on property, plant and equipment of SEK -450 million were made in respect of the Group's sawmill assets.

The Group's investment commitments for approved and ongoing projects amounted to SEK 776 million (710) at 31 December 2015. In 2015, the company's capitalised borrowing costs totalled SEK 3 million (1). An interest rate of 1.8 per cent (2.5) was used to determine the amount.

In November 2015 a fire occurred at the pulp factory at Hallsta Paper Mill, causing a shutdown of production at the mill's two paper machines. One of the mill's paper machines, PM12, was able to be restarted after 12 days. The other paper machine, PM11, is expected to be restarted in March 2016 after reconstruction of those parts of the pulp factory that suffered fire damage. Those parts that suffered fire damage have been retired. The residual value according to plan for these assets was SEK 41 million. The cost of the reconstruction is being covered by insurance. Accumulated costs for reconstruction at year-end of SEK 50 million have been capitalised and the expected insurance compensation for this has been recognised as revenue. Most of the reconstruction work is expected to take place in 2016.

NOTE 11. BIOLOGICAL ASSETS

Forest assets are recognised in the consolidated accounts as growing forest, which is stated as a biological asset at fair value, and land, which is stated at cost. Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. Fair value measurement is based on measurement level 3. This calculation of cash flows is made for the coming 100 years, which is regarded as the harvesting cycle of the forests. The cash flows are calculated on the basis of harvesting volumes according to Holmen's current harvesting plan and assessments of future price and cost changes. The cost of re-planting has been taken into account, because re-planting after harvesting is a statutory obligation. The cash flows are discounted using an interest rate of 5.5 per cent.

In total, Holmen owns 1 042 000 hectares of productive forest land, with a volume of standing forest totalling 119 million m³ growing stock, solid over bark. According to the harvesting plan, valid from 2011, harvesting will amount to 3.1 million m³sub per year, of which 0.1 million m³sub will be biofuel in the form of branches and treetops. It is believed that this level will remain largely unchanged until 2030. Thereafter, harvesting is expected to increase gradually to over 4 million m³sub per year by 2110. Around 45 per cent of the wood harvested consists of pulpwood that is sold to the pulp and paper industry, 50 per cent is logs sold to sawmills and the remainder mainly consists of forest fuel.

The valuation is based on a long-term trend price that is adjusted upwards annually by 2 per cent inflation. The trend price for 2015 was SEK 435/m³sub, which is in line with the average for the past 10 years but slightly higher than prevailing market prices. The cost forecast is based on present-day levels and is adjusted upwardly by just over 2 per cent per year.

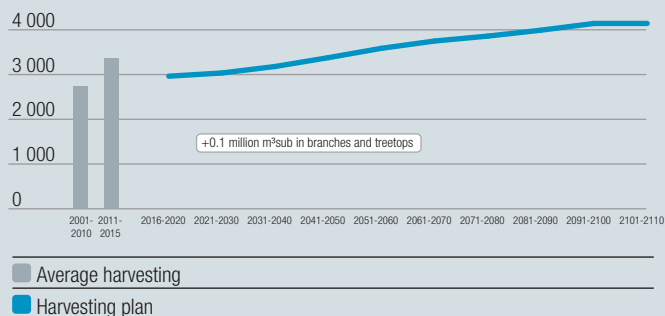
Holmen's forest holdings are reported at SEK 17 173 million (16 867) before tax. A deferred tax liability of SEK 3 788 million (3 718) is stated in relation to that figure. This represents the tax that is expected to be charged against the earnings from harvesting in the future. On that basis, the growing forest, net after tax, is stated at SEK 13 385 million (13 149).

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

GROUP	2015	2014
Carrying amount at start of year	16 867	16 517
Acquisition of growing forest	36	49
Sales of growing forest	-2	0
Growing forest assets received in exchange transactions	-	640
Growing forest assets provided in exchange transactions	-	-641
Change due to harvesting	-540	-471
Unrealised change in fair value	807	753
Other changes	5	20
Carrying amount at end of year	17 173	16 867

HARVESTING

'000 m³sub/year



The net effect of the change in fair value and the change as a result of harvesting is stated in the income statement as a change in value of biological assets. In 2015, this amounted to SEK 267 million (282). Forest assets received and provided for the comparative year relates to a property exchange with the Swedish Environmental Protection Agency. The exchange resulted in Holmen providing 10 000 hectares of land and receiving 18 000 hectares of land of equivalent value, based on external independent valuations.

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

Change in value

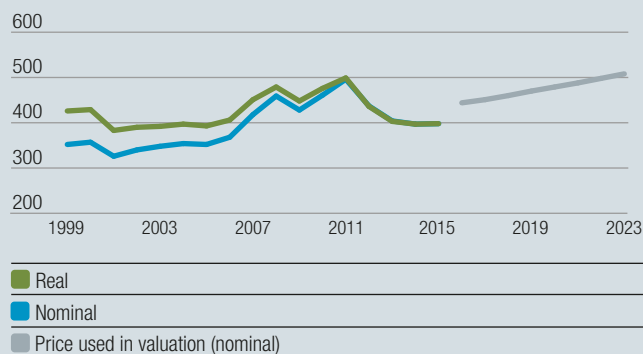
GROUP	BEFORE TAX	AFTER TAX
Annual change, 0.1% per year		
Harvesting rate	750	590
Price inflation	1 150	900
Cost inflation	-650	-510
Change in level, +1%		
Harvesting	250	200
Prices	380	300
Costs	-230	-180
Discount rate, 0.1%	-460	-360

Annual change refers to the annual rate of change used in the valuation of each parameter.

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

PRICES

SEK/m³sub



The Nominal price series shows the average selling price for Holmen. The Real series shows nominal prices recalculated at 2015 monetary value using historical Swedish CPI.

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

	GROUP		PARENT COMPANY			GROUP		PARENT COMPANY	
	2015	2014	2015	2014		2015	2014	2015	2014
ASSOCIATES					JOINT VENTURES				
Carrying amount at start of year	1 828	1 825	125	125	Carrying amount at start of year	142	136	82	82
Investments	-	17	-	-	Investments	-	-	-	-
Share of earnings	-46	-17	-	-	Share of earnings	-1	10	-	-
Dividends received	-	-2	-	-	Other	-	-3	-	-
Translation difference	-3	10	-	-	Carrying amount at end of year	141	142	82	82
Impairment losses	-7	-5	-	-					
Carrying amount at end of year	1 772	1 828	125	125					
					OTHER SHARES AND PARTICIPATING INTERESTS				
					Carrying amount at start of year	4	9	1	1
					Investments	-	-	-	-
					Disposals	0	-	0	-
					Translation difference	0	-	-	-
					Impairment losses	-	-5	-	-
					Carrying amount at end of year	4	4	1	1

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 electricity produced at cost price, so the associate only earns a very 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.

The holding in associate Harrsele AB is recognised in the Group at SEK 1 467 million. Holmen purchased 564 (426) GWh of electrical power from Harrsele AB in 2015, giving Holmen an operating profit of SEK 95 million (98) from market sale. Harrsele AB owns power assets that generate 950 GWh of electrical power in a normal year. These assets were originally constructed in 1957-58 and the carrying amount of the non-current assets in Harrsele AB amounts to SEK 115 million (119). The company has non-current liabilities to its owner of SEK 25 million (25).

Ownership in remaining associates relates to activities in the areas of logistics, sales, research and development, and recycling and management of recovered paper.

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

Ownership in the joint venture, Varsvik AB, relates to wind power operations.

The combined value of Holmen's share in the profits of associates amounted to SEK 10 million (-13) for the Group and to SEK 4 million (2) for the parent company.

The combined value of Holmen's share in the profits joint ventures amounted to SEK -3 million (3) for the Group and to SEK -3 million (3) for the parent company.

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

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF INVESTMENTS	INTEREST %*	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS		CARRYING AMOUNT AT PARENT COMPANY	INTEREST %*	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS		CARRYING AMOUNT AT PARENT COMPANY
					2015	2014			2015	2014	
ASSOCIATES											
Brännälvens Kraft AB	556017-6678	Arbrå	5 556	13.9	36	-	-	13.9	36	-	-
Gidekraft AB	556016-0953	Örnsköldsvik	990	9.9	0	0	0	9.9	0	0	0
Harrsele AB	556036-9398	Vännäs	9 886	49.4	1 467	-	-	49.4	1 469	-	-
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	21	2	2	36.0	21	2	2
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.8	75	75	75	6.8	75	75	75
VindIn AB	556713-5172	Stockholm	200	17.7	57	46	46	17.7	51	46	46
Melodea Ltd, Israel		Tel Aviv	119	42.4	2	-	-	37.6	12	-	-
Baluarde Sociedade de Recolha e Recuperação de Desperdícios, Lda, Portugal		Alcochete	2	50.0	37	-	-	50.0	37	-	-
SAS Saica Natur sud, France		Lorp-Sentaraille	678	24.0	20	-	-	24.0	19	-	-
Peninsular Cogeneración S.A., Spain		Madrid	4 500	50.0	55	-	-	50.0	105	-	-
Other associates					2	2	2		3		2
					1 772	125	125		1 828		125
JOINT VENTURES											
Varsvik AB	556914-9833	Stockholm	250	50.0	141	82	82	50.0	142	82	82
Total					1 914	208	208		1 970		208

* The percentage of ownership corresponds to the percentage of votes for the total number of shares.

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

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF INVEST- MENTS	INTEREST %*	VALUE OF HOLDING IN CONSO- LIDATED ACCOUNTS	CARRYING AMOUNT AT PARENT COMPANY	INTEREST %*	VALUE OF HOLDING IN CONSO- LIDATED ACCOUNTS	CARRYING AMOUNT AT PARENT COMPANY
					2015		2014		
Parent company									
Industrikraft i Sverige AB	556761-5371	Stockholm	100 000	20.0	0	0	20.0	0	0
Other shares owned by the parent company					1	1		1	1
Total					1	1		1	1
Group									
SweTree Technologies AB	556573-9587	Umeå	79 391	2.6	2	-	2.6	2	-
Other shares					0	-		0	-
Total					4	1		4	1

* The percentage of ownership corresponds to the percentage of votes for the total number of shares.

NOTE 13. FINANCIAL INSTRUMENTS

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

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

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

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

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

The maturity structure and average interest for the Group's liabilities are stated in the administration report on page 43. SEK 2 703 million of the parent company's liabilities are due for payment within one year. In addition to the financial assets and liabilities identified above, the pension liability (see Note 17) is also included in net financial debt.

All of the Group's derivatives are covered by ISDA or FEMA agreements, which entails a right for Holmen to offset assets and liabilities in relation to the same counterparty in the case of a credit event. Assets and liabilities are not offset in the report. Recognised derivatives totalled SEK 138 million (18) on the asset side and SEK -466 million (-433) on the liabilities side.

Items measured at fair value belong to measurement level 2 pursuant to IFRS 13. Fair value in the tables is calculated on the basis of discounted cash flows and all variables, such as discount rates and exchange rates, are taken from market listings for calculations. The difference between fair value and carrying amount arises because certain liabilities are not measured at fair value in the balance sheet, and are instead stated at their amortised cost. For loans recognised at amortised cost, fair value is calculated on the basis of discounted cash flows and belongs to measurement level 2. All variables are taken from market listings for calculations. The Group has no loans that are recognised at fair value in profit/loss. In the case of trade receivables, trade payables and other items not affected above, the carrying amount is stated as the fair value, as this is judged to be a good reflection of the fair value. Since it has not been possible to determine a reliable fair value for shares and interests, they have been excluded from the tables. For further information on financing, see the section on Risk, on page 44.

MATURITY STRUCTURE, UNDISCOUNTED AMOUNTS*

	2016	2017	2018	2019	2020-
FINANCIAL LIABILITIES					
Derivatives	-45	-27	-17	-11	-12
Other financial liabilities	-2 703	-1 421	-304	-502	-
FINANCIAL RECEIVABLES					
Derivatives	37	-	-	-	-
Other financial receivables	233	4	3	3	3

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

NOTE 13. FINANCIAL INSTRUMENTS, CONT.

Group	DERIVATIVES RECOGNISED AT FAIR VALUE THROUGH PROFIT/LOSS		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE-FOR- SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT														
NON-CURRENT RECEIVABLES														
Derivatives	0	-	-	-	-	-	-	-	-	-	0	-	0	-
Other financial receivables	-	-	-	-	43	40	-	-	-	-	43	40	43	40
	0	-	-	-	43	40	-	-	-	-	43	40	43	40
CURRENT FINANCIAL RECEIVABLES														
Accrued interest	-	-	-	-	0	0	-	-	-	-	0	0	-	0
Derivatives	37	5	-	-	-	-	-	-	-	-	37	5	37	5
Other financial receivables	-	-	-	-	24	17	-	-	-	-	24	17	24	17
	37	5	-	-	24	17	-	-	-	-	61	22	61	22
CASH AND CASH EQUIVALENTS														
Current deposit of cash and cash equivalents	-	-	-	-	0	11	-	-	-	-	0	11	0	11
Bank balances	-	-	-	-	221	176	-	-	-	-	221	176	221	176
	-	-	-	-	221	187	-	-	-	-	221	187	221	187
NON-CURRENT LIABILITIES														
MTN loans	-	-	-	-	-	-	-	-	-700	-1 200	-700	-1 200	-700	-1 200
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 500	-1 200	-1 500	-1 200	-1 500	-1 200
Derivatives	-	-	-83	-80	-	-	-	-	-	-	-83	-80	-83	-80
Other non-current liabilities	-	-	-	-	-	-	-	-	-13	-8	-13	-8	-13	-8
	-	-	-83	-80	-	-	-	-	-2 213	-2 408	-2 295	-2 488	-2 295	-2 488
CURRENT LIABILITIES														
Commercial paper programme	-	-	-	-	-	-	-	-	-2 144	-2 747	-2 144	-2 747	-2 144	-2 747
Bank account liabilities	-	-	-	-	-	-	-	-	-27	-94	-27	-94	-27	-94
Derivatives	-8	-11	-	-56	-	-	-	-	-	-	-8	-67	-8	-67
Accrued interest	-	-	-	-	-	-	-	-	-13	-18	-13	-18	-13	-18
MTN loans	-	-	-	-	-	-	-	-	-500	-331	-500	-331	-500	-338
Other current liabilities	-	-	-	-	-	-	-	-	-7	-11	-7	-11	-7	-11
	-8	-11	-	-56	-	-	-	-	-2 691	-3 201	-2 698	-3 269	-2 698	-3 275
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT														
Other shares and participating interests	-	-	-	-	-	-	4	4	-	-	4	4	-	-
Trade receivables	-	-	-	-	1 987	2 328	-	-	-	-	1 987	2 328	1 987	2 328
Derivatives (recognised among operating receivables)	11	3	89	10	-	-	-	-	-	-	100	13	100	13
Trade payables	-	-	-	-	-	-	-	-	-1 916	-1 882	-1 916	-1 882	-1 916	-1 882
Derivatives (recognised among operating liabilities)	-2	-38	-375	-247	-	-	-	-	-	-	-377	-286	-377	-286
Total financial instruments	39	-41	-368	-374	2 275	2 572	4	4	-6 820	-7 491	-4 871	-5 330	-4 875	-5 340

Parent company	DERIVATIVES RECOGNISED AT FAIR VALUE THROUGH PROFIT/LOSS		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE-FOR- SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT														
NON-CURRENT FINANCIAL RECEIV- ABLES														
Derivatives	0	-	-	-	-	-	-	-	-	-	0	-	0	-
Receivables from Group companies	-	-	-	-	3 119	3 234	-	-	-	-	3 119	3 234	3 119	3 234
Other financial receivables	-	-	-	-	95	96	-	-	-	-	95	96	95	96
	0	-	-	-	3 214	3 329	-	-	-	-	3 214	3 329	3 214	3 329
CURRENT FINANCIAL RECEIVABLES														
Accrued interest	-	-	-	-	0	0	-	-	-	-	0	0	0	0
Derivatives	37	5	-	-	-	-	-	-	-	-	37	5	37	5
Other financial receivables	-	-	-	-	24	17	-	-	-	-	24	17	24	17
	37	5	-	-	24	17	-	-	-	-	61	22	61	22
CASH AND CASH EQUIVALENTS														
Bank balances	-	-	-	-	155	115	-	-	-	-	155	115	155	115
	-	-	-	-	155	115	-	-	-	-	155	115	155	115
NON-CURRENT LIABILITIES														
MTN loans	-	-	-	-	-	-	-	-	-700	-1 200	-700	-1 200	-700	-1 200
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 500	-1 200	-1 500	-1 200	-1 500	-1 200
Liabilities to Group companies	-	-	-	-	-	-	-	-	-1 013	-418	-1 013	-418	-1 013	-418
Derivatives	-	-	-83	-80	-	-	-	-	-	-	-83	-80	-83	-80
	-	-	-83	-80	-	-	-	-	-3 213	-2 818	-3 295	-2 898	-3 295	-2 898
CURRENT LIABILITIES														
Commercial paper programme	-	-	-	-	-	-	-	-	-2 144	-2 747	-2 144	-2 747	-2 144	-2 747
Bank account liabilities	-	-	-	-	-	-	-	-	-27	-93	-27	-93	-27	-93
Derivatives	-8	-11	-	-56	-	-	-	-	-	-	-8	-67	-8	-67
Accrued interest	-	-	-	-	-	-	-	-	-13	-18	-13	-18	-13	-18
MTN loans	-	-	-	-	-	-	-	-	-500	-331	-500	-331	-500	-338
Other current liabilities	-	-	-	-	-	-	-	-	-6	-6	-6	-6	-6	-6
	-8	-11	-	-56	-	-	-	-	-2 690	-3 196	-2 698	-3 263	-2 698	-3 269
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT														
Other shares and participating interests	-	-	-	-	-	-	1	1	-	-	1	1	-	-
Trade receivables	-	-	-	-	1 645	1 921	-	-	-	-	1 645	1 921	1 645	1 921
Derivatives (recognised among operating receivables)	12	3	90	10	-	-	-	-	-	-	102	13	102	13
Trade payables	-	-	-	-	-	-	-	-	-1 845	-1 855	-1 845	-1 855	-1 845	-1 855
Derivatives (recognised among operating liabilities)	-3	-41	-376	-251	-	-	-	-	-	-	-379	-292	-379	-292
Total financial instruments	39	-44	-368	-377	5 039	5 382	1	1	-7 748	-7 868	-3 038	-2 906	-3 039	-2 913

NOTE 14. INVENTORIES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Raw materials and consumables	971	906	645	613
Logs and pulpwood	299	277	272	259
Finished products and work in progress	1 237	1 405	858	1 037
Felling rights	526	530	508	516
Electricity certificates and emission allowances	56	79	52	69
Total	3 089	3 198	2 336	2 494

During the year, impairment losses on inventories had a positive impact on earnings as a result of a reversal of previous years' impairment losses and amounted to SEK 18 million (2) for the Group and SEK 9 million (4) for the parent company.

NOTE 15. OPERATING RECEIVABLES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Trade receivables				
Group companies	-	-	83	80
Associates	52	65	51	61
Other	1 935	2 263	1 511	1 780
Total trade receivables	1 987	2 328	1 645	1 921
Current receivables				
Group companies	-	-	-	-
Associates	4	15	4	5
Other	219	167	191	126
Derivatives	100	13	102	13
Prepayments and accrued income	196	199	84	97
Total other operating receivables	519	394	381	241
Total operating receivables	2 505	2 721	2 026	2 162

Trade receivables are recognised at the amount expected to be received, based on an individual assessment of each customer. The Group's trade receivables mainly relate to European customers. Trade receivables denominated in foreign currencies were valued at the balance sheet date. The provision for anticipated credit losses on trade receivables stood at SEK 38 million (33) at 31 December 2015 and it has been recognised, net, together with trade receivables. During the year, the provision was changed by SEK -6 million (-7) as a result of actual credit losses, and by SEK 12 million (-8) as a result of changes in the provision for anticipated credit losses.

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

Customer credit risks related to the Group's customers are managed by the relevant business areas and are described in the administration report on page 44.

NOTE 16. EQUITY, PARENT COMPANY

SHARE CAPITAL	31 DEC 2015		
	NUMBER	QUOTIENT VALUE	SEKm
Registered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total no. of shares	84 756 162		4 237.8
Repurchased class B shares	-760 000		
Total number of shares outstanding	83 996 162		

SHARE CAPITAL	31 DEC 2014		
	NUMBER	QUOTIENT VALUE	SEKm
Registered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total no. of shares	84 756 162		4 237.8
Repurchased class B shares	-760 000		
Total number of shares outstanding	83 996 162		

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

At 31 December 2015 the Group's own shareholding was 760 000 shares (760 000). None of the Group's own shares were sold during the year.

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK -330 million (-421) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK -330 million (-415) on equity.

Holmen's profitability target is a return that is consistently above the market-based cost of capital. Decisions on ordinary dividends are based on an appraisal of the Group's profitability, future investment plans and financial position. The aim is to have a robust financial position with a debt/equity ratio at a maximum of 0.5.

The Board proposes that the AGM, to be held on 13 April 2016, approve a dividend of SEK 10.5 per share. The proposed dividend totals SEK 882 million.

For the previous year, the dividend paid was SEK 10 per share (SEK 840 million).

The debt/equity ratio was 0.23 (0.28).

Neither the parent company nor any of the subsidiaries are subject to external capital requirements. For further details about the Group's capital management and risk management, see the administration report on pages 42–45.

NOTE 17. PENSION PROVISIONS

Holmen has a defined benefit pension plan for some salaried employees in Sweden that provides benefits based on final salary and period of employment. Most of these commitments 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 10 of the Swedish Financial Reporting Board as a defined contribution plan. The defined benefit obligations over and above the ITP plan for Group management are secured by means of a pension fund. Occupational pensions for collective agreement workers in Sweden are defined contribution plans. Defined benefit plans in the UK have been closed to new pension accruals since 2015. These obligations are recognised in the consolidated accounts as defined benefit plans in accordance with IAS 19.

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
COST RECOGNISED IN PROFIT/LOSS FOR THE YEAR				
Defined benefit plans				
Personnel costs	-23	-24	-12	9
Finance costs	-12	-5	1	3
Curtailment gain	36	-	-	-
Total defined benefit plans stated in profit/loss for the year	2	-29	-10	11
Defined contribution plans				
Personnel costs	-129	-119	-110	-107
Total recognised in profit/loss for the year	-127	-148	-120	-96

	2015	2014
COST RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Return on plan assets excl. recognised interest income	-43	84
Actuarial gains and losses from changes in demographic assumptions	45	3
Actuarial gains and losses from changes in financial assumptions	47	-272
Actuarial gains and losses from experiential adjustments	157	12
Payroll tax	2	3
Total recognised in other comprehensive income	208	-170

The change in the defined benefit obligations and the change in plan assets are specified in the table below. Some 90 per cent of the obligations relate to the pension plans in the UK. The obligations arising out of the pension schemes in the UK are placed in trusts. These are governed by a board consisting of representatives from Holmen and the beneficiaries. Holmen's UK subsidiary has a commitment to cover the deficit that exists over a period of time as established between the trust and the company in consultation with its actuary. This period is currently 4 years and is subject to review every 3 years.

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
OBLIGATIONS				
Obligations at 1 January	-2 565	-2 016	-159	-183
Current service cost	-23	-24	-9	-5
Payroll tax	3	-2	-	-
Interest costs	-93	-89	-1	3
Actuarial gains/losses	249	-258	-	-
Contribution by plan participants	-3	-5	-	-
Benefits paid	101	93	17	27
Transferred from provisions	-1	-1	-1	-1
Settlements	36	-	-	-
Exchange differences	-79	-265	-	-
Obligations at 31 December	-2 374	-2 565	-153	-159

Of the Group's total obligations, SEK 14 million (22) refers to those that are not funded, while the rest are wholly or partially funded obligations. Of the parent company's obligations, SEK 5 million (11) are secured under the Swedish Pension Obligations Vesting Act.

The weighted average duration is 18 years.

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
PLAN ASSETS				
Fair value of assets at 1 January	2 165	1 777	148	144
Interest income	82	84	-	-
Expected return excl. recognised interest income	-43	84	-	-
Real return (parent company)	-	-	3	14
Administration fees	-4	-4	-	-
Contribution by employer	65	62	-	-
Contribution by plan participants	3	5	-	-
Benefits paid	-84	-75	-3	-10
Exchange differences	59	232	-	-
Fair value of assets at 31 December	2 244	2 165	148	148
Pension provisions, net	-130	-400	-5	-11

Plan assets by type are as shown below:

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
PLAN ASSETS				
Share	1 127	1 075	57	58
Bonds	1 101	1 080	90	86
Current fixed income investments	17	10	1	4
Total	2 244	2 165	148	148

The plan assets do not include any financial instruments issued by Group companies or assets used by the Group. Of shares, 51 per cent relate to the UK, 46 per cent to the rest of Europe and the US and 4 per cent to the rest of the world. Of bonds, 42 per cent relate to government bonds and 58 per cent to corporate bonds.

	31 Dec 2015		31 Dec 2014	
KEY ACTUARIAL ASSUMPTIONS, GROUP (WEIGHTED AVERAGE), %				
Discount rate		3.7		3.6
Rate of salary increase		3.0		3.7
Rate of price inflation		2.9		2.9

The discount rate for pension obligations was established on the basis of high-quality corporate bonds. A discount rate of 1.9 per cent (2.6) and salary levels at the balance sheet date were used for calculating the amount of the parent company's pension obligation.

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

	31 Dec 2015	31 Dec 2014
SENSITIVITY ANALYSIS		
Discount rate (+ 0.5%)	-188	-221
Rate of salary increase (+ 0.5%)	2	38
Rate of price inflation (+ 0.5%)	164	195
Mortality (+ 1 year in life expectancy)	72	77

The Group's payments into the funded defined benefit plans in 2016 are expected to amount to SEK 58 million.

Multi-employer plans

The year's premiums for pension insurance policies taken out with Alecta's ITP 2 plan amounted to SEK 33 million (30) and are included among personnel costs in the income statement. Holmen's share of the total number of active members in the plan amounted to 0.16 per cent, which corresponds to 815 active members. Premiums to Alecta are expected to amount to SEK 32 million in 2016. Alecta's surplus can be allocated to policyholders and/or the persons insured. At the end of 2015, Alecta's collective consolidation level was 153 per cent (144).

NOTE 18. OTHER PROVISIONS

GROUP	PROVISIONS FOR TAXES		OTHER PROVISIONS		TOTAL	
	2015	2014	2015	2014	2015	2014
Carrying amount at start of year	140	155	463	461	603	616
Provisions during the year	-	-	410	30	410	30
Utilised during the year	-	-	-59	-29	-59	-29
Unutilised amount reversed during the year	-95	-15	-117	-	-212	-15
Translation differences	0	0	0	0	0	0
Carrying amount at end of year	45	140	697	463	742	603
Of which non-current portion of the provisions	45	140	540	393	585	533
Of which current portion of the provisions	-	-	157	69	157	69
PARENT COMPANY						
Carrying amount at start of year	45	45	630	651	676	696
Provisions during the year	-	-	524	127	524	127
Utilised during the year	-	-	-147	-148	-147	-148
Unutilised amount reversed during the year	-	-	-115	-	-115	-
Carrying amount at end of year	45	45	892	630	937	676
Of which non-current portion of the provisions	45	45	608	466	653	511
Of which current portion of the provisions	-	-	284	164	284	164

Other provisions relate to obligations to restore the environment, corporate tax risks and onerous contracts, as well as personnel and restructuring costs.

The change for the year mainly relates to a provision for electricity supply agreements at fixed prices that make the production of standard newsprint unprofitable.

NOTE 19. OPERATING LIABILITIES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Trade payables				
Group companies	-	-	265	320
Associates	14	32	-	-
Other	1 903	1 850	1 579	1 535
Total trade payables	1 916	1 882	1 845	1 855
Current liabilities				
Group companies	-	-	0	0
Associates	7	9	7	9
Other	199	136	165	109
Derivatives	377	286	379	292
Accruals and deferred income	676	665	441	466
Total other operating liabilities	1 259	1 096	993	875
Total operating liabilities	3 176	2 978	2 837	2 730

All trade payables are due for payment within one year.

Accruals and deferred income in the parent company principally consist of personnel costs of SEK 195 million (200), discounts of SEK 48 million (36) and goods delivered but not yet invoiced of SEK 38 million (76). Of these amounts, SEK 1 million relates to associates.

Fair values of derivatives essentially relate to the hedging of future cash flows. See Note 13.

NOTE 20. OPERATING LEASES

In 2015, the Group's lease payments amounted to SEK 70 million (67), and the parent company's to SEK 37 million (37). The Group's leases mainly relate to trucks, cars and rental agreements. No new leases of any significance for the business were entered into during the 2015 financial year. No leased equipment was subleased.

The breakdown of future lease payments is as follows:

	GROUP			PARENT COMPANY		
	2016	2017 –2021	2022–	2016	2017 –2021	2022–
Future lease payments	51	64	4	29	35	1
Present value of future lease payments	51	64	4	29	35	1

The contracts have remaining durations ranging from 1 to 10 years. The Group's future lease payments for existing lease agreements amounted to SEK 137 million at the end of the previous year. Those in the parent company amounted to SEK 77 million.

Apart from lease agreements, Holmen has two time charter contracts in respect of ships that are used to distribute the company's products. These two agreements were extended in 2015 and have a remaining duration of two years from 1 January 2016.

NOTE 21. COLLATERAL AND CONTINGENT LIABILITIES

GROUP	PROPERTY	OTHER	TOTAL	TOTAL
	MORTGAGES	COLLATERAL	COLLATERAL	COLLATERAL
			2015	2014
For own liabilities	-	-	-	-
Financial liabilities	6	141	148	149
Total	6	141	148	149
PARENT COMPANY				
For own liabilities	-	-	-	-
Financial liabilities	6	141	148	149
Total	6	141	148	149

The holding in a jointly owned company, Varsvik AB, is pledged and amounted to SEK 141 million (142) at the end of the year.

CONTINGENT LIABILITIES	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Surety on behalf of Group companies	-	-	34	29
Other contingent liabilities	122	118	55	65
Total	122	118	89	95

On the basis of the Swedish Environmental Code, the Swedish environmental authorities may raise the issue of soil tests and site restoration at discontinued units. Responsibility for remediation measures is determined case by case, often using a reasonableness assessment. Holmen has environmentally related contingent liabilities that cannot currently be quantified but that could result in future costs. Other contingent liabilities for the Group largely comprise ongoing legal processes and guarantee undertakings for third parties. The Spanish competition authority has carried out an extensive investigation into the country's waste and recycling industry, and in January 2015 ordered a very large number of companies to pay an anticompetitive practice penalty. Holmen's Spanish subsidiary is among these companies and has been ordered to pay EUR 4.8 million. Holmen's Spanish subsidiary has appealed the decision. This event is recognised as a contingent liability as it is deemed highly likely that the appeal will be upheld.

NOTE 22. RELATED PARTIES

Of the parent company's net sales of SEK 13 989 million (14 077), 0.8 (0.8) per cent relates to deliveries to Group companies. The parent company's purchases from Group companies amounted to SEK 1 630 million (1 604).

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

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

Holmen Paper AB has contractually committed to purchase products on a continuous basis from Holmen Paper Madrid SL at a price calculated at production cost plus tied-up capital, for onward sale to end-customers. The aim is to optimise the newsprint business. Holmen Paper AB's purchases from Holmen Paper Madrid SL in 2015 amounted to SEK 1 510 million (1 355). As Holmen Paper AB is acting on a commissioned basis for Holmen AB, these transactions are accounted for via Holmen AB.

L E Lundbergföretagen AB is a large shareholder in Holmen (see page 55). 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 2015, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 650 000 as Board chairman of Holmen.

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

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

Transactions with related parties

GROUP	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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Associates	208	283	242	200	0	3	91	118	89	119
Joint ventures	-	4	-	-	0	0	-	-	12	8
PARENT COMPANY										
Subsidiaries	115	113	1 630	1 604	18	555	1 280	744	3 203	3 314
Associates	208	283	112	115	0	0	77	79	88	98
Joint ventures	-	4	-	-	0	4	-	-	68	63

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

NOTE 23. INVESTMENTS IN GROUP COMPANIES

ACCUMULATED ACQUISITION COST	PARENT COMPANY		ACCUMULATED IMPAIRMENT LOSSES	PARENT COMPANY	
	2015	2014		2015	2014
Carrying amount at start of year	17 141	17 144	Carrying amount at start of year	5 204	4 853
Shareholder's contribution	0	-4	Impairment losses for the year	126	351
Sales	-	0	Closing balance at 31 December	5 330	5 204
Closing balance at 31 December	17 141	17 141	Carrying amount at end of year	11 810	11 936

The parent company's impairment losses on investments in Group companies are stated in the income statement in the line item for 'Profit/loss from investments in Group companies' and relate in 2015 to holdings in Spain and the Netherlands.

Parent company's direct holdings of investments in subsidiaries

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF INVESTMENTS	INTEREST %*	CARRYING AMOUNT IN THE PARENT COMPANY	INTEREST %*	CARRYING AMOUNT IN THE PARENT COMPANY
					2015		2014
Iggesund Paperboard AB	556088-5294	Hudiksvall	1 000	100	0	100	0
Holmen Paper AB	556005-6383	Norrköping	100	100	0	100	0
Holmen Timber AB	556099-0672	Hudiksvall	1 000	100	0	100	0
Holmen Skog AB	556220-0658	Örnsköldsvik	1 000	100	0	100	0
Holmen Energi AB	556524-8456	Örnsköldsvik	1 000	100	0	100	0
Holmens Bruk AB	556537-4286	Stockholm	1 000	100	8 868	100	8 868
Holmen Holding AB	516406-0062	Stockholm	10 000	100	45	100	45
MoDo Capital AB	556499-1668	Stockholm	1 000	100	72	100	72
Holmen Energi Elnät AB	556878-3905	Örnsköldsvik	500	100	0	100	0
Stavro Vind AB	556953-6153	Stockholm	500	100	7	100	7
Other Swedish Group companies					1		1
Total Swedish holdings					8 993		8 993
Holmen France S.A.S., France		Paris	10 000	100	0	100	0
Holmen UK Ltd, UK		Workington	1 197 100	100	1 519	100	1 519
Holmen Paper Ltd**		London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd**		Workington	-	100	-	100	-
Holmen GmbH, Germany		Hamburg	-	100	1	100	1
Holmen Suecia Holding S.L., Spain		Madrid	9 448 557	100	1 270	100	1 381
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	100	4
Holmen B.V., Netherlands		Amsterdam	35	100	9	100	24
AS Holmen Mets, Estonia		Tallinn	500	100	-	100	-
Iggesund Paperboard Inc, US		Lyndhurst	1 000	100	7	100	7
Iggesund Paperboard Asia (HK) Ltd, China		Hong Kong	4 000 000	100	5	100	5
Other non-Swedish Group companies					2		1
Total non-Swedish holdings					2 817		2 943
Total					11 810		11 936

* The percentage of ownership corresponds to the percentage of votes for the total number of shares. ** Indirect holdings.

NOTE 24. UNTAXED RESERVES

ACCUMULATED DEPRECIATION AND AMORTISATION IN EXCESS OF PLAN	PARENT COMPANY		
	31 Dec 2015	APPROPRIATIONS	31 Dec 2014
Intangible non-current assets	1	0	1
Property, plant and equipment	4	2	2
Total	4	2	3
TAX ALLOCATION RESERVE			
Assessment of tax 2010	-	-707	707
Assessment of tax 2011	170		170
Assessment of tax 2012	560		560
Assessment of tax 2013	0		0
Assessment of tax 2014	280		280
Assessment of tax 2015	610		610
Assessment of tax 2016	370	370	-
Total	1 990	-337	2 327
Total	1 994	-335	2 330

Group contributions received amounted to SEK 493 million (1 777) and Group contributions paid amounted to SEK 7 million (0). Total appropriations of profit amounted to SEK 821 million.

NOTE 25. CASH FLOW STATEMENT

INTEREST PAID AND DIVIDENDS RECEIVED	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Dividends received	0	0	8	546
Interest received	1	1	35	15
Interest paid	-70	-130	-72	-127
Total	-70	-129	-30	433

CHANGE IN CURRENT LIABILITIES

The change in current liabilities mostly relates to borrowing within the Group's commercial paper programme. In 2015, a number of different short-term loans totalling SEK 8 737 million (9 435) were raised within the Group's commercial paper programme, and SEK 9 339 million (10 071) was repaid. For a specification of cash and cash equivalents, see Note 13.

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

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

BIOLOGICAL ASSETS

Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. The most material estimates made relate to how much harvesting can be increased in the future, what changes there will be in pulpwood and log prices, how high inflation will be, and what discount rate is used. Note 11 provides a sensitivity analysis for the valuation of changes in these estimates. The carrying amount of biological assets at 31 December 2015 was SEK 17 173 million and the attributable deferred tax liability was SEK 3 788 million, giving a net value of SEK 13 385 million.

TAX

At year-end the Group had tax-related loss carry-forwards and temporary differences of some SEK 790 million not stated in the consolidated accounts based on the premise that utilisation must be likely. The Group's assessment is that it is unlikely that these tax loss carry-forwards, for which a deferred tax receivable is not recognised, will be able to be used in respect of future profit within the foreseeable future.

PENSIONS

The Group's provision for pensions amounts to SEK 130 million on the basis of defined benefit pension obligations valued at SEK 2 374 million and plan assets of SEK 2 244 million provided to cover them. The value of pension obligations is estimated on the basis of assumptions regarding discount rates, inflation, future pay increases, and demographic factors. These assumptions are normally updated each year, which has an effect on the size of the recognised pension liability and equity as well as the coming year's recognised pension cost. See Note 17.

ENVIRONMENT

Provisions to cover environment-related measures associated with former activities have been made based on estimated future site restoration costs and the proportion that Holmen is required to cover. See Note 18. Moreover it is judged that the company has a responsibility for environmental measures that cannot at present be quantified but that could involve costs in the future. See Note 21.

IMPAIRMENT TESTING

Impairment testing is performed annually. This resulted in an impairment loss of SEK 555 million on property, plant and equipment in 2015. The impairment loss relates to the Group's printing paper business and is based on an assessment of the recoverable amount in line with applicable market conditions. Changes in conditions may have an effect on the estimated recoverable amount applied in connection with future impairment tests.

PROPOSED APPROPRIATION OF PROFITS

	SEK
The following earnings of the parent company are at the disposal of the Annual General Meeting:	
Net profit for the 2015 financial year	738 283 128
Retained earnings	3 697 626 034
	4 435 909 162
The Board of Directors proposes that a dividend of SEK 10.5 per share (83 996 162 shares) be paid to the shareholders	881 959 701
and that the remaining amount be carried forward	3 553 949 461

The Board of Holmen AB has proposed that the 2016 Annual General Meeting resolve in favour of paying a dividend of SEK 10.5 per share – SEK 0.5 per share higher than the preceding year – totalling SEK 882 million. The proposal complies with the Board's policy, in that decisions on dividends are to be based on an appraisal of the Group's profitability, future investment plans and financial position.

The proposed dividend corresponds to 158 per cent of net profit for 2015 for the Group and means that 4.2 per cent of equity in the Group at 31 December 2015 will be paid out by way of dividend.

The Board has established that the Group should have a strong financial position with a debt/equity ratio – defined as net financial debt in relation to equity – at a maximum of 0.5. The debt/equity ratio at 31 December 2015 was 0.23. Payment of the proposed dividend would raise the debt/equity ratio by around 0.05.

Holmen AB's equity at 31 December 2015 amounted to SEK 10 351 million, of which non-restricted equity was SEK 4 436 million. Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK -330 million on equity. The Group's equity at 31 December 2015 amounted to SEK 20 853 million. In accordance 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 accounts were prepared in accordance with generally accepted accounting principles in Sweden and the Group's consolidated accounts were prepared in accordance with the international accounting standards referred to in the European Parliament's and Council's regulation (EG) No. 1606/2002 of 19 July 2002 concerning the application of international accounting standards. The annual report and the Group's consolidated accounts provide a true and fair view 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 view 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 accounts and the Group's consolidated accounts were approved for publication by the Board in its decision of 22 February 2016. The Group's consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting to be held on 13 April 2016.

Stockholm, 22 February 2016

Fredrik Lundberg
Chairman

Lars G Josefsson
Board member

Ulf Lundahl
Board member

Carl Bennet
Board member

Carl Kempe
Deputy chairman

Göran Lundin
Board member

Steeve Björklundh
Board member

Louise Lindh
Board member

Henriette Zeuchner
Board member

Kenneth Johansson
Board member

Tommy Åsenbrygg
Board member

Henrik Sjölund
Board member and
Chief executive officer

Our audit report was submitted on 24 February 2016.

KPMG AB

Joakim Thilstedt
Authorised public accountant

AUDIT REPORT

To the annual meeting of the shareholders of Holmen Aktiebolag (publ), corp. ID no. 556001-3301

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Holmen Aktiebolag (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4–88.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The

consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Holmen Aktiebolag (publ) for the year 2015.

Responsibilities of the Board of Directors and the CEO

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, 24 February 2016
KPMG AB

Joakim Thilstedt

Authorised public accountant

AUDIT OF SUSTAINABILITY REPORT

Holmen's Sustainability Report, as defined on page 3 of Holmen's Annual Report 2015, has been subject to a limited review in accordance with RevR 6 Assurance of Sustainability Reports, issued by FAR.

A complete assurance report on the Sustainability Report is available on the Holmen website. The assurance report contains the following conclusion:

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 24 February 2016
KPMG AB

Joakim Thilstedt
Authorised public accountant

Jenny Fransson
Expert member of FAR

FIVE-YEAR REVIEW, SUSTAINABILITY

The environmental and employee data provided is the most relevant information with regard to regulatory requirements and internal monitoring. The key performance indicators provided are widely used in the industry.

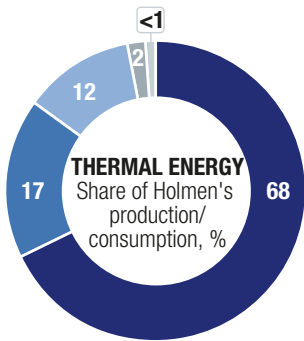
Data from all parts of the Group is collected, quality-assured and evaluated. No material changes have been made to the principles of reporting in comparison with 2014.

Holmen reports its environmental data to the supervisory authorities monthly and annually. Reporting to Swedish authorities is made available to the public under the principle of public access to documents. Data from all the mills is reported to the EU annually. Expenditure on environmental protection is reported in accordance with guidelines from Statistics Sweden.

As some of the details provided in this report had already been collected by the end of the year they refer to, they might differ slightly from the information finally reported to the authorities.

PRODUCTION AND ENVIRONMENT	2015	2014	2013	2012	2011
<i>INTERNAL SUPPLY OF RAW MATERIALS</i>					
Harvesting in own forests, '000 m ³ sub	3 213	3 297	3 465	3 211	2 988
<i>PRODUCTION, '000 TONNES</i>					
Paperboard	502	500	478	492	480
Market pulp	56	67	50	35	42
Printing paper	1 287	1 325	1 545	1 658	1 673
Sawn timber, '000 m ³	734	742	710	651	560
<i>RAW MATERIALS, '000 TONNES</i>					
Wood, million m ³ sub ¹⁾	5.10	5.16	5.25	5.19	4.94
Recovered fibre	394	439	543	630	683
Purchased pulp	79	75	99	108	118
Thermal energy, GWh	6 288	6 230 ²⁾	6 451	5 833	5 602
Electrical energy, GWh	3 994	4 067	4 420	4 603	4 588
Water use, million m ³	69	74	77	77	82
Plastic granules/foiling material	2.5	2.1	2.6	2.3	2.1
Chemicals ³⁾	138	146	146	145	140
Filler, pigment ³⁾	146	147	178	175	177
<i>THERMAL ENERGY, GWh</i>					
Production at mills from recovered liquors, bark and wood residues	4 289	4 532	4 156	2 880	2 874
Recovered in the TMP process ⁴⁾	1 083	1 068	1 117	1 171	1 201
Natural gas, oil and purchased ⁵⁾	916	630 ²⁾	1 178	1 783	1 527
<i>ELECTRICAL ENERGY, GWh</i>					
Company hydro power	1 302	1 048	1 008	1 343	1 230
Company wind power	138	65	33	10	5
Production at mills	781	740	769	563	440
Purchased, (net) ⁶⁾	1 773	2 214	2 610	2 687	2 913
<i>EMISSIONS TO AIR, TONNES</i>					
Sulphur dioxide (counted as sulphur, S)	52	57	91	116	132
Nitrogen oxides	891	1 181	1 557	1 664	1 468
Particulates	48	29	52	84	120
Fossil carbon dioxide, '000 tonnes	180	126	254	330	259
Biogenic carbon dioxide, '000 tonnes	1 441	1 551	1 449	1 064	1 073
<i>EMISSIONS TO WATER, TONNES</i>					
COD (organic matter), '000 tonnes	21.0	20.4	20.4	18.9	19.8
Suspended solids, '000 tonnes	3.3	3.6	4.3	3.2	3.7
AOX (chlorinated organic matter)	56.7	54.3	46.5	47.7	54.3
Nitrogen	226	203	215	242	250
Phosphorus	19.0	19.0	15.0	15.7	15.7
<i>BY-PRODUCTS, '000 TONNES</i>					
To energy production, internally/externally	823	824 ²⁾	885	865	747
Tall oil ⁷⁾	11.9	13.2	13.0	12.3	8.4
<i>WASTE, '000 TONNES</i>					
Utilised or for recovering ⁸⁾	303	296	367	380	398
Hazardous ⁹⁾	1.8	1.6	2.4	2.4	2.0
Sent to landfill (wet)	13	5.6	12	16	18
<i>ENERGY SUPPLIES</i>					
Branches, treetops and peat, GWh ¹⁰⁾	230	275	294	297	305
Electrical and thermal energy, GWh ¹¹⁾	348	305	199	202	182

- 1) At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the sawmills to the nearby mills.
- 2) Figure adjusted.
- 3) 100 per cent active substance. Total quantity of commodities was 213 000 tonnes for chemicals and 204 000 tonnes for filler and pigment.
- 4) Thermal energy is produced from the electricity used in the production of thermo-mechanical pulp at Braviken Paper Mill and Hallsta Paper Mill; this is recovered and used in production.
- 5) The reporting includes data for gas consumption and associated emissions linked to Holmen's share of electricity production at the half-owned cogeneration (COGEN) plant at Holmen Paper Madrid. The data also includes natural gas and oil used at the mills.
- 6) In 2015, emissions of fossil carbon dioxide from production of purchased electrical energy (net) totalled around 60 tonnes. Calculated for emissions from the operation of Vattenfall's power plant for electricity production during the year. Corresponding emissions for the operation of Holmen's power plants totalled around 120 tonnes.
- 7) For delivery to the chemical industry.
- 8) By-products used, for example, as filling material, construction material or for the production of soil products.
- 9) Hazardous waste is dealt with by authorised collection and recovery contractors. Certain fractions of the waste are recovered. Oil-containing waste from docking ships is dealt with at port facilities at three Holmen mills. Such waste is included in the figures for hazardous waste. The volume of this waste in 2015 totalled 631 tonnes.
- 10) Branches, treetops and peat delivered from Holmen's land to external energy producers.
- 11) For 2015; 125 GWh electrical energy, supplied from the mill in Workington to the local community, 5 GWh electrical energy from Holmen Paper Madrid to the COGEN cogeneration plant. 201 GWh thermal energy from Iggesund Mill and Braviken Paper Mill to Iggesund Sawmill and Braviken Sawmill, 17 GWh thermal energy from Hallsta Paper Mill and Iggesund Mill to the district heating network of the local communities.



Biofuel	68%
Recovered thermal energy	17%
Natural gas	12%
Oil, LPG	2%
Purchased thermal energy	<1%

1) The high costs stated for 2011–2014 mainly consist of environmentally related elements of the implementation of biofuel boilers within Iggesund Paperboard and the wind farm at Varsvik, Norrtälje, Sweden.

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

3) Includes costs of environmental personnel, operation of treatment equipment, waste management, management systems, environmental training, applications for permits, environmental consultants and the costs of inquiries and measures in connection with discontinued operations.

4) The environmental cost of forestry is calculated as the value of the wood that is not harvested for environmental reasons. Holmen sets aside 11 per cent of its productive forest for environmental reasons and thus refrains from harvesting around 11 per cent of the potential volume. The annual loss of income is estimated at around SEK 101 million.

5) Relates to permanent employees.

6) Relates to permanent and temporary employees.

ELECTRICAL ENERGY	2015	2014	2013	2012	2011
<i>HOLMEN'S PRODUCTION RELATIVE TO TOTAL CONSUMPTION, %</i>					
Company hydro power/wind power	36	27	24	30	27
Electricity production at the mills	20	18	17	12	10
Purchased electricity (net)	44	55	59	58	63

THERMAL ENERGY	2015	2014	2013	2012	2011
<i>SHARE OF HOLMEN'S PRODUCTION/CONSUMPTION, %</i>					
Biofuel	68	73	64	49	51
Recovered thermal energy	17	17	17	20	21
Natural gas	12	8	12	18	12
Oil, LPG	2	2	6	9	8
Purchased thermal energy	<1	<1	<1	4	8

ENVIRONMENTAL PROTECTION EXPENDITURE	2015	2014	2013	2012	2011
<i>SEK m</i>					
Investments (remedial and preventive)	12	26	122	60	91
Electricity and heat-saving investments	18 ¹⁾	320	300	576	211
Environmental taxes and charges ²⁾	12	10	14	22	23
Internal and external environmental costs ³⁾	208	169	178	196	202
Environmental cost of forestry ⁴⁾	101	70	84	93	90

PERSONNEL	2015	2014	2013	2012	2011
<i>EMPLOYEES</i>					
Average number	3 315	3 359	3 718	3 945	4 041
of whom women, %	19.4	19.2	19.3	19.3	19.2
of whom temporary employees, %	9.0	7.9	7.7	6.9	6.6
Average age ⁵⁾	46.8	46.8	46.8	45.9	46.1

<i>SICKNESS ABSENCE⁶⁾, %</i>	2015	2014	2013	2012	2011
Total	4.2	3.9	3.6	3.4	3.5
of which longer than 60 days	1.8	1.7	1.3	1.1	1.2
Good health index (proportion of employees with no sick leave during the year)	48	50	47	48	48

<i>GENDER EQUALITY⁵⁾, %</i>	2015	2014	2013	2012	2011
Women managers out of total number of managers	20.5	20.9	20.3	20.3	19.1
Women joining the company out of total new employees	24	31	37	24	26

<i>PERSONNEL TURNOVER⁵⁾, %</i>	2015	2014	2013	2012	2011
Personnel turnover	7.6	7.2	11.5	8.5	8.9
of which given notice	2.8	2.0	6.2	2.7	3.5
of which retiring	2.4	2.2	1.7	2.6	1.9
of which leaving at own request	2.5	3.0	3.6	2.9	3.5
New employees	5.3	5.1	3.4	3.6	4.4

<i>NUMBER OF INDUSTRIAL ACCIDENTS</i>	2015	2014	2013	2012	2011
Industrial accidents, more than 8 hours of absence, per million hours worked	8.8	6.5	8.4	11.6	11.3

<i>UNION COOPERATION⁶⁾, %</i>	2015	2014	2013	2012	2011
Percentage of units covered by collective bargaining agreements	97	97	98	95	96
Rate of union membership	68	70	72	72	71

TEN-YEAR REVIEW, FINANCE

SEKm	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
INCOME STATEMENT										
Net sales	16 014	15 994	16 231	17 852	18 656	17 581	18 071	19 334	19 159	18 592
Operating costs	-13 294	-13 270	-13 919	-15 224	-15 501	-15 077	-15 191	-16 614	-15 637	-15 069
Profit from investments in associates and joint ventures	7	-7	3	47	84	28	45	50	12	11
Depreciation and amortisation according to plan	-1 240	-1 265	-1 370	-1 313	-1 260	-1 251	-1 320	-1 343	-1 337	-1 346
Change in value of forests	267	282	264	350	-	52	16	-16	89	115
Operating profit/loss excl. items affecting comparability	1 700	1 734	1 209	1 713	1 980	1 332	1 620	1 412	2 286	2 303
Items affecting comparability	-931	-450	-140	-193	3 593	264	-	-361	557	-
Operating profit/loss	769	1 284	1 069	1 520	5 573	1 596	1 620	1 051	2 843	2 303
Net financial items	-90	-147	-198	-227	-244	-208	-255	-311	-261	-247
Profit/loss before tax	679	1 137	871	1 294	5 328	1 388	1 366	740	2 582	2 056
Tax	-120	-230	-160	559	-1 374	-684	-360	-98	-1 077	-597
Profit/loss for the year	559	907	711	1 853	3 955	704	1 006	642	1 505	1 459
Diluted earnings per share, SEK	6.7	10.8	8.5	22.1	47.1	8.4	12.0	7.6	17.8	17.2
NET SALES										
Iggesund Paperboard	5 472	5 113	4 618	4 967	5 109	4 849	5 023	4 860	5 100	5 240
Holmen Paper	6 148	6 247	7 148	8 144	8 631	8 142	9 303	10 443	10 345	10 140
Holmen Timber	1 314	1 352	1 175	1 129	875	586	553	499	589	465
Holmen Skog	5 481	5 641	5 694	6 061	6 348	5 585	4 799	5 443	4 775	4 042
Holmen Energi	359	389	450	522	552	626	527	434	377	289
Elimination of intra-group net sales	-2 760	-2 748	-2 853	-2 972	-2 858	-2 207	-2 135	-2 345	-2 026	-1 584
Group	16 014	15 994	16 231	17 852	18 656	17 581	18 071	19 334	19 159	18 592
OPERATING PROFIT/LOSS										
Iggesund Paperboard	847	674	433	596	863	817	419	320	599	752
Holmen Paper	-74	141	-309	94	228	-618	340	280	623	754
Holmen Timber	9	37	-75	-130	-136	20	21	13	146	80
Holmen Skog	905	817	924	931	739	818	605	632	702	643
Holmen Energi	176	212	371	355	406	495	414	327	272	197
Group-wide costs and eliminations	-163	-146	-136	-132	-120	-200	-178	-159	-56	-123
Group	1 700	1 734	1 209	1 713	1 980	1 332	1 620	1 412	2 286	2 303
Items affecting comparability	-931	-450	-140	-193	3 593	264	-	-361	557	-
Group	769	1 284	1 069	1 520	5 573	1 596	1 620	1 051	2 843	2 303
CASH FLOW										
Profit/loss before tax	679	1 137	871	1 294	5 328	1 388	1 366	740	2 582	2 056
Adjustment items	1 802	1 448	1 056	1 057	-2 561	811	1 163	1 797	629	1 225
Income tax paid	-398	-191	210	-434	-557	-704	-334	-192	-390	-664
Changes in working capital	443	-217	-127	338	-109	28	678	-686	-345	-259
Cash flow from operating activities	2 526	2 176	2 011	2 254	2 101	1 523	2 873	1 660	2 476	2 358
Cash flow from investing activities	-832	-834	-869	-1 920	-1 733	-1 597	-818	-1 124	-1 315	-947
Cash flow after investments	1 694	1 342	1 142	334	368	-74	2 054	536	1 161	1 411
Share buy-backs	-	-	-	-	-	-	-	-138	-	-
Dividend paid	-840	-756	-756	-672	-588	-588	-756	-1 017	-1 017	-932

* Excl. items affecting comparability:

Year 2015: Impairment loss on non-current assets, provision for costs and the effects of a fire totalling SEK -931 million.

2014: Impairment loss on non-current assets of SEK -450 million.

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

2012: Impairment loss on non-current assets and restructuring costs of SEK -193 million.

2011: Revaluation of forest of SEK 3 593 million.

2010: Impairment losses on non-current assets and restructuring costs of SEK -786 million and revaluation of forest amounting to SEK 1 050 million.

2008: Impairment loss on non-current assets, restructuring costs and the effects of a fire totalling SEK -361 million.

2007: Impairment of goodwill and non-current assets of SEK -1 543 million and revaluation of forest amounting to SEK 2 100 million.

For a ten-year review of data per share, see page 54.

SEKm	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
BALANCE SHEET										
Non-current assets	29 524	30 221	30 652	30 664	30 335	26 028	25 694	26 507	26 153	25 354
Current assets	5 607	5 964	5 774	6 005	6 642	6 950	6 075	7 268	6 549	6 138
Financial receivables	104	62	52	69	128	262	225	175	147	165
Cash and cash equivalents	221	187	275	308	112	193	182	653	394	484
Total assets	35 456	36 434	36 753	37 046	37 217	33 432	32 176	34 602	33 243	32 141
Equity	20 853	20 969	20 854	20 813	19 773	16 913	16 504	15 641	16 932	16 636
Deferred tax liability	5 508	5 480	5 804	5 504	6 630	5 910	5 045	4 819	5 482	5 030
Financial liabilities and interest-bearing provisions	5 124	6 156	6 443	6 967	6 499	6 227	6 091	8 332	6 518	6 634
Operating liabilities	3 971	3 829	3 653	3 762	4 313	4 383	4 536	5 809	4 311	3 841
Total equity and liabilities	35 456	36 434	36 753	37 046	37 217	33 432	32 176	34 602	33 243	32 141
OPERATING CAPITAL										
Iggesund Paperboard	6 622	6 790	6 863	6 177	5 041	4 313	4 114	4 254	4 180	3 935
Holmen Paper	3 558	4 666	4 810	5 608	6 606	6 954	8 789	10 237	9 971	11 541
Holmen Timber	924	901	1 361	1 416	1 507	1 192	396	366	345	208
Holmen Skog	17 589	17 340	16 813	16 663	16 278	12 597	11 384	11 415	11 264	9 001
Holmen Energi	3 351	3 401	3 357	3 261	3 253	3 235	3 207	3 006	2 960	2 965
Group-wide and other	-888	-744	-433	-220	-217	93	-963	-1 654	-630	-354
Operating capital	31 155	32 354	32 772	32 905	32 469	28 385	26 929	27 623	28 090	27 297
Deferred tax liability, net	-5 502	-5 478	-5 802	-5 502	-6 436	-5 700	-4 741	-4 477	-5 181	-4 676
Capital employed	25 653	26 876	26 970	27 403	26 032	22 684	22 188	23 146	22 909	22 621
KEY FIGURES										
OPERATING MARGIN, %*										
Iggesund Paperboard	15	13	9	12	17	17	8	7	12	14
Holmen Paper	-1	2	-4	1	3	-8	4	3	6	7
Holmen Timber	1	3	-6	-12	-16	4	4	3	24	17
Group	11	11	7	10	11	8	9	7	12	12
RETURN ON OPERATING CAPITAL, %*										
Iggesund Paperboard	12	10	7	10	19	20	10	8	15	19
Holmen Paper	neg	3	neg	2	3	neg	4	3	5	6
Holmen Timber	1	3	neg	neg	neg	3	6	4	64	38
Holmen Skog	5	5	6	6	6	7	5	6	8	7
Holmen Energi	5	6	11	11	13	15	13	11	9	7
Group	5	5	4	5	7	5	6	5	8	8
KEY FIGURES										
Return on capital employed, %*	6	6	4	7	9	6	7	6	10	10
Return on equity, %	3	4	3	9	23	4	6	4	9	9
Debt/equity ratio	0.23	0.28	0.29	0.32	0.32	0.34	0.34	0.48	0.35	0.36
DELIVERIES										
Paperboard, '000 tonnes	499	493	469	485	474	464	477	494	516	536
Printing paper, '000 tonnes	1 325	1 305	1 574	1 651	1 668	1 732	1 745	2 044	2 025	2 021
Sawn timber, '000 m ³	730	725	686	660	487	285	313	266	262	248
Harvesting in own forests, '000 m ³	3 213	3 297	3 465	3 211	2 988	2 999	2 897	2 649	2 575	2 618
Own production of hydro and wind power, GWh	1 441	1 113	1 041	1 353	1 235	1 149	1 090	1 128	1 193	934

DEFINITIONS AND GLOSSARY

DEFINITIONS

Capital employed

Total assets, less financial receivables, cash and cash equivalents, the net amount of deferred tax assets and tax liabilities, operating liabilities, tax provision and other provisions. 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 total equity.

Earnings per share

Profit/loss for the year divided by the weighted average number of shares outstanding, adjusted for buy-back of shares, if any, during the year. Diluted EPS means that any diluting effect from outstanding call options has been taken into account.

EBITDA

Earnings before interest, taxes, depreciation, amortisation and change in value of forests, excl. items affecting comparability.

Equity/assets ratio

Equity 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.

Operating capital

Total assets, less financial receivables, cash and cash equivalents, deferred tax assets, operating liabilities, tax provision and other provisions. Average values are calculated on the basis of quarterly data.

Operating margin

Operating profit/loss (excl. items affecting comparability) expressed as a percentage of net sales.

Operating profit/loss

Profit before net financial items and tax.

Return on capital employed

Operating profit/loss (excl. items affecting comparability) expressed as a percentage of average capital employed.

Return on equity

Profit for the year expressed as a percentage of average equity, calculated on the basis of quarterly data.

Return on operating capital

Operating profit/loss (excl. items affecting comparability) expressed as a percentage of average operating capital.

GLOSSARY

Bio co-location

A co-location of different operations for more efficient use of raw materials and energy, amongst other benefits.

Biofuel

Renewable fuels (such as wood, black liquor, bark and tall oil). Fuels that do not generate any net emission of carbon dioxide into the atmosphere, since the quantity of carbon dioxide formed during combustion is part of the carbon cycle.

Bulk

Bulk is a measure of the volume of the paper. Paper with the same basis weight may have a different thickness, depending on the bulk of the paper. A high bulk indicates a thick but relatively lightweight paper.

Carbon dioxide (CO₂)

Carbon is the building block of life and is part of all living things. Biogenic carbon dioxide is released when biological material decays or wood is burned. Fossil carbon dioxide is released when coal, oil or natural gas is burned.

COD

Chemical Oxygen Demand. A measure of the amount of oxygen needed for the complete decomposition of organic material in water.

DIP

De-inked pulp. Pulp manufactured from de-inked recovered paper.

FBB

Folding Box Board. Multi-layered paperboard made from mechanical and chemical pulp.

Fillers

Fillers, such as ground marble and kaolin clay, are used to give the paper bulk and make it more uniform in structure and brighter.

Fossil fuels

Fuels based on carbon and hydrogen compounds from sediment or sedimentary bedrock – mainly coal, oil and natural gas.

FSC®

Forest Stewardship Council®. FSC® promotes management of the world's forests in a way that is acceptable from three perspectives: environmentally, socially and economically.

GRI

Global Reporting Initiative. International cooperation body, in which many different groups of stakeholders in society have drawn up global guidelines for how companies are to report on activities encompassed by the umbrella term of sustainable development.

Groundwood pulp

Mechanical pulp produced by grinding wood against a grindstone.

IPPC

Integrated Pollution Prevention and Control. EU environmental legislation about integrated, individual testing and supervision of major industrial companies.

ISO 50001

An international energy management systems standard that provides a framework for energy efficiency measures.

ISO 9001

An international standard for quality management systems. Primarily aimed at companies and organisations that wish to improve two aspects of their operations, i.e. to ensure more satisfied customers and lower costs.

ISO 14001

An international standard for environmental management. Important principles in ISO 14001 include regular environmental audits and a gradual increase in the requirements.

LWC

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

LWU

Lightweight uncoated, wood-containing magazine paper. Used primarily for magazines, supplements, catalogues and direct mail.

m³ growing stock, solid over bark

Cubic metre growing stock, solid over bark. The volume of tree stems, incl. bark, from stump to top. Generally used as a measure for growing forest.

m³sub

Cubic metre solid volume under bark. The actual volume (no gaps between the logs) of whole stems or stemwood excl. bark and treetops. Generally used as a measure for harvested wood.

MWC

Medium-weight coated wood-containing paper. Used for magazines, catalogues and direct mail.

Nitrogen (N)

An element contained in wood. Nitrogen emissions to water may cause eutrophication.

Nitrogen oxides (NO_x)

Gases that consist of nitrogen and oxygen that are formed in combustion. In moist air, nitrogen oxides are converted into nitric acid, which creates acid rain. Nitrogen oxides also have a fertilising effect.

OHSAS 18001

A series of international standards regarding a management system for health and safety. The management system includes monitoring, evaluating and reporting on health and safety work.

Particulates

Particles of ash formed in incineration of bark or liquor, for example.

PEFC™

The Programme for the Endorsement of Forest Certification is an international forest standard.

Phosphorus (P)

An element contained in wood. Excessive phosphorus in the water may cause over-fertilisation (eutrophication) and oxygen consumption.

RMP

Refiner mechanical pulp. Pulp produced through refining wood chips, with or without chemical or thermal treatment.

SBB

Solid Bleached Board. Multi-layer paperboard made from bleached chemical pulp.

SC paper

Uncoated, super calendered paper with high gloss surface. Used for magazines, catalogues and direct mail.

Suspended solids

Waterborne substances consisting of fibres and particles that can largely be removed using a fine mesh filter.

Sulphate pulp

Chemical pulp that is produced by boiling wood under high pressure and at a high temperature together with white liquor (sodium hydroxide and sodium sulphide).

Sulphur dioxide (SO₂)

A gas consisting of sulphur and oxygen that is formed in combustion of sulphur-containing fuels, such as oil. In contact with moist air, sulphur dioxide is converted into nitric acid, which creates acid rain.

Tall oil

By-product of the sulphate pulp process used for making soft soap, paints, biodiesel and other products.

TMP

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

INFORMATION

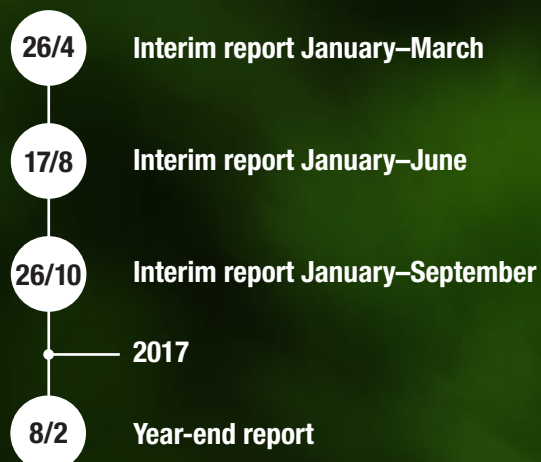
The interim and year-end reports are presented at press and teleconferences in English. The conferences can also be accessed live on Holmen's website. The annual report, together with year-end and interim reports, is published in Swedish and English and the reports are sent automatically to the shareholders who have indicated their wish to receive them. They are also available on the website www.holmen.com

How to order printed material:

- www.holmen.com
- Holmen AB,
Group Communications,
P.O. Box 5407, SE-114 84 Stockholm, Sweden
- e-mail info@holmen.com
- telephone +46 8 666 21 00

CALENDAR

For 2016 Holmen will publish the following financial reports:



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

Layout: BYN Kommunikationsbyrå AB.

Graphic production: Gylling Produktion AB.

Photos: Ulla-Carin Ekblom, Cecilia Möller, Rolf Lavergren, Lasse Hejdenberg and others.

Print: Åtta.45

HOLMEN

Holmen AB (publ)

P.O. Box 5407, SE-114 84 STOCKHOLM, SWEDEN

Tel +46 8 666 21 00

E-mail info@holmen.com • www.holmen.com

ID no. 556001-3301 • Registered office Stockholm

100% Holmen-produced

This entire annual report is made using Holmen's own products. The cover is printed on **Invercote Creato**, manufactured at Iggesund Mill. This is a paperboard with high whiteness and a smooth, matt surface. Both sides are fully coated. The paperboard is built up in several layers, making it ideal for graphical products where the focus is on designing and embossing the surface for first-class results. The insert is printed on **Holmen TRND**, which is manufactured at Hallsta Paper Mill. This is an uncoated, matt magazine paper that offers a wide range of options in terms of bulk, grammage and shade. Both Holmen TRND and Invercote Creato are made from fresh fibre.