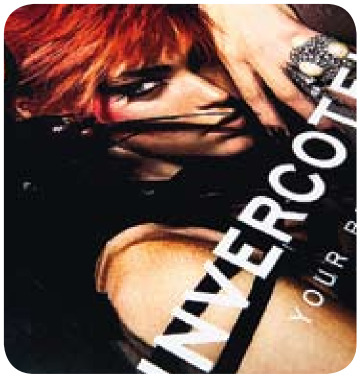
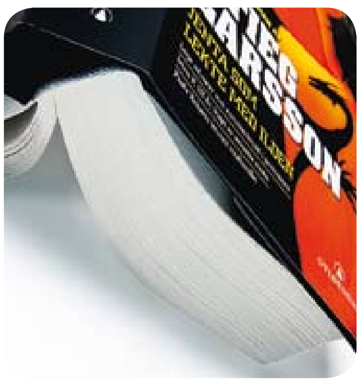
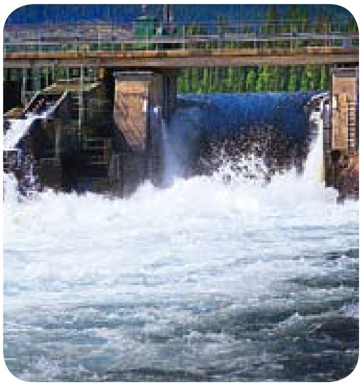
HOLMEN





HOLMEN
1609–2009 400

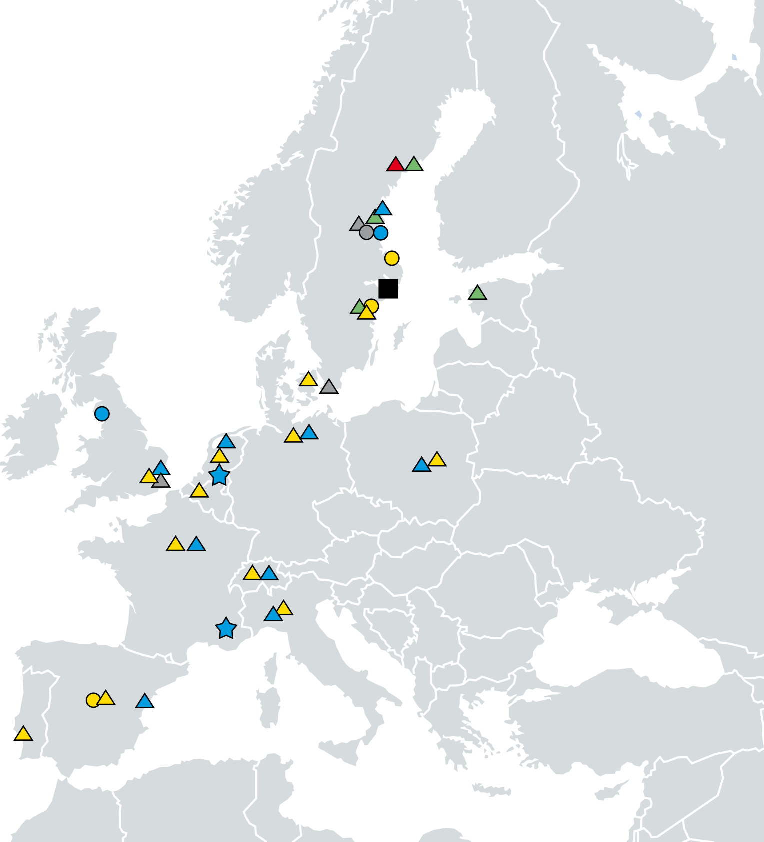
Annual Report 2008



Contents

Holmen is celebrating its 400th anniversary in 2009. The cover shows the document signed by King Karl IX of Sweden that confirmed Johan, Duke of Östergötland's, charter to establish an arms factory on the Kvarnholmen island in Norrköping in 1609.

Holmen in brief



Looking forward

In 2009 Holmen celebrates its 400th anniversary. It all began in 1609 when Johan, Duke of Östergötland (son of Johan III of Sweden) established an arms factory on Kvarnholmen (an island) in the very heart of Norrköping. This is where the name Holmen comes from. Iggesund's origin also date back to the 17th century. The Östanå Paper Mill was the first industrial facility in the region. In addition to printing paper and paperboard, sawn timber, forestry and energy are becoming increasingly important lines of business in the modern Holmen Group. More attention is also being given to Holmen's role in society, to the climate and the environment, and to sustainable development.

Holmen is a forest products group manufacturing and selling printing paper, paperboard and sawn timber. The Group also owns forest and power assets. The net turnover in 2008 amounted to MSEK 19 334 and the number of employees was about 4 800. Holmen is a public company whose Series "A" and Series "B" shares are listed on the Nasdaq OMX Nordic, Large Cap.

Main market is Europe Europe is by far the largest of Holmen's markets, accounting for around 90 per cent of its turnover. The largest individual markets are Great Britain, Germany, Spain and Sweden. Around two-thirds of printing paper sales go to European newspaper publishers. Most of the paperboard sales go to British and German packaging converters.The Scandinavian countries, Great Britain, North Africa and the Middle East are the main markets for sawn timber.

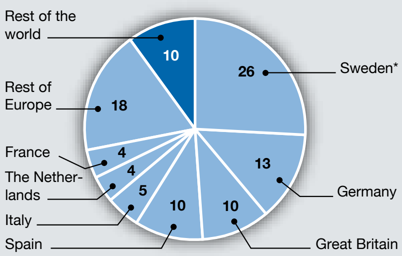
Production in three countries

Holmen manufactures printing paper in Sweden and Spain. Paperboard is produced in Sweden and England. Three of the five production units, along with the forest and power assets, and the sawmill are located in Sweden. Eight of the twelve paper and board machines are also in Sweden. Around 3 500 of the 4 800 employees are employed in Sweden. The value of invoice sales to customers outside Sweden accounts for three-quarters of total turnover.

2.5 million tonnes of paper and paperboard

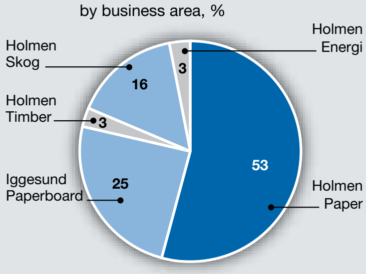
Holmen has the capacity to manufacture a total of some 2.5 million tonnes of printing paper and paperboard each year. With its capacity to produce 1 940 000 tonnes of printing paper per year, Holmen is Europe's fifth largest manufacturer. In the case of virgin fibre board, Holmen, with its annual capacity of 590 000 tonnes, is Europe's third largest producer. Holmen has the capacity to produce 340 000 cubic metres of sawn timber per year.

Net turnover
by market, %

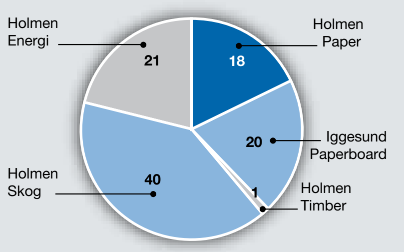


Europe 90 %   *Of which forest and power 16 %

Net turnover
by business area, %



Operating profit by business area, excluding items affecting comparabilty, %



Raw material-oriented business areas

Holmen Skog

Operations: Responsibility for supply of wood to the Group's Swedish units and management of company forests, wood trading

Land holdings:1 263 000 hectares, of which 1 033 000 hectares of productive forestland

Timber volume: 118 million cubic metres.

Holmen Energi

Operations: Responsibility for coordination of the Group's energy issues, for supply of energy to the Group's Swedish units and for management of the Group's hydro power stations

Number of wholly and partly owned hydro power stations: 23

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

Product-oriented business areas

Holmen Paper

Products: White and coloured newsprint, directory, book and magazine paper

Customers: Daily newspaper and magazine publishers, directory publishers and printers

Mills: Hallsta, Braviken and Madrid

Production capacity/year: 1 940 000 tonnes

Number of machines: 8.

Iggesund Paperboard

Products: Solid bleached board and folding boxboard for packaging and graphical applications

Customers: Converters of paperboard for packaging, printers and merchants

Mills: Iggesunds Bruk and Workington

Production capacity/year: 590 000 tonnes

Number of machines: 4.

Holmen Timber

Products: Redwood sawn timber

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

Mill: Iggesund Sawmill

Production capacity/year: 340 000 cubic metres

Saw line: 1.

Products and markets

The paper is used for newspapers, magazines, directories, direct advertising and books.

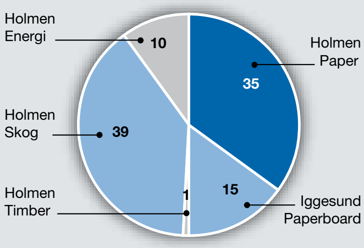
The paperboard is used in consumer packaging and for graphic purposes.

The sawn timber is used in the manufacture of windows, floors, doors, furniture etc.

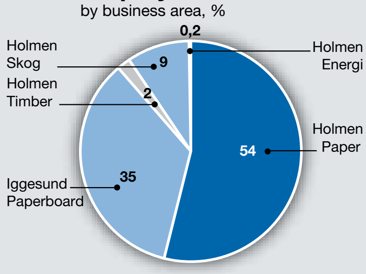
The raw material-oriented business areas – Holmen Skog and Holmen Energi – supply wood and electricity respectively to the product-oriented business areas – Holmen Paper, Iggesund Paperboard and Holmen Timber. The diagram shows how the products are produced and in what connections consumers see or use them.

- Together, Holmen Paper and Iggesund Paperboard account for 80 per cent of Holmen Group's net turnover.
- The degree of self-sufficiency in wood is around 55 per cent.
- The degree of self-sufficiency in electricity is around 30 per cent.

Operating capital
by business area, %



Employees
by business area, %



Holmen in your everyday life

Holmen Paper's white printing paper is used for daily newspapers, weekly and monthly magazines, supplements, direct advertising, books and catalogues. Business and sporting newspapers, for example, are printed on coloured paper.

Packaging for tobacco, perfume, medical products, chocolates and food, where the demands of high quality print are particularly rigorous, is produced from paperboard made by Iggesund, which is also used for CD sleeves and printed matter.

Holmen's sawn timber is used by joinery industries, planing mills and other converters to manufacture floors, stairs, doors, windows and furniture.

The year in brief

- The demand for newsprint in Europe declined in 2008. However, the balance between supply and demand was relatively stable due to significant reductions in capacity. Demand for virgin fibre board also declined but it was possible to raise prices during the second half of the year. The sawn timber market was weak owing to the downturn in the building sector.
- The Swedish forest industry's demand for wood continued at a high level and wood prices reached new highs during the year. Production of hydro power was slightly higher than normal.
- The operating profit excluding items affecting comparability fell from MSEK 2 286 to MSEK 1 412 as a result of lower newsprint and sawn timber prices as well as the higher cost of wood and other input goods.
- Holmen Paper closed down capacity and carried out an efficiency programme as a means of adjustment to a changing printing paper market. At the Hallsta Paper Mill extensive personnel cutbacks were made and the mill's oldest paper machine and its recovered paper line ceased production. In Madrid some production was converted from newsprint to coated printing paper. Production at the Wargön Mill ceased in December as a result of a long period with inadequate profitability.
- During the summer Iggesund Paperboard launched its new generation of Invercote solid bleached board.
- A new energy-efficient unit for pulp supply (TMP-B) was brought into production at the Braviken Paper Mill.
- The planning of the new sawmill at the Braviken Paper Mill in Norrköping continued during the year. The sawmill is expected to come into production by the end of 2010.

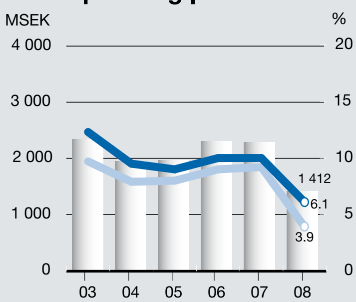
TMP-B

Facts

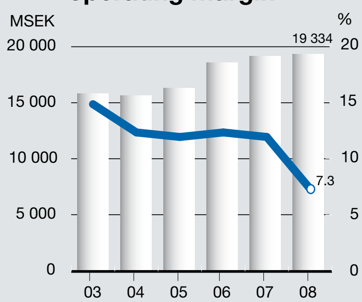
Facts	2008	2007
Net turnover, MSEK	**19 334**	19 159
Operating profit, MSEK	**1 051**	2 843
Operating profit excl. items affecting comparability, MSEK	**1 412**	2 286
Profit for the year, MSEK	**642**	1 505
Earnings per share, SEK	**7.6**	17.8
Dividend per share, SEK	**9** *	12
Return on capital employed, %**	**6.1**	10.0
Return on equity, %	**3.9**	9.2
Debt/equity ratio	**0.48**	0.35
Capital expenditure, MSEK	**1 160**	1 433
Average number of employees	**4 829**	4 931

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

Operating profit



Net turnover and operating margin



CEO's message

Dear shareholder

2008 was the first time in many years that the result did not meet our profitability target, since a return on capital employed of 6 per cent is not enough to cover our capital costs. The main reasons were the continuously rising prices of wood and other input goods and the lower price of newsprint. During the year, in order to increase the scope for improving our result, we closed down some printing paper capacity and switched over to new products in the printing paper sector and in paperboard. We have been making a great effort to bring our customers round to accepting the price increases needed to cover our higher costs. Our forestry and energy activities developed well. The Board's proposal to declare a dividend of SEK 9, which is a reduction of SEK 3, should be seen against the background of low profitability and the fact that we are going through a recession.

Holmen Paper: A year of change and adjustment

Holmen Paper's measures to improve its structure and profitability continued throughout the year. The structural changes at the Hallsta Paper Mill were completed with the closure of a paper machine (capacity: 110 000 tonnes) and a pulp line, which, together with product transfers, has reduced standard newsprint capacity by around 15 per cent. In August the decision was taken to close down the Wargön Mill, which had a capacity of 145 000 tonnes of coated printing paper per year. Production ceased there in December.

The consumption of newsprint in Europe fell slightly during 2008. This was probably due not to the weaker economic conditions alone, but also to changing consumption patterns which are expected to lead to a structural decline in newsprint consumption over time. We are reducing our newsprint capacity and at the same time shifting towards more MF Magazine and recovered paper-based LWC production. Holmen Paper will continue to base its business on efficient production of newsprint, which will be concentrated on large and highly competitive paper machines. Complementary products in the product range include directory paper, book paper and MF Magazine. During the past year we carried out development projects targeting quality improvements and thereby enabling increased volumes of these products for which Holmen also has large and efficient production facilities.

High on the list of measures to improve the result are cost reductions. In September a completely new pulp line was brought into production at the Braviken Paper Mill, enabling us, among other things, to reduce electricity consumption by 25 per cent and cut oil consumption. Several of Holmen's investments in 2008 were aimed at improving energy efficiency.

Iggesund Paperboard: More advanced premium paperboard

Our paperboard products, intended for consumer packaging and graphic purposes, have a fundamentally strong market position and promising growth potential. In the short-term however we are being affected by weaker demand, which is probably due to the recession. Towards the end of the year our order intake declined significantly and production shutdowns were necessary on several occasions.

The profit earned by paperboard business fell during the year, the principal reason being the dramatically increased cost of input goods which obliged Iggesund to announce price increases for our European customers in some segments. We expect the full impact of these increases to be felt early in 2009.

During the year we relaunched our premium Invercote board, following completion of the major rebuilding project at Iggesund in 2007. The new, upgraded product has attracted very favourable market interest. In response to customer demand and as one aspect of our environmental approach, Invercote board can now be delivered coated with a biodegradable plastic material.

Our strategy for Iggesund is to offer the highest level of quality and service for customers with demanding applications. An independent market survey carried out during the year showed that our two brands Invercote (solid bleached board) and Incada (folding boxboard) continue to be the strongest in Europe.

Holmen Timber: Long-term investments for efficient sawmill structure

The market for sawn timber is suffering from the decline in building activity, resulting in lower volumes and steep price cuts. Although Holmen Timber's deliveries increased slightly but owing to the lower prices the result was significantly lower than in the previous year.

I am convinced that wood as a material has a bright future. As well as being a cost-effective building material, products made from wood have a strong position in the debate on the climate, as they are renewable and also store carbon dioxide.

The plans for the new sawmill at Braviken are advancing and production is scheduled for late autumn 2010. The new sawmill will be located alongside the existing paper mill, which will result in synergies when it comes to raw material procurement and energy production. Together with high productivity, this will strengthen our competitive position.

Holmen Skog: Unstable timber market

Wood prices continued to climb sharply in 2008. The threat of higher Russian export duties persuaded many forest products companies to change their purchasing strategies and competition for wood pushed prices up to disturbingly high levels. The price cuts announced in Sweden in the fourth quarter indicate that prices have probably reached their peak for the time being. The drastic increase in export duties has been postponed, but the threat remains and the situation is still hard to assess. Mill closures within the forest products industry in Finland as a result of the duties are expected to be permanent.

Holmen Skog manages and develops Holmen's large forest holdings, while also having the important task of sourcing wood for our mills. Its plans include procuring saw timber for the new sawmill.

Holmen Energi: New sources of energy on the agenda

At Holmen Energi work continues on evaluating investments in renewable energy. The aim is to generate 1 TWh of wind power, although plans for how soon this should be done have not yet been finalised. Masts for measuring wind speeds and direction have been erected on Holmen's land in locations that are considered to be promising for wind parks.

Holmen Energi is also preparing to harvest peat from Holmen's land in 2009.

The future supply of energy is a very important issue for the electricity-intensive industries. In association with four other companies, Holmen has started making preparations to build a nuclear power plant together with a partner from the energy sector.

Outlook for 2009

The 2009 price negotiations for printing paper in Europe have not yet been concluded, but they point to a clear increase. Prices in some segments of the paperboard market in Europe have also been increased. The large degree of uncertainty regarding volumes remains in the case of both printing paper and paperboard, and the sawn timber market is expected to remain weak. The currency situation is likely to have a positive effect on the result, even though we will not benefit from the weakening of the krona against the euro during the current year owing to our existing currency hedges.

As a result of quieter markets for wood and recovered paper, a moderation of the cost escalation of recent years can be expected. The pressure due to the high cost of energy and other input goods looks as if it will ease, even though our long-term electricity supply contracts mean that we will not be affected by changes in electricity prices in Sweden in the next few years.

Holmen yesterday, today and tomorrow

Holmen celebrates its 400th anniversary this year, which is a good reason to look backward as well as forward. It is interesting to see how the company has changed and constantly developed. We carry Holmen's history with us when we tackle the challenges of the future. An important aspect of this is to aim for leadership that welcomes change as a natural part of the business.

Holmen today has a sound foundation upon which to build further in the coming years. We have a very strong position in several segments of the printing paper market. Our paperboard brands are at the very top in Europe. We are a major operator in the Swedish wood market and we will further advance our position in sawn timber with the new sawmill. By producing products and bioenergy from wood, which is a climate-neutral and renewable raw material, we are contributing to a sustainable society, which makes us a company for the future. Our environmental responsibility, together with healthy profitability and dedicated employees, forms the cornerstone of our sustainability activities. You can read more about this in our sustainability report *Holmen and its World 2008*.

Finally, I would like to close by thanking all our employees for their excellent work during the past year.

Stockholm 16 February 2009

Magnus Hall
President and CEO

Business concept, strategy and goals

Business concept

Holmen's business concept is to develop and run a profitable business within three product-oriented business areas, printing paper, paperboard and sawn timber, and two raw material-oriented areas, forestry and energy. The main market is Europe.

Product-oriented business areas

HOLMEN PAPER manufactures printing paper for daily newspapers, magazines, directories, direct advertising and books at two Swedish mills and one in Spain (after the closure of Wargön Mill in 2008). With its production capacity of 1 940 000 tonnes of printing paper per year Holmen Paper is the fifth largest producer in Europe. UPM and Stora Enso are the largest with some seven and six million tonnes respectively. Within printing paper Holmen Paper has a strong position amongst daily newspaper publishers, who account for around two-thirds of its sales. Telephone directory publishers, retailers, printers and book publishers are other important customer segments. Holmen Paper has a market share in Europe of just under 10 per cent within standard newsprint, while its share of the markets for improved newsprint, directory paper and book paper is some 25 per cent. Holmen Paper has its own sales organisation in Sweden and sales companies in a number of other geographically important markets.

IGGESUND PAPERBOARD produces virgin fibre based solid bleached board and folding boxboard for packaging and graphic applications at one Swedish and one English mill. With its capacity in this segment of 590 000 tonnes per year Iggesund is the third largest manufacturer in Europe. The main competitors are Stora Enso and M-real with around 1 million and 700 000 tonnes of virgin fibre board respectively. Iggesund's largest customer group consists of packaging converters, while other important customers include wholesalers and printers who buy board for graphic applications. Iggesund has a leading market position in Europe mainly within solid bleached board. It is also a significant operator within folding boxboard. Iggesund has around 20 per cent of the market in Europe for virgin fibre board. Paperboard is sold via a central sales office in the Netherlands with sales and technical personnel in a number of European countries. Iggesund also has its own sales companies in Hong Kong, Singapore and the USA.

HOLMEN TIMBER is the Group's third product-oriented business area and manufactures sawn timber at its Swedish sawmill. Holmen Timber is a relatively small operator in Europe and has a market share of less than one per cent for sawn timber. Holmen Timber sells its products mainly to customers in Scandinavia, Great Britain, North Africa and the Middle East. Sawn timber is sold direct to customers via Holmen Timber's own sales companies in Sweden and England and via a jointly owned marketing company.

Raw material-oriented business areas

HOLMEN SKOG has responsibility for the Group's forest assets. Holmen has forest holdings of one million hectares of productive forest land in Sweden and the standing timber volume amounts to 118 million cubic metres. Holmen is Sweden's fourth largest forest owner owning around 4.5 per cent of the country's productive forest land and an annual harvesting level of some 2.5 million cubic metres. At the same time the standing timber volume is increasing by

Strategy

Business concept

Businesses and markets

Three product-oriented business areas

- **Holmen Paper**
  Printing paper
- **Iggesund Paperboard**
  Paperboard
- **Holmen Timber**
  Sawn timber

Two raw material-oriented business areas

- **Holmen Skog**
  Forest and wood
- **Holmen Energi**
  Electric power
  and energy

Market
The main market is Europe

Development

Growth
Holmen shall develop the business areas via organic growth and selective acquisitions through

- Attractive products
- Active marketing
- Market-driven product development
- Higher production
- Committed employees

Production
High quality and low production costs are secured by

- Large-scale production
- Rational processes
- Active purchasing
- Integrated procurement of raw materials: wood, energy and recovered paper
- High competence and efficient organisation

Guidelines

Financial targets

Profitability
Profitability and return shall consistently exceed the market cost of capital.

Capital structure
The financial position shall be strong with a debt/equity ratio of 0.3–0.8.

Dividend
Ordinary dividend paid each year shall correspond to 5–7 per cent of equity.

Sustainability

Financial development
Healthy profitability and strong finances shall create a platform from which Holmen can promote long term the sustainable development of its commercial partners, employees, shareholders and the society.

Social responsibility
Holmen shall respect ethical and social norms, be a preferred commercial partner and responsible member of the community and shall through committed management motivate and develop Holmen's employees.

Environmental responsibility
A holistic approach shall characterise Holmen's operations and that involves protection of the environment and lean use of raw materials and energy.

Research and development (R&D)
Holmen engages in R&D activities on own account, as well as participating in external R&D at industry-wide level and in association with universities and institutes of technology. The main focus is on product and process development, although silviculture and forestry productivity are also important. The external R&D is carried out together with various partners such as the Swedish STFI-Packforsk, MoRe Research, The Royal Institute of Technology, Mittuniversitetet (University of Central Sweden), the University of Karlstad, the Swedish University of Agricultural Sciences, Skogforsk in Sweden, the University of Manchester in England, and the Complutence University in Madrid, Spain.

3.0 million cubic metres per year. Half of the wood is sold as saw timber to sawmills, around 40 per cent as pulpwood to the pulp and paper industry and around 10 per cent as bio-fuel for energy production. Holmen Skog also has responsibility for supplying wood to the Group's Swedish mills.

HOLMEN ENERGI has responsibility for the Group's hydro power stations as well as for developing the Group's operations within the energy field. Hydro power production during a normal year amounts to 1.1 TWh, which makes Holmen the sixth largest producer of electricity in Sweden. Holmen Energi also has responsibility for supplying the Group's Swedish mills with electricity.

Growth

The markets Holmen is active on, namely the product markets for paper, paperboard and sawn timber, and the raw materials markets for wood and energy, are large and well established. The European markets for Holmen's products have been growing at an average rate of a few per cent per year over the past decade. The Group's goal is to grow and remain a strong supplier with efficient production. Most of the growth is organic and is a result of product improvements and higher production volumes in existing product areas. Market developments also make reorganisation and the closure of unprofitable production necessary, a tendency that affected Holmen Paper in the past year.

Little of the growth was the result of acquisitions. The latest major acquisition was of the mill in Madrid in 2000.

Holmen's own wood and energy production will also be developed and grow. The silvicultural measures being taken are expected to result in gradual increases in the annual production of wood (harvesting) to the point where in fourty years' time it will be 20 per cent higher than today. Furthermore the potential exists to raise production by a further 25 per cent by adopting new, improved silviculture methods which eventually will lead to higher harvesting levels. When it comes to energy, there is ample potential to develop new and profitable production of wind power and bio-fuel. The aim is to produce 1TWh of electricity from wind power per year on Holmen's land.

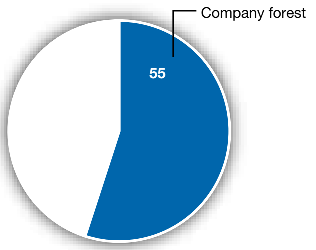
The overall object of the Group's business is to offer customers attractive products of high quality as well as good service, and to do so using cost effective means that will enable Holmen to remain a competitive supplier.

Holmen must satisfy the customers' high demands for efficient printing and converting of the products into suitable end products with customer appeal. It is important that the customers can use the products successfully in combination and competition with other media and advertising or other packaging materials.

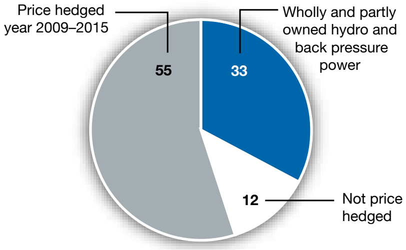
Holmen engages in decentralised research and development activities in all the business areas in order to support the business' demands for product development and efficient processes.

Self-sufficiency raw materails, %

Wood



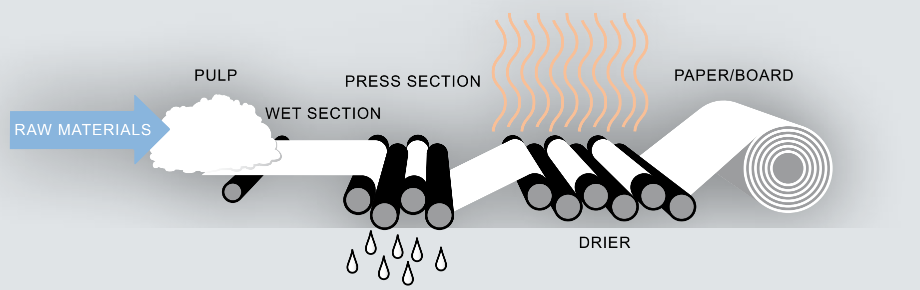
Electricity



The production process

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

Firstly, it passes through a wet section, then a press section and finally the paper/board is dried on the web, which by then is running between numerous cylinders. The final process is to roll it on reels and cut it to the reel or sheet sizes the customers have ordered.



Production

Large-scale and efficient production facilities and skilled employees result in high productivity and efficient use of input goods and capital. For long-term investments to be successful, and to achieve economies of scale as well as development, it is essential that the interaction between marketing, product development and production increases functions effectively. Basic volumes of certain products are combined with selective ventures involving higher added value or improved products for both existing and new categories of customer.

Alongside efficient production processes, the cost of raw materials and transportation has an important effect on competitiveness. The main raw materials in the processes for producing printing paper, paperboard and sawn timber are fibre, in the form of wood, recovered paper and pulp, and energy in the form of electricity or heat. Holmen produces more than 90 per cent of the pulp and thermal energy at its own mills using a well-integrated production process. The procurement of other raw materials is underpinned by backward integration along the production chain by owning forests, hydro power facilities and recovered paper collection companies. The Group's Swedish mills are around 60 per cent self-sufficient in wood, while for the Group as a whole (including the mill in England) self-sufficiency is around 55 per cent. The Group produces around 30 per cent of its electricity consumption in its power plants and more than 60 per cent of thermal energy production comes from waste products from the Group's production processes. Moreover the prices of around 55 per cent of the Group's electricity supplies are price hedged by means of long-term supply contracts. Significant volumes of recovered paper is purchased through wholly and partly owned recovered paper collection companies.

Guidelines

Financial targets

PROFITABILITY. Holmen's profitability target is to earn a sustainable return that is higher than the market cost of capital. This profitability target is used to control the business. At Group level, the key ratio used for calculate profitability is Value Added; this is defined as the operating result less the cost of capital and tax. This provides a simple and reasonably fair yardstick that is continuously followed up at Group, business area and production unit level. The Group's profitability over the past several years has exceeded the cost of capital, although, the profitability target was not achieved in 2008. This means closer attention will be paid to measures to improve the profitability of the business.

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

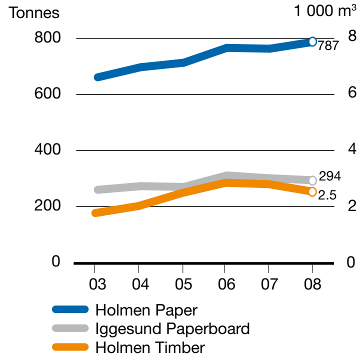
Computing the cost of capital involves weighting the cost of borrowed capital and equity and multiplying the result by the capital invested in the business. The cost of equity is computed as interest plus a premium adjusted for the level of risk, with capital invested in production operations being given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

The Group's weighted cost of capital for its current operations is computed on the basis of short-term market interest rates and was in 2008 10 per cent for production operations, defined as profit before tax. The cost of capital used for evaluating investment projects is based on long-term market interest rates and was in 2008 just over 11 per cent (before tax) for production operations.

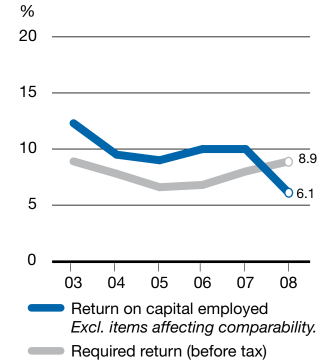
CAPITAL STRUCTURE. Holmen shall have a strong financial position that provides financial stability and enables it to make correct, long-term business decisions relatively independently of the state of the economy and external financing possibilities. The target for the debt/equity ratio is 0.3–0.8 and adjustment to this target is one aspect of the strategic planning.

In recent years the Annual General Meeting has mandated the Board to buy back up to 10 per cent of the shares in the company. During 2008 a total of 760 000 shares of Series B were bought back, which is around 0.9 per cent of the total number of shares in issue and around 0.3 per cent of the total number of votes. These share buy-backs were linked with the Group's incentive scheme. There is no specific target for

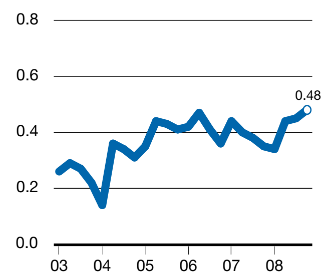
Productivity
Production per employee-year



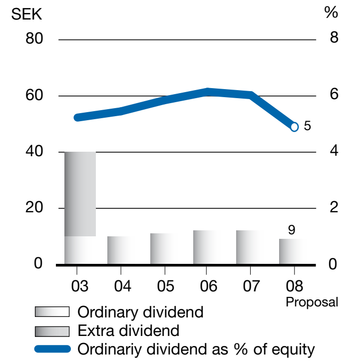
Profitability
Return on capital employed



Capital structure
Debt/equity ratio



Dividend
per share



Global Reporting Initiatives (GRI) guidelines for sustainability reporting, G3, are the globally accepted guidelines for sustainability reporting. Holmen has adhered to these guidelines for several years and considers that its sustainability report for 2008 satisfies the highest reporting standard, Level A. This has also been verified by international auditors KPMG.

share buy-backs. Holmen has used them as a complement to dividends as a means of adjusting the capital structure when conditions were deemed favourable. Share buy-backs took place in 2000 as well as 2008.

DIVIDEND. Holmen shall pay an ordinary dividend each year that corresponds to 5–7 per cent of equity. This represents a relatively stable and high annual dividend. The Board has proposed that the 2009 Annual General Meeting resolves in favour of paying a dividend of SEK 9 per share, which corresponds to 5 per cent of equity. Over the past decade the ordinary dividend has averaged 5–6 per cent of equity. This means that around 60 per cent of the earnings per share have been paid out by way of ordinary dividend.

Holmen shall pay out extra dividends or buy back shares when the capital structure and the financing requirements of the business permit. In addition to ordinary dividends, Holmen paid extra dividends for the financial years 1998, 2000 and 2003.

If Holmen achieves its profitability target the funds that are generated internally are estimated to be sufficient to finance the ordinary dividend and annual growth of 3–4 per cent. Higher profitability would over time permit the payment of extra dividends, share buy-backs, and major investment projects or acquisitions.

Sustainability

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

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

The Group is a member of the UN's Global Compact, which means that the company supports international guidelines relating to human rights, social conditions, environment and union rights.

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

FINANCIAL DEVELOPMENT. Holmen creates favourable conditions for long-term sustainable development by its healthy profitability and strong financial position. Holmen has a distinct role to play in a sustainable society by being a successful and profitable company that manufactures products from natural raw materials.

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

SOCIAL RESPONSIBILITY. Holmen's HR activities are based on internal guidelines, laws and agreements. The main emphasis is on competence procurement, leadership and organisation. Holmen has established a number of strategic targets for human capital, leadership, performance reviews, the number of workplace accidents and employment of female managers. The results are followed up on a statistical basis and in Holmen Inblick, the employee survey.

The employee survey is carried out every other year and from 2009 at all of Holmen's units. The results provide a foundation for strategic HR activities and local action plans.

Holmen takes systematic action to enable it to identify and develop employees with the potential to advance to more qualified tasks. Holmen's target is to fill at least 75 per cent of all vacant management positions in the Group by internal recruitment. Management training programmes have been complemented and all new managers now have a local mentor as well as being offered a short induction course.

Each year significant resources are earmarked for competence development. All the business areas carry out numerous training courses. The average Holmen employee receives around 40 hours of training each year.

During the next decade many of the Group's employees will be retiring. Holmen is taking long-term measures to create a stable basis for future recruitment, including joint activities with universities and by offering summer jobs to young people.

Holmen endeavours to help employees who have been affected by restructuring with relocation, early retirement and financial support for training. In connection with the cutbacks at the Hallsta Paper Mill and the closure of the Wargön Mill provisions have been made to cover the cost of redundancies, including early retirements and certain types of severance compensation.

Holmen takes joint action with the union organisations when it comes to health, safety, equality of opportunity and competence development. All policies are developed together with or have the support of the union organisations.

ENVIRONMENTAL RESPONSIBILITY. Environmental aspects of Holmen's business are regulated by laws and permits in each individual country. The organisation and management of the Group's environmental activities are based on the Group's environmental policy, which was updated in 2008. The new policy underlines the importance of energy and the climate for the business. The environmental impact of production is within the limits laid down by the environmental authorities.

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

The activities at the mills and the Group's forestry are certified in accordance with ISO 14001. The forestry is also certified in accordance with FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification schemes).

Holmen takes a pro-active approach to measures that contribute to sustainable development and help to reduce the impact on the climate. Holmen is affected by the rules in the Kyoto Protocol regarding trading in emission rights as the Group's mills have been included in the system since 2005. Holmen takes action to improve energy efficiency, and to develop types of energy that are neutral with regard to carbon dioxide, such as hydro power and wind power.

The decision to build a sawmill adjacent to the paper mill at Braviken also represents a new venture in environmental terms. Growing forests absorb carbon dioxide, which is stored for a very long time in the form of end products made of sawn timber. Moreover wood can often be used instead of other materials that require large quantities of energy to produce, and thus give rise to carbon dioxide emissions. It is also considered that the sawmill will make it possible to expand bio-energy production and improve transport efficiency.

In Sweden and England Holmen participates in voluntary energy efficiency programmes that offer energy-intensive manufacturers an alternative to energy taxes. This benefits the business as such and focuses attention on energy issues; it is therefore expected to improve energy efficiency and reduce climate impact. The energy management system in place at the Group's Swedish mills was introduced at the mill at Workington in 2008. Operations at the mill in Madrid will be based on a certified energy management system with effect from 2009.

Holmen is taking active steps to identify and carry out energy saving measures. The Group's energy and climate targets, which are described in more detail in *Holmen and its World*, will involve improved energy efficiency and less use of fossil fuels.

Holmen and its World is the Group's sustainability report; its purpose is to describe Holmen's activities to ensure sustainable development. The aim is to provide straightforward answers to questions asked by the Group's stakeholders about environmental and social responsibility and financial development. The 2008 edition will be published in English and Swedish in March and can be ordered on the website. The Spanish version is expected to be ready in May.

In 2008, as in recent years, Holmen was included on several indices for sustainable development and corporate social responsibility. Inclusion in indices of this type is recognition for the company's financial, environmental and social responsibility. Holmen is for instance listed on Swedbank Robur's Ethical Funds, Banco Environmental Funds, the FTSE4Good Index Series and Storebrand's SRI Index (Socially Responsible Investments).

Holmen Paper

Operations in 2008

Demand in Europe for wood-containing printing paper fell by 2 per cent in 2008. The demand for newsprint in Europe declined by 3 per cent. Deliveries of MF Magazine to Europe were 1 per cent lower in 2008 than in 2007, whilst deliveries of SC Paper to Europe rose by 6 per cent.

Capacity utilisation and the market balance in Europe for newsprint-related products improved during the year despite contracting demand, mainly owing to significant capacity closures. Nonetheless, the market outlook in the autumn deteriorated as a result of a weaker advertising market.

Market conditions resulted in cuts in the prices of newsprint and MF Magazine at the beginning of 2008. The prices for Holmen Paper's products were on average 1 per cent lower than in 2007.

Holmen Paper's total deliveries increased by 1 per cent in relation to 2007 and amounted to 2 044 000 tonnes.

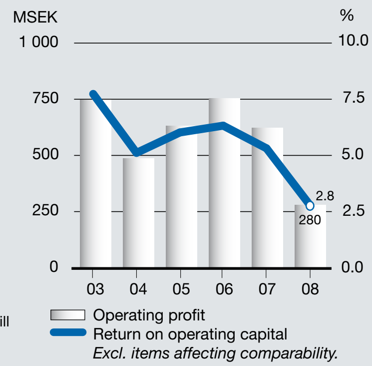
In August 2008 Holmen's Board took the

Facts

Facts	2008	2007
Net turnover, MSEK	**10 443**	10 345
Operating profit, MSEK	**-81**	-980
Operating profit excl. items affecting comparability, MSEK	**280**	623
Operating capital, MSEK	**10 237**	9 971
Average number of employees	**2 584**	2 666
Share of sales in Europe, %	**88**	86
Production, 1 000 tonnes	**2 033**	2 034

Items affecting comparability in 2008 relate to a cost of MSEK 298 for the closure of Wargön Mill and a cost of MSEK 115 for the closure of PM 2 at Hallsta Paper Mill. An income of MSEK 52 corresponds to the effects on the result of the fire at Braviken Paper Mill. Items affecting comparability in 2007 relate to a write-down of goodwill and tangible fixed assets of MSEK 1 603.

Result



decision to discontinue operations at the Wargön Mill (capacity: 145 000 tonnes of MWC paper per year) and production ceased in December.

In November PM 2 and the recovered paper line at the Hallsta Paper Mill were closed down (110 000 tonnes of standard newsprint).

A fire broke out at the Braviken Paper Mill in May. The fire, which started in a bark store, resulted in a production shutdown that lasted just over a week. The Group's insurance covered the damage.

The operating profit excluding items affecting comparability amounted to MSEK 280, down from MSEK 623 in 2007. During the year the result was also affected by items affecting comparability totalling MSEK -361 (-1 603), as a consequence of the closure of the Wargön Mill and the PM 2 paper machine at the Hallsta Paper Mill as well as insurance compensation in connection with the fire. The deterioration in the result was due to lower selling prices and higher costs for input goods, mainly wood and energy. However higher volumes and lower maintenance costs made a positive contribution to the result.

Capital expenditures amounted to MSEK 681 (584) and included investments in a new energy-efficient pulp line at the Braviken Paper Mill.

The number of employees was 2 584 (2 666).

Market

The European market for printing paper amounts to some 25 million tonnes annually, of which newsprint accounts for around 11 million tonnes.

Paid-for daily newspapers account for some 85 per cent of newsprint consumption, free newspapers account for some 5 per cent, while other applications, mainly direct advertising, account for the remaining 10 per cent.

Global demand for newsprint declined by just over 2 per cent during the year, with the steepest fall of 10 per cent in North America. Europe and Japan also showed declining trends, whereas demand grew in China, India and Latin America.

The lower demand was an effect of cyclical factors as well as more long-term, underlying structural effects, including reading habits, falling circulation and a shift in advertising expenditure away from printed media and onto the Internet.

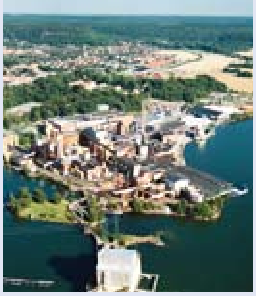
The traditional newspaper publishers are being rapidly transformed from straightforward publishers of paper newspapers to multi-media organisations with access to their own TV and radio channels and online publications. Advertisers can now select from a wide range of information channels for communicating their message.

Over the past decade free newspapers have developed strongly and to some extent compensated for the falling circulation of paid newspapers. However, free newspapers are more sensitive to market fluctuations because of their heavy dependence on advertising revenue.

Alongside the daily press mass delivered direct advertising has made a positive contribution to the consumption of newsprint. Direct advertising has turned out to be less vulnerable to economic fluctuations than the daily press.

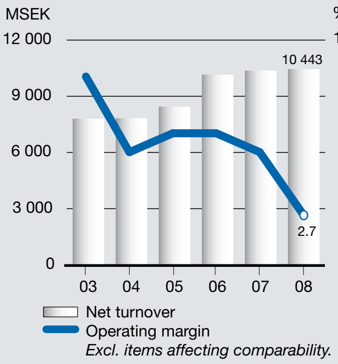
Telephone directory paper is a newsprint-

Wargön Mill

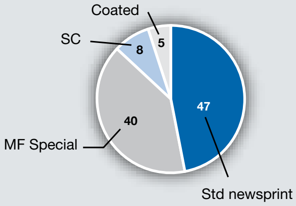


Production at Wargön Mill ceased in December 2008. The mill was one of the smallest facilities in Europe among manufacturers of coated printing paper.

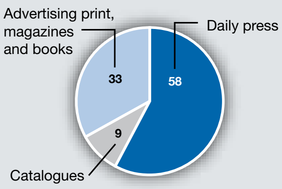
Net turnover and operating margin



Products, %

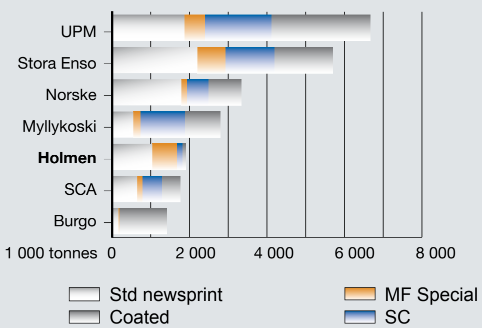


End-products, %

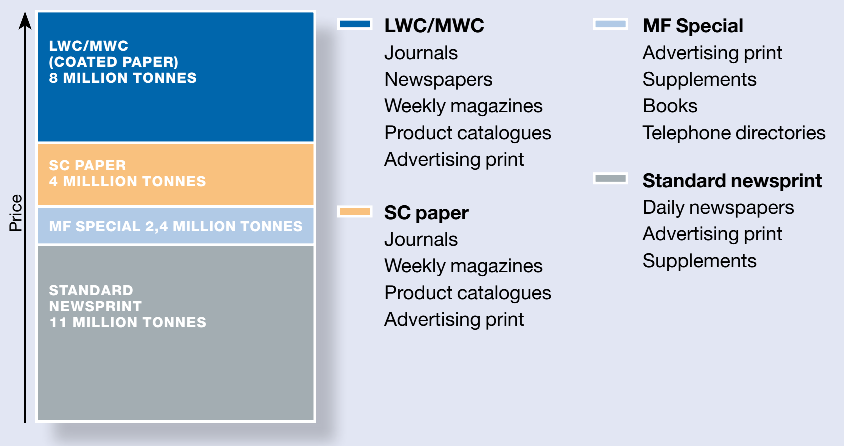


Leading producers 2008

Printing paper, capacity in Europe



European Printing Paper Market 2008



Strategic investment at Braviken

In 2008 Holmen Paper Braviken has brought a new pulp line into production. Old equipment has been replaced by new, unique technology that will result in improved pulp quality, significantly reduced electricity consumption and greater capacity. Moreover the manufacturing technology will mean increased steam recovery, which will reduce oil consumption. The National Energy Authority has contributed to the investment, which will be an open pilot and demonstration facility. Three industrial postgraduate students will be engaged for the development and optimisation of the new pulp line.

100 per cent recovered paper, 100 per cent recovered water!

Holmen Paper Madrid will be the first paper mill in Europe and one of the first in the world to manufacture paper based solely on recovered fibre and recovered water. This will become reality in 2010 on the basis of an agreement with the relevant Spanish authorities.

related product. The market amounts to around 500 000 tonnes per year and is characterised by a small number of strong, national buyers and contracting demand.

The European market for magazine paper amounts to around 12 million tonnes per year. The largest buyers are magazine publishers, retailers and printers. Demand fell marginally in 2008. The market segment has also been adversely affected by the general state of the economy although it is benefiting from the growing use of addressed direct advertising and new magazine titles. Traditional family magazines are losing ground, which is having a negative effect on paper consumption.

Within magazine paper, SC paper and coated printing paper the strongest driving forces are the growth of direct advertising, new magazine titles and product catalogues.

An important niche product for Holmen Paper is book paper. The total European market for wood containing book paper is around 400 000 tonnes per year. There is demand for FSC-certified paper such as Holmen Book in this segment.

Holmen Paper's overall position on the market is characterised by a platform of standard newsprint for newspaper publishers with a strong position in Scandinavia and the Iberian Peninsula. In addition to newsprint, including coloured paper, production is concentrated on niche products such as directory, book and magazine paper.

The object of Holmen Paper's market strategy, with its focus on Europe, is to develop competitive business concepts within the following customer segments: daily newspaper publishers, retailers, printers, book publishers and telephone directory publishers.

Holmen Paper's share of the market for standard newsprint is around 10 per cent in Europe. Holmen Paper has an overall share of some 25 per cent of the European market for newsprint-related niche products, including coloured newsprint, MF Magazine, book and directory paper.

Structural changes

During the year Holmen Paper launched a process of adapting to the new market situation. 150 000 tonnes of newsprint have been taken off the market as a result of restructuring at the paper mills at Hallstavik and in Madrid.

PM 2 and the recovered paper line ceased production at the Hallsta Paper Mill in November, and at the same time production of book paper was transferred to PM 12, which is a larger machine.

A new organisational structure was introduced with the object of reducing the number of positions by 260 by 2010. In 2008 the number of positions were reduced by around 150. The new structure in Hallsta reflects a greater focus on niche products with a higher added value.

In Madrid one of the mill's paper machines was successfully converted from newsprint to coated paper made from 100 per cent recovered fibre.

In December 2008 production was discontinued at the Wargön Mill. This measure affected some 320 employees and will lead to 145 000 tonnes of coated paper being taken off the market.

The Braviken Paper Mill is in the process of developing a more advanced product than newsprint for direct advertising and product directories, which is intended to compensate for the loss of volume in telephone directory paper.

Development

Structural challenges such as falling demand and potential excess capacity in the newsprint sector are compelling Holmen Paper to take further productivity measures.

One aspect of this is product development with the object of developing products with a higher added value and better market prospects. Another aspect is to develop more efficient proc-

ess solutions that will lead to lower production costs; it also includes improving the efficiency of the machines and reducing the specific consumption of various raw materials and energy.

The new thermomechanical pulp line at Braviken, which was brought into production in 2008, represents a significant technical advance for mechanically produced pulp. The new technology improves the quality of the paper and significantly reduces total energy consumption.

A cost reduction and efficiency programme is taking place parallel to the product restructuring with the object of achieving substantial reductions in both variable and fixed costs by lower manning and lower costs for input goods. The cost reduction programme will continue with unremitting drive.

Significant development measures since 2000

2000 Acquisition of Papelera Peninsular newsprint mill in Madrid to strengthen position on European market.

2002 New MF Magazine paper machine to raise capacity, improve quality and manufacture new products
PM 11, Hallsta Paper Mill

2006 New newsprint machine to strengthen market position in southern Europe
PM 62, Madrid

2008 New energy-efficient pulp production line
TMP-B, Braviken Paper Mill

2008 Closures
Wargön Mill,
PM 2, Hallsta Paper Mill.

Growing demand for Holmen Book

Book paper has great potential and is one of the niche areas in which Holmen is intensifying its efforts. More than half of the market for book paper in Europe consists of uncoated paper for paperbacks and other such publications, and Holmen Book, Holmen's FSC-certified paper, is meeting growing demand.

During the year production of Holmen Book was transferred from PM 2, (the oldest machine at Hallsta Paper Mill) which has been taken out of production, to PM 12 at Hallsta. PM 12 is one of Europe's largest machines for book paper with a capacity of more than 200 000 tonnes per year.

In connection with the transfer, quality improvements have been made. The customers have responded favourably, and above all appreciate the high print quality and the runnability and printability of the paper in the printing presses.

Book paper is a profitable product and the long-term aim is to increase volumes.

Arne Wallin
Head of
Holmen Paper

2008 was a tough year in the paper industry. Are there any glimmers of hope?
Yes, it was a difficult year with the Wargön Mill being closed down and capacity reductions at Hallsta. However, there have also been some positive events. During the year we successfully transferred production of book paper to one of our more efficient machines at Hallsta, and the year ended with the inauguration of the new energy-efficient pulp line at Braviken. In Madrid we increased production volumes and raised the quality of our LWC-paper.

How are you preparing for the challenges within your business area?
By developing our employees and our organisation. This will improve our profitability and at the same time strengthen Holmen Paper's profile as an attractive employer and supplier. Our core values will be a valuable tool in this process.

What do you think is the most important thing to accomplish in the coming year?
Improving quality, continuing our measures to improve energy efficiency and carrying through our cost reduction and efficiency programme.

Iggesund Paperboard

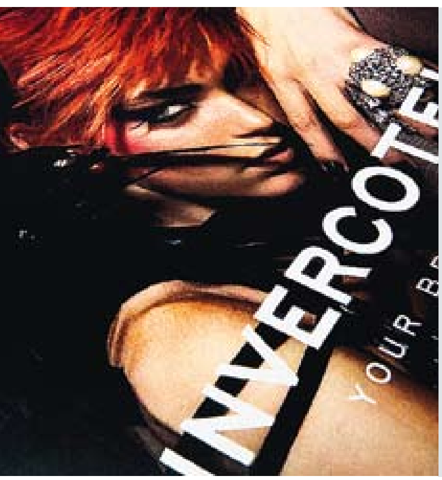
Operations in 2008

The market for virgin fibre board weakened in 2008 and capacity utilisation at European producers declined slightly in relation to the previous year. The deterioration in market conditions was caused by a slowdown in economic activity that was accentuated in the second half of the year by global financial turmoil. Seen overall, the market for virgin fibre board in Europe declined by 2 per cent. Deliveries from Europe to non-European markets declined by 8 per cent.

Iggesund Paperboard's deliveries declined by 4 per cent in relation to the previous year and amounted to 494 000 tonnes. The decline occurred in all market areas.

The prices of both solid bleached board and folding boxboard were raised in Europe in the packaging and graphic segments.

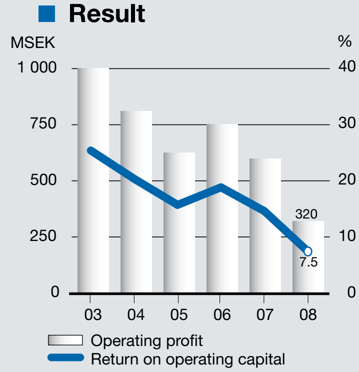
Net turnover declined to MSEK 4 860 from MSEK 5 100 the previous year. The operating profit amounted to MSEK 320 (599). The decline in the result is mainly due to lower production and deliveries and the higher cost of wood and other input goods. However, higher



Facts

Facts	2008	2007
Net turnover, MSEK	**4 860**	5 100
Operating profit, MSEK	**320**	599
Operating capital, MSEK	**4 254**	4 180
Average number of employees	**1 670**	1 704
Share of sales in Europe, %	**89**	86
Production, 1 000 tonnes	**491**	513

Result



prices had a positive effect on the result.

Capital expenditure amounted to MSEK 328 (689). At Iggesund the installation of a new effluent treatment plant began; this is expected to come into operation in the autumn of 2009. In addition, several energy investments were made at Iggesund with the object of reducing dependence on fossil fuels and electricity consumption.

The number of employees was 1 670 (1 704).

Market

Global consumption of paperboard amounts to some 32 million tonnes per year. Consumption of the grades produced by Iggesund – virgin fibre solid bleached board and folding boxboard – on the European market is approximately 2.5 million tonnes. The annual growth rate has, for the past few years, been higher than normal, around 5 per cent, although it declined in 2008 owing to the economic slowdown and unsettled financial situation. The largest European markets for solid bleached board and folding boxboard are Germany and Great Britain, with 21 per cent and 14 per cent of consumption respectively. Several of the European markets showed a negative tendency, although Eastern Europe is still developing favourably. Over the past few years Asia has overtaken North America as the largest market for virgin fibre board. Iggesund is market leader by a wide margin in the European solid bleached board segment. The share of the total European virgin fibre board market is 20 per cent.

Iggesund concentrates its sales on three product segments: packaging board, tobacco board and paperboard for graphic purposes. The main customer categories are packaging converters, as well as wholesalers and printers who buy paperboard for graphic purposes.

Iggesund's Invercote and Incada brands hold a very strong position on the European market. Invercote solid bleached board, which is produced at Iggesund, is the strongest brand name on the market and Incada folding boxboard, which is produced in Workington in England, ranks number two. Incada is also market leader in Great Britain.

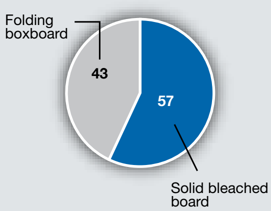
Packaging manufacture in Europe is migrating eastwards, partly on account of the sharply rising private consumption there and partly because Eastern Europe has shifted from being a net importer of packaging to becoming a net exporter. As a consequence of these market developments, Iggesund has strengthened its representation and intensified its marketing activities in Eastern Europe.

Iggesund's largest customer segment comprises converters of board into packaging. The demands made on packaging, and thus also on the packaging material, are constantly increasing. Functionality, quality requirements and the need of producers to use brand-name profiling, mean that there is a growing tendency for packaging to involve customised solutions. Furthermore, the appearance of packaging in the stores is becoming an increasingly important factor affecting the choice of material. Within the expanding chocolate and confectionery segment Iggesund is benefiting from the stringent demand for packaging to be neutral in terms of taste and odour.

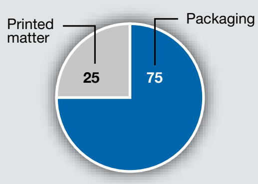
The market for tobacco board is stable and is characterised by a small number of large

Net turnover and operating margin

Products, %

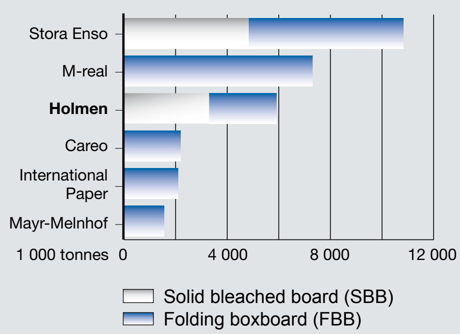


End-products, %

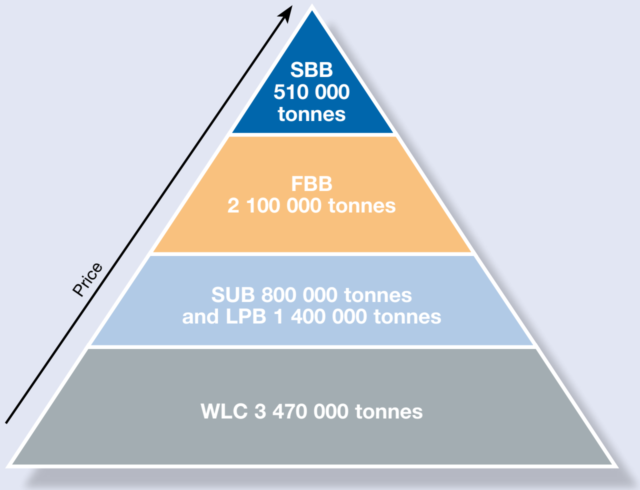


Leading producers 2008

Virgin fibre board, capacity in Europe



European Paperboard Market 2008



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

SBB
Prestigious products
Graphic products
Confectionery
Cigarettes

SUB, LPB
Beverages
Dairy products
Dried goods
Baking products

FBB
Confectionery
Pharmaceuticals
Cigarettes
Frozen goods
Skin care and sanitary articles

WLC
Dried goods
Household products
Baking products

World-class effluent treatment

The effluent treatment installation at Iggesunds Bruk is being complemented and will result in the mill have a world-class effluent treatment plant. The project involves introducing a chemical treatment stage. The sludge from chemical precipitation will be dewatered so that it can be used as fuel or for soil improvement or for the production of bio-gas. The installation will be started up in the autumn of 2009.

international operators with very high quality and service requirements. Increasing demands for high quality packaging design are reflected in the growing demand for hard packs rather than soft paper packaging. Iggesund is well positioned as supplier of both solid bleached board and folding boxboard. Geographically, the printing and conversion of cigarette packaging is still migrating eastwards.

The large number of end customers on the market for graphic board means that the greater part of the volume is sold through merchants. High and uniform quality is the main factor behind their interest in Invercote and Incada.

Development

During the last few years, Iggesund has been growing at an average rate of 3 per cent a year as a result of higher productivity at the mills and active marketing. The growth has been brought about by some extensive rebuilding projects and several small-scale investments to improve efficiency. However, there was a decline in 2008.

In the summer of 2008 Iggesund introduced a new generation of products in the Invercote family. The new Invercote is a result of the rebuilding of the KM 2 paperboard machine at Iggesunds Bruk in the autumn of 2007. The board, which has a different structure from its predecessor, has quickly won acceptance among a majority of customers. The technical platform that has been established for Invercote provides a foundation for further development towards higher quality and quality uniformity. Parallel to this, development projects are focused on further improving the printing surface, and new means are being tried as a way to improve the mechanical characteristics. This could give customers' packaging the same high protective characteristics but with lower material consumption, as well as increasing the scope to apply new, more advanced designs.

The service that accompanies the product is becoming an increasingly important part of the offering for several reasons, partly because of the growing demand for shorter lead times, and partly because the customers' return can be improved by making use of services that Iggesund's market-based technical service organisation offers. During the past year Iggesund adopted a very proactive approach to the development of its delivery service. Similarly Iggesund has been intensifying its efforts to inform the market what support the technical service organisation can offer its customers.

Year 2008 saw the launch of the first Invercote paperboard coated with a surface that is biodegradable into compost. This paperboard can, for example, be used for food packaging and beverage cartons. The development of this new product is a result of the company's environmental awareness combined with market demand.

Several projects to increase energy efficiency are being run at Iggesunds Bruk and Workington. Iggesunds Bruk now operates on 85 per cent biofuel. In 2008 a number of investments were made to reduce the oil dependence even further. Energy efficiency measures will reduce the mill's carbon dioxide emissions from fossil sources by 75 per cent in 2009, which is equivalent to 20 000 cars driving 1 500 km per year. The object of the energy plan at Iggesunds Bruk is to entirely eliminate fossil fuel consumption and make the mill self-sufficient in electricity; it is estimated that this target will be achieved within five years.

Significant development measures since 2000

2000 Rebuilding of paperboard machine for higher capacity and for new versions of Incada with higher quality
BM 2, Workington

2001–2004 Rebuilding of paperboard machine for improving the quality of Invercote
KM 1, Iggesunds Bruk

2007 Rebuilding of paperboard machine for new product generation of Invercote
KM 2, Iggesunds Bruk

Invercote

Style – Elegance – Class: these are the key words to describe the qualities Iggesund chose to highlight at the launch of the new Invercote, a brand that has been on the market for over 40 years. Those who followed the launch during the summer and autumn of 2008 could note the new marketing strategy, which drew its inspiration from the world of fashion and the users of the paperboard. With improved printing characteristics, higher purity, new colours and improved mechanical properties Invercote is consolidating its position as market leader for exclusive packaging board. Invercote's satisfied and regular customers include manufacturers of exclusive chocolate, perfumes and cigarettes. The message from our customers and users is quite clear – Invercote has the best colour reproduction on the market!

Björn Kvick
Head of
Iggesund Paperboard

What were the most important events of the past year?
Invercote, our premium paperboard, celebrated its 40th anniversary and this coincided with a very successful re-launch. It is fantastic to present an already highly reputed product with an even more challenging target. We invited customers from the whole world to our mill for the re-launch, which gave us an excellent opportunity to intensify and strengthen our customer relations.

What do customers think about your Invercote and Incada brands?
These products have strengthened their position in international surveys and always take the absolute top rank when customers are approached. At the end of the year we took a further step towards meeting customers' expectations when we delivered our first paperboard with a surface coating that is biodegradable into compost.

How are you responding to the growing environmental demands?
We are building a new effluent treatment plant at Iggesund and we have projects in hand at both mills to reduce electricity consumption and dependence on fossil fuels.

Holmen Timber

Operations in 2008

The market for sawn timber was weak in 2008 with declining demand as a result of the lower level of building activity. Prices fell steeply during the year.

Holmen Timber's deliveries rose by 1.5 per cent to 266 000 cubic metres as a result of higher production at the sawmill in Iggesund.

The operating profit amounted to MSEK 13 (2007: 146 excluding items affecting comparability). The deterioration is mainly due to lower selling prices.

Capital expenditure amounted to MSEK 21 (63) and related primarily to investments in camera-based, automated quality grading at the Iggesund Sawmill.

Holmen Timber had 110 employees (97).

Market

The consumption of sawn timber in Europe in 2008 amounted to just under 100 million cubic metres, which reflected a decline after many years of steady growth. In the longer term consump-

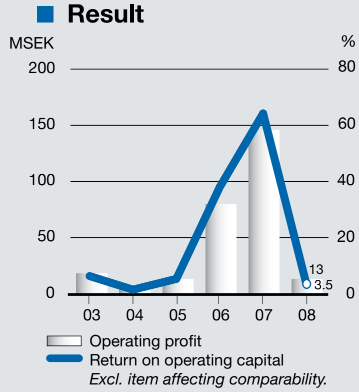
Finger joint

Facts

Facts	2008	2007
Net turnover, MSEK	**499**	589
Operating profit, MSEK	**13**	206
Operating profit excl. item affecting comparability, MSEK	**13**	146
Operating capital, MSEK	**366**	345
Average number of employees	**110**	97
Share of sales in Europe, %	**59**	70
Production, 1 000 m³	**279**	272

Item affecting comparability relate to reversal of write-down of MSEK 60 in 2007.

Result



tion can be expected to continue increasing with supply rising weakly over time, which is expected to create balance between supply and demand. At present the European market is characterised by low consumption, and low stocks at importers and end customers. Producer stocks are still very high, although they are falling.

Holmen Timber's share of the sawn timber market in Europe is less than one per cent. The market is fragmented with numerous small operators.

Holmen Timber's customers are primarily within the joinery industry, and include manufacturers of windows, solid wooden floors and edge glued panels, as well as planing mills. The main markets are Scandinavia, Great Britain, North Africa and the Middle East.

Development

During the year preparations for the new sawmill adjacent to the Braviken Paper Mill have continued according to plan. The planning and permit process is well advanced. The plan is for Braviken Sawmill to have the capacity to produce 750 000 cubic metres of structural whitewood timber a year. Production is planned to start autumn 2010. The structural timber is intended for the main markets in Scandinavia and Great Britain, although some wood will also be sold elsewhere in Europe, as well as in Japan and the USA.

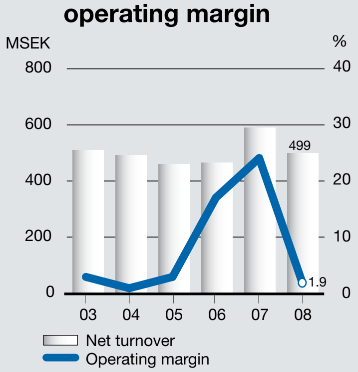
It is estimated that the combination of Holmen Paper's existing paper mill at Braviken and the new sawmill will result in significant co-ordination synergies, not only when it comes to wood sourcing but also because the sawmill can make use of the infrastructure already in place at the site. It will also open the door to effective energy solutions as the Group will gain access to substantial supplies of bio-fuel from the sawmill and forest fuel in connection with harvesting.

Since 2002 the sawmill at Iggesund has increased its production by 40 per cent to 279 000 cubic metres in 2008. During the same period the workforce has been reduced from 138 to 102. This has been managed by concentrating production at the Iggesund Sawmill on sawn redwood timber, by reviewing and adjusting the organisation and by carrying out some investments, mainly in a new grading unit and a new log infeed. During the year a project was launched to improve efficiency throughout the production and finishing process.

To enable the Iggesund Sawmill to utilise the additional capacity and maintain its long-term profitability larger volumes of pine saw logs will be required. Holmen Timber and Holmen Skog, which handles wood purchasing for the sawmill, have launched the Hälsinge Pine project to highlight the growing raw material requirements. Several activities were carried out in 2008, aimed at timber suppliers in the area. These activities have been successful and have had a favourable effect on the supply situation.

Measures are in progress in the form of technical sales and product innovation with the aim of raising the relative output of higher value added products. These are presented as industrial wood and account for around a third of the total volume. During the year the finger joint window components product area was developed through the recruitment of specialists and extended co-operation with specialised sub-contractors.

Net turnover and operating margin



Excl. item affecting comparability.

Significant development measures since 2000

2000 Rationalisation project and closure of Domsjö Sawmill
Concentration of production exclusively on redwood timber at
Iggesund Sawmill

2003–2008 New sorting unit, new log infeed, and new automated sorting unit at
Iggesund Sawmill

2010 Estimated start of production at the new sawmill at Braviken

Håkan Lind
Head of
Holmen Timber

What makes Holmen confident in the future of solid wood products and sawmills?
As a material wood is showing a favourable trend in terms of annual global growth, while there is little scope for a radical increase in supply. Over time this will give a healthy balance. New applications and more highly processed input goods for industry are expected to have a positive influence. We can also see that Scandinavia has not taken advantage of the potential to improve productivity and cost efficiency that modern technology and new facilities provide.

How important is the climate issue when it comes to marketing wood?
Growing forests capture carbon dioxide, which is then stored, for example, in wooden buildings. Therefore wood has a positive effect on the climate, as well as being a renewable material. In the industry we regard this as a factor that will drive consumption in the future.

What are the advantages that come from using more wood in the building industry?
As well as the important matter of the climate, wood is still a cheap building material. Building a house made of wood is quickly done, and it is easier to build energy-efficient houses from wood.

Holmen Skog

Operations in 2008

During 2008 wood was still in firm demand in the Swedish forest industry and wood prices reached peak levels. During the second half of the year, however, the wood market weakened.

The Swedish forest industry's pulpwood costs rose sharply in 2008. Towards the end of the autumn market prices declined and by the end of the year prices were tending to fall.

The price of imported coniferous pulpwood fell by around 15 per cent in relation to the previous year's very high levels, whereas the price of birch pulpwood fell only slightly.

Swedish sawmills experienced sharply declining demand for sawn timber, which meant that the price of saw logs fell during the second half of the year.

The volume of harvesting in Holmen's forests amounted to 2.6 million cubic metres, which was broadly the same as in 2007.

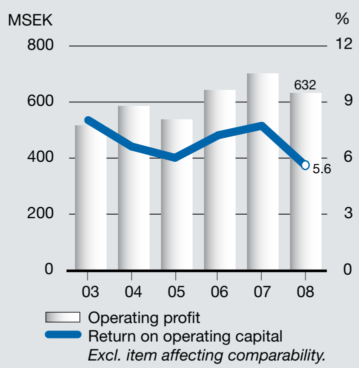
The Group's forests were affected by an unusually large number of fires. In total an area of almost 1 400 hectares was burnt. However this has had no affect on Holmen's long-term harvesting plans. The costs associated with the fires amounted to some MSEK 10.

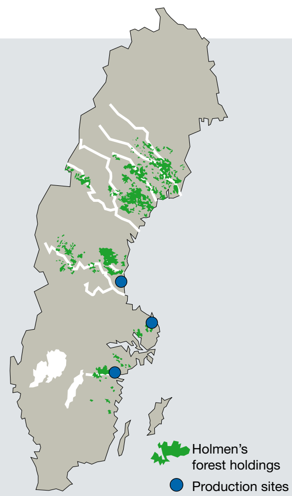
Facts

	2008	2007
Operating profit, MSEK	**632**	2 802
Operating profit excl. item affecting comparability, MSEK	**632**	702
Operating capital, MSEK	**11 415**	11 264
Average number of employees	**413**	409
Harvesting in company forests, million m^3	**2.6**	2.6
Wood deliveries to company mills, million m^3	**4.7**	4.5

Item affecting comparability relates to revaluation of forests of MSEK 2 100 in 2007.

Result





Holmen Skog's operating profit amounted to MSEK 632 (2007: 702 excluding item affecting comparability). Higher wood prices had a favourable effect on the result, although costs also increased, partly due to expensive fuel and the clearing and fertilising of larger areas.

Capital expenditure amounted to MSEK 47 (79).

The number of employees rose to 413 (409), mainly owing to enlargement of the catchment area for wood purchasing prior to start up at the Braviken Sawmill and the concentration on bio-fuel.

Market

The Swedish forest products industry consumes some 75 million cubic metres (total volume under bark) of wood per year, most of which comes from domestic forests.

Saw timber account for around half of the wood harvested in the country, pulpwood for some 40 per cent and forest fuel for around 10 per cent.

Competition for Swedish wood is increasing, partly due to the growing demand for bio-fuel for thermal power stations. Russia's decision, later postponed, to raise its duties on wood exports to 50 euros per cubic metres created uncertainty on the entire Nordic wood market. A duty of this size would in effect bring all exports of coniferous wood from Russia to a halt. Holmen's imports from Russia are insignificant but the company will although be affected by the stiffer competition and the price squeeze following the threat of higher duties on exports from Russia.

Holmen's wood procurement

In 2008, Holmen's Swedish mills consumed 4.4 (4.2) million cubic metres of wood. The Group harvested 2.6 (2.6) million cubic metres in its own forests.

Most of Holmen's forests are located in northern Sweden where the Group does not have any mills. Formerly wood from these forests was largely sold to local buyers. Through a variety of logistical and swap arrangements Holmen is using more and more of this wood in its own mills. This in turn has made it possible to reduce wood imports from the Baltic countries by a corresponding amount.

In southern Sweden the planned sawmill in

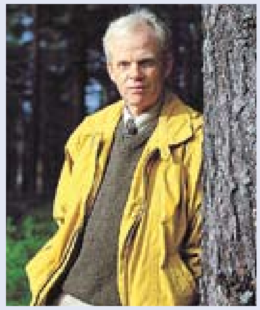
Braviken will, once it has reached full capacity, process around 1.5 million cubic metres of spruce saw timber. As part of the planning process Holmen Skog has established a new purchasing district in Västmanland and has strengthened the organisation.

Development

Much of the growth in Holmen's forests takes place in young forests that are not ready for harvesting. Holmen therefore only harvest just over 80 per cent of the annual growth. As these immature forests reach harvestable age it will become possible to increase the volumes harvested to a level where they match the growth. We should add to this the effects of the new silviculture programme that was first introduced in 2006 which, it is estimated, has the potential to raise production by 25 per cent, and eventually lead to even higher harvesting levels. The silviculture programme involves taking measures to improve seedlings, earlier clearing, fighting root rot, fertilisation, ditch clearing and greater use of lodgepole pine.

Holmen is taking active measures to develop conservation methods with the aim of making harvesting and transport more climate friendly. The company expects to reach its agreed target of reducing the carbon dioxide emissions from transport by 20 per cent by 2020.

Holmen is taking action to develop technology for harvesting biofuel, as well as to strengthen its organisation in response to the growing demand for bio-fuel.



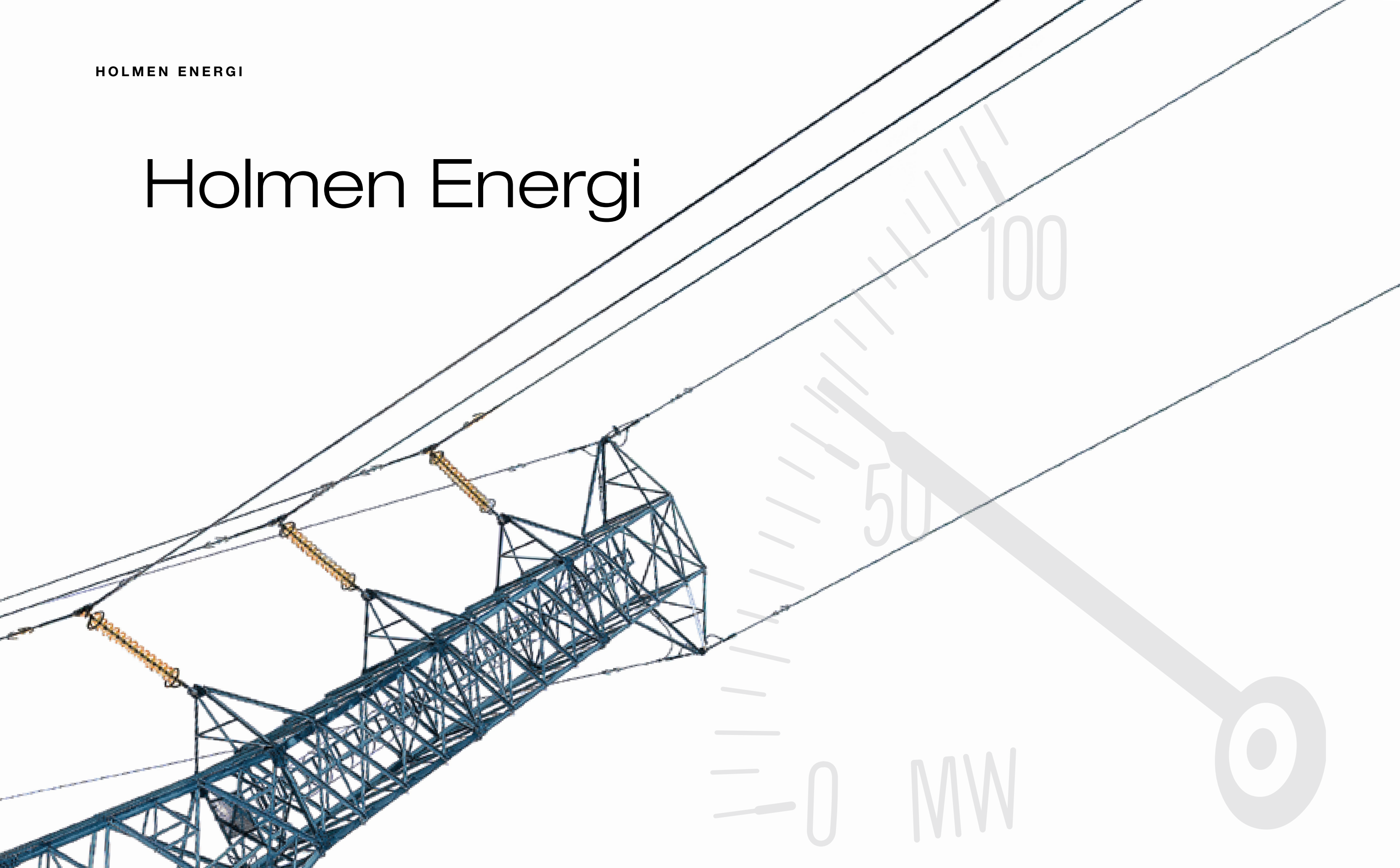
Björn Andrén
Head of
Holmen Skog

How do you plan to procure timber for the new sawmill at Braviken?
We are gradually building up an organisation for buying significantly larger quantities of wood than at present from private landowners. We also expect greater interest from other operators on the market in swapping spruce for pine.

How are you dealing with stiffer competition on the wood market?
In several ways. Growth, and therefore the long-term harvesting potential in the Group's forests, is increasing. We are also strengthening the wood-purchasing organisation and extending the range of our activities. During the year Holmen Skog established a new purchasing district in Västmanland, mainly owing to the growing need for saw timber.

How do climate issues affect Holmen Skog?
Positively. The climate debate has highlighted the value of sustainable, biological production of products and energy in a very clear way. We can see a definite change in attitudes towards forests and forestry compared to just a few years ago. We are also expecting growing demand for raw materials among bio-energy producers.

Holmen Energi



Operations in 2008

Holmen Energi's hydro power production amounted to 1 128 GWh (1 193), which was one per cent higher than during a normal year. The operating profit amounted to MSEK 327 (272). The improvement is mainly explained by higher prices on the electricity market, at the same time as production was lower than in 2007.

Capital expenditure amounted to MSEK 76 (14). During the year construction of a new hydro power station on the river Iggesund started. The new power station, which will replace three old ones, is expected to come into production at the end of 2009.

The company has 10 employees.

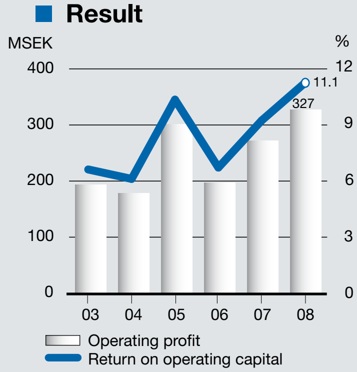
Market

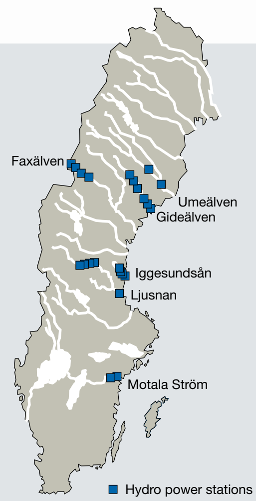
The total production of electricity in Sweden corresponds to some 145 TWh/year, of which just under half comes from hydro power stations. In 2008 hydro power production was slightly above the normal level. The hydrological balance, i. e. the quantity of water stored in

Facts

Facts	2008	2007
Operating profit, MSEK	**327**	272
Operating capital, MSEK	**3 006**	2 960
Average number of employees	**10**	8
Company-generated hydro power, GWh	**1 128**	1 193

Result





nature in the Nordic region, declined during the year. The spot price in Sweden fluctuated widely during the year from SEK 300/MWh in March to SEK 700/MWh in September. The average price for the year was SEK 492/MWh, which was 75 per cent higher than in 2007.

Energy supply

Holmen Energi has responsibility for supplying Holmen's Swedish mills with electricity. Holmen's total consumption of electricity in 2008 amounted to 5 156 GWh (5 123), most of which is accounted for by its Swedish printing paper mills. The company's own production of hydro power and back pressure power at the large mills corresponds to 33 per cent of the Group's electricity consumption in Sweden with the remainder being purchased.

The Group's exposure to fluctuations in electricity prices is limited by the use of long-term, fixed-price supply agreements, complemented with financial price hedging (see page 59). Holmen Energi's own power production is priced at market prices and reduces the Group's electricity needs.

Development

Holmen Energi's mandate has been broadened in recent years to include responsibility for developments of energy issues in a wider sense. It thus includes wind power, peat harvesting and competence development in bio-fuel refining.

Responsibility for energy efficiency is decentralised to mill level, but it is co-ordinated centrally. During the year several measures were taken, such as the installation of a new TMP line (thermo-mechanical pulp) at Braviken as well as investments in Iggesund for reduced dependence on oil.

During the past year, Holmen Energi continued the projects intended to develop production from alternative sources of energy such as wind power and bio-fuel in the future. The target is to produce almost 1 TWh of electricity from wind power, which would increase Holmen's self-sufficiency in electricity from just over 30 per cent to 60–65 per cent.

In 2008 Holmen Energi carried out preliminary wind power studies on Holmen's land in the area around Örnsköldsvik and in the vicinity of the mills at Hallstavik and Iggesund. Plans are also in hand to start preliminary studies in an

Measuring mast

area south of Norrköping. Unlike existing wind power stations, which are often located in coastal or mountainous areas, the sites being investigated by Holmen Energi are situated in forested areas on Holmen's own land. The forestry activities within the wind power sites will continue more or less as normal. The preliminary studies have involved the first wind measurements being taken at Hallstavik and Örnsköldsvik, and these should be completed by the spring of 2010.

In 2005, Holmen, in association with a number of other electricity intensive companies, set up BasEl i Sverige AB whose purpose is to improve these industries' access to electricity at competitive prices. In 2006 some of these companies set up VindIn AB, whose object is to develop, construct and operate wind power stations in Scandinavia. VindIn's target is to generate 1 TWh of electricity per year. A decision has been made on the first project, a wind power park at Skutskär, and production is planned to start in the autumn of 2009.

Holmen Energi was also active in peat cutting during the past year. Peat consists of plant material, which owing to a lack of oxygen, has only partly decomposed into moss and marsh. As the incomplete break down means that much of the energy content of the biological material remains, peat can be used as a fuel. Peat cutting provides a way to make value-creating use of many of the different resources available to the Group.

During the autumn preparations were made for peat production at Stormyran, north of Örnsköldsvik. The area consists of around 500 hectares, although the site where the first peat will be harvested has an area of 143 hectares. Production is expected to start in May 2009 and the first peat deliveries are planned for the winter of 2009.

Brynolf Alexandersson
Head of
Holmen Energi

Holmen Energi's mandate has been broadened in recent years. What does this mean in practice?
It means greater responsibility for the co-ordination of energy issues, including measures within the Group to improve energy efficiency and investments in future production methods for alternative energy such as bio-fuel and wind power.

How far has Holmen got with its wind power ventures?
We carried out preliminary studies during the year on Holmen's land, and at several locations we have moved on to the next stage – taking wind measurements.

Why is Holmen starting up peat harvesting?
It is quite an advantage for Holmen to be able to offer peat as an alternative bio-fuel. Peat represents an addition to the bio-fuel market and helps to reduce the pressure on pulpwood. Pulpwood shouldn't be burned as fuel but should be used as a raw material for the manufacture of pulp, paper and paperboard. Peat burning also helps to reduce the consumption of fossil fuels generally.

Production and raw materials

Production

Holmen manufactures its printing paper, paperboard and sawn timber products in Sweden, Great Britain and Spain. The Group's forest holdings and wholly and partly owned hydro power stations are located in Sweden. The figures in the table relate to 2008.

Self-sufficiency – energy and fibre

Some 55 per cent of the wood required by the Group is harvested in company forests.

The Group is self-sufficient in electricity by just over 30 per cent including the power generated at the major mills.

At Holmen Paper Hallsta virgin fibre alone has been used as a raw material since November 2008 while the mill in Braviken uses both virgin fibre and recovered paper. The mill in Madrid bases its production solely on recovered paper. Production at the Wargön Mill ceased in December 2008.

The paperboard mills only use virgin fibre.

Hallsta

Holmen Paper
Raw material: Sprucewood
Process: TMP and groundwood pulp
Products: Newsprint, MF Magazine, SC Paper and book paper
Production capacity: 680 000 tonnes/year*
Average No. of employees: 889

Braviken

Holmen Paper
Raw materials: Sprucewood, recovered paper
Process: TMP and DIP
Products: Newsprint, coloured newsprint, directory paper
Production capacity: 790 000 tonnes/year
Average No. of employees: 671

Madrid

Holmen Paper
Raw material: Recovered paper
Process: DIP
Products: Newsprint, MF Magazine and LWC Recycled
Production capacity: 470 000 tonnes/year
Average No. of employees: 373

*After closure of PM 2

Internal procurement of raw materials	Group	Holmen Skog	Holmen Energi
Harvesting in company forests			
Saw timber, 1 000 m³ fub	1 383	1 383	-
Pulpwood, 1 000 m³ fub	1 266	1 266	-
Hydro power production, GWh	1 128	-	1 128

Production, 1 000 tonnes	Group	Hallsta**	Braviken	Madrid	Wargön**	Iggesunds Bruk	Workington	Iggesund Sawmill
Newsprint, standard	957	170	458	329	-	-	-	-
MF Special	714	418	269	27	-	-	-	-
SC Paper	149	149	-	-	-	-	-	-
Coated printing paper	213	-	-	76	136	-	-	-
Paperboard	494	-	-	-	-	262	231	-
Market pulp	62	-	-	-	-	62	-	-
Sawn timber, 1 000 m³	279	-	-	-	-	-	-	279
Consumption of important input goods*								
Wood, 1 000 m³ fub	4 794	1 359	1 013	-	146	1 464	425	645
Recycled fibre, 1 000 tonnes	999	71	370	559	-	-	-	-
Market pulp, 1 000 tonnes	166	41	4	-	34	-	87	-
Chemicals, fillers and pigment, 1 000 tonnes	420	131	59	50	56	71	53	0
Electric energy, GWh	4 671	2 027	1 595	271	181	242	337	18
Thermal energy, GWh	1 034	-	-	438	50	-	546	-

* Purchased from outside the production units. Energy consumption in Madrid's case, taking into consideration the 50 per cent interest in the Cogeneración unit for the production of electricity and thermal energy. The Group's consumption of wood is computed net, taking into consideration internal deliveries of chips from the Iggesund Sawmill to Iggesunds Bruk.

** Hallsta Paper Mill's PM 2 paper machine was closed in November 2008, the business at the Wargön Mill was discontinued in December 2008.

Energy balance, GWh	
Electric energy	
Consumption at mills	-5 156
Production at mills*	485
Company generated hydro power	1 128
Net	-3 543
Thermal energy	
Consumption at mills	-6 182
Production at mills from	
recovered liquors, bark and wood residues	2 959
purchased fossil fuels*	1 671
recovered in the TMP process	952
External deliveries	167
Net	-433

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

Fibre balance	
Wood, 1 000 m³fub	
Consumption in Sweden	-4 369
Consumption in England	-425
Harvesting in company forests	2 649
Net	-2 145
Recovered paper, 1 000 tonnes	
Consumption in Sweden	-440
Consumption in Spain	-559
Pulp, 1 000 tonnes	
Consumption at mills	-2 431
Production at mills	2 265
External deliveries	62
Net	-104

Raw materials' sensitivity analysis

Wood, recovered paper, energy, pulp and chemicals account for Holmen's principal production costs. Cost trends are mainly determined by trends in the prices of input goods and how well the Group succeeds in increasing production efficiency.

A one percentage point change in raw materials costs is estimated to have the following impact on the Group's operating result:

Raw material costs	MSEK Impact on the result
Wood, net	11
Recovered paper	11
Pulp	2
Electric energy, net	12
Other energy	5
Chemicals	14

That is to say, a one percentage point reduction in the cost of wood will have the effect of raising the operating result by approximately MSEK 11.

In this estimate account has not been taken of existing electricity price hedges.

For a more detailed sensitivity analysis, see the Report of the Directors on page 44.

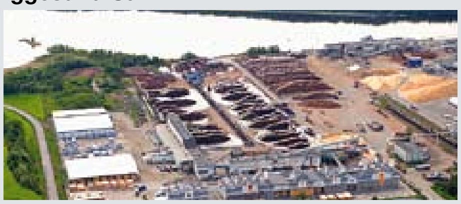
Iggesunds Bruk

Iggesund Paperboard
Raw materials: Softwood and hardwood pulpwood
Process: Sulphate pulp
Products: Solid bleached board, plastic coated paperboard and surplus sulphate pulp
Production capacity: 330 000 t./year (paperboard)
Average No. of employees: 895

Workington

Iggesund Paperboard
Raw materials: Sprucewood and purchased sulphate pulp
Process: RMP
Products: Folding boxboard
Production capacity: 260 000 tonnes/year
Average No. of employees: 480

Iggesund Sawmill



Holmen Timber
Raw material: Pine saw timber
Process: Sawmilling
Products: Redwood sawn timber
Production capacity: 340 000 m³/year
Average No. of employees: 102

Shares and Shareholders

Trading on the stock exchange

Holmen's two series of shares are listed on Nasdaq OMX Nordic, Large Cap. During the year, the price of Holmen's Series "B" shares declined by SEK 46.5 (19 per cent) to SEK 193.5. During the same period the stock exchange in Stockholm declined by 42 per cent. Holmen's market capitalisation of SEK 16 billion (21) represents some 0.7 per cent of the market's total value. Holmen's Series "B" shares noted a high for the year of SEK 242 on 22 September and a low of SEK 169.5 on 16 July. The daily average number of Series "B" shares traded was 444 000, which corresponds to a value of MSEK 91. The daily average number of Series "A" shares traded was 700.

Return

During the past decade, Holmen's shares have yielded a total return, including reinvested dividends, of around 11 per cent per year. During the corresponding period, the Affärsvärlden General Index has given a return of 3 per cent per year.

Earnings per share

Earnings per share after dilution amounted to SEK 7.6 (17.8). Holmen's earnings per share after dilution have averaged SEK 14.5 over the past five years.

Dividend

The Board proposes that a dividend of SEK 9 per share be paid. Last year a dividend of SEK 12 per share was paid. The proposed dividend corresponds to 5 per cent of equity. Holmen's target is for the ordinary dividend to correspond to 5–7 per cent of equity.

Share buy-back

The 2008 Annual General Meeting gave the Board a mandate to acquire up to 10 per cent of the company's shares. Shares were bought back to secure the company's commitments under the terms of the incentive scheme (see below). In total 760 000 of the company's Series "B" shares have been bought back, which corresponds to some 0.9 per cent of the total number of shares in issue and to some 0.3 per cent of the total number of votes. The average price paid for the bought back shares was SEK 201.70. The Board proposes that the 2009 Annual General Meeting also mandate the Board to buy back and transfer up to 10 per cent of the shares in the company.

Incentive scheme

The 2008 Annual General Meeting voted in favour of the Board's proposal to introduce an incentive scheme for the Holmen Group's employees, whereby the employees were invited to acquire call options on Series "B" shares in

Data per share	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Earnings after dilution, SEK 1)	7.6	17.8	17.2	14.8	15.1	17.5	23.6	26.4	44.7	19.9
Dividend, ordinary, SEK	9 5)	12	12	11	10	10	11	10	9	11
Dividend, extra, SEK	-	-	-	-	-	30	-	-	60	-
Ordinary dividend as % of:										
Equity	5	6	6	6	6	5	6	6	4	6
Closing listed price	5	5	4	4	4	4	5	4	3	4
Profit for the year	118	67	70	74	66	55	45	37	20	54
Return, equity, % 1)	4	9	9	8	8	10	14	16	24	11
Return, capital employed, % 6)	6	10	10	9	10	12	16	18	15	17
Equity per share, SEK	186	200	196	189	184	192	188	176	213	179
Closing listed price, "B", SEK	193.5	240	298	262.5	230	255.5	211.5	238.5	280	307
Average listed price, "B", SEK	203	277	302	227	228	230	231	226	241	229
Highest listed price, "B", SEK	242	316	335.5	266	264	271	266.5	297.5	320	307
Lowest listed price, "B", SEK	169.5	228	255	190	210	187.5	192	171	191.5	169
Total closing market capitalisation, MSEK 1 000	16.2	20.6	25.3	22.6	19.5	20.4	16.9	19	22.7	27.3
P/E-ratio 2)	25	13	17	18	15	14	9	9	6	15
EV/EBIT 3) 6)	17	12	14	15	12	10	8	7	10	11
Closing beta value (48 months), "B" 4)	0.5	0.9	1.0	0.7	0.6	0.7	0.6	0.7	0.8	1.1

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

Holmen at market price. 1 492 of the Group's approximately 4 800 employees purchased a total of 758 300 call options at a purchase price of SEK 20 per option. The exercise price of the options is SEK 224.50 per share. Each option entitles the owner to acquire one share during the execise period May/June 2013. Holmen's commitments pursuant to this scheme have been secured by the buy-back of the company's own shares.

Share structure

Holmen has 83 996 162 shares in issue, of which 22 623 234 are Series "A" shares and 61 372 928 are Series "B" shares. Each Series "A" share carries ten votes and each Series "B" share one vote. Otherwise, the shares carry the same rights.

Shareholder structure

At the end of 2008 Holmen had 29 745 shareholders. In numerical terms the largest category of shareholder comprises 26 788 Swedish private individuals, corresponds to 90 per cent of the total number of shareholders. L E Lundbergföretagen AB is the largest shareholder, with 52.0 per cent of the votes. Shareholders registered in Sweden own 72 per cent (70) of the share capital. Among foreign shareholders the largest proportion of shares are owned in Great Britain and the USA, who has 14 per cent and 9 per cent of the capital respectively.

Shareholder structure at 31 December 2008	% of capital	% of votes
L E Lundbergföretagen	27.9	52.0
Kempe Foundations	7.0	16.9
Handelsbanken incl. pension fund	3.1	9.1
Silchester International Investors	10.5	3.1
Second Swedish National Pension fund	3.2	0.9
Swedbank Robur funds	2.3	0.7
Fourth National Swedish Pension fund	1.6	0.5
Alecta	1.4	0.4
SEB funds	1.3	0.4
SHB/SPP funds	1.3	0.4
Other	40.4	15.6
Total*	**100.0**	**100.0**
* of which non-Swedish shareholders	28.0	8.5

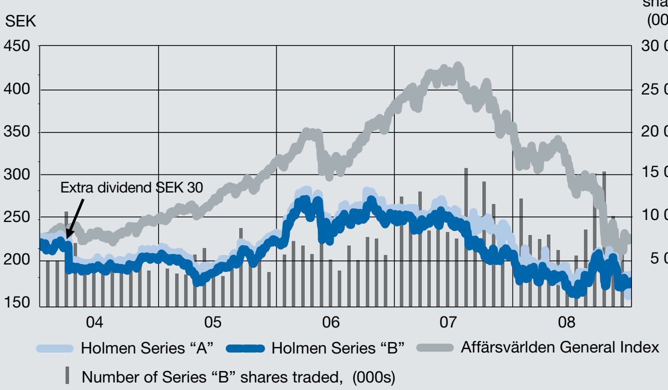
The ten identified shareholders with the largest holdings ranked by the number of votes they control. Some large shareholders may have their holdings registered under nominee names, in which case they are included among "Other".

Ownership structure No. of shares	No. of shareholders	Percentage of shares
1 – 1 000	27 410	7
1 001 –100 000	2 250	17
100 001 –	85	76
Total	**29 745**	**100**

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

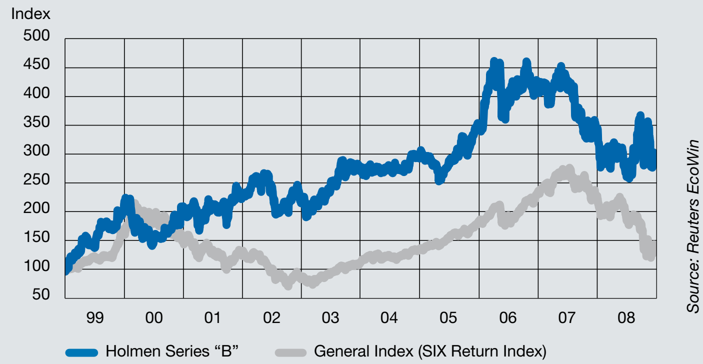
Changes in share capital 1999–2008	Change in number of shares	Total No. of shares	Change in share capital, MSEK	Total share capital, MSEK
2001 Withdrawal of shares bought back	-8 885 827	79 972 451	-444.3	3 998.6
2004 Conversion and subscription	4 783 711	84 756 162	239.2	4 237.8

Share price development for Holmen Series "A" and "B" and General Index



Total return of Holmen series "B" and General Index

Incl. reinvested dividend, no tax deducted



Board of Directors

Fredrik Lundberg
Chairman. Djursholm. Born 1951. Member since 1988. Master of Engineering and Bachelor of Science (Econ.). D. Econ h.c. and D. Eng. H.c. President and CEO of L E Lundberg-företagen AB. Other significant appointments: Chairman of the Board: Cardo AB and Hufvudstaden AB. Deputy chairman of: Handelsbanken AB, NCC AB.
Board member: L E Lundbergföretagen AB, AB Industrivärden and Sandvik AB.
Shareholding in Holmen: 734 724 shares, Shareholding of L E Lundbergföretagen in Holmen: 23 408 916 shares.

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

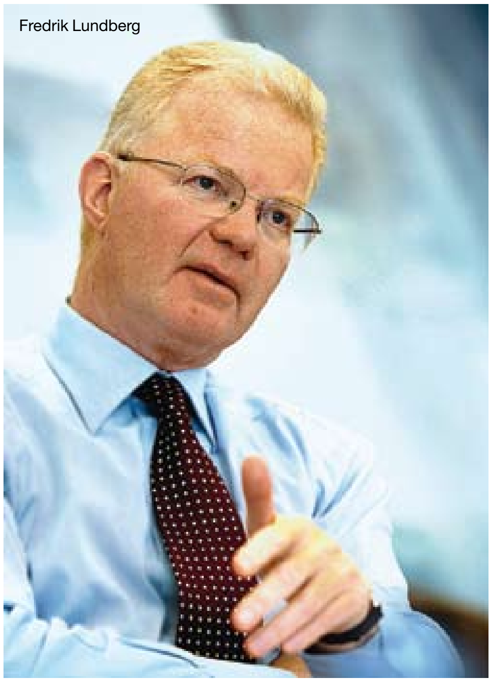
Steewe Björklundh
Hudiksvall. Born 1958. Member since 1998. Löntagarrepresentant LO. Representative of the employees, LO. Chairman of the Forest and Wood Union of the Iggesund Sawmill. Chairman of Hudiksvalls Sparbank and of Fastighets-byrån i Hudiksvall AB.
Shareholding in Holmen: 200 call options.

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

Magnus Hall
Stockholm. Born 1959. Member since 2004. MSc (Industrial Engineering). President and CEO. Other significant appointments: Chairman of the Board: BasEl AB and CEPI (Confederation of European Paper Industries). Deputy chairman of Swedish Forest Industries Federation.
Own and related natural's shareholding in Holmen: 12 698 shares, 8 000 call options.

Torgny Hammar
Hallstavik. Born 1943. Member since 2003. Representative of the employees, PTK.
Shareholding in Holmen: 500 shares, 500 call options.

Kenneth Johansson
Söderköping. Born 1958. Member since 2004. Representative of the employees, LO. Section Chairman of Paper-branch 53, Holmen Paper Braviken.
Shareholding in Holmen: 500 call options.
Related natural´s shareholding: 500 call options.


Fredrik Lundberg


Carl Kempe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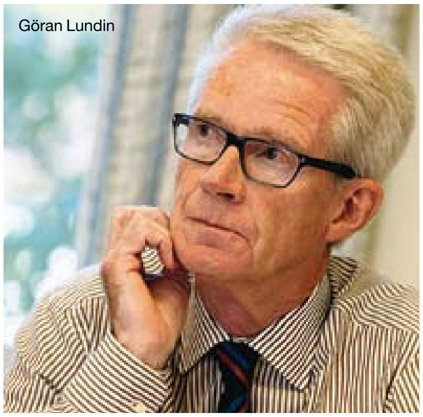
Bengt Pettersson


Ulf Lundahl


Göran Lundin


Stig Jacobsson


Karin Norin


Andreas Rastbäck

Curt Källströmer

Stockholm. Born 1941. Member since 2006. Advanced education in banking. Other significant appointments: Chairman of the Board: Umeå School of Economics. Board member: Handelsbanken International, Stockholmsmässan AB, SBC AB, Wåhlin Fastigheter AB and SSE-MBA.
Shareholding in Holmen: 600 shares.

Hans Larsson

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

Ulf Lundahl

Lidingö. Born 1952. Member since 2004. Bachelor of Laws and Bachelor of Science (Econ). Executive VP and Deputy President of L E Lundbergföretagen AB. Other significant appointments: Chairman of the Board: Föreningen Enskilda Gymnasiet. Board member: Brandkontoret, Indutrade AB, Ramirent OYJ, Cardo AB and SHB Regionbank Stockholm.
Shareholding in Holmen: 4 000 shares.

Göran Lundin

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

Bengt Pettersson

Stockholm. Born 1938. Member since 1994. Licentiate in Engineering. Other significant appointments: Chairman of the Board: Baby-Björn AB.
Board member: Econova AB and L E Lundbergföretagen AB.
Shareholding in Holmen: 3 000 shares.

Deputy members

Stig Jacobsson

Iggesund. Born 1948. Deputy member since 2004. Representative of the employees, LO. Chairman of Paper-branch 15 Iggesund.
Shareholding in Holmen: 500 call options.

Karin Norin

Forsa. Born 1950. Deputy member since 1999. Representative of the employees, PTK. Chairman: Unionen Gävleborg, Unionen Holmen-Iggesund and Unionen's industrial wood delegation.
Shareholding in Holmen: 200 call options.
Related natural´s shareholding: 200 call options.

Andreas Rastbäck

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

Auditors

KPMG AB.
Principal auditor
Authorised public accountant

George Pettersson

Senior management

President and CEO

Magnus Hall
Born 1959. Joined Holmen 1985.
Shareholding in Holmen: 12 698 shares, 8 000 call options.

Magnus Hall has no significant shareholdings and no interest in companies with whom the Group has important business relations.

For further information about the CEO, see page 28.

Group staffs

Anders Almgren
Executive Vice President.
CFO, Group Finance.
Born 1965. Joined Holmen 1990.
Shareholding in Holmen: 4 100 shares, 4 000 call options.

Ingela Carlsson
Head of Group Public Relations as of 9 May 2008.
Born 1962. Joined Holmen 2008.
Shareholding in Holmen: 4 000 call options.

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

Thommy Haglund
Head of Group Human Resources.
Born 1950. Joined Holmen 2001.
Shareholding in Holmen: 700 shares, 4 000 call options.

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

Business areas

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

Björn Andrén
Head of Holmen Skog.
Born 1946. Joined Holmen 1971.
Shareholding in Holmen: 4 000 call options.

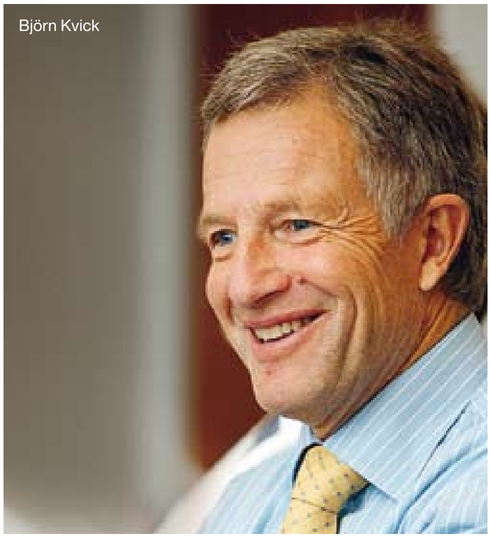
Björn Kvick
Head of Iggesund Paperboard.
Born 1950. Joined Holmen 1983.
Shareholding in Holmen: 4 000 call options.

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

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


Magnus Hall


Anders Almgren


Björn Kvick


Lars Ericson


Sven Wird

Ingela Carlsson

Håkan Lindh

Brynolf Alexandersson

Arne Wallin

Thommy Haglund

Björn Andrén

Corporate Governance Report 2008

The Stockholm Stock Exchange incorporated a Swedish Code of Corporate Governance (the Code) into its rules for listed companies in 2005. The Code's rules were revised in 2008 and cover the Shareholders' General Meeting, the appointment of the board and auditors, the Board, company management, and information on corporate governance.

The Code is one aspect of the selfregulation within Swedish business; it is based on the comply or explain principle. This means that a company that complies with the Code may deviate from individual rules but must in such a case provide an explanation of the reasons for each deviation.

This corporate governance report complies with the rules in the Code and the directions for its application. It has not been examined by the company's auditor.

Shareholders

At the end of the year Holmen AB had 29 745 shareholders. Information about the shares, ownership structure etcetera is provided on pages 26–27.

Laws and articles of association

In the first instance Holmen AB has to apply the Swedish Companies Act and the rules that follow from the fact that its shares are listed on Nasdaq OMX Nordic, Stockholm (Stockholm Stock Exchange) and apply good stock market practice. The Code is an integral part of the stock market's rules. Holmen shall also follow the rules laid down in its articles of association for the conduct of its business.

Shareholders' General Meeting

Notice convening the Annual General Meeting (AGM) is sent no earlier than six and no later than four weeks before the meeting. The notice contains information about notice of intention to attend and entitlement to participate in and vote at the meeting, a numbered agenda showing the items to be dealt with, information on the proposed dividend and the basic content of other proposals. Shareholders or proxies are entitled to vote for the full number of shares owned or represented. It is possible to give notice of intent to attend the meeting using the company's website and other means.

Notice convening an Extraordinary Shareholders' General Meeting called to deal with the Company's Articles of Association shall be sent no earlier than six and no later than four weeks before the meeting. Notice convening other Extraordinary Shareholders' General Meeting shall be sent no earlier than six and no later than two weeks before the meeting.

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

The 2008 AGM was held in Swedish and the material presented was in Swedish. The notice convening the meeting, the agenda, the CEO's address and the minutes are available on the website. The entire Board, the entire Senior management and the company's auditor were present at the meeting. At the meeting shareholders were given the opportunity to ask and get answers to questions concerning the scope to give due consideration to biological diversity in forestry, the potential to raise Holmen Paper's profitability, the consequences of Russia's wood export duties and the company's new wind power ventures. Björn Möller (Alecta) and Göran Villner (Swedbank Robur Fonder) were elected to check and approve the minutes of the meeting. It was not possible to follow or participate in the meeting from any other location using communication technology. It is not planned to make any change in this respect for the 2009 AGM.

It was announced on 17 June 2008 that the 2009 AGM would take place in Stockholm on 24 March 2009.

Nomination Committee

The AGM has decided to set up a Nomination Committee that would consist of the Chairman of the Board and one representative from each of the company's three largest shareholders in terms of voting rights as of 31 August each year. Prior to the 2008 AGM the Nomination Committee consisted of Per Welin (L E Lundbergföretagen), Alice Kempe (Kempe Foundations), Robert Vikström (Handelsbanken incl. pension fund) and Fredrik Lundberg (Chairman of the Board). Membership of the Nomination Committee prior to the 2009 AGM is unchanged, except that Håkan Sandberg has replaced Robert Vikström who was the appointee of Handelsbanken incl. pension fund. The majority of the members of the Nomination Committee are independent of the company and of its management. Two are independent of the largest shareholder in terms of votes, namely L E Lundbergföretagen. One member is a member of the Board.

The Nomination Committee's mandate is to submit proposals for election to the Board, for Chairman of the Board, the Board fee and, in applicable cases, for election of auditors and auditors' fee. The Nomination Committee's proposals are presented in the notice convening the AGM.

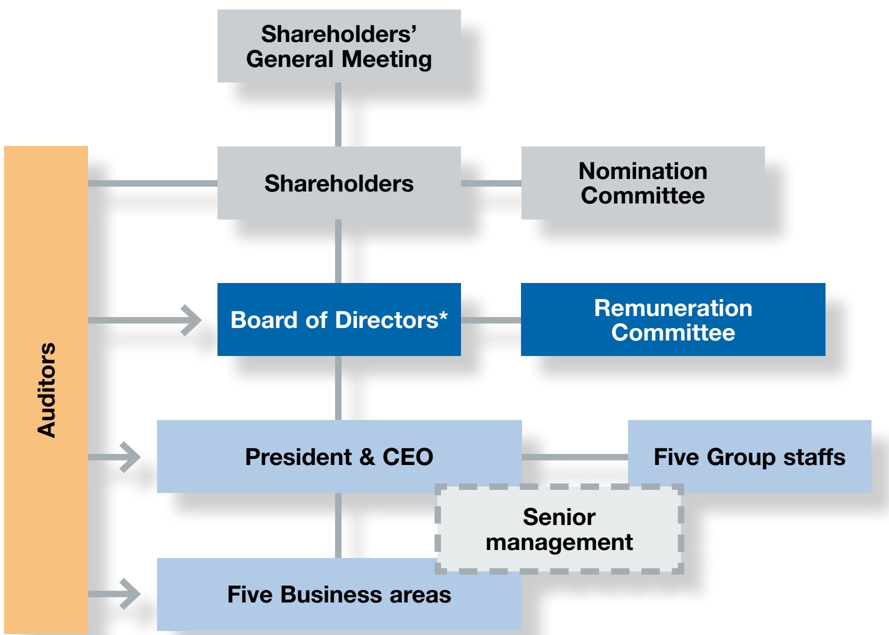
Holmen's Nomination Committee proposes to the 2009 AGM that Carl Bennet be elected to the Board. The Nomination Committee also proposes re-election of Fredrik Lundberg, who is also proposed for re-election as Chairman, Lilian Fossum, Magnus Hall, Carl Kempe, Curt Källströmer, Hans Larsson, Ulf Lundahl and Göran Lundin. Bengt Pettersson is not available for re-election.

It is proposed that the Board fee shall be SEK 2 475 000, of which SEK 550 000 shall be paid to the Chairman of the Board and SEK 275 000 to each of the other members. There is no change on the previous year. No Board fee shall be paid to the CEO.

Constitution of the Board

The members of the Board are elected each year by the AGM for the period until the end of the next AGM. There is no rule regarding the maximum period for which a Board member may serve.

The 2008 AGM re-elected Fredrik Lundberg, Lilian Fossum, Magnus Hall, Carl Kempe, Curt Källströmer, Hans Larsson, Ulf Lundahl, Göran Lundin and Bengt Pettersson to the Board. Fredrik Lundberg was elected Chairman. At the 2008 statutory meeting of the Board Carl Kempe was elected Deputy Chair-



* The entire Board acts as Audit Committee.

man and Lars Ericson, the company's legal counsel, was appointed Secretary of the Board. Over and above these nine members elected by the AGM, the local union organizations have a statutory right to appoint three members and three deputy members.

The number of members elected by the AGM who are independent of the company is considered to be seven, if calculated in accordance with the Stockholm Stock Exchange's current listing rules. Of these, four are also considered to be independent of the company's major shareholders and satisfy all the criteria for experience. The largest shareholders, each controlling more than 10 per cent of the votes, are L E Lundbergföretagen and the Kempe Foundations. The CEO is the only member of the Board with an executive position in the company.

Information about the members of the Board of Directors is provided on pages 28–29.

The Board's activities

The Board held eight meetings in 2008. Of these four were held in connection with the company's publication of its quarterly reports. In connection with one of these meetings the Board visited a modern sawmill of the type that is planned in Braviken. A two-day meeting was devoted to strategic business planning. One meeting was devoted to the Group's budget for 2009. The other two meetings were held in connection with the AGM. During the year the Board devoted special attention to strategic, financial and accounting issues, follow-up of the business and major investment projects. The company's auditors reported on three occasions directly to the Board on their observations from their audit of the accounts and the company's internal control system. All members elected by the AGM attended all the Board meetings.

The activities of the Board follow a plan that is intended to ensure that the Board obtains all the information it requires. The Board decides each year on a written set of procedures and issues instructions relating to the division of responsibility between the Board and the CEO and the information that the Board is to receive regularly regarding financial developments and other important events.

Employees of the company participate in meetings of the Board to submit reports. The secretary of the Board is the company's legal counsel.

The Board makes an assessment of its activities each year, and the Nomination Committee has been given information about the contents of the assessment for 2008. This will serve as a basis for planning the activities of the Board in the coming years.

Board members as from the 2008 AGM

Name	Function	Elected	Committees *	Independent of the major company	Independent of the major shareholders
Board members					
Fredrik Lundberg	Chairman	1988	Remuneration Committee	No	No
Carl Kempe	Deputy Chairman	1983		Yes	No
Lilian Fossum	Member	2004		Yes	Yes
Curt Källströmer	Member	2006		Yes	Yes
Hans Larsson	Member	1990	Remuneration Committee	Yes	Yes
Ulf Lundahl	Member	2004		Yes	No
Göran Lundin	Member	2001		Yes	Yes
Bengt Pettersson	Member	1994		Yes	No
Magnus Hall	Member, president and CEO	2004		No	Yes
Total				**7/9**	**5/9**
Representatives of the employees					
Steewe Björklundh	Member	1998			
Torgny Hammar	Member	2003			
Kenneth Johansson	Member	2004			
Stig Jacobsson	Deputy member	2004			
Karin Norin	Deputy member	1999			
Andreas Rastbäck	Deputy member	2008			

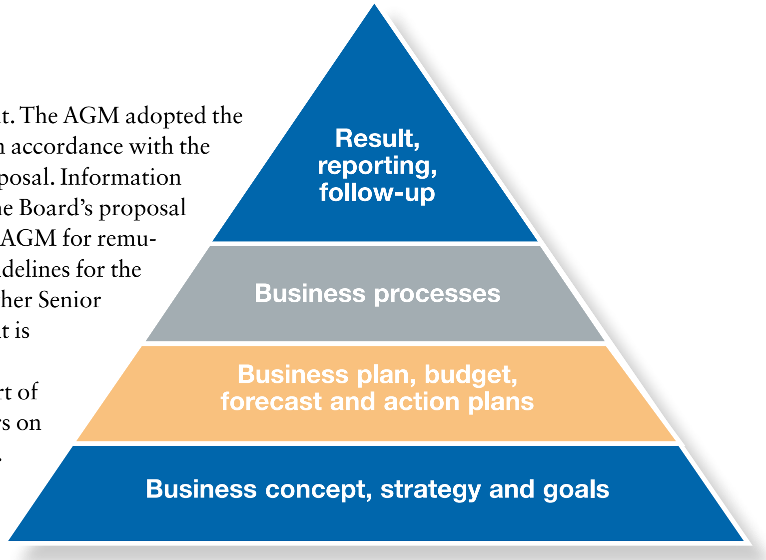
* The entire Board acts as Audit Committee.

Senior management

The Board has delegated operative responsibility for the administration of the company and the Group to the company's CEO. An instruction covering the distribution of responsibility between the Board and the CEO is approved each year by the Board.

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

The Senior management met on ten occasions in 2008. At these meetings the management dealt with matters such as earnings and reports before and after Board meetings, business plans, budget, capital expenditure, internal control, policies and reviews of market conditions, general economic development and other external factors affecting the business. Projects relating to the business areas and the Group staffs were also discussed and decided on.



Internal management processes

Information on the CEO and the other members of the Senior management is provided on pages 30–31.

Internal management processes

Management control within Holmen is based on the business concept, strategy and goals of the Group and the business areas. The President and the Senior management are accountable to the Board and have responsibility for the operational activities, which are decentralised to five business areas. The Group staffs have responsibility for organising and co-ordinate certain functions, such as Finance, Human Resources, Legal Affairs, Technology and Public Relations.

The Group uses annual, moving, three-year business plans to break down goals and strategies into action plans and activities that are capable of measurement and evaluation. These business plans are important for the long-term strategic control of the Group. The Group also uses annual budgets, forecasts and action plans for its day-to-day management control.

A number of business processes, such as sales, procurement and production, are used to control the operational activities at business area level with a view to achieving the business targets and implementing the agreed action plans.

The results are followed up by means of regular financial reports and measures that have been decided upon are controlled by means of additional follow-ups.

Remuneration

The Board has appointed a Remuneration Committee consisting of Fredrik Lundberg and Hans Larsson. The committee held several informal meetings during the year at which it discussed matters pertaining to the remuneration and other employment conditions of the CEO and submitted proposals to the Board for decision. The remuneration and other employment conditions of Senior management who report directly to the CEO are decided by him in accordance with a pay policy established by the Remuneration Committee. The Group applies the principle that each manager's manager is required to approve decisions on remuneration in consultation with the respective personnel manager.

At the 2008 AGM the Chairman gave an account of the Board's proposal for remuneration guidelines for the CEO and other Senior management. The AGM adopted the guidelines in accordance with the Board's proposal. Information regarding the Board's proposal to the 2009 AGM for remuneration guidelines for the CEO and other Senior management is presented in the Report of the Directors on page 46–47.

The 2008 AGM decided on the Board fee and that the auditors' fee should be paid against invoice.

The 2008 AGM resolved in favour of the Board's proposal for an incentive scheme for the Holmen Group's employees. Information regarding the incentive scheme was included in the notice convening the AGM and presented at the meeting. Under the scheme employees are entitled to purchase call options on Series "B" shares in Holmen at market price. The 2008 AGM renewed the Board's mandate to make decisions to acquire up to 10 per cent of the company's own shares. This mandate was exercised to secure the company's commitments pursuant to the incentive scheme (for further information see the section entitled Shares and Shareholders on pages 26–27).

Information about remuneration is provided in Note 5 on pages 62–63.

Audit

KPMG, which has been Holmen's auditor since 1995, was elected by the 2008 AGM as auditor for a period of four years. KPMG has since appointed George Pettersson, authorised public accountant, as the principal auditor for Holmen. KPMG performs the audit for Holmen and almost all of its subsidiaries.

The annual accounts are examined for the January–September period. The examination of internal procedures and control systems is begun in the second quarter and then continues regularly. The examination and audit of the final annual accounts and the annual report takes place in January–February. The interim report for January–September is subject to review by the auditors.

Object of Holmen's financial reporting

Holmen's external financial reporting shall:

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

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

Holmen has not set up a separate Audit Committee; instead, the entire Board has responsibility for matters pertaining to the audit. The Board's reporting instruction includes a requirement that the members of the Board shall receive a report each year from the auditors on whether the company's organisation is structured to enable the bookkeeping, administration of funds and the company's financial circumstances otherwise to be controlled in a satisfactory manner. In 2008 the auditors reported to the entire Board on three occasions. Over and above this, the auditors reported to the Chairman of the Board and the CEO on two occasions and to the CEO at a further meeting.

Outside of the audit contract, Holmen has consulted KPMG on the matters pertaining to taxation, accounting and investigations, and in some countries also on matters of commercial law. Details regarding the amount of compensation paid to KPMG in 2008 are provided in note 6 on page 63. KPMG is required to assess its independence before making decisions on whether to accept additional contracts on behalf of Holmen.

Internal control

This section contains the Board's annual report on how the internal control system is organised insofar as it relates to financial reporting. It is based on the rules in the Code and the guidelines drawn up by project groups within the Confederation of Swedish Enterprise and the Association of Swedish Authorised Public Accountants.

The Board's responsibility for internal control is laid out in the Swedish Companies Act and insofar as it relates to financial reporting it is covered by the Board's reporting instruction for the CEO. Holmen's financial reporting complies with the laws and rules that apply to companies listed on Stockholm Stock Exchange and the local rules in each country where it is active. In addition to external rules and recommendations, this is also covered by internal instructions, directions and systems, as well as by the internal distribution of roles and responsibilities with the object of ensuring sound internal control over financial reporting. Financial reports are made up quarterly and monthly for the Group and its business areas, units and subsidiaries. Forecasts and extensive analyses, along with comments, are provided in connection with the reports, one object of which is to ensure that the financial reports are correct. There are financial functions and controllers with functional responsibility for accounting, reporting and analysis of financial developments at central level in the Group, at business area level and at all major units.

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

The purpose of Holmen's internal control activities is to ensure that the Group lives up to its objects for financial reporting (see frame). These activities are based on a common set of instructions and common checklists for important procedures and processes for the Group's financial reporting process. The structure adheres to COSO's guidelines for small listed companies in respect of internal control over financial reporting. COSO's guidelines contain a total of 20 principles in five areas: control environment, risk assessment, control activities, information and communication, and follow-up. They have been modified on the basis of the assessed needs of Holmen's various businesses. Holmen has no separate audit function (internal audit). The Board does not consider that specific circumstances in the business or other conditions exist that would justify setting up such a function. In 2008 the company introduced a quasi audit procedure whereby qualified accountants within the Group visit other units in the Group and examine their internal control procedures. This method has turned out to be successful.

Investor relations

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

Quarterly figures

MSEK	2008 Full year	2008 IV	2008 III	2008 II	2008 I	2007 Full year	2007 IV	2007 III	2007 II	2007 I
Income statement										
Net turnover	19 334	5 043	4 591	4 826	4 875	19 159	5 073	4 637	4 662	4 787
Operating costs	-16 630	-4 437	-3 909	-4 178	-4 107	-15 548	-4 261	-3 666	-3 802	-3 818
Depreciation according to plan	-1 343	-333	-337	-339	-334	-1 337	-337	-332	-332	-336
Interest in earnings of associated companies	50	10	16	12	12	12	7	3	1	1
Items affecting comparability*	-361	-	-298	-63	-	557	557	-	-	-
Operating profit	**1 051**	**284**	**64**	**257**	**446**	**2 843**	**1 039**	**642**	**529**	**634**
Net financial items	-311	-89	-85	-73	-64	-261	-66	-68	-65	-62
Profit before tax	**740**	**195**	**-22**	**185**	**383**	**2 582**	**974**	**573**	**464**	**571**
Tax	-98	76	-2	-61	-111	-1 077	-633	-135	-135	-174
Profit for the period	**642**	**271**	**-24**	**124**	**271**	**1 505**	**341**	**438**	**329**	**397**
Earnings per share, after dilution, SEK	7,6	3,2	-0,3	1,5	3,2	17,8	4,0	5,2	3,9	4,7
Net turnover										
Holmen Paper	10 443	2 854	2 517	2 547	2 525	10 345	2 798	2 556	2 461	2 530
Iggesund Paperboard	4 860	1 194	1 210	1 219	1 237	5 100	1 239	1 239	1 297	1 326
Holmen Timber	499	109	116	124	149	589	151	124	164	149
Holmen Skog	5 443	1 365	1 208	1 433	1 436	4 775	1 335	1 074	1 200	1 165
Holmen Energi	1 834	501	442	392	499	1 590	462	352	344	433
Intra-group sales	-3 745	-980	-902	-890	-972	-3 239	-911	-708	-804	-815
Group	**19 334**	**5 043**	**4 591**	**4 826**	**4 875**	**19 159**	**5 073**	**4 637**	**4 662**	**4 787**
Operating profit										
Holmen Paper	280	20	80	100	80	623	107	241	115	160
Iggesund Paperboard	320	16	127	61	116	599	100	115	178	206
Holmen Timber	13	-7	-1	-2	23	146	37	35	43	32
Holmen Skog	632	179	150	152	151	702	192	145	209	155
Holmen Energi	327	110	33	58	125	272	73	40	45	114
Group central costs and other	-159	-34	- 27	-49	-49	-56	- 27	66	-61	-34
Items affecting comparability*	-361	-	-298	-63	-	557	557	-	-	-
Group	**1 051**	**284**	**64**	**257**	**446**	**2 843**	**1 039**	**642**	**529**	**634**
Operating margin, %**										
Holmen Paper	2.7	0.7	3.2	3.9	2.7	5.9	3.6	9.4	4.7	6.3
Iggesund Paperboard	6.6	1.4	10.5	5.0	9.3	11.7	8.1	9.3	13.7	15.6
Holmen Timber	1.9	-7.0	-2.0	-2.0	14.7	24.4	24.0	27.5	25.8	20.8
Group	7.3	5.6	7.9	6.6	9.1	11.9	9.4	13.8	11.3	13.2
Return on operating capital, %**										
Holmen Paper	2.8	0.8	3.2	4.0	3.2	5.3	3.7	8.2	3.9	5.5
Iggesund Paperboard	7.5	1.5	12.1	5.8	11.1	14.6	9.6	11.1	17.4	20.6
Holmen Timber	3.5	-7.9	-1.3	-2.1	26.2	63.9	56.7	61.4	79.3	59.6
Holmen Skog	5.6	6.3	5.3	5.4	5.3	7.7	8.4	6.4	9.2	6.9
Holmen Energi	11.1	14.8	4.5	7.9	16.9	9.2	9.9	5.4	6.1	15.5
Group	5.0	4.1	5.1	4.5	6.4	8.3	6.9	9.3	7.7	9.4
Return, %										
Capital employed**	6.1	4.9	6.3	5.6	7.8	10.0	8.4	11.2	9.2	11.1
Equity	3.9	6.9	-0.6	3.0	6.4	9.2	8.1	10.6	8.2	9.7
Deliveries										
Newsprint and magazine paper, 1 000 tonnes	2 044	539	493	508	503	2 025	555	503	477	489
Paperboard, 1 000 tonnes	494	115	124	127	127	516	127	125	130	134
Sawn timber, 1 000 m^3	266	63	66	66	72	262	64	53	74	72
Harvesting company forests, 1 000 m^3	2 649	770	631	714	534	2 575	728	642	672	533
Production of hydro power, GWh	1 128	311	176	254	388	1 193	276	249	272	396

* Item affecting comparability in the third quarter of 2008 relates to the closure of Wargön Mill of MSEK 298. The second quarter figure includes a cost of MSEK 115 for the closure of PM 2 at Hallsta Paper Mill and income of MSEK 52, corresponding to the effects on the result of the fire at Braviken Paper Mill. Items affecting comparability of 2007 relate to a write-down of MSEK 1 603 within Holmen Paper, a reversed write-down of MSEK 60 within Holmen Timber and a positive revaluation of forests by MSEK 2 100 within Holmen Skog.

** Excl. items affecting comparability.

Multi-year review

MSEK	2008	2007	2006	2005	2004	2003	2002	2001	2000
INCOME STATEMENT									
Net turnover	19 334	19 159	18 592	16 319	15 653	15 816	16 081	16 655	15 155
Operating costs	-16 630	-15 548	-14 954	-13 205	-12 570	-12 306	-12 205	-12 460	-11 843
Depreciation according to plan	-1 343	-1 337	-1 346	-1 167	-1 156	-1 166	-1 153	-1 126	-1 045
Interest in earnings of associated companies	50	12	11	20	25	-6	-10	-3	552
Items affecting comparability*	-361	557	-	-	-	-	-	-620	2 023
Operating profit	**1 051**	**2 843**	**2 303**	**1 967**	**1 952**	**2 338**	**2 713**	**2 446**	**4 842**
Net financial items	-311	-261	-247	-233	-206	-212	-149	-152	-101
Profit before tax	**740**	**2 582**	**2 056**	**1 734**	**1 746**	**2 126**	**2 564**	**2 294**	**4 741**
Tax	-98	-1 077	-597	-478	-471	-675	-605	-108	-769
Profit for the year	**642**	**1 505**	**1 459**	**1 256**	**1 275**	**1 451**	**1 959**	**2 186**	**3 972**
Earnings per share, after dilution, SEK	7.6	17.8	17.2	14.8	15.1	17.5	23.6	26.4	44.7
Net turnover									
Holmen Paper	10 443	10 345	10 140	8 442	7 814	7 788	8 164	8 757	7 618
Iggesund Paperboard	4 860	5 100	5 240	4 860	4 877	4 920	4 850	4 467	4 186
Holmen Timber	499	589	465	460	492	510	572	712	762
Holmen Skog	5 443	4 775	4 042	3 858	3 780	3 613	3 538	3 982	4 117
Holmen Energi	1 834	1 590	1 691	1 480	1 258	1 337	1 120	1 108	1 110
Intra-group sales	-3 745	-3 239	-2 986	-2 781	-2 568	-2 352	-2 163	-2 371	-2 638
Group	**19 334**	**19 159**	**18 592**	**16 319**	**15 653**	**15 816**	**16 081**	**16 655**	**15 155**
Operating result									
Holmen Paper	280	623	754	631	487	747	1 664	2 410	1 389
Iggesund Paperboard	320	599	752	626	809	1 001	818	455	569
Holmen Timber	13	146	80	13	5	18	-6	-79	-116
Holmen Skog	632	702	643	537	586	516	450	455	466
Holmen Energi	327	272	197	301	178	193	-26	49	99
Group central costs and other	-159	-56	-123	-141	-113	-137	-187	-224	-112
	1 412	**2 286**	**2 303**	**1 967**	**1 952**	**2 338**	**2 713**	**3 066**	**2 295**
Items affecting comparability*	-361	557	-	-	-	-	-	-620	2 023
Divested activities	-	-	-	-	-	-	-	-	524
Operating profit	**1 051**	**2 843**	**2 303**	**1 967**	**1 952**	**2 338**	**2 713**	**2 446**	**4 842**
CASH FLOW									
Profit before tax	740	2 582	2 056	1 734	1 746	2 126	2 564	2 294	4 741
Adjustment items	1797	629	1 225	914	1 031	1 169	1 050	1 679	-1 486
Paid income tax	-192	-390	-664	-516	-378	-727	-472	-248	-942
Changes in working capital	-686	-345	-259	339	-68	-125	356	61	-388
Cash flow from current operations	**1 660**	**2 476**	**2 358**	**2 471**	**2 331**	**2 443**	**3 498**	**3 786**	**1 925**
Cash flow from investment activities	**-1 124**	**-1 315**	**-947**	**-3 029**	**-1 195**	**-726**	**-1 810**	**-1 669**	**-2 019**
Cash flow after capital expenditure	**536**	**1 161**	**1 411**	**-558**	**1 136**	**1 717**	**1 688**	**2 117**	**-94**
Share buy-back	-138	-	-	-	-	-	-	-	-2 025
New share issue through conversion and subscription	-	-	-	-	474	-	-	-	-
Dividend paid	-1 017	-1 017	-932	-848	-3 199	-880	-800	-5 518	-977

* Items affecting comparability:
Year 2000: Mainly the divestment within the Group of Modo Paper AB, an associated company, for MSEK 1 848, and the repayment of SPP funds of MSEK 175.
Year 2001: Write-down of MSEK 620 in fixed assets.
Year 2007: Write-down of MSEK 569 in goodwill and of MSEK 1 034 in tangible fixed assets within Holmen Paper, a reversed write-down of MSEK 60 within Holmen Timber, and a positive revaluation of forests by MSEK 2 100 within Holmen Skog, all of which were taken into the accounts in the fourth quarter of 2007.
Year 2008: Closure of Wargön Mill MSEK 298 and a cost of MSEK 115 for the closure of PM 2 at Hallsta Paper Mill. An income of MSEK 52 corresponds to the effects on the result of the fire at Braviken Paper Mill.

For a ten-year review of data per share, see page 26.

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

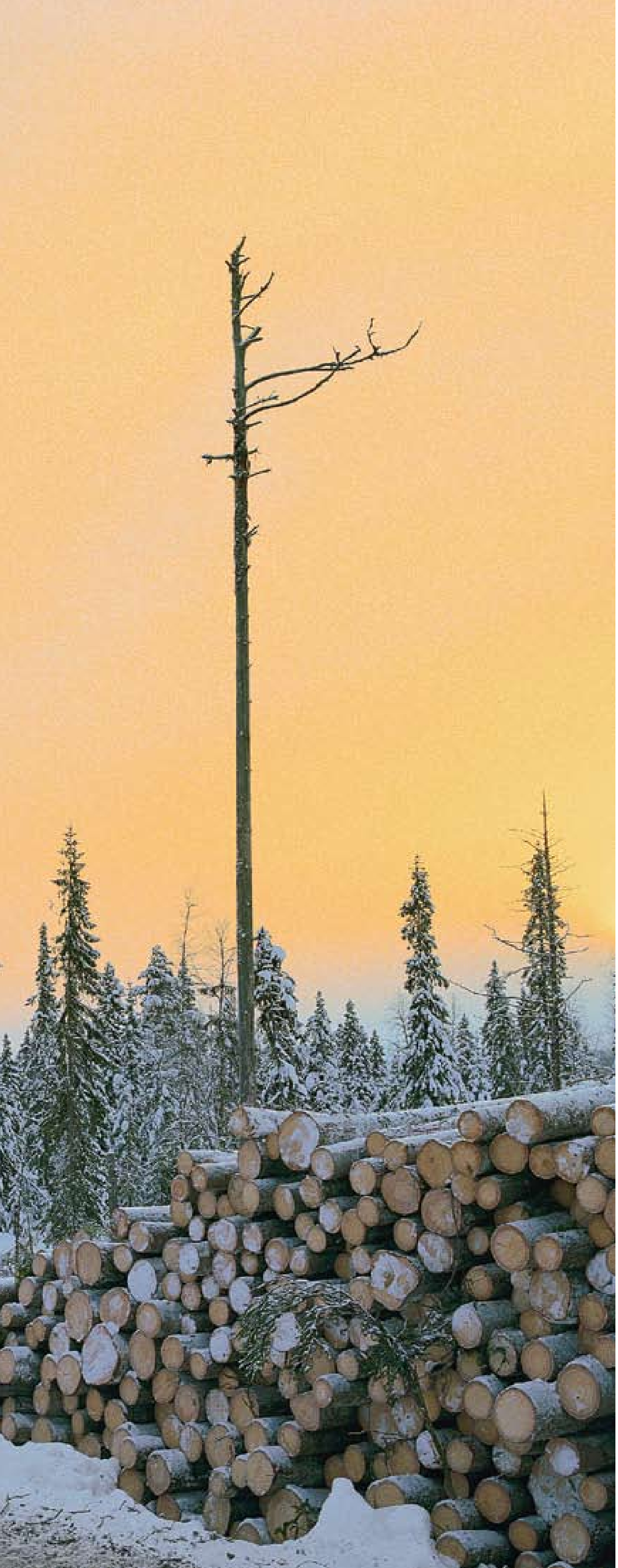
Stated in accordance with IFRS from 2004. As far as Holmen is concerned, the principal difference between IFRS and previous accounting principles is that forest assets are valued and stated in the accounts at fair value, that goodwill is no longer depreciated according to plan, and that the fair value of financial assets and liabilities where hedge accounting is applied are taken into the balance sheet.

* Excl. items affecting comparability

Annual Report

The Board of Directors and the CEO of Holmen Aktiebolag (publ), Company Registration No. 556001-3301, herewith submit their annual report on the activities of the parent company and the Group for the financial year 2008. The annual report including the audit report, comprises pages 40–83. The result of the year's activities and the financial position of the parent company and the Group are presented in the Report of the Directors and the accompanying income statements and balance sheets, together with the notes and supplementary information. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

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



Contents

Report of the Directors

Business overview

Holmen conducts its business through three product-oriented and two raw-material oriented business areas, which are to be developed by means of organic growth and via selective acquisitions. Europe is by far the largest market, accounting for some 90 per cent of total turnover. Holmen Paper manufactures printing paper for daily newspapers, magazines, directories, advertising materials and books. Following the structuring measures implemented in 2008 production now takes place at two mills in Sweden and one in Spain. Iggesund Paperboard manufactures paperboard for packaging and graphic purposes at one mill in Sweden and one in England. Holmen Timber produces sawn timber at its Swedish sawmill. The annual production capacity amounts to 1 940 000 tonnes of printing paper, 590 000 tonnes of paperboard and 340 000 cubic metres of sawn timber. Holmen Skog manages the Group's just over one million hectares of forests; each year some 2.5 million cubic metres of wood are harvested in the company's forests. Holmen's annual consumption amounts to some 4.6 million cubic metres. In a normal year Holmen Energi generates some 1 100 GWh of electricity at wholly and partly-owned hydro power plants in Sweden, over and above which some 500 GWh of back pressure power are produced at the Group's mills. Holmen consumes a total of some 4 800 GWh of electricity per year.

Holmen in 2008

MARKETS The growth rate on the market for newsprint is slowing down in Europe, partly as a result of competition from other media. Over the past ten years, the demand for standard newsprint has increased at an average rate of 0.5 per cent per year. The magazine paper market has been growing faster, at an average rate of 2–3 per cent. The demand for newsprint in Europe in 2008 was 3 per cent lower than in the previous year. However, supply and demand were relatively well balanced as an effect of significant capacity reductions as well as higher exports from and lower imports into Europe. Deliveries of MF Magazine to Europe were 1 per cent lower in 2008 than in 2007, whereas deliveries of SC paper to Europe increased by 6 per cent.

The long-term trend in demand for virgin fibre board in Europe has been positive, and over the past ten years it has been growing at an average annual rate of 3 per cent. The European market for virgin fibre board was initially firm in 2008, but later in the year there was a tendency for demand to fall. Deliveries of virgin fibre board from European producers to the European market consequently declined by 2 per cent in relation to 2007. The weaker deliveries made production adjustments necessary during the later part of the year.

After some strong years, the market for sawn timber was weak in 2008. Seen over the longer term, demand has been growing steadily in Europe. Prices peaked in 2007 after rising sharply, and then fell back in 2008 to the level of 2006.

Demand for wood in the Swedish forest industry remained firm and wood prices reached peak levels in 2008. However, during the second half of the year the wood market levelled off, partly as a result of weakening demand for sawn timber, which caused saw timber prices to decline during the second half of the year. The Swedish forest industry's pulpwood costs rose sharply in 2008. In the late autumn pulpwood prices turned down and showed a declining trend at the end of the year.

In 2008, hydro power production in Sweden was slightly above the normal level. The spot price fluctuated widely during the year from SEK 300/MWh in March to SEK 700/MWh in September. The average price was SEK 492/MWh, which was 75 per cent higher than in 2007.

RESULT In 2008, the Group's turnover increased by MSEK 175 to MSEK 19 334. The operating profit amounted to MSEK 1 051 (2007: 2 843). The operating result includes net costs affecting comparability of MSEK 361 (income 557) within the Holmen Paper business area, of which MSEK 298 were associated with the closure of the Wargön Mill, MSEK 115 were an effect of ceasing production on PM 2 at the Hallsta Paper Mill, and a net income of MSEK 52 related to an insurance compensation received for the fire at the Braviken Paper Mill.

The operating profit excluding items affecting comparability was MSEK 1 412 (2 286). The decline in the result was mainly due to lower newsprint and sawn timber prices and the higher cost of wood and other input goods.

Holmen Paper's deliveries were broadly unchanged in relation to 2007. It was not possible to make full use of production capacity during the year. On average prices were approximately 1 per cent lower than in the previous year. Holmen Paper's operating profit excluding items affecting comparability for 2008 amounted to MSEK 280 (623). The deterioration was due to lower selling prices and the higher cost of input goods, mainly wood and energy. On the other hand, higher volumes and lower maintenance costs had a positive effect on the result.

Iggesund Paperboard's deliveries declined by 4 per cent in relation to 2007 owing to lower demand. During the second half of the year, the prices of solid bleached board and folding boxboard were raised in Europe in the packaging and graphic segments. The operating profit for 2008 amounted to MSEK 320, which was MSEK 279 lower than in the previous year. The decline in the result was due to lower production and deliveries, and the higher cost of wood and other input goods. Higher selling prices had a favourable effect on the result.

Holmen Timber's operating profit was MSEK 13 (2007: 146, excluding item affecting comparability). The deterioration was due to lower prices. Deliveries were around 2 per cent higher than in 2007.

Holmen Skog's operating profit amounted to MSEK 632 (2007: 702, excluding item affecting comparability). The result includes a negative change of MSEK 16 (income 89) in the value of the company's forests calculated in accordance with IAS 41. The result before this value change increased by MSEK 35 to MSEK 648 as a consequence of higher wood prices, although harvesting and silviculture costs also rose.

Holmen Energi's operating profit increased by MSEK 55 to MSEK 327. The improvement in the result is largely explained by higher prices, while production was lower than in 2007. However, production in 2008 was 1 per cent higher than in a normal year.

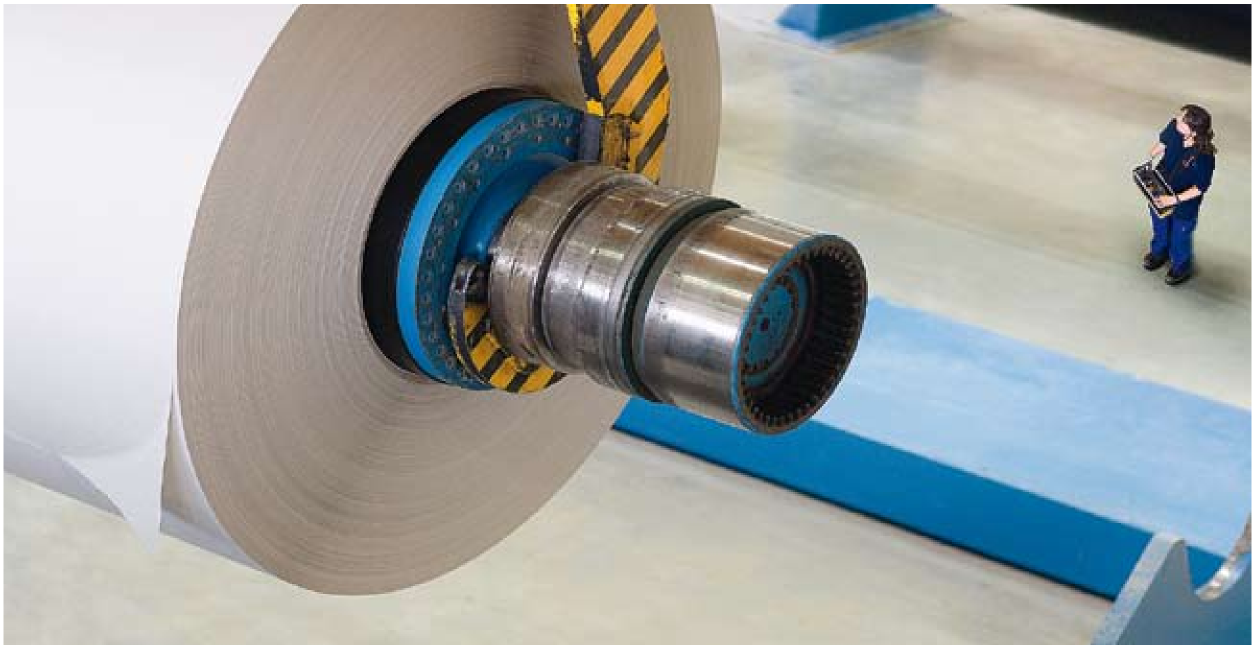
Net financial costs amounted to MSEK 311 (cost 261). The change was mainly due to higher market interest rates. The average interest rate paid on loans during the year was 4.5 per cent (4.1).

The Group's stated tax charge amounted to MSEK 98 (1 077), which corresponds to 13 per cent of the profit before tax. The reduction in the Swedish rate of corporate income tax to 26.3 per cent as of 2009 has reduced Holmen's deferred tax liability. This has resulted in a tax income of MSEK 331 being taken into the accounts. Parallel to this, the provision for possible tax charges in the future resulting from tax litigations has been increased.

The profit after tax amounted to MSEK 642 (1 505). Earnings per share amounted to SEK 7.6 (17.8). The return on equity was 3.9 per cent (9.2).

CLOSURE OF THE WARGÖN MILL In August 2008 the Board made a decision to close down the Wargön Mill, and production ceased on 15 December. The mill manufactured coated printing paper and had a production capacity of 145 000 tonnes per year. Write-downs and provisions for closure costs amount to MSEK 298.

RESTRUCTURE OF HALLSTA In November 2008 production ceased on PM 2, one of the Hallsta Paper Mill's four paper machines. This will involve a reduction in the production of standard newsprint at Hallsta, and the PM 2's production of book paper and other grades will be retained but transferred to a larger machine at the mill. Together with other production restructuring in the business area, this means that Holmen Paper's total production of standard newsprint will decline by 150 000 tonnes per year.



CAPITAL EXPENDITURE The Group's capital expenditure amounted to MSEK 1 160 (1 433). Depreciation according to plan amounted to MSEK 1 343 (1 337). During the year the building of the new pulp line, which will mean lower electricity consumption at the Braviken Paper Mill, was completed at an investment cost of MSEK 460. The planning process of the new sawmill on the Braviken Paper Mill site in Norrköping is continuing as planned. Production is estimated to begin at the end of 2010.

CASH FLOW The Group's cash flow from current operations amounted to MSEK 1 660. The cash flow from investment activities amounted to MSEK 1 124. A dividend of MSEK 1 017 was paid to the shareholders during the year.

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

During the year the Group's financial net debt increased by MSEK 1 527 to MSEK 7 504. Apart from the effects of the cash flow, the net debt increased mainly as a result of an actuarial revaluation of pension liabilities and currency effects on and revaluation of loans. The year-end debt/equity ratio was 0.48 (31 Dec 2007: 0.35).

Financial liabilities at the end of 2008 amounted to MSEK 8 332, of which MSEK 4 756 was short term. Liquid funds and financial receivables amounted to MSEK 828. The Group has long-term committed credit facilities of MSEK 6 568 (MEUR 600), of which MSEK 2 248 had been utilised at year-end and is stated among current financial liabilities.

The refinancing of maturing loans during the year was arranged via the issue of two new five-year loans for a total amount of just over MSEK 900. For much of the year the Group continued to borrow just over MSEK 3 000 by issue of commercial papers with durations of up to one year. However, towards the end of the year borrowing largely involved utilising the long-term committed credit facilities. Some of the other long-term financial liabilities have been amortised. Liquid funds have been placed with banks.

The result from hedges to cover sales in foreign currencies amounted to a loss of MSEK 336 (profit 38), which is stated in the operating result. For 2009 some 90 per cent of the Group's estimated net flows in euro are hedged at an average exchange rate of 9.37, for 2010 some 70 per cent of the flows are hedged at an average rate of 9.62 and for 2011 some 35 per cent of the flows are hedged at an average rate of 10.46. Some 60 per cent of the estimated net flows in US dollar for 2009 are hedged at an average rate of 7.97. The coming four months' flows in sterling are hedged.

The prices of the Group's estimated net consumption of electricity in Sweden during the 2009-2012 period are fully hedged. The corresponding figure for the 2013-2015 period is around 85 per cent.

The Group's financial risk management is described in note 2.

RESEARCH AND DEVELOPMENT The Group is engaged in research and development both internally at business area level and externally in association with several players, often industry-wide, and in collaboration with universities and colleges. The Group's total investments in research and development in 2008 amounted to around MSEK 100.

TAX LITIGATIONS During the year, the Supreme Administrative Court rejected the company's application to have the tax case concerning Holmen's subsidiary MoDo Capital heared by the court. The case was referred back to the County Administrative Court for further consideration. In the case concerning Holmen's French subsidiary the County Administrative Court decided in Holmen's favour in December. This outcome will have no effect on the result. The decision has not yet come into legal effect.

Expectations in respect of future developments

Market conditions for printing paper, paperboard and sawn timber weakened during the autumn of 2008, and the economic downturn is creating uncertainty regarding demand in 2009. Negotiations on printing paper prices have not yet been concluded. Paperboard prices have been raised in some market segments. The currency situation is likely to have a positive effect on the result, even though the Group's existing currency hedges mean that it won't benefit from the weakening of the krona against the euro during the current year.

The sharp rise in costs in recent years look as if they will moderate as a consequence of the announced reduction in the price of wood, and a decline in the market price of recovered paper. The upward pressure on the prices of energy and other input goods appears to be easing, even though the Group's long-term electricity contracts mean that the Swedish mills will not be affected by changes in electricity prices in Sweden during the next few years.

Holmen's level of capital expenditure is expected to amount to almost MSEK 1 500, but the level will depend on the magnitude of the investment in the new sawmill at Braviken and other projects during the year.

Information on risks and uncertainties

INCOME Holmen's income comes mainly from the sale of printing paper, paperboard, and sawn timber in Europe. Changes in prices and deliveries depend largely on the market balance in Europe. This in turn is influenced by demand patterns there, production developments among European producers and changes in imports into Europe, as well as by the potential to export profitably from Europe.

COSTS Holmen's principal production costs are those of wood, recovered paper, energy, pulp and chemicals. In addition, the costs of distribution, personnel, maintenance and capital are significant. Costs are determined primarily by changes in the prices of input goods and personnel, and also by how successful the Group is in improving production and administrative efficiency.

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

MSEK	Deliveries	Price
Products		
Printing paper	30	94
Paperboard	22	47
Sawn timber	2	5
Company's own raw materials		
Wood from company forests**	8	12
Company-generated electricity**	4	4

MSEK	Costs
Wood**	23
Recovered paper	11
Pulp	2
Electricity**	16
Other energy	5
Chemicals	14
Distribution costs	15
Other variable costs	5
Personnel	27
Other fixed costs	14

* Based on revenue and costs for 2008, excluding the Wargön Mill.

** In the case of wood and electricity, the sensitivity of the Group's net purchases, taking into account the company's own production, is MSEK 11 and MSEK 12 respectively. The price of the Group's net consumption of electricity in Sweden, which corresponds to some 80 per cent of its total net consumption, is fully hedged for the coming year (see note 2).

CURRENCIES Holmen's result is affected by currency fluctuations mainly because a significant proportion of the Group's sales are invoiced in other currencies than its costs. Currency hedging is used to reduce this exposure. Taking account of estimated currency flows a one percentage point change in the average exchange rate would have the following effects:

MSEK	Net
SEK/EUR	56
SEK/USD	10
SEK/GBP	1

Disregarding currency hedging (see note 2).

INTEREST RATES Calculated on the basis of the duration and net debt as of 31 December 2008, a one percentage point change in the average market interest rate from the 2008 level would influence the result for 2009 by some MSEK 27. As loans at fixed rates of interest mature the exposure to changes in market interest rates will increase. Disregarding durations the exposure to a one percentage point change in the market interest rate is MSEK 75. See also note 2.

IMPORTANT ASSESSMENTS AND ESTIMATES Note 27 provides an account of significant assessments and estimates that, were they to change, would affect the result in 2009.

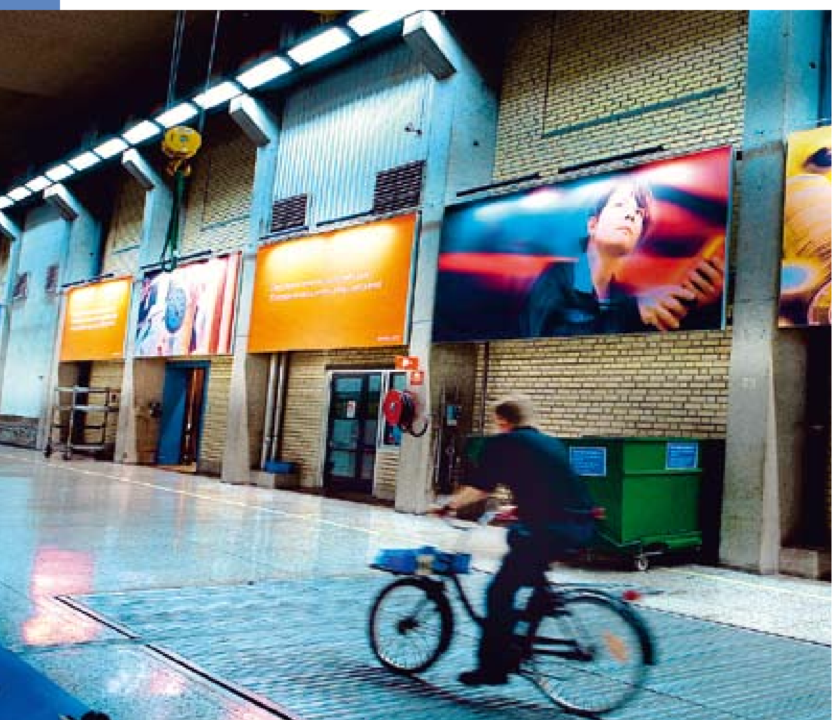
Share information

SHARES Holmen has 83 996 162 shares in issue, of which 22 623 234 are Series “A” shares and 61 372 928 are Series “B” shares. Each “A” share carries 10 votes and each “B” share carries one vote. Otherwise the shares have the same rights. There are no statutory restrictions on the transferability of the shares nor are there any pursuant to the company’s articles.

DIVIDEND The Group’s target is that the ordinary dividend should correspond to 5–7 per cent of its equity. This represents a relatively stable and high annual dividend. The Board proposes that the Annual General Meeting to be held on 24 March 2009 resolve that a dividend of SEK 9 (12) per share be paid, which corresponds to 5 per cent of the Group’s closing equity. Over the past ten years the ordinary dividend has corresponded on average to 5–6 per cent of equity. This means that half of the earnings per share have been paid out by way of ordinary dividends.

SHAREHOLDERS At the end of the year, L E Lundbergföretagen AB’s (co. reg. no. 556056-8817) holding of Holmen shares accounted for 52.0 per cent of the total number of votes and 27.9 per cent of the capital, which means that a Group relationship exists between L E Lundbergföretagen AB, whose registered office is in Stockholm, and Holmen. The Kempe Foundations’ holdings of Holmen shares amounted at the year-end to 16.9 per cent of the votes and 7.0 per cent of the capital. No other shareholder controlled as much as 10 per cent of the votes. A list of major shareholders is provided in the section on Holmen’s shares and shareholders on pages 26–27. The employees have no holdings of Holmen shares via a pension fund or the like. There is no restriction on how many votes each shareholder may cast at the Annual General Meeting.

According to the company’s articles of association, the Board shall have between seven and eleven members, who are elected at the Annual General Meeting. The company’s articles contain no other rules regarding the appointment or release of board members or regarding amendments to the articles.



SHARE BUY-BACK The company has no specific target for share buy-backs. The Board has had a mandate to buy back up to 10 per cent of the company’s shares for several years. Buy-backs have been used as a complement to dividend payments to adjust the capital structure when circumstances were judged to be favourable. The Annual General Meeting held on 2 April 2008 renewed the Board’s mandate to make decisions to buy back up to 10 per cent of the company’s shares. Shares were bought back to secure the company’s commitments as part of the incentive scheme (see below). A total of 760 000 Series “B” shares was bought back, which corresponds to approximately 0.9 per cent of the total number of shares in issue and to approximately 0.3 per cent of the total number of votes. The average price paid for the shares was SEK 201.70.

The Board proposes that the 2009 Annual General Meeting also gives the Board a mandate to buy back and transfer up to 10 per cent of the shares in the company.

INCENTIVE SCHEME The 2008 Annual General Meeting resolved in favour of the Board’s proposal to introduce an incentive scheme for the Holmen Group’s employees, whereby the employees would be invited to acquire at market price (calculated by an independent bank) call options on Series “B” shares in Holmen. 1 492 of the Group’s approximately 5 000 employees purchased a total of 758 300 call options. The price of each option was SEK 20 and their exercise price is SEK 224.50 per share. Each option entitles the owner to purchase one share during the exercise period in May/June 2013. Holmen has secured its commitment as part of the scheme by buying back shares in the company.

Board’s proposal for guidelines for determining the salaries and other remunerations to Senior management

The Board proposes that the 2009 Annual General Meeting resolves in favour of keeping the guidelines for determining the salaries and other remunerations to the CEO and other Senior management unchanged. For the guidelines adopted by the 2008 Annual General Meeting, see note 5.

Employees

The average number of employees in the Group was 4 829 (4 931). The change is mainly due to redundancies in connection with the closure of the Wargön Mill and a programme of job cuts in connection with the ceasing of production on the PM 2 paper machine and the recovered paper line at the Hallsta Paper Mill in November.

A total of 318 employees was affected by the closure of the Wargön Mill, which was announced in August 2008. Production ceased in December. About fifty employees will be retained to work on the closure project until April 2010. By the end of the year some 60 employees had accepted a company pension, or retirement after the closure period, and around 55 had accepted jobs with other employers. The remaining 200 or so employees have joined an adjustment programme that provides active support with applications for new employment, training, or support for starting their own businesses.

One consequence of the restructuring at the Hallsta Paper Mill is that the work force was reduced by approximately 150 positions in 2008 and that another 110 or so will leave during the coming two years. During the year agreements were reached with 188 employees who are leaving the company at their own request, and have accepted severance pay or company pension from the age of 62.

The sick leave rate in the Holmen Group declined to 4.6 per cent in 2008 from the previous year's level of 4.7 per cent. This means that the declining trend of the past several years has continued. In 2003, Holmen began to measure what is known as the good health index, which is defined as the proportion of the employees who had no day of sick leave during a calendar year. During the past few years, this index has been running at around 45 per cent.

The number of occupational accidents resulting in sick leave rose during the year to 33 (23) per 1 000 employees. Each unit is taking action based on a tailored local action plan to significantly reduce the number of occupational accidents. No fatal accidents have occurred in the Group for a very long time.

The proportion of female managers rose to 13 per cent from 11 per cent in the previous year. Seven female managers are members of management groups at business area or mill level. There has been one woman in the Senior management group since may 2008, and there are two women on Holmen's Board, one of whom is elected by the Annual General Meeting, while the other one is deputy member and employee representative. See also note 5 and pages 28–31.

Environmental information

The environmental aspects of Holmen's business are regulated by laws and permits in each country. The allocation of environmental responsibility and the organisation and management of its environmental activities are based on the Group's environmental policy. At the production sites various types of rules are integrated as key elements in the planning of production and investments. Holmen's environmental policy was revised in 2008 and it now focuses on the importance of energy and the climate for it's business.

The environmental status of Holmen's facilities is high as a result of investments in process and treatment equipment and the continuous improvement measures within the framework of the environmental and energy management systems at the mills and the statutory, official supervision.

Environmental activities largely involve planning issues relating to the environmental permits issued by the environmental authorities. The main environmental impact of Holmen's facilities consists of emissions to air and water, and the occurrence of noise and waste. As considerable attention is currently being given to energy and the climate fossil fuels and bio-fuels are subject to close interest.

Several projects, studies and measures relating to the environment were carried out in 2008. The following are a sample.

- At Braviken Paper Mill a new line for energy-efficient production of thermo-mechanical pulp was brought into production in the autumn. Energy consumption will be more than 20 per cent lower than on the line it has replaced.
- Iggesunds Bruk has had an external effluent treatment facility since 1977. Work on a facility for the chemical precipitation of effluent adjacent to the effluent treatment unit began during the year.
- At Iggesunds Bruk measures have been taken to reduce the use of oil. The reduction between 2007 and 2008 was just over 15 per cent. In all, consumption has declined by almost 30 per cent since 2005. At the Hallsta Paper Mill oil consumption was reduced by more than 20 per cent between 2007 and 2008, and it has more than halved since 2005.
- Holmen Skog arranged a major study trip to demonstrate the Group's forestry methods on the spot to forest researchers and representatives from the forest industry.
- Several studies were made in consultation with the environmental authorities at mill sites that had been contaminated by discontinued business activities and where Holmen had been active. In 2008 studies relating to the sawmills at Stocka, Håstaholmen and Lännaholm and the sulphite mills at Strömsbruk, Domsjö and Loddby had reached various stages of advancement. A small piece of ground was restored during the year at Sikeå, where there had been a sawmill. The country administrative authority thereafter regarded this case as closed.

- Preparations were made to investigate the possible occurrence of contamination at the Wargön Mill site, following Holmen's decision to cease production at this mill.

ACTIVITIES IN SWEDEN At the end of 2008 Holmen was engaged in environmentally hazardous activities at seven facilities, three of which had environmental permits pursuant to the Environment Protection Act and another three had permits pursuant to the Environmental Code. As of 1 January 2008 the seventh facility, the processing unit at Strömsbruk, has been classified as a business required to submit an environmental report. The processing unit at Strömsbruk has been incorporated into Iggesunds Bruk's organisation since the beginning of 2007. As of 1 January 2009 the Skärnäs Terminal has also been incorporated into this organisation.

The sales of these units accounted for 58 per cent of the Group's net turnover.

The Braviken and Wargön pulp and paper mills were audited in accordance with the Environmental Code in 2002. The Skärnäs Terminal has had a permit pursuant to the Environmental Code since 1999. The Hallsta Paper Mill has had a permit in accordance with the Environment Protection Act since 2000. Iggesunds Bruk had its permit renewed in 2003 in accordance with the same Act, in accordance with which the Iggesund Sawmill has also had a permit in 1994.

The first steps will be taken to apply for a new environmental permit in accordance with the Environmental Code at the Iggesund Sawmill. No other permits of any significance need to be renewed or reviewed in 2009.

Holmen has decided to build a sawmill adjacent to the paper mill in Braviken. The County Administrative Authority is expected to grant a permit under the Environmental Code at the beginning of 2009 along with related permits for the building of the sawmill and the business to be carried on there.

Holmen Energi produces electricity at Holmen's wholly and partly owned hydro power plants. The permits that all of these units have pursuant to the Water Rights act (rules in the Environmental Code) include environmental conditions. In 2006 a decision by the Environmental Court gave the go-ahead to construct a new power station on the river Iggesund. This power plant, which will come in production at the end of 2009, will replace three old existing power stations on the site.

Reviews of past water rights decisions may be requested on the basis of the Environmental Code. In the case of the river Ljusnan, on which Holmen Energi has hydro power plants, such a review is now underway.

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

The activities in the company's forests, and at all its facilities, were certified at the end of 2008 in accordance with ISO 14001. The forestry was also certified in accordance with FSC and PEFC.

During the year there were a few cases of exceeded threshold values, incidents, and some complaints relating to mill and forestry activities. None of them had any effect on the result and they were all resolved by means of corrective measures in accordance with the environmental management systems.

ACTIVITIES OUTSIDE SWEDEN Of the Group's units outside Sweden, the facilities in Workington in England, and in Madrid, Spain, are engaged in activities having some kind of environmental impact (see above). Their sales corresponded to 21 per cent of the Group's net turnover.

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

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

With effect from 2010, the Madrid mill will replace all fresh water with treated municipal effluent that has undergone further treatment using advanced technology. Madrid will consequently become the first mill in Europe to manufacture paper exclusively from recovered paper and using 100 per cent recycled water.

ENVIRONMENTAL REPORT A summary description of Holmen's environmental activities in 2008 is provided in *Holmen and its World 2008*, which will be published in March 2009. It will also be published on Holmen's website, which will also provide links to additional information on the environment. Taken together this constitutes Holmen's complete sustainability report for 2008.

Income statement

GROUP, MSEK	Note	2008	2007
Net turnover	3	19 334	19 159
Other operating income	4	755	642
Change in inventory		106	62
Raw materials and consumables		-10 929	-10 146
Personnel costs	5	-2 965	-2 767
Other operating costs	6, 21	-3 885	-3 428
Depreciation according to plan	10, 11	-1 343	-1 337
Write-downs	10, 11	-57	-1 543
Change in value of biological assets	12	-16	2 189
Interest in earnings of associated companies	13	50	12
Operating profit		**1 051**	**2 843**
Financial income	7	17	17
Financial costs	7	-328	-279
Profit before tax		**740**	**2 582**
Tax	8	-98	-1 077
Profit for the year		**642**	**1 505**
Attributable to: Parent company's shareholders		642	1 505
Earnings per share (SEK)	9		
before dilution		7.6	17.8
after dilution		7.6	17.8
Average number of shares (million)	9		
before dilution		84.3	84.8
after dilution		84.3	84.8

Statement of recognised income and expense

GROUP, MSEK	2008	2007
Cash flow hedges		
Revaluation of derivatives stated in equity	-1 272	-209
Brought forward from equity to the income statement	309	-34
Brought forward from equity to fixed assets	-1	2
Actuarial profits and losses in respect of pensions, incl. payroll tax	-169	61
Translation difference on foreign operation	445	-29
Hedge of currency risk in foreign operation	-541	-33
Tax attributable to items stated direct in equity	452	51
Total changes stated direct in equity, excluding transactions with company's owners	**-778**	**-192**
Profit for the year	642	1 505
Total change in equity, excluding transactions with company's owners	**-135**	**1 314**
Attributable to: Parent company's shareholders	-135	1 314

Balance sheet

GROUP at 31 December, MSEK	Note	2008	2007
Fixed assets			
Intangible fixed assets	10	106	42
Tangible fixed assets	11	13 142	12 984
Biological assets	12	11 080	11 073
Shares in associated companies	13	1 824	1 745
Other shares and participations	13	11	7
Long-term financial receivables	14	87	108
Deferred tax receivables	8	342	301
Total fixed assets		**26 593**	**26 261**
Current assets			
Inventories	15	3 434	3 063
Accounts receivable	16	3 144	3 004
Current tax receivable	8	141	21
Other operating receivables	16	548	460
Short-term financial receivables	14	88	39
Liquid funds	14	653	394
Total current assets		**8 009**	**6 982**
Total assets		**34 602**	**33 243**
Equity	17		
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		-672	-16
Profits brought forward incl. profit for the year		11 795	12 429
Total equity attributable to the parent company's shareholders		**15 641**	**16 932**
Long-term liabilities			
Long-term financial liabilities	14	3 223	2 452
Pension provisions	18	354	247
Other provisions	8, 19	1 080	658
Deferred tax liabilities	8	4 819	5 482
Total long-term liabilities		**9 475**	**8 840**
Short-term liabilities			
Short-term financial liabilities	14	4 756	3 819
Liabilities to suppliers	20	2 282	2 338
Current tax liability	8	14	17
Provisions	19	277	102
Other operating liabilities	20	2 157	1 196
Total short-term liabilities		**9 486**	**7 471**
Total liabilities		**18 960**	**16 311**
Total equity and liabilities		**34 602**	**33 243**

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

Cash flow analysis

GROUP, MSEK	Note	2008	2007
Current operations			
Profit before tax	26	740	2 582
Adjustments for items not included in cash flow*		1 797	629
Paid income taxes		-192	-390
Cash flow from current operations before changes in working capital		**2 345**	**2 821**
Cash flow from changes in working capital			
Change in inventories		-373	-457
Change in operating receivables		-40	-213
Change in operating liabilities		-273	325
Cash flow from current operations		**1 660**	**2 476**
Investment activities			
Acquisition of tangible fixed assets		-1 135	-1 373
Sale of tangible fixed assets		23	11
Acquisition of intangible fixed assets		-8	-7
Sale of intangible fixed assets		-	-
Acquisition of biological assets		-12	-53
Sale of biological assets		12	6
Acquisition of shares and participations		-5	-1
Sale of shares and participations		2	102
Cash flow from investment activities		**-1 124**	**-1 315**
Financing activities			
Raised long-term loans		927	-
Amortisation of long-term loans		-109	-344
Change in short-term financial liabilities	26	31	109
Change in financial receivables		17	-1
Buy-back of company´s own shares		-153	-
Premiums received for issued call options		15	-
Dividend paid to the parent company's shareholders		-1 017	-1 017
Cash flow from financing activities		**-289**	**-1 253**
Cash flow for the year		**247**	**-91**
Opening liquid funds		394	484
Currency difference in liquid funds		12	1
Closing liquid funds		**653**	**394**

* The adjustments consist primarily of depreciation according to plan, change in value of biological assets, write-downs and reversal of write-down of fixed assets, changes in provisions, currency effects and revaluations of fair value of financial instruments, interest earnings of associate companies as well as gains/losses of sale of fixed assets.

Change in financial net debt	2008	2007
Opening financial net debt	-5 977	-5 985
Cash flow		
Current operations	1 660	2 476
Investment activities	-1 124	-1 315
Buy-back of company´s own shares	-153	-
Premiums received for issued call options	15	-
Dividend paid	-1 017	-1 017
Actuarial revaluation of pension liability	-162	61
Currency effects and changes in fair value	-746	-197
Closing financial net debt	**-7 504**	**-5 977**

Parent company

INCOME STATEMENT, MSEK	Note	2008	2007
Net turnover	3	14 382	14 414
Other operating income	4	596	321
Change in inventory		101	73
Raw materials and consumables		-8 252	-7 695
Personnel costs	5	-2 320	-2 092
Other external costs	6, 21	-4 296	-3 607
Depreciation according to plan	11	-24	-24
Operating profit		**186**	**1 390**
Income from interest in Group companies	7	15	64
Income from interest in associated companies	7	1	0
Income from other shares and participations	7	0	105
Interest income and similar income	7	91	163
Write-downs of financial fixed assets	7, 24	0	-1 508
Interest costs and similar costs	7	-867	-341
Profit after financial items		**-575**	**-127**
Appropriations	25	-56	-97
Profit before tax		**-630**	**-224**
Tax	8	195	-324
Profit for the year		**-436**	**-548**

BALANCE SHEET, at 31 December, MSEK	Note	2008	2007
Assets			
Fixed assets			
Intangible fixed assets	10	76	10
Tangible fixed assets	11	2 575	2 552
Financial fixed assets			
Shares and participations	13, 24	15 591	15 557
Long-term financial receivables	14	2 722	320
Total fixed assets		**20 963**	**18 439**
Current assets			
Inventories	15	2 629	2 331
Operating receivables	16	2 764	2 620
Current tax receivable	8	117	-
Short-term placements	14	88	1 627
Liquid funds	14	542	303
Total current assets		**6 140**	**6 881**
Total assets		**27 103**	**25 321**
Equity and liabilities			
Equity	17		
Restricted equity			
Share capital		4 238	4 238
Statutory reserve		1 577	1 577
Revaluation reserve		100	100
Non-restricted equity			
Profits brought forward		2 989	5 068
Profit for the year		-436	-548
Total equity		**8 468**	**10 435**
Untaxed reserves	25	**2 751**	**2 696**
Provisions			
Pension provisions	18	64	48
Tax provisions	8, 19	45	45
Other provisions	19	650	186
Deferred tax liability	8	272	632
Total provisions		**1 031**	**911**
Liabilities			
Long-term financial liabilities	14	6 464	3 520
Short-term financial liabilities	14	4 713	4 707
Current tax liabilities	8	-	4
Operating liabilities	20	3 676	3 049
Total liabilities		**14 853**	**11 279**
Total equity and liabilities		**27 103**	**25 321**

Pledged assets and contingent liabilities		2008	2007
Pledged assets	22	6	6
Contingent liabilities	22	766	790

STATEMENT OF RECOGNISED INCOME AND EXPENSE, MSEK	2008	2007
Cash flow hedges		
Revaluation of derivatives stated in equity	-1 470	-19
Brought forward from equity to the income statement	323	-103
Brought forward from equity to fixed assets	-1	2
Group contribution paid	-3	-11
Group contribution received	472	400
Tax attributable to items stated direct in equity	302	34
Total changes stated direct in equity, excluding transactions with company's owners	**-376**	**303**
Profit for the year	-436	-548
Total change in equity, excluding transactions with company's owners	**-812**	**-245**

CASH FLOW ANALYSIS, MSEK	Note	2008	2007
Current operations			
Profit after financial items	26	-575	-127
Adjustments for items not included in cash flow*		1 099	1 588
Paid income taxes		-167	-213
Cash flow from current operations before changes in working capital		**357**	**1 248**
Cash flow from changes in working capital			
Change in inventories		-299	-395
Change in operating receivables		-128	-197
Change in operating liabilities		87	581
Cash flow from current operations		**18**	**1 237**
Investment activities			
Shareholders contribution paid		-228	-4
Acquisition of tangible fixed assets		-49	-36
Sale of tangible fixed assets		15	8
Acquisition of intangible fixed assets		-8	-5
Sale of intangible fixed assets		0	0
Acquisition of subsidiaries		-208	0
Sale of subsidiaries		0	72
Acquisition of shares and participations		-5	-3
Sale of shares and participations		1	110
Cash flow from investment activities		**-482**	**143**
Financing activities			
Raised long-term loans		927	-
Amortisation of long-term loans		-106	-979
Change short-term financial liabilities	26	386	116
Change financial receivables		1	35
Buyback of company´s own shares		-153	-
Premium received for issued call options		15	-
Dividend paid to the parent company's shareholders		-1 017	-1 017
Group contribution received		656	400
Group contribution paid		-4	-11
Cash flow from financing activities		**703**	**-1 456**
Cash flow for the year		**239**	**-77**
Opening liquid funds		303	380
Closing liquid funds		**542**	**303**

* The adjustments consist primarily of depreciation according to plan, write-downs of fixed assets, changes in provisions, currency effects and revaluations of fair value of financial instruments as well as gains/losses of sale of fixed assets.

Notes to the financial reports

Amounts in MSEK, except where otherwise stated

Note 1 Accounting principles

The accounting principles 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 principles have been applied consistently to the reporting by and the consolidation of the parent company, subsidiary companies and associated companies.

Compliance with standards and statutory requirements

The consolidated financial statements are made up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative recommendations issued by the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the EC Commission. The Swedish Financial Accounting Standards Council's recommendation (RFR 1.1 Complementary Accounting Rules for the Group) has also been applied.

The parent company applies the same accounting principles as the Group except in the cases that are commented on separately under each section. The parent company's accounts are made up in accordance with RFR 2.1. The differences between the principles applied by the parent company and those applied by the Group are due to restrictions in the right of the parent company to apply IFRS as a consequence of the Swedish Annual Accounts Act and the law regulating the accounting treatment of pensions, and in some cases for tax reasons.

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

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

Operative currency and reporting currency

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

Assessments and estimates in the financial statements

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

The assessments and estimates are reviewed regularly. Changes in assessments are taken into 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 also affects coming periods. See also note 27 Important assessments and estimates.

Changes in accounting principles

No new standards for 2008 were applied when making up these financial statements.

New IFRS and interpretations that have not yet begun to be applied

IFRS 8 Operating Segments defines and operating segment and stipulates what information is to be provided on such segments in the financial statements. The standard is to be applied as of the financial year beginning 1 January 2009 or later. The application of IFRS 8 by Holmen is not expected to result in any change regarding the classification of operating segments from current practice.

Reformulation of IAS 1 Presentation of Financial Statements requires some aspects of the presentation of financial statements to be changed and proposes a new, non-mandatory nomenclature for the statements. The change has no effect on the determination of the amounts that are reported. The amended IAS 1 is to be applied as of the financial year beginning 1 January 2009 or later.

Changes to IAS 23 Borrowing costs stipulates that borrowing costs that are directly attributable to assets whose installation and completion take a significant amount of time are to be capitalised. The change is to be applied as of the financial year beginning 1 January 2009 or later.

Holmen has decided not to apply any of theses new standards before the specified date.

There are no plans to apply any of the innovations or amendments that come into effect after 2009 before the specified date.

Reporting by segment

A segment is a part of the Group that is identifiable for accounting purposes and that either provides goods or services of a particular type (lines of business) or within a given economic environment (geographical area) that is exposed to risks and opportunities that differ from those in other segments. The primary criterion for classification of the Group's segments is their line of business. The secondary criterion is geographic area.

Classification etcetera

Fixed assets, long-term liabilities and provisions consist in all essentials solely of amounts that are expected to be recovered or paid more than 12 months after the closing date. Current assets and short-term liabilities consist in all essentials solely of amounts that are expected to be recovered or paid within 12 months of the closing date.

Consolidation principles

Subsidiary companies

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

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

Associated companies

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

The equity method means that the value of the shares in the associated company stated in the consolidated accounts corresponds to the Group's interest in the associated company's equity and any residual value of the goodwill and negative goodwill arising upon consolidation. The Group's interest in the net earnings of associated companies after tax attributable to parent company shareholders adjusted for any depreciation or reversal of acquired goodwill and negative goodwill respectively is stated in the consolidated income statement as "Interest in earnings of associated companies". Dividends received from the associated company reduce the stated value of the investment. Unrealised profits arising as a consequence of transactions with associated companies are eliminated in relation to the interest in the capital.

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

Foreign currency

Transactions denominated in foreign currencies

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

Financial statements of foreign businesses

The assets and liabilities of foreign businesses, including goodwill and other premiums/negative goodwill arising on consolidation are translated in the consolidated financial statements from the foreign business's operative currency to the Group's reporting currency (Swedish krona) at closing date exchange rates. The income and costs of foreign businesses are translated into Swedish kronor at an average rate that consists of an approximation of the exchange rates prevailing on the date of each transaction. Translation differences arising from currency translations of foreign businesses are taken direct against equity as a translation reserve. Any effects accompanying the hedging of net investments are stated direct in the translation reserve in equity. In the event of a foreign business being divested the accumulated translation differences attributable to the business are recognised, after deduction of any currency hedging, in the consolidated income statement. The company has opted to value the accumulated translation differences attributable to foreign businesses at zero at the time of the changeover to IFRS.

Commission companies

The parent company's business is largely conducted through commission companies: 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 commission companies. All income, costs, assets and liabilities, which arise in the operations conducted by the commission companies, are stated in Holmen AB's accounts except most parts of investments made as well as some divestments of forest properties, that are stated in some of the Group's subsidiaries.

Income

Net turnover

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

Other operating income

Income from activities not forming part of the main business is stated as other operating income. This item mainly includes sales of bi-products, rent and land lease income, income from allotted electricity certificates, income earned from emission rights and capital gains/losses on sales of fixed assets.

State grants are stated in the balance sheet as deferred income when it is reasonably certain that the grant will be received and that the Group will satisfy the conditions associated with the grant. Grants are periodised 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 stated in the balance sheet as a reduction in the book value of the asset.

Financial income and costs

Financial 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 are charged against the result in the period to which they relate, regardless of how the borrowed funds are used. Interest costs include transaction costs for loans, which are periodised over the duration of the loan; this also applies to any difference between the funds received and the amount repaid. Dividend income is stated when the dividend is established and the right to receive payment is judged to be certain.

Taxes

Income tax comprises current tax and deferred tax. It is stated in the income statement except when the underlying transaction is taken direct against equity, in which case the associated tax effect is also taken direct against 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 decided on as of the closing 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 stated values and values for tax purposes of assets and liabilities, applying the tax rates and rules that have been approved or announced as of the closing date. Temporary differences are not taken into account in goodwill arising upon consolidation, nor in differences attributable to interests in subsidiary and associate companies that are not expected to become liable to taxation in the foreseeable future. In the parent company's accounts, untaxed reserves are stated inclusive of deferred tax liability.

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

Earnings per share

The calculation of earnings per share is based on the consolidated result for the year attributable to the parent company's shareholders and the weighted average number of shares in issue during the year. To arrive at earnings per share after dilution the result and the average number of shares are adjusted to take account of the effects of any new ordinary shares having a diluting effect that may be issued via the exercise of options acquired by employees. The dilution effect of options affects the number of shares and only arises when the exercise price is lower than the listed price, and is larger the wider the spread between the exercise price and the listed price.

Financial instruments

Financial instruments are valued and stated in the consolidated financial statements in accordance with IAS 39. The parent company applies the same principles, subject to the restrictions referred to in Chapter 4 § 14 of the Annual Accounts Act.
A financial asset or liability is stated in the balance sheet when the company becomes a party in accordance with the contractual conditions of the instrument.

A financial asset is removed from the balance sheet when the rights referred to in the contract have been realised or mature, or when the company no longer has control over them. A financial liability is removed from the balance sheet when the undertaking in the contract is performed or expires in some other way. Spot transactions are stated in accordance with the settlement date principle.

Money at bank, loan receivables and accounts receivable are valued at their amortised cost. These assets are reviewed regularly for impairment on the basis of objective criteria for such assets. Any currency differences are stated in net financial items or the operating result, depending on the purpose of the holding. Shares and capital interests that are not in subsidiaries or associate companies are valued at acquisition value. It has not been possible to apply the fair value principle, as it has not been possible to determine reliable market values.

Financial liabilities are valued initially at the value of funds received after deduction of any transaction costs. Normally, the liabilities are valued regularly at their amortised cost using the effective interest method. In those cases where funds received fall short of the amount to be repaid, the difference is periodised over the duration of the loan using the effective interest method. Loans that are hedged against changes in their value and loans that are stated on the basis of the fair value option are, however, stated at their fair value. The fair value option has been applied to one loan with the object of arriving at a fairer result. The result of the revaluation for financial liability is stated within net financial items or the operating result, depending on the purpose of the holding. The effective share of the hedges of net assets abroad is taken direct to equity. In the parent company accounts, no loans have been valued at fair value.

Derivatives and hedge accounting

All derivatives are valued at fair value and stated in the balance sheet. More or less all derivatives are held for hedging purposes. The effective share of cash flow hedges of changes in fair value is stated within equity until the time when the hedged item occurs, when the accumulated result is transferred from equity to the income statement to meet and match the hedged transaction. In the case of hedging of investments, the acquisition value of the hedged item is instead adjusted when it occurs. The ineffective part of the hedge is stated direct in the income statement. For the hedging of fair value, the change in the value of the derivative is stated direct in the income statement. Changes in the value of the hedged item are stated in a corresponding way. Changes in the value of hedges relating to net investments in foreign businesses are stated in the income statement for the parent company and in the equity for the group. Realised results are retained in equity until the business is divested, when the accumulated result is taken into the income statement. In the case of derivatives that do not fulfil the criteria for hedge accounting, the changes in value are stated within the operating result or within net financial items, depending on the purpose of the holding.

Computation of fair value

The fair value of financial instruments that are traded on an active market is based on listed market prices. In the absence of listed market prices, fair value is computed using the discounted cash flow. When the discounted cash flow is calculated all variables, such as discount rates and exchange rates, used in the calculation are taken from market listings. Currency options are valued using the Black & Scholes formula.

Intangible fixed assets

Goodwill represents the difference between the acquisition cost of acquired businesses and the fair value of the acquired assets, assumed liabilities and contingent liabilities. Goodwill is valued at acquisition value less any accumulated write-downs in value. Goodwill arising in connection with the acquisition of associated companies is included in the book value of the interest in such companies.

Research costs are taken into the income statement when they are incurred. Development costs are capitalised in the case of major projects to the extent they are expected to generate financial benefits in the future. Other development expenditures are taken into the income statement as costs when they are incurred. Development costs capitalised in the balance sheet are stated at their acquisition value less accumulated depreciation and write-downs.

Intangible fixed assets also include emission rights, patents, licences and IT systems. Emission rights are initially stated at market price when allotted as an intangible fixed asset and as deferred income. During the year, allotments are recognised in income and interim liabilities corresponding to the actual emissions is stated as a cost.

Intangible assets are depreciated over periods of between five and ten years, except for goodwill and emission rights. Eventual goodwill is allotted to cash-generating units and is tested for impairment annually. Emission rights are tested for impairment on the basis of current market prices.

Tangible fixed assets

Tangible fixed assets are stated at acquisition cost after deduction of accumulated depreciation and any write-downs. Tangible fixed assets that consist of parts with different utility periods are treated as separate components of tangible fixed assets. Additional expenditure is capitalised only if it generates financial benefits for the company. The key factor determining whether or not additional expenditure is added to the acquisition cost is if it relates to the replacement of identifiable components or parts thereof, in which case the expenditure is capitalised. The cost is also added to the acquisition value in cases where a new component is created. Any undepreciated book values for replaced components or parts of components are disposed of and stated as a cost in connection with the replacement. The Group does not capitalise the interest component in the acquisition value of fixed assets.

The book value of a tangible fixed asset is removed from the balance sheet in connection with divestment or disposal or when no financial benefits can be expected from the use of the asset. The profit or loss arising on the divestment or disposal of an asset consists of the difference between the selling price and the book value of the asset, less any direct selling costs. Profits and losses are stated in the accounts in the same way as other operating income/costs.

Depreciation according to plan is based on original acquisition values less any write-downs. Depreciation is provided linearly over the estimated utility period of the asset. Land is not depreciated.

The following utility periods (years) are used:	
Machinery for hydro power production	20–40
Administrative and warehouse buildings, dwellings	20–33
Production buildings, land installations, and machinery for pulp, paper and paperboard production	20
Machinery for sawmills	12
Other machinery	10
Forest roads	10
Equipment	4

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

Leasing

In the consolidated accounts leasing is classified as financial leasing or operational leasing. The leasing of fixed assets for which the Group in all essentials is exposed to the same risks and benefits as if the asset were directly owned is classified as financial leasing. The leasing of assets over which the lessor in all essentials retains ownership is classified as operational leasing and the leasing charge is stated as a cost. Within the Group all leasing agreements are classified as operational.

Biological assets

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

In the parent company biological assets are valued in accordance with RFR 2.1. This means that biological assets classified as fixed assets are stated at acquisition value adjusted for revaluations taking into account the need, if any, for write-downs in value.

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

Inventories

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

Remunerations to employees

Pension costs and pension commitments

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

The Group's net commitment in respect of defined benefit plans is calculated separately for each plan by making an estimate of 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 unstated costs in respect of employment during earlier periods and the actual value of any plan assets are deducted. The discount rate is the closing date rate for a first class corporate bond with a duration corresponding to the Group's pension commitments. If there is no active market for such corporate bonds the market rate for government bonds with a corresponding duration is used instead. The calculation is performed by a qualified actuary using the projected unit credit method for the part of the pension commitments that is defined benefit.

When the present value of the commitments and the fair value of plan assets are being determined, actuarial profits and losses may arise, either as a result of the actual outcome deviating from earlier assumptions or because the assumptions are changed. Actuarial profits and losses are taken direct against equity and have no effect on the result.

When the benefits provided by a plan are improved, the proportion of the improvement in the benefit that is attributable to the employees' employment during earlier periods is stated as a cost in the income statement and allocated linearly over the average period until the benefits have been fully earned. If the benefit has been earned in full a cost is stated direct in the income statement.

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 pension security law and the Swedish Financial Supervisory Authority's regulations as this is a condition for the right to make deductions for tax purposes. The main differences in relation to the rules in IAS 19 relate to how the discount rate of interest is established, the computation of the defined benefit commitment on the basis of the current pay level without any assumption regarding pay increments in the future, and the statement of all actuarial profits 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 stated in the consolidated accounts in respect of special payroll tax based on this difference. The present value of the provision or receivable is not calculated.

Severance pay

Severance pay in connection with the premature discontinuation of personnel is only stated in the accounts if it is shown that there is an obligation, without any reasonable possibility of withdrawing it, as a result of a formal, detailed plan to release an employee before the normal time. When severance pay is paid in the form of an offer to encourage voluntary departure, a cost is stated if it is likely that the offer will be accepted and the number of people who will accept the offer can be reliably estimated.

Short-term compensation

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

Incentive scheme

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

Provisions

A provision is stated in the balance sheet when the company has a legal or informal commitment as a consequence of a past event and it is likely there will be an outflow of resources to regulate the commitment and a reliable estimate of the amount can be made. When the effect of when a payment is made is of importance, provisions are computed by discounting the expected future cash flow to an interest rate before tax that reflects the current market assessment of the time-value of money and, should it be appropriate, the risks associated with the debt. A provision to cover restructuring is stated once the Group has established a detailed and formal restructuring plan and the restructuring process has either begun or been publicly announced.

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

Reserves to cover future silvicultural measures 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 stated when there is a potential commitment that originates in past events, the existence of which will be confirmed only by one or several uncertain future events, or when there is a commitment that is not stated as a liability or provision as it is not likely that an out-flow of resources will be required.

Group contributions and shareholder contributions of legal entities

Group contributions and shareholder contributions are stated in the parent company in accordance with the interpretations by the emerging issues task force of the Swedish Financial Reporting Board (UFR 2). Shareholder contributions are taken direct against equity by the recipient and capitalised under shares and participations by the donor to the extent that no write-down in value is required. Group contributions are stated on the basis of their financial implications. For example, this means that Group contributions paid in order to minimise the Group's total tax payments are taken direct against retained earnings after deduction of their actual tax effect.

Miscellaneous

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

Note 2 Financial risk management

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

Currency risk

Transaction exposure

Holmen has a significant proportion of its sales in other currencies than its costs. In order to reduce the effect of currency fluctuations on the result, Holmen hedges its net currency flows, mainly by means of currency forwards, sometimes complemented by currency options. The net currency flows in euro, sterling and US dollars for the coming four months are always hedged. This normally corresponds to accounts receivable and orders in hand. The Board can decide to hedge flows for a longer period if this is deemed suitable in the light of the products' profitability, competitive position and currency situation.

At the beginning of 2008, the Group had hedged most of the estimated currency flows in euros for 2008 and some of the flows in sterling and US dollars. The result of currency hedges is stated in the operating result as and when the hedged items are recognised and amounted in 2008 to a loss of MSEK 336 (profit 38). At the end of 2008 some 80 per cent of the estimated net currency flows for 2009 were hedged, some 55 per cent of those for 2010 and some 30 per cent of estimated flows for 2011, see table.

Transaction exposure, 31 December 2008, MSEK*

	12 months estimated net flows	2009 Total hedges	2009 Average rate	2009 %	2010 Total hedges	2010 Average rate	2010 %	2011 Total hedges	2011 Average rate	2011 %
EUR	5 600	5 100	9.37	90	4 000	9.62	70	2 000	10.46	35
GBP	100	0		0						
USD	1 000	600	7.97	60						
Other	400									
Total	**7 100**	**5 700**		**80**	**4 000**		**55**	**2 000**		**30**

* The figures in the table are rounded.

The market value of outstanding transaction hedges on 31 December 2008 amounted to negative MSEK 1 123, of which negative MSEK 123 was stated in the income statement for 2008 and the remainder in equity, as hedge accounting is applied. Of these amounts negative MSEK 577 will be stated in the income statement in 2009, negative MSEK 370 in the income statement for 2010 and negative MSEK 53 in the income statement for 2011.

Currency exposures arising from capital expenditure in a foreign currency is distinguished from other transaction exposures. Normally, 90-100 per cent of the currency exposure associated with major investments is hedged. The market value of outstanding investment hedges on 31 December 2008 was MSEK 0 (1), which has been stated against equity. When a hedge expires the result is added to the acquisition value of the fixed asset that has been hedged. During the period the acquisition value of hedged items was affected by MSEK 1.

Translation exposure

The Group's stated result is affected by changes in exchange rates when the results of foreign subsidiaries are translated into Swedish kronor. This exposure is normally not hedged. The Group's equity is affected by changes in exchange rates when assets and liabilities of foreign subsidiaries are translated into Swedish kronor. The need to hedge this exposure (known as equity-hedging) is judged from case to case, and is arranged on the basis of the value of net assets at Group level. The hedges take the form of currency futures or foreign currency loans.

Net assets and equity-hedge at 31 December 2008, MSEK

	Net assets	Equity-hedge
EUR	4 628	4 404
GBP	1 289	448
Other	44	-

In 2008 the result of equity-hedging was a loss of MSEK 541, which has been taken direct to consolidated equity as hedge accounting has been applied (after tax attributable loss MSEK 390). This is stated in the parent company accounts in the income statement. The translation of net foreign assets had an effect of MSEK 445 on the consolidated equity. The market value of outstanding equity-hedges on 31 December 2008 was negative MSEK 456, of which negative MSEK 396 relate to loans and negative MSEK 60 to financial derivatives. The accumulated change in value as a result of equity-hedging is stated in the consolidated income statement if the foreign business is divested.

The effect on the consolidated operating result of changes in exchange rates is described in the Report of the Directors on page 45. Equity would be affected positively by MSEK 62 in the event of a 1 per cent depreciation in the exchange rate against the swedish krona, including translation of foreign company accounts.

Interest rate risk

The Group's financing costs are affected by changes in the market interest rate. The interest rate duration of the Group's financial assets and liabilities is normally short. The Board can decide to lengthen the duration in order to limit the effect of a rise in interest rates. During the year, the average duration varied between 18 and 25 months, and was 22 months at the end of 2008. Derivatives in the form of interest swaps and FRAs are used to manage the duration without altering the underlying loans. On 31 December 2008 the market value of these instruments was negative MSEK 132, which is stated against equity, as hedge accounting is applied. This value is expected to be stated in the income statement for 2009 and later. The duration of the net debt, its breakdown by currency and the average interest rate for various durations are shown in the table below, in which derivatives that have an effect on the currency distribution and duration of the liabilities are taken into account.

Interest rate duration of financial net debt at 31 December 2008

	Total	-1 yr	1-3 yrs	3-5 yrs	>5 yrs	Other
SEK	-3 191	-2 305	-300	-500	0	-86
EUR	-4 160	-1 334	-1 001	-1 435	-383	-6
GBP	-250	11	0	0	0	-261
Other	96	97	0	0	0	-1
Financial net debt	**-7 504**	**-3 531**	**-1 301**	**-1 935**	**-383**	**-354**
Average interest rate, %	4.2	3.6	4.1	5.0	3.9	7.5

The items in the Other column refers to pension provisions, see Note 18

The effect of a change in market interest rates on the consolidated operating result is explained in the report of the directors (page 45). An increase in the interest rate of 1 percentage point would increase the company's equity by MSEK 61.

Financing risk

Holmen reduces the risk that raising capital and refinancing of maturing loans will be difficult or expensive by spreading the maturities of its financial liabilities and by having committed credit facilities available. The Group has an unutilised committed credit facility of MEUR 600 available until 2012 and that can be utilised provided the debt/equity ratio is below 1.5. The Group's debt/equity ratio on 31 December 2008 was 0.48.

Holmen's net financial debt at 31 December 2008 amounted to MSEK 7 504, of which financial liabilities and interest-bearing provisions amounted to MSEK 8 332, liquid funds amounted to MSEK 653 and financial receivables to MSEK 175. The maturity structure of financial liabilities and assets is shown in the table below.

	Financial		Unutilised
	Assets	**Liabilities**	**credit facilities**
2009	741	4 756	-
2010	36	1 111	-
2011	6	279	-
2012	3	503	6 568
2013-	42	1 683	-
Total	**828**	**8 332**	**6 568**

During the year two new long-term loans amounting in total to MSEK 923 were raised. Other financing during the year was arranged mainly via Holmen's Swedish commercial paper programme within a limit of MSEK 6 000. Towards the end of the year, it became difficult to issue new commercial paper as a consequence of the financial turbulence on world markets. Maturing certificates were therefore refinanced by drawing on the committed credit facility. As of 31 December 2008, MSEK 1 544 remained outstanding within the commercial paper programme and MSEK 2 248 of the credit facility had been utilised; this is stated under current financial liabilities. Holmen also has a Swedish Medium Term Note programme with a limit of MSEK 4 000, of which MSEK 1 712 was outstanding at the year-end. Holmen has a BBB+ long-term corporate credit rating and an A-2/K-1 short-term rating from Standard & Poor's. The outlook for this was altered from stable to negative during the year.

Raw materials

In order to reduce the exposure to changes in electricity prices, the Group makes use of physical supply agreements at fixed prices as well as financial hedges. Decisions to hedge electricity prices are made on the basis of guidelines adopted by the Board. In 2008, Holmen's net purchases of electricity in Sweden amounted to some 2 900 GWh. (The Group's total net purchases amounted to some 3 500 GWh.) The prices of the Group's estimated net consumption of electricity in Sweden for 2009–2012 is fully hedged. For 2013– 2015 the price of some 85 per cent has been hedged. The hedges consist predominantly of physical fixed price contracts. The result of financial hedges is stated in the income statement upon maturity and amounted in 2008 to MSEK 27. The market value of outstanding financial hedges at 31 December 2008 was MSEK 88, which is stated in equity, as hedge accounting is applied. These amounts are expected to be taken into the income statement in 2009 and later.

There is an OTC market for trading in financial contracts based on certain paper and pulp products. Holmen did not trade in such contracts during the year.

The effect on the consolidated result of changes in commodity prices is described in the Report of the Directors (page 45). Equity would have been affected by negative MSEK 3 in the event of a 1 per cent increase in the price of electricity.

Financial credit risk

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

At 31 December 2008, the Group had outstanding derivative contracts for a nominal value of some MSEK 17 664 and a market value of negative MSEK 1 231. Calculated in accordance with Finansinspektionen's guidelines for financial institutions (FFFS 2007:1), Holmen's total counterparty risk on its derivative instruments would have amounted to MSEK 236 at 31 December 2008. It is estimated that the maximum credit risk associated with other financial assets corresponds to the nominal value.

Credit risks in relation to the Group's customers are handled by each business area and described in more detail in note 16 Operating receivables.

Insurance

Holmen insures its facilities against property damage and sequential loss. The level of risk accepted varies from one facility to another, but is maximised at some MSEK 30 for any one loss. The Group's forests are not insured as they are widely dispersed throughout the country and the risk of simultaneous damage over large areas of the forestland is judged not to match the cost of insuring the holdings.

Note 3 Reporting by segment

BUSINESS AREAS 2008	Holmen Paper	Iggesund Paperboard	Holmen Timber	Holmen Skog	Holmen Energi	Group central costs and other	Total Group
Net turnover							
External	10 443	4 845	499	2 997	550	-	19 334
Internal	0	15	0	2 446	1 284	-3 745	-
Other operating income	335	233	38	129	12	8	755
Change in value of biological assets	-	-	-	-16	-	-	-16
Operating costs	-9 954	-4 405	-493	-4 898	-1 500	3 578	-17 673
Depreciation according to plan	-896	-368	-34	-26	-19	0	-1 343
Write-downs	-57	-	-	-	-	-	-57
Interest in earnings of associated companies	47	-	3	-	-	-	50
Operating result	-81	320	13	632	327	-159	1 051
*Operating result excluding items affecting comparability**	*280*	*320*	*13*	*632*	*327*	*-159*	*1 412*
Net financial items							-311
Tax							-98
Profit for the year							642
Operating margin excluding items affecting comparability,%*	3	7	2	12	18		7
Return on operating capital excluding items affecting comparability, %*	3	8	4	6	11		5
Operating assets	12 123	4 914	439	12 796	3 149	568	33 989
of which shares in associated companies	223	-	8	0	1 593	-	1 824
Operating liabilities	1 886	661	73	1 382	142	2 222	6 366
Operating capital	10 237	4 254	366	11 415	3 006	-1 654	27 623
Deferred tax receivable							342
Deferred tax liability							4 819
Capital employed							23 146
Financial assets							828
Financial liabilities							8 332
Financial net debt							7 504
Cash flow from current operations	916	461	13	501	344	-575	1 660
Capital expenditure	681	328	21	47	76	8	1 160

* Items affecting comparability in 2008 relate to MSEK 298 cost of closing down the Wargön Mill, MSEK 115 to cover costs associated with the closure of PM 2 at the Hallsta Paper Mill, and a MSEK 52 positive effect on the result of the fire at Braviken.

GEOGRAPHIC AREAS 2008	Sweden	Great Britain	Spain	Other areas	Total Group
External net turnover	4 940	1 943	1 909	10 542	19 334
Operating capital	22 245	1 054	4 257	67	27 623
Capital expenditure	1 067	31	56	6	1 160

	Group		Parent company	
External net turnover by product area	**2008**	**2007**	**2008**	**2007**
Newsprint and magazine paper	10 177	10 149	7 966	8 071
Paperboard	4 677	4 953	2 699	2 910
Pulp	128	117	224	117
Sawn timber	499	589	496	589
Wood	3 064	2 727	2 997	2 727
Power	550	415	0	0
Other	241	210	0	0
	19 334	**19 159**	**14 382**	**14 414**

	Group		Parent company	
External net turnover by market	**2008**	**2007**	**2008**	**2007**
Sweden	4 940	4 487	4 308	4 031
Great Britain	1 943	2 383	1 189	1 594
Germany	2 597	2 509	2 237	2 054
Spain	1 909	1 709	390	438
The Netherlands	771	728	661	630
France	786	754	531	429
Italy	953	954	612	585
Rest of Europe	3 411	3 639	2 829	2 998
Rest of the world	2 024	1 997	1 624	1 654
	19 334	**19 159**	**14 382**	**14 414**

BUSINESS AREAS 2007	Holmen Paper	Iggesund Paperboard	Holmen Timber	Holmen Skog	Holmen Energi	Group central costs and other	Total Group
Net turnover							
External	10 345	5 084	589	2 727	415	-	19 159
Internal	0	17	0	2 048	1 175	-3 239	-
Other operating income	139	170	24	178	9	122	642
Change in value of biological assets	-	-	-	2 189	-	-	2 189
Operating costs	-8 955	-4 317	-445	-4 314	-1 309	3 062	-16 279
Depreciation according to plan	-914	-355	-23	-26	-17	-1	-1 337
Write-downs	-1 603	-	60	-	-	-	-1 543
Interest in earnings of associated companies	9	-	2	-	-	-	12
Operating result	-980	599	206	2 802	272	-56	2 843
*Operating result excluding items affecting comparability**	*623*	*599*	*146*	*702*	*272*	*-56*	*2 286*
Net financial items							-261
Tax							-1 077
Profit for the year							1 505
Operating margin excluding items affecting comparability,%*	6	12	24				12
Return on operating capital excluding items affecting comparability, %*	5	15	64	8	9		8
Operating assets	11 585	5 020	411	12 572	3 122	-309	32 400
of which shares in associated companies	146		6		1 593	0	1 745
Operating liabilities	1 614	840	66	1 308	162	320	4 310
Operating capital	9 971	4 180	345	11 264	2 960	-630	28 090
Deferred tax receivable							301
Deferred tax liability							-5 482
Capital employed							22 909
Financial assets							541
Financial liabilities							6 518
Financial net debt							5 977
Cash flow from current operations	1 316	913	130	619	283	-785	2 476
Capital expenditure	584	689	63	79	14	4	1 433

* Items affecting comparability relate to write-down of MSEK 1 603 by Holmen Paper, the reversal of previous write-down of MSEK 60 by Holmen Timber, and the revaluation of forests of MSEK 2 100.

GEOGRAPHIC AREAS 2007	Sweden	Great Britain	Spain	Other areas	Total Group
External net turnover	4 487	2 383	1 709	10 580	19 159
Operating capital	23 129	1 146	3 758	57	28 090
Capital expenditure	1 236	73	95	30	1 433

The Holmen Paper business area manufactures printing paper for newspapers, magazines, directories, advertising matter and books. Following the structuring measures carried out in 2008 production takes place at two mills in Sweden and one in Spain. Iggesund Paperboard manufactures packaging board and paperboard for graphic purposes at one mill in Sweden and one in England. Holmen Timber produces sawn timber at a Swedish sawmill. Holmen Skog manages the Group's one million hectares of forest. The level of harvesting in the company's forests is approximately 2.5 million cubic metres of wood per year. In a normal year, Holmen Energi generates some 1 100 GWh of electricity at wholly owned and part-owned hydro power plants in Sweden, over and above which some 500 GWh are produced by back pressure turbines at its mills.

The primary segmentation criterion is based on the Group's business areas. This agrees with the Group's operative structure and the internal reporting to Group management and the Board. Intra-Group sales between segments are based on an internal market price. The Central Group Costs and Other segment comprises, apart from Group staffs and Groupwide functions that are not allotted to other segments, and elimination of intra-Group sales. No income statement items below the operating result are allotted to the business areas.

In the Holmen Group, the business areas have responsibility for the management of the operative assets and liabilities. The operative capital of each segment includes all assets and liabilities that are used by the business area such as fixed assets, inventories, and other external receivables and liabilities.

Capital interests in associated companies are stated separately. Receivables and liabilities between segments arising from intra-Group sales are included in each segment's operative capital. Financing and tax issues are administered at Group level. Consequently, financial assets and liabilities, including pension liabilities, and current and deferred tax receivables and liabilities are not allotted to the business areas.

The secondary criterion for segmentation is geographical region. External net sales are stated on the basis of where Holmen's customers are located. Operative capital and capital expenditure are stated on the basis of the countries in which the Group has business operations and consequently where the assets and liabilities are geographically located.

Note 4 Other operating income

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Sales of by-products	253	264	181	120
Emission rights	18	1	22	1
Electricity certificates	72	49	65	49
Sales of fixed assets	29	9	12	8
Sale of shares and participations	-	117	-	0
Rental and leasing income	19	21	16	16
Silviculture contracts	44	53	44	53
Other	320	128	257	76
Total	**755**	**642**	**596**	**321**

Of the sales of by-products MSEK 160 (92) relate to ejects from production, MSEK 53 (126 to sawdust, bark, chips et cetera, and MSEK 40 (46) to external sales of energy.

The Group has been allotted emission rights which, for the most part, have been used for its own production. The surplus resulted in a stated profit of MSEK 18 (1).

Income from electricity certificates received from the production of renewable energy at the Group's Swedish mills amounted to MSEK 72 (49).

The item Other includes insurance compensation of MSEK 154 relating to the fire at the Braviken Paper Mill.

Note 5 Employees, personnel costs and remuneration to Senior management

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Wages, salaries and social security charges				
Wages, salaries and other remuneration	2 054	1 926	1 546	1 401
Social security charges	807	744	693	621

The figures for 2008 include costs associated with redundancies and early retirements in connection with the closure of the Wargön Mill and the PM 2 paper machine at the Hallsta Paper Mill.

AGM's guidelines for the salaries and other remuneration to Senior management

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

Salary and other remuneration

The remuneration of the CEO and the Senior management shall take the form of a fixed, market-based salary. Other perquisites, largely car and housing, shall, insofar as they are provided, represent a small proportion of the remuneration. No variable salary components shall be paid.

Pension

The normal retirement age shall be 65. The company and the executive are each entitled to request that pension be drawn from 60 years of age at the earliest. A pension drawn before the age of 65 shall be defined benefit or defined contribution. Pension after the age of 65 shall adhere to the ITP plan. Over and above this the executive shall be entitled to a complementary old-age pension. In the case of complementary pension there shall be a gradual transition from the existing arrangement with a defined benefit pension to an arrangement whereby the pension is defined contribution.

Notice of termination and severance pay

Notice of termination should normally be one year, if it is given on the initiative of the company, or six months if it is on the initiative of the executive. In the event of notice being given by the company it shall be possible to pay severance pay corresponding to no more than 24 months' salary.

Incentive scheme

Decisions on equity-related and share price-related incentive schemes intended for Senior management shall be made by the Annual General Meeting.

Remuneration Committee

The Board has elected from among its members a Remuneration Committee to consider matters relating to the CEO's salary and other terms of employment, and to submit proposals to the Board for decision. The committee has also adopted a salary policy that contains detailed principles for pay formation, pensions and other remuneration for the Senior management.

Departures in individual cases

The Board shall be entitled to depart from these guidelines if in an individual case special reasons exist to do so. Should there be such a departure, information pertaining to it and the reason for it shall be provided at the next Annual General Meeting.

Incentive scheme

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

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

Remuneration of Board and Senior management

Board

A fixed Board fee shall be paid to the members of the Board elected by the Annual General Meeting, except for the CEO, who does not receive any fee compensation. For 2008, the fee amounted to SEK 2 475 000 (2 475 000). The chairman received a fee of SEK 550 000 (550 000), and each of the other members (except for the CEO) received SEK 275 000 (275 000).

Senior management

The CEO's salary and other remuneration for 2008 amounted to SEK 6 769 821 (6 051 694). In 2007, the total pension cost attributable to the CEO (ITP cost and the cost of benefits over and above ITP), calculated in accordance with IAS 19, amounted to SEK 3 050 305 (4 941 370). No variable remuneration has been paid.

In 2008, the salaries and other remuneration of the other Senior management, viz. the five business area managers and the heads of the five Group staffs who report direct to the CEO, amounted to a total of SEK 17 768 644 (16 079 241). The total pension cost (ITP cost and the cost of benefits over and above ITP), calculated in accordance with IAS 19, for this group amounted in 2008 to SEK 8 570 257 (11 152 455). No variable remuneration has been paid.

For Senior management the company is required to give 12 months' notice and the employee six months. In the event of notice being given by the company, severance pay corresponding to between one and two years' salary is paid, depending on age. For the CEO, severance pay of two years' salary is paid.

All Senior management are employed by the parent company.

Pension commitments in respect of the Board and Senior management

Holmen's pension commitments, over and above the ITP plan, in respect of the CEO amounted on 31 December 2008 to MSEK 13 (14) and in respect of the other Senior management to MSEK 54 (52), calculated in accordance with IAS 19. The Group also has commitment to members of the Board who are former Presidents of the company: namely, Bengt Pettersson MSEK 6 (6) and Göran Lundin MSEK 7 (7). The pension commitments are secured for the most part by plan assets managed by an independent pension fund.

	2008		2007	
	Average number of employees	Of which women	Average number of employees	Of which women
Parent company				
Sweden	3 465	608	3 580	606
Group companies				
Sweden	46	5	48	5
Australia	3	1	3	1
Belgium	3	2	3	2
Denmark	3	2	3	2
Estonia	22	6	22	6
France	31	6	30	7
Germany	17	8	17	7
Great Britain	511	54	521	49
Hong Kong	5	1	5	1
Italy	7	4	7	4
The Netherlands	112	30	122	47
Poland	6	3	6	3
Portugal	2	1	2	1
Singapore	5	3	5	3
Spain	573	106	540	85
Switzerland	7	3	7	3
USA	11	3	10	3
Total Group companies	**1 364**	**238**	**1 351**	**229**
Total Group	**4 829**	**846**	**4 931**	**835**

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

	Group		Parent company	
Female representation, %	**2008**	**2007**	**2008**	**2007**
Board (excl. deputy members)	8	8	8	8
Senior management	9	0	9	0

	Group		Parent company	
Sick leave in Sweden, %	**2008**	**2007**	**2008**	**2007**
Total sick leave	4.6	4.7	4.6	4.7
Long-term sick leave (>60 days)	2.7	2.7	2.7	2.7
Sick leave, men	4.5	4.2	4.5	4.2
Sick leave, women	5.3	7.0	5.3	7.0
Employees below 29 years of age	2.5	2.3	2.5	2.3
Employees between 30 and 49 years of age	4.0	4.4	4.0	4.4
Employees of 50 years of age and above	5.7	5.7	5.7	5.7

Note 6 Auditors' fee and remuneration

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

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Remuneration to KPMG				
Audit assignment	7	7	4	5
Other assignments	4	3	1	1
Total	**11**	**10**	**5**	**6**
Other auditors	0	0	-	-
Total	**11**	**10**	**5**	**6**

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

Note 7 Income from financial instruments

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Financial income				
Dividend income from Group companies	-	-	15	4
Dividend income from other companies	-	0	-	0
Capital gains on sales of Group companies	-	-	0	60
Capital gains on sales of shares and participations	-	-	1	105
Net profit/loss				
Assets and liabilities valued at fair value via the income statement - Held for financial risk management*	2	4	2	4
- Other	0	0	0	0
Interest income	14	13	88	159
Total financial income	**17**	**17**	**106**	**333**
Financial costs				
Write-down in value of shares in Group companies	-	-	0	-1 508
Net profit/loss				
Assets and liabilities valued at fair value via income statement - Held for financial risk management*	-19	-115	-176	-126
- Other	-2	-6	0	-6
Liquid funds	-15	-1	-15	-1
Other financial liabilities	53	100	-322	90
Total net profit/loss	**17**	**-22**	**-513**	**-43**
Interest costs	-345	-257	-354	-299
Financial costs	**-328**	**-279**	**-867**	**-1 850**
Net financial items	**-311**	**-261**	**-761**	**-1 517**

* Refers to valuation category "trading stock" in accordance with IAS 39.

The net profits and losses stated in net financial items mainly relate to currency translations in respect of internal loans, hedging of internal lending and currency translations in respect of liquid funds, and hedging of liquid funds. It also includes the revaluation of loans valued at fair value via the income statement and interest swaps used to hedge loans at fixed rates of interest.

A sum of MSEK 20 (19) is included in net financial items in respect of revaluations of financial instruments valued at fair value by calculation of discounted cash flows on the basis of available market rates of interest and exchange rates. Changes in the value of the loan that is valued at fair value in accordance with "fair value option" has had the effect of decreasing the result by MSEK 2 (increase 21), of which changes in market interest rates accounted for negative MSEK 19 (4). The accumulated change in value of MSEK 50 (53) is stated as a profit in the income statement. The change in the value of the loan that has been hedged in respect of its fair value decreased the result by MSEK 8 (positive 2) while derivative interest swaps increased the result by MSEK 8 (negative 2). There are no changes in value in respect of loans in the parent company.

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

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Currency gains/losses on account receivable and liabilities to suppliers	232	-76	223	-79
Net profit/loss on derivatives stated in operating capital	-309	33	-243	-6
Interest income on accounts receivable	0	0	0	0
Interest costs on liabilities to suppliers	0	-1	0	-1

The derivatives included in the operating result relate to hedging of accounts receivable and liabilities to suppliers.

Note 8 Taxes

Taxes stated in income statement

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Current tax	-488	-506	137	-337
Deferred tax	390	-571	57	13
	-98	**-1 077**	**195**	**-324**

The Group's current tax charge for the period includes an increase in the provision for tax disputes. The deferred tax income mainly comprises an effect of a reduction in the nominal rate of corporate income tax in Sweden. See also the information below the table showing the change in deferred tax liability/receivable.

The difference between the nominal Swedish tax rate and the effective tax rate arises in the following way:

	Group				Parent company			
		2008		**2007**		**2008**		**2007**
	MSEK	**%**	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**
Stated profit before tax	740		2 582		-630		-224	
Tax at applicable nominal rate	-207	28.0	-723	28.0	177	28.0	63	28.0
Difference tax rate on foreign activities	2	-0.2	-2	0.1	0	0.0	-	-
Non-taxable income and non-deductible costs	-2	0.2	23	-0.9	2	0.3	-376	-167.9
Standard interest on tax allocation reserve	-23	3.0	-19	0.7	-23	-3.6	-18	-8.3
Effect of not stated loss allowances and temporary differences	16	-2.1	-384	14.9	0	0.0	0	0.0
Tax attributable to previous periods	-4	0.6	13	-0.5	1	0.2	0	0.1
Change in tax rate on deferred tax receivable/liability	331	-44.7	-4	0.2	37	5.9	-	-
Provision to cover unsettled tax disputes	-225	30.4	0	0	0	0	0	0
Other	14	-2.0	20	-0.8	1	0.1	7	3.2
Effective tax rate	**-98**	**13.2**	**-1 077**	**41.7**	**195**	**30.9**	**-324**	**-145.0**

Tax charged against equity

In the consolidated accounts a tax charge of MSEK 452 (51) has been stated direct against equity. This consists of tax relating to transactions stated against equity, viz. cash flow hedges, hedging of net investments in foreign currencies and actuarial revaluation of pension liabilities.

Taxes as stated in balance sheet

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Deferred tax receivables				
Loss carry-forward	347	348	-	-
Pension provisions	73	53	-	-
Deferred tax liabilities stated net among deferred tax receivables	-85	-105	-	-
Other	7	5	-	-
Total deferred tax receivables	**342**	**301**	**-**	**-**
Current tax receivable	141	21	117	-
Total tax receivables	**483**	**323**	**117**	**-**

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Deferred tax liabilities				
Fixed assets				
Biological assets*	2 914	3 100	635	677
Tangible fixed assets	1 512	1 692	-4	-5
Tax allocation reserve	721	753	-	-
Other, including deferred tax receivables stated net among deferred tax liabilities**	-329	-62	-359	-40
Total deferred tax liabilities	**4 819**	**5 482**	**272**	**632**
Provisions for taxes	692	426	45	45
Current tax liability	14	17	-	4
Total tax liabilities	**5 525**	**5 925**	**317**	**681**

* For parent company, relates to forestland

** In the consolidated accounts this item includes a deferred tax liability of MSEK 274 (21) in respect of hedge-accounted transactions and in the parent company accounts it includes MSEK 295 (receivable 7).

The change in the net of deferred tax receivable and deferred tax liability is explained in this table.

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

	Group					Parent company			
2007	Opening balance	Stated in the income statement	Other changes	Translation differences	Closing balance	Opening balance	Stated in the income statement	Stated in equity	Closing balance
Biological assets*	-2 472	-627	-1	-	-3 100	-678	1	-	-677
Tangible fixed assets	-1 923	122	1	4	-1 796	5	0	-	5
Pension provisions	94	-13	-26	-2	53	-	-	-	-
Loss carry-forward	408	-52	-10	2	348	-	-	-	-
Tax allocation reserve	-725	-28	0	0	-753	-	-	-	-
Other	-58	28	98	-1	68	-6	12	34	40
Deferred net tax liability	**-4 676**	**-571**	**63**	**3**	**-5 181**	**-679**	**13**	**34**	**-632**

* For parent company, relates to forestland

For information on biological assets see Note 12. Deferred tax liability in respect of tangible fixed assets is primarily attributable to depreciation in excess of plan.

For information concerning provisions for taxes see Note 27.

The deferred tax cost stated in the income statement relates primarily to a change in temporary differences, a change in the state rate of corporate income tax in Sweden in 2008 and the utilisation of loss allowances. Other changes in the Group's tax include deferred tax that is stated direct against equity in respect of a positive change of MSEK 253 (positive 67) in hedging reserve, a positive change of MSEK 48 (negative 26) in actuarial revaluations, and divestment effects of MSEK 0 (positive 20).

Of the deferred tax receivable in respect of loss allowances, a sum of MSEK 122 relates to allowances with no time limitations regarding when they may be utilised. Other tax allowances expire if they are not utilised between 2015-2023. Tax loss allowances and temporary differences for which deferred tax receivables are not stated in the income statement or balance sheet amount to MSEK 2 030, of which MSEK 229 expire in 2012 and MSEK 269 expire 2022-2023. Whether a deferred tax receivable is stated or not depends on an assessment of how likely it is that the Group will be able to utilise it by netting it off against taxable profits in the future.

Note 9 Earnings per share

Group

	2008	2007
Total number of shares in issue, 1 January	84 756 162	84 756 162
Buy-back of company's own shares during the year	-760 000	-
Total number of shares in issue, 31 December	**83 996 162**	**84 756 162**
Average number of shares, before dilution	84 298 573	84 756 162
Effect of options	-	-
Average number of shares, after dilution	84 298 573	84 756 162
Profit for the year attributable to shareholders, MSEK	642	1 505
Average number of shares before dilution	84 298 573	84 756 162
Profit for the year per share before dilution, SEK	**7.6**	**17.8**
Profit for the year attributable to shareholders, MSEK	642	1 505
Average number of shares after dilution	84 298 573	84 756 162
Profit for the year per share after dilution, SEK	**7.6**	**17.8**

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

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

The exercise price of SEK 224.50 exceeds the average shares price for 2008 (SEK 203 per share). The options will therefore have no dilution effect as defined in IAS 33, and have been excluded from the calculation of earnings per share after dilution. If the average listed price in the future exceeds the exercise price these options will give rise to a theoretical dilution effect, which is calculated in accordance with IAS 33.

Note 10 Intangible fixed assets

Group

Goodwill	2008	2007
Opening balance	-	557
Write-down during the year	-	-569
Translation differences	-	12
	-	**0**

Last year, the value of goodwill was written down by MSEK 569 in the consolidated accounts. This was mainly an effect of the acquisition of the newsprint mill in Madrid in 2000.

	Group		Parent company	
Other intangible fixed assets	**2008**	**2007**	**2008**	**2007**
Accumulated acquisition values				
Opening balance	89	104	10	21
Capital expenditure	8	7	8	5
Change in emission rights	70	-20	58	-16
Re-classification	-1	-	-	-
Sales and retirements	-	-	-	-
Translation differences	5	-2	-	-
	170	**89**	**77**	**10**
Accumulated depreciation according to plan				
Opening balance	46	34	0	-
Depreciation for the year	13	12	0	-
Translation differences	4	1	-	-
	64	**46**	**1**	**-**
Closing residual value according to plan	**106**	**42**	**76**	**10**

Other intangible fixed assets consist for the most part of emission rights MSEK 70 (0), rights to use electricity grids MSEK 8 (12) and IT systems MSEK 24 (19). Holmen's intangible fixed assets were largely acquired from external sources. Apart from emission rights all other intangible fixed assets have determinable utilisation periods and are written off over 5-10 years.

The Group's investments for the year in intangible fixed assets relate largely to IT projects.

Note 11 Tangible fixed assets

Group	Forestland 2008	Forestland 2007	Buildings, other land and land installations 2008	Buildings, other land and land installations 2007	Machinery and equipment 2008	Machinery and equipment 2007	Work in progress and advance payments to suppliers 2008	Work in progress and advance payments to suppliers 2007	Total 2008	Total 2007
Accumulated acquisition values										
Opening balance	100	100	5 561	5 493	25 865	24 802	270	201	31 796	30 595
Capital expenditure	-	-	127	30	867	1 274	140	69	1 134	1 373
Re-classifications	-	-	49	-5	147	7	-195	-	1	2
Sales and disposals	-	-	-5	-3	-82	-256	-	-	-87	-260
Translation differences	0	-	175	47	294	39	5	0	474	86
	100	**100**	**5 906**	**5 561**	**27 092**	**25 865**	**221**	**270**	**33 319**	**31 796**
Accumulated depreciation and write-down										
Opening balance	-	-	2 618	2 385	16 194	14 429	-	-	18 813	16 814
Depreciation for the year according to plan	-	-	137	114	1 193	1 211	-	-	1 329	1 325
Write-downs of the year	-	-	6	127	51	907	-	-	57	1 034
Reversal of previous write-downs	-	-	-	-	-	-60	-	-	-	-60
Re-classifications	-	-	-	-	-	-	-	-	-	-
Sales and disposals	-	-	-3	-3	-76	-248	-	-	-79	-252
Translation differences	-	-	16	-5	40	-43	-	-	56	-48
	-	**-**	**2 775**	**2 618**	**17 401**	**16 194**	**-**	**-**	**20 176**	**18 813**
Closing residual value according to plan	**100**	**100**	**3 131**	**2 943**	**9 690**	**9 671**	**221**	**270**	**13 142**	**12 984**

Parent company	Forestland 2008	Forestland 2007	Buildings, other land and land installations 2008	Buildings, other land and land installations 2007	Machinery and equipment 2008	Machinery and equipment 2007	Total 2008	Total 2007
Accumulated acquisition values								
Opening balance	72	58	138	138	203	198	414	394
Capital expenditure	7	14	2	0	40	22	49	36
Re-classifications	-	-	-	-	0	7	0	7
Sales and disposals	0	0	-3	0	-22	-24	-25	-24
	79	**72**	**137**	**138**	**222**	**203**	**438**	**414**
Accumulated depreciation according to plan								
Opening balance	-	-	125	123	154	155	279	278
Depreciation for the year	-	-	1	2	23	23	24	24
Sales and disposals	-	-	-1	0	-21	-24	-23	-24
	-	**-**	**125**	**125**	**155**	**154**	**280**	**279**
Accumulated revaluations								
Opening balance	2 417	2 417	1	1	-	-	2 417	2 418
Sales and disposals	0	0	-	0	-	-	0	0
	2 416	**2 417**	**1**	**1**	**-**	**-**	**2 417**	**2 417**
Closing residual value according to plan	**2 495**	**2 489**	**13**	**14**	**66**	**49**	**2 575**	**2 552**

Assessed tax values	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Assessed tax values relate to assets in Sweden				
Forest and agricultural property	14 520	10 106	6 798	5 074
Buildings, other land and land installations	3 049	3 031	28	28
	17 569	**13 137**	**6 826**	**5 102**

In the consolidated accounts, write-downs in the value of fixed assets are stated in the income statement as Write-downs. Holmen Paper´s operations at the Wargön Mill was closed down in 2008. This resulted in a write-down in the value of tangible fixed assets of MSEK 57. The write-down in 2007 related to the Holmen Paper business area.

The year's capital expenditure was reduced by MSEK 23 (11) as a result of the support received from the State Energy Authority of MSEK 40 in total for the construction of a new pulp line at the Braviken Paper Mill.

In 2008 the company received insurance compensation for the fire at the Braviken Paper Mill, see Note 4, of which MSEK 44 related to investments in fixed assets.

The Group's investment commitments in respect of approved projects and projects in progress amounted to MSEK 452 as of 31 December 2008.

The assessed tax values are determined by the National Tax Board by means of a property assessment and then used for determining the property tax charge. No property tax is charged on forestland. A new tax assessment was made of agricultural property in 2008, as a result of which the assessed tax value of the Group's forests and agricultural properties was increased by just over 40 per cent in relation to the previous year.

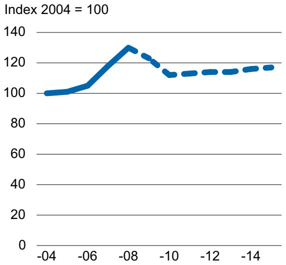
Note 12 Biological assets

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

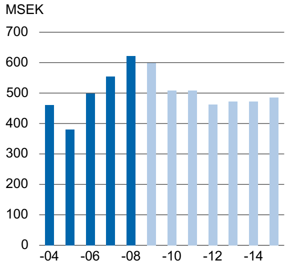
In total, Holmen owns 1 033 000 hectares of productive forestland, with a volume of 118 million forest cubic metres of standing timber, of which 67 000 hectares with 12 million cubic metres of standing timber have been set aside as nature reserves. Harvesting volumes are estimated on the basis of harvesting plans. According to the current plan, which came into effect in 2000, it is estimated that the annual harvesting during the 2000-2009 period will on average amount to 2.5 million cubic metres per year. The harvesting volume is then planned to increase successively to 3.0 million cubic metres per year in about 40 years' time. This corresponds to an average increase in harvesting of 0.4 per cent per year. Some 55 per cent of the wood harvested consists of saw logs that are sold to sawmills, and the remainder consists of pulpwood, which is sold to the pulp and paper industry.

In 2008, the cash flow from the growing forests increased to MSEK 622 (547), mainly as a result of higher prices as while harvesting and silviculture costs rose. On average, the cash flows in 2001-2008 amounted to approximately MSEK 480 per year. Holmen based its valuation of 31 December 2008 on the prices prevailing at the end of the year. An assumption has been made that prices will fall between now and 2010, see curve below. From 2010 and thereafter long-term price assumptions have been used, with an annual increase of 1 per cent until 2035 and thereafter about 2 per cent a year. The cash flow forecast for 2009-2015 is shown in the figure below. The cash flows for the period 2016-2035 are estimated to increase by 0.5 per cent per year, after which they are expected to increase broadly in line with the assumed level of inflation of 2 per cent.

Average price
Actual and forecast



Cash flow
Actual and forecast



The cash flows are discounted using an interest rate of 5.5 per cent (2007: 5.5) after tax. The discount rate has been calculated on the basis of the Group's target for its debt/equity ratio (on average 0.55), an assumed long-term, nominal risk-free return of 4.5 per cent, a risk premium of one per cent for borrowed capital and of two per cent for equity. Tax is taken into account at a rate of 26.3 per cent.

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

The value of the biological assets was estimated at the end of 2008 at MSEK 11 080, i.e. the value of the estimated cash flows before tax. The attributable deferred tax liability was estimated at MSEK 2 914. The net book value after tax of the growing forests was thus MSEK 8 166. The change in the value of the growing forests can be divided into:

	2008	2007
Opening balance	11 073	8 830
Acquisition of growing forest	12	53
Sales of growing forest	-2	0
Change due to harvesting	-622	-547
Change in fair value	606	2 736
Other changes	13	1
Closing book value	**11 080**	**11 073**

The net effect of the change in fair value and the change as a result of harvesting is stated in the income statement as Change in value of biological assets. In 2008 this item amounted to negative MSEK 16 (positive 2 189). The change in 2007 included the effects of changed assumptions regarding future prices and costs, some MSEK 550, and a lowered discount rate, some MSEK 1 550.

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

	Change in value (MSEK)	
	Before tax	After tax
Annual change, + 0.1% per year		
Harvesting rate	400	290
Price inflation	420	310
Cost inflation	-230	-170
Change in level, +1%		
Harvesting	160	120
Prices	280	210
Costs	-160	-120
Discount rate, +0.1%	-240	-180

By annual change is meant 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 rate of inflation will be increased from 1.0 per cent to 1.1 per cent in the calculations. Change in level means that the level of each parameter and year changes. For example, a one per cent price increase means that the wood prices that the calculations are based on are raised by one per cent for all years (change of level).

Note 13 Interest in associated companies and other shares and participations

	Group		Parent company	
Associated companies	**2008**	**2007**	**2008**	**2007**
Opening balance	1 745	1 731	77	77
Capital expenditure	0	0	0	0
Divestments	-2	-	-1	-
Re-classifications	0	-	0	-
Interest in associated companies' results	50	12	-	-
Translation difference	30	3	-	-
Write-downs	0	-	0	-
Closing balance at 31 December	**1 824**	**1 745**	**77**	**77**

The parent company's opening balance includes accumulated write-downs of MSEK 34. There was no write-down during the year.

	Group		Parent company	
Other shares and participations	**2008**	**2007**	**2008**	**2007**
Opening balance	7	11	6	10
Capital expenditure	4	1	4	1
Divestments	0	-5	-	-5
Re-classifications	0	-	0	-
Translation difference	0	0	-	-
Write-downs	-	-	-	-
Closing balance at 31 December	**11**	**7**	**11**	**6**

There were no write-downs in the value of other shares and participations during the year.

Parent company and Group holdings of shares and participations in associated companies

				2008			**2007**		
	Reg. No.	Registered office	No. of partici-pations	Interest % 1)	Book value at parent company SEK 1 000	Value of holding in Group accounts, SEK 1 000	Interest % 1)	Book value at parent company SEK 1 000	Value of holding in Group accounts, SEK 1 000
Brännälvens Kraft AB	556017-6678	Arbrå	5 556	13.9	-	36 400	13.9	-	36 400
Gidekraft AB	556016-0953	Örnsköldsvik	990	9.9	99	99	9.9	99	99
Harrsele AB	556036-9398	Sundsvall	9 886	49.4	-	1 481 898	49.4	-	1 481 561
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	1 856	7 725	50.0	2 178	6 036
Industriskog AB	556193-9470	Falun	25 000	33.3	37	37	33.3	128	128
Pressretur AB	556188-2712	Stockholm	334	33.4	-	-	33.4	-	-
PÅAB, Pappersåtervinning AB	556142-5116	Norrköping	500	50.0	109	109	50.0	109	109
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.83	74 755	74 755	6.83	74 755	74 755
Baluarte Sociedade de Recolha e Recuperação de Desperdicios, Lda, Portugal		Alcochete	2	50.0	-	42 049	50.0	-	34 871
Ets Emilie Llau S.A., France		Lorp-Sentaraille	1 073	38.0	-	41 019	38.0	-	35 929
Peninsular Cogeneración S.A., Spain		Madrid	4 500	50.0	-	140 270	50.0	-	75 506
Other shares owned by the parent company					38	38		37	37
Total					**76 895**	**1 824 399**		**77 306**	**1 745 431**

1) Percentage of shares and percentage of votes are the same.

Parent company and Group holdings of shares and participations in other companies

				2008			**2007**		
	Reg. No.	Registered office	No. of partici-pations	Interest % 1)	Book value at parent company SEK 1 000	Value of holding in Group accounts, SEK 1 000	Interest % 1)	Book value at parent company SEK 1 000	Value of holding in Group accounts, SEK 1 000
Parent company									
Industrikraft i Sverige AB	556761-5371	Stockholm	100 000	20.0	1 200	1 200	-	-	-
SweTree Technologies AB	556573-9587	Umeå	57 500	2.7	5 640	5 640	2.7	5 000	5 000
VindIn AB	556713-5172	Stockholm	100	7.1	3 410	3 410	7.1	810	810
Miscellaneous shares owned by the parent company					587	587		587	587
Total					**10 837**	**10 837**		**6 397**	**6 397**
Group									
Miscellaneous shares						372			719
Total					**10 837**	**11 209**		**6 397**	**7 116**

1) Percentage of shares and percentage of votes are the same.

The holdings Brännälvens Kraft AB, Gidekraft AB, Harrsele AB and Vattenfall Tuggen AB refer to interests in hydro power stations. The holdings entitle the Group to buy some of the electricity produced at cost price, which means that the associated company only earns a limited profit. Purchased electricity is sold to external customers at market price, and the result is stated in the Group accounts within the Holmen Energi business area.

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

Summary financial information regarding associated companies owned by the Group and parent company respectively is specified on the right. The table shows the owned interest in each associated company.

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Income	861	735	320	277
Result	51	13	4	2
Assets	728	466	200	135
Liabilities	362	255	156	110
Equity	366	211	44	25

Note 14 Financial instruments

Group 2008	Items stated at fair value via income statement: Loans valued at fair value	Items stated at fair value via income statement: Derivatives	Derivatives with hedge accounting	Accounts receivable and loan receivables	Assets available for sales	Other liabilities	Total book value	Fair value
Financial instruments included in financial net debt								
Long-term financial receivables								
Placements with credit institutions	-	-	-	26	-	-	26	26
Derivatives	-	32	-	-	-	-	32	32
Other financial receivables	-	-	-	29	-	-	29	29
	-	**32**	**-**	**55**	**-**	**-**	**87**	**87**
Short-term financial receivables								
Unrealised currency difference and accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	31	34	-	-	-	65	65
Other financial receivables	-	-	-	16	-	-	16	16
	-	**31**	**34**	**23**	**-**	**-**	**88**	**88**
Liquid funds								
Short-term deposit of liquid funds	-	-	-	243	-	-	243	243
Money at bank	-	-	-	410	-	-	410	410
	-	**-**	**-**	**653**	**-**	**-**	**653**	**653**
Long-term liabilities								
MTN loans	-	-	-	-	-	1 266	1 266	1 282
Derivatives	-	13	126	-	-	-	139	139
Other financial liabilities	394	-	-	-	-	1 423	1 817	1 825
	394	**13**	**126**	**-**	**-**	**2 689**	**3 223**	**3 247**
Current liabilities								
Commercial paper programme	-	-	-	-	-	1 467	1 467	1 467
Liabilities to financial institutions	-	-	-	-	-	146	146	146
Current portion of long-term loans	-	-	-	-	-	567	567	567
Derivatives	-	60	95	-	-	-	155	155
Unrealised currency difference and accrued interest	-	-	-	-	-	161	161	161
Other current liabilities	-	-	-	-	-	2 260	2 260	2 260
	-	**60**	**95**	**-**	**-**	**4 602**	**4 756**	**4 756**
Financial instruments not included in financial net debt								
Other shares and participations	-	-	-	-	11	-	11	-
Accounts receivable	-	-	-	3 144	-	-	3 144	3 144
Derivatives (stated among operating receivables)	-	14	144	-	-	-	157	157
Derivatives (stated among fixed assets)	-	-	-	-	-	-	-	-
Liabilities to suppliers	-	-	-	-	-	2 282	2 282	2 282
Derivatives (stated among operating liabilities)	-	135	1 056	-	-	-	1 191	1 191

Long-term financial receivables consist of long-term interest-bearing deposits with financial institutions, financial receivables from other companies, which, in all essentials, are interest-bearing, and prepaid costs relating to committed credit facilities. Over and above this, the figure includes the fair values of long-term derivatives. The parent company's receivables from Group companies include a significant share of interest-free balances between Swedish, wholly-owned Group companies.

Short-term financial receivables consist of interest-bearing placements and lending for durations of up to one year, accrued interest income and unrealised capital gains.

Short-term financial receivables have in all essentials durations of less than three months, and thus involve a very limited interest rate risk.

By **liquid funds** is meant money at bank and placements 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. Liquid funds are placed on deposit with banks or in short-term deposit accounts at banks. The average rate of interest on the Group's financial assets in 2008 was around 3.3 per cent (4.4).

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

Group 2007	Items stated at fair value via income statement: Loans valued at fair value	Items stated at fair value via income statement: Derivatives	Derivatives with hedge accounting	Accounts receivable and loan receivables	Assets available for sales	Other liabilities	Total book value	Fair value
Financial instruments included in financial net debt								
Long-term financial receivables								
Placements with credit institutions	-	-	-	18	-	-	18	18
Derivatives	-	16	23	-	-	-	39	39
Other financial receivables	-	-	-	52	-	-	52	52
	-	**16**	**23**	**70**	**-**	**-**	**108**	**108**
Short-term financial receivables								
Unrealised currency difference and accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	1	14	-	-	-	16	16
Other financial receivables	-	-	-	17	-	-	17	17
	-	**1**	**14**	**24**	**-**	**-**	**39**	**39**
Liquid funds								
Short-term deposit of liquid funds	-	-	-	17	-	-	17	17
Money at bank	-	-	-	377	-	-	377	377
	-	**-**	**-**	**394**	**-**	**-**	**394**	**394**
Long-term liabilities								
MTN loans	196	-	-	-	-	1 365	1 562	1 548
Derivatives	-	16	8	-	-		24	24
Other financial liabilities	392	-	-	-	-	475	866	851
	588	**16**	**8**	**-**	**-**	**1 840**	**2 452**	**2 423**
Current liabilities								
Commercial paper programme	-	-	-	-	-	3 509	3 509	3 509
Liabilities to financial institutions	-	-	-	-	-	32	32	32
Current portion of long-term loans	-	-	-	-	-	101	101	101
Derivatives	-	14	47	-	-		61	61
Unrealised currency difference and accrued interest	-	-	-	-	-	102	102	102
Other current liabilities	-	-	-	-	-	13	13	13
	-	**14**	**47**	**-**	**-**	**3 758**	**3 819**	**3 819**
Financial instruments not included in financial net debt								
Other shares and participations	-	-	-	-	7	-	7	-
Accounts receivable	-	-	-	3 004	-	-	3 004	3 004
Derivatives (stated among operating receivables)	-	9	19	-	-	-	27	27
Derivatives (stated among fixed assets)	-	-	-	-	-	-	-	-
Liabilities to suppliers	-	-	-	-	-	2 338	2 338	2 338
Derivatives (stated among operating liabilities)	-	17	130	-	-	-	147	147

Financial liabilities are in all essentials interest bearing. The parent company's liabilities to Group companies include a significant amount of interest-free liabilities to and from Swedish wholly-owned subsidiaries.

Liabilities that are valued at fair value amount to MSEK 598 (588). The amount repayable in respect of these liabilities is MSEK 538. The maturity structure and average rate of interest on the Group's liabilities are shown in note 2.
Of the parent company's liabilities, MSEK 4 713 mature within one year and MSEK 383 later than five years after the closing date.

In addition to the above identified financial assets and liabilities, also pension liabilities (see note 18) are included in the financial net debt.

The fair value in the tables above has either been taken direct from listed market prices or by calculating the discounted future cash flows. In cases were the latter method is used, all variables used in the calculation, such as discount rates and exchange rates, are taken from market listings. The difference between fair value and book value arises because certain liabilities and assets are not valued at fair value in the balance sheet, but are stated at their accrued acquisition value. In the case of accounts receivable and liabilities to suppliers the book value is used as the fair value, as this is judged to be an accurate reflection of the fair value. When it has not been possible to determine a reliable market value for shares and participations, they have been excluded from the tables.

Parent company 2008	Items stated at fair value via income statement: Loans valued at fair value	Items stated at fair value via income statement: Derivatives	Derivatives with hedge accounting	Accounts receivable and loan receivables	Assets available for sales	Other liabilities	Total book value	Fair value
Financial instruments included in financial net debt								
Long-term financial receivables								
Placements with credit institutions	-	-	-	-	-	-	-	-
Derivatives	-	32	-	-	-	-	32	32
Receivables from Group companies	-	-	-	2 663	-	-	2 663	2 663
Other financial receivables	-	-	-	27	-	-	27	27
	-	**32**	**-**	**2 690**	**-**	**-**	**2 722**	**2 722**
Short-term financial receivables								
Unrealised currency difference and accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	65	-	-	-	-	65	65
Receivables from Group companies	-	-	-	-	-	-	-	-
Other financial receivables	-	-	-	16	-	-	16	16
	-	**65**	**-**	**23**	**-**	**-**	**88**	**88**
Liquid funds								
Short-term deposit of liquid funds	-	-	-	226	-	-	226	226
Money at bank	-	-	-	316	-	-	316	316
	-	**-**	**-**	**542**	**-**	**-**	**542**	**542**
Long-term liabilities								
MTN loans	-	-	-	-	-	1 262	1 262	1 282
Derivatives	-	13	126	-	-		139	139
Liabilities to Group companies	-	-	-	-	-	3 660	3 660	3 660
Other financial liabilities	-	-	-	-	-	1 404	1 404	1 412
	-	**13**	**126**	**-**	**-**	**6 325**	**6 464**	**6 493**
Current liabilities								
Commercial paper programme	-	-	-	-	-	1 467	1 467	1 467
Liabilities to financial institutions	-	-	-	-	-	143	143	143
Current portion of long-term loans	-	-	-	-	-	567	567	567
Derivatives	-	154	1	-	-	-	155	155
Unrealised currency difference and accrued interest	-	-	-	-	-	125	125	125
Liabilities to Group companies	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	2 255	2 255	2 255
	-	**154**	**1**	**-**	**-**	**4 558**	**4 713**	**4 713**
Financial instruments not included in financial net debt								
Other shares and participations	-	-	-	-	11	-	11	-
Accounts receivable	-	-	-	2 343	-	-	2 343	2 343
Derivatives (stated among operating receivables)	-	33	105	-	-	-	138	138
Derivatives (stated among fixed assets)	-	-	-	-	-	-	-	-
Liabilities to suppliers	-	-	-	-	-	1 738	1 738	1 738
Derivatives (stated among operating liabilities)	-	137	1 098	-	-	-	1 235	1 235

Parent company 2007	Items stated at fair value via income statement: Loans valued at fair value	Items stated at fair value via income statement: Derivatives	Derivatives with hedge accounting	Accounts receivable and loan receivables	Assets available for sales	Other liabilities	Total book value	Fair value
Financial instruments included in financial net debt								
Long-term financial receivables								
Placements with credit institutions	-	-	-	-	-	-	-	-
Derivatives	-	16	23	-	-	-	39	39
Receivables from Group companies	-	-	-	252	-	-	252	252
Other financial receivables	-	-	-	29	-	-	29	29
	-	**16**	**23**	**282**	**-**	**-**	**320**	**320**
Short-term financial receivables								
Unrealised currency difference and accrued interest	-	-	-	6	-	-	6	6
Derivatives	-	1	14	-	-	-	16	16
Receivables from Group companies	-	-	-	1 588	-	-	1 588	1 588
Other financial receivables	-	-	-	17	-	-	17	17
	-	**1**	**14**	**1 611**	**-**	**-**	**1 627**	**1 627**
Liquid funds								
Short-term deposit of liquid funds	-	-	-	-	-	-	-	-
Money at bank	-	-	-	303	-	-	303	303
	-	**-**	**-**	**303**	**-**	**-**	**303**	**303**
Long-term liabilities								
MTN loans	-	-	-	-	-	1 565	1 565	1 544
Derivatives	-	16	8	-	-	-	24	24
Liabilities to Group companies	-	-	-	-	-	1 474	1 474	1 474
Other financial liabilities	-	-	-	-	-	456	456	456
	-	**16**	**8**	**-**	**-**	**3 496**	**3 520**	**3 499**
Current liabilities								
Commercial paper programme	-	-	-	-	-	3 509	3 509	3 509
Liabilities to financial institutions	-	-	-	-	-	30	30	30
Current portion of long-term loans	-	-	-	-	-	101	101	101
Derivatives	-	14	47	-	-	-	61	61
Unrealised currency difference and accrued interest	-	-	-	-	-	102	102	102
Liabilities to Group companies	-	-	-	-	-	896	896	896
Other current liabilities	-	-	-	-	-	8	8	8
	-	**14**	**47**	**-**	**-**	**4 646**	**4 707**	**4 707**
Financial instruments not included in financial net debt								
Other shares and participations	-	-	-	-	6	-	6	-
Accounts receivable	-	-	-	2 059	-	-	2 059	2 059
Derivatives (stated among operating receivables)	-	9	113	-	-	-	121	121
Derivatives (stated among fixed assets)	-	-	-	-	-	-	-	-
Liabilities to suppliers	-	-	-	-	-	1 557	1 557	1 557
Derivatives (stated among operating liabilities)	-	17	119	-	-	-	137	137

Note 15 Inventories

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Raw materials and consumables	947	890	590	593
Saw timber and pulpwood	297	243	237	207
Finished products and work in progress	1 454	1 376	1 118	1 027
Felling rights etc	737	554	684	504
	3 434	**3 063**	**2 629**	**2 331**

Write-downs of inventories of the year that are taken against the result amount to MSEK 26 (10) for the Group and to MSEK 28 (3) for the parent company.

Note 16 Operating receivables

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Accounts receivable*	3 144	3 004	2 343	2 191
Receivables from associated companies	5	37	5	37
Prepaid costs and accrued income	166	100	135	49
Derivatives	157	27	138	121
Other receivables	220	296	143	221
	3 692	**3 464**	**2 764**	**2 620**

* Of the Group's accounts receivable MSEK 64 relate to accounts receivable from associated companies. Of the parent company's MSEK 64 relate to accounts receivable from associated companies and MSEK 162 relate to accounts receivable from group companies.

Accounts receivable are stated after deduction of possible and proven credit losses. The Holmen Paper business area's accounts receivable correspond to 68 per cent of the Group's total accounts receivable, while Iggesund Paperboard's account for 21 per cent. The Group's accounts receivable mainly relate to European customers. Accounts receivable denominated in foreign currencies are valued at closing date exchange rates. The fair values of derivatives relate to hedges for future cash flows.

Customer credit risk. The risk that the Group's customers will not fulfil their payment obligations is limited by mean of credit status enquiries, internal credit limits per customer and, in some cases, by insuring accounts receivable against bad debts. As of 31 December 2008 some 54 per cent (58) of the Group's accounts receivable were insured against credit losses. Holmen's exposure to individual customers is limited and in 2008 sales to the five largest customers accounted for just under 10 per cent of the Group's total turnover.

During the year, losses on accounts receivable had a negative effect of MSEK 1 (negative 6) on the result. The provision for expected credit losses on accounts receivable amounted to MSEK 39 (60) as of 31 December 2008 and it has been stated net together with accounts receivable. During the year the provision was reduced by MSEK 22 (negative 23) as expected losses was verified, and was increased by MSEK 2 (10) as a result of changes in provision for bad debt.

As of 31 December 2008 accounts receivable of MSEK 106 (64) had been due for payment for more than 30 days, excluding accounts receivable for which provisions had been made. The maturity structure of these items is shown in the table below:

MSEK	**2008**	**2007**
Total accounts receivable	3 144	3 004
Of which overdue > 30 days*	106	64
Of which overdue > 60 days**	33	10

* incl. overdue >60 days
** excl. bad debts/provisions recognised against income

Note 17 Equity

Group	Share capital	Other capital contribution	Reserves: Translation reserve	Reserves: Hedge reserve	Profit brought forward incl. profit for the year	Total
Opening balance at 1 January 2007	**4 238**	**281**	**92**	**119**	**11 906**	**16 636**
Change during the year, Hedge reserve				-241		-241
Change during the year, Translation reserve			-62			-62
Actuarial revaluations					61	61
Tax attributable to items stated direct in equity			9	67	-26	51
Total changes stated direct in equity excl. transactions with the company's shareholders	**0**	**0**	**-53**	**-174**	**35**	**-192**
Profit for the year					1 505	1 505
Total change in equity excl. transactions with the company's shareholders	**0**	**0**	**-53**	**-174**	**1 540**	**1 314**
Dividend paid					-1 017	-1 017
Closing balance at 31 December 2007	**4 238**	**281**	**39**	**-55**	**12 429**	**16 932**
Change during the year, Hedge reserve				-964		-964
Change during the year, Translation reserve			-96			-96
Actuarial revaluations					-169	-169
Tax attributable to items stated direct in equity			151	253	48	452
Total changes stated direct in equity excl. transactions with the company's shareholders	**0**	**0**	**55**	**-712**	**-121**	**-778**
Profit for the year					642	642
Total change in equity excl. transactions with the company's shareholders	**0**	**0**	**55**	**-712**	**521**	**-135**
Dividend paid					-1 017	-1 017
Premiums recived for issued call options					-153	-153
Buy-backs of company´s own shares					15	15
Closing balance at 31 December 2008	**4 238**	**281**	**94**	**-767**	**11 795**	**15 641**

Parent company	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Revaluation reserve	Non-restricted equity: Hedge reserve	Non-restricted equity: Profit brought forward	Non-restricted equity: Profit for the year	Total
Opening balance at 1 January 2007	**4 238**	**1 577**	**100**	**105**	**4 908**	**769**	**11 697**
Transfer of result for 2006					769	-769	0
Change during the year, Hedge reserve				-120			-120
Effects of Group contributions					389		389
Tax attributable to items stated direct in equity				34			34
Total changes in value stated direct against equity, excluding transactions with the company´s shareholders	**0**	**0**	**0**	**-86**	**1 158**	**-769**	**303**
Profit for the year						-548	-548
Total changes in value, excluding transactions with the company´s shareholders	**0**	**0**	**0**	**-86**	**1 158**	**-1 317**	**-245**
Dividend paid					-1 017		-1 017
Closing balance at 31 December 2007	**4 238**	**1 577**	**100**	**19**	**5 049**	**-548**	**10 435**
Transfer of result for 2007					-548	548	0
Change during the year, Hedge reserve				-1 148			-1 148
Effects of Group contributions					469		469
Tax attributable to items stated direct in equity				302			302
Total changes in value stated direct against equity, excluding transactions with the company´s shareholders	**0**	**0**	**0**	**-845**	**-79**	**548**	**-376**
Profit for the year						-436	-436
Total changes in value, excluding transactions with the company´s shareholders	**0**	**0**	**0**	**-845**	**-79**	**112**	**-812**
Dividend paid					-1 017		-1 017
Premiums recived or issued call options					-153		-153
Buy-backs of company´s own shares					15		15
Closing balance at 31 December 2008	**4 238**	**1 577**	**100**	**-826**	**3 815**	**-436**	**8 468**

As of 31 December 2008, the Group owned 760 000 (-) of its ownshares. No holdings of the company´s own shares were divested during the year.

Share capital

Parent company	31 December 2008 Number	Quota value	MSEK	31 December 2007 Number	Quota value	MSEK
Registrered share capital						
Series “A”	22 623 234	50	1 131.2	22 623 234	50	1 131.2
Series “B”	62 132 928	50	3 106.6	62 132 928	50	3 106.6
Total number of shares	**84 756 162**		**4 237.8**	**84 756 162**		**4 237.8**
Bought back Series “B” shares	-760 000					
Total number of shares in issue	**83 996 162**					
Issued call options, Series “B” shares	**758 300**					

The company’s share capital consists of shares issued in two series, Series “A”, each of which carries ten votes, and Series “B”, each of which carries one vote, but which in other respects have equal rights.

Holdings of the company’s own shares are stated as a reduction in retained earnings. Acquisitions of the company’s own shares are stated as a deduction, and the proceeds of divestments of the company’s own shares are stated as an increase. Transaction costs are stated direct against retained earnings.

By Other capital contributions is meant equity paid by shareholders. This item includes premiums paid in connection with issues.

The hedge reserve consists of the effective proportion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to underlying hedging transactions that have not yet occurred.

The translation reserve consists of all currency rate differences that arise in connection with the translation of the financial reports of foreign businesses that make up their financial reports in a currency other than the currency in which the Group’s financial reports are presented. The Group presents its financial reports in Swedish kronor. The translation reserve also includes currency rate differences arising in connection with the revaluation of liabilities and derivatives that are classified as instruments for hedging of net investments in a foreign business.

Retained earnings includes all other types of equity including net profit for the year.

The parent company’s legal reserve consists of compulsory transfers to legal reserve and amounts transferred before 1 January 2006 to share premium reserve.

The parent company’s revaluation reserve contains amounts set aside in connection with the revaluation of tangible or financial fixed assets.

The Board proposes that the Annual General Meeting to be held on 24 March 2009 resolves in favour of paying a dividend of SEK 9 per share. The proposed dividend totals MSEK 756. Last year the dividend was SEK 12 per share (MSEK 1 017).

Assets and liabilities valued at fair value in accordance with Chapter 4 §14a of the Annual Accounts Act has reduced the parent company’s equity by MSEK 1 294 (46). At Group level the valuation of derivatives and other financial instruments has reduced the equity by MSEK 1 291 (201).

Holmen’s profitability target is to earn a return that is consistently above the market cost of capital. The ordinary dividend shall amount to 5–7 per cent of equity. The target for the debt/equity ratio is 0.3–0.8. Neither the parent company nor any of the subsidiary companies are subject to external capital requirements, except for Holmen Försäkring AB, the Group’s insurance company that insures Group companies internally, which is covered by the Swedish Financial Supervisory Authority’s rules regulating the ratio between equity and risk. For a more detailed description of the Group’s capital management see the Report of the Directors on pages 44 and 46.

Note 18 Pension provisions

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

The commitments arising out of the pension schemes in England are placed in trusts. The defined benefit commitments over and above the ITP plan for senior management personnel in Sweden are secured by means of a pension fund. These commitments are stated in the consolidated accounts as defined benefit plans in accordance with IAS 19. Most of the defined benefit pension commitments on behalf of salaried employees in Sweden are secured by means of insurance policies with Alecta. As Alecta cannot provide sufficient information to permit the ITP plan to be stated in the accounts as defined benefit it is stated in accordance with UFR 6 as defined contribution. The year's premiums for pension insurance policies taken out with Alecta amounted to MSEK 24 (38), of which MSEK 22 (36) relates to old age and family pensions. These are included among personnel costs in the income statement. Alecta's surplus can be allocated to policyholders and/or the persons insured. At the end of 2008, Alecta's surplus in the form of the collective surplus was 112 per cent (152).

Group's pension costs	2008	2007
Defined benefit plans		
Personnel cost	-20	-33
Financial income	2	2
Financial costs	-7	-7
Total defined benefit plans stated in income statement	-25	-38
Defined contribution plans		
Personnel cost	-104	-93
Total stated in income statement	**-129**	**-131**

The year's actuarial adjustment was a cost of MSEK 169 (income 61), including the cost of associated payroll tax of MSEK 7 (0), which has been stated direct against equity. The accumulated actuarial adjustment amounts to a cosst of MSEK 128 (income 41).

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

Commitments	2008	2007
Commitments at 1 January	-1 769	-1 866
Cost of employment during current period	-20	-33
Interest costs	-88	-90
Actuarial gains/losses	75	67
Premiums paid by employees	-7	-9
Pensions paid	89	89
Transferred from provisions	-36	-10
Curtailments	6	7
Translation difference	198	76
Commitments at 31 December	**-1 553**	**-1 769**

Plan assets	2008	2007
Fair value of plan assets at 1 January	1 521	1 510
Expected return	83	85
Actuarial gains/losses	-237	-6
Premiums paid by employer	54	67
Premiums paid by employees	7	9
Pensions paid	-63	-76
Translation difference	-167	-67
Fair value of assets at 31 December	**1 199**	**1 521**

Pension provisions, net	**-354**	**-247**

Of the total commitments, MSEK 68 (54) relate to those that are unfunded, while the remaining commitments are entirely or partly funded.

Plan assets by type are as shown below:

Plan assets	2008	2007
Equity	457	694
Bonds	617	681
Short-term fixed income placements	125	147
	1 199	**1 521**

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

Significant actuarial assumptions (weighted average), %	2008 31 Dec	2007 31 Dec
Discount rate	5.4	5.5
Expected return on plan assets	4.9	6.0
Pay increases in the future	3.9	4.3
Inflation in the future	2.9	3.3

The expected return on fixed income securities has been estimated on the basis of highly rated bonds; in the case of shares, a supplementary risk premium has been added.

Five-year figures	2008	2007	2006	2005	2004
Present value of commitments	-1 553	-1 769	-1 866	-1 818	-1 474
Fair value of plan assets	1 199	1 521	1 510	1 400	1 138
Net	-354	-247	-356	-418	-336
Adjustments based on experience					
Defined benefit commitments	-3	4	15		
Plan assets	-237	-6	32		

Holmen's payments into the funded defined benefit plans in 2009 are expected to amount to MSEK 50.

The parent company's cost in respect of defined benefit pension plans amounted to MSEK 11 (18), of which MSEK 10 (17) were stated as a personnel cost and MSEK 1 (1) as interest costs. The cost of defined contribution plans amounted to MSEK 92 (79). The provision for pensions amounted to MSEK 64 (48), of which MSEK 58 (30) was secured in accordance with the employment security act. MSEK 3 (0) of the provision related to funded commitments, which consist of pension commitments of MSEK 128 (126) (calculated in accordance with Swedish principles) that are secured by plan assets with independent pension foundations whose value amounted to MSEK 125 (135). The plan assets consist of equity for MSEK 35 (47), bonds for MSEK 89 (88), and liquid funds of MSEK 1(0). During the year MSEK 7 (7) was paid out in the form of funded pensons commitments and MSEK 17 (13) in the form of unfunded commitments. MSEK 0 (7) was received as compensation from the foundations that secure the funded pension commitments. A discount rate of 4.0 per cent (3.5) and wage levels on the closing date were used for calculating the amount of the pension commitment.

Note 19 Other provisions

	Provisions for taxes		Silviculture provision		Other provisions		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Group								
Opening balance	426	424	141	140	193	153	759	717
Provisions during the period	267	2	101	77	391	60	759	138
Utilised during the period	-	-	-88	-75	-74	-20	-162	-96
Closing balance	**692**	**426**	**153**	**141**	**511**	**193**	**1 357**	**759**
Of which long-term part of the provisions	692	426	54	59	333	173	1 080	658
Of which short-term part of the provisions	-	-	99	81	178	20	277	102
Parent company								
Opening balance	45	45	141	140	46	31	231	216
Provisions during the period	-	-	101	77	522	34	623	111
Utilised during the period	-	-	-88	-75	-72	-20	-160	-95
Closing balance	**45**	**45**	**153**	**141**	**496**	**46**	**695**	**231**
Of which long-term part of the provisions	45	45	54	59	320	21	419	126
Of which short-term part of the provisions	-	-	99	81	177	24	275	106

A provision of MSEK 356 was made in 2008 to cover the cost of closing down the business at the Wargön Mill and of ceasing production on one paper machine and the recovered paper line at the Hallsta Paper Mill. MSEK 58 of this total was utilised in 2008.

The provision for taxes relates primarily to disputes with tax authorities in various countries, see note 27. The silviculture provision relates to a provision to cover coming reforestation measures to be taken after completion of final harvesting that are normally carried out within three years after harvesting. Other provisions relate primarily to obligations to restore the environment, as well as personnel and restructuring costs.

Note 20 Operating liabilities

	Group		Parent company	
	2008	**2007**	**2008**	**2007**
Liabilities to suppliers*	2 282	2 338	1 738	1 557
Liabilities to Group companies	-	-	-	616
Liabilities to associated companies	2	45	2	9
Accrued costs and deferred income	727	732	509	489
Derivatives	1 191	147	1 235	137
Other current liabilities	237	272	193	241
Total	**4 439**	**3 534**	**3 676**	**3 049**

* Of the Group's liabilities to suppliers MSEK 62 relate to liabilities to associated companies. Of the parent company's liabilities to suppliers MSEK 0 relate to liabilities to associated companies and MSEK 136 relate to liabilities to Group companies.

All liabilities to suppliers, which amounted to MSEK 2 282 (2 338), is due to payment within one year.

The parent company's accrued costs and deferred income consist largely of personnel costs of MSEK 225 (260) and discounts of MSEK 60 (47).

Fair values of derivatives relate in all essentials to hedges for future cash flows. See note 2 and note 14.

Note 21 Operational leasing

In 2008, the Group's leasing charges amounted to MSEK 23 (19), and the parent company's to MSEK 12 (15). The Group's leasing contracts relate to forklift trucks. No new leasing contracts of any significance for the business were entered into during the 2008 financial year. No leased equipment was rented out.

The breakdown of future leasing charges is as follows:

	Group			Parent company		
	2009	**2010 –2014**	**2015-**	**2009**	**2010 –2014**	**2015-**
Future leasing charges	17	16	0	6	0	-
Present value of future leasing charges	17	14	0	6	0	-

The contracts have remaining durations ranging from 1 to 6 years. The Group's future leasing charges in 2007 amounted to MSEK 25. The parent company's amounted to MSEK 19.

Apart from leasing agreements Holmen has time charter contracts in respect of six ships that are used to distribute the company's products. The contracts were entered into in 2006 and 2008 and have between 1 year and 8 years to run.

Note 22 Pledged assets and contingent liabilities

Group	Pledged assets value Property mortgages	Other pledged assets	Total pledged assets 2008	Total pledged assets 2007
Own liabilities				
Financial liabilities	6	18	25	24
Other commitments	0	0	0	76
Total	**6**	**18**	**25**	**100**
Parent company				
Own liabilities				
Financial liabilities	6	0	6	6
Other commitments	0	0	0	0
Total	**6**	**0**	**6**	**6**

	Group		Parent company	
Contingent liabilities	**2008**	**2007**	**2008**	**2007**
Guarantees on behalf of Group companies	-	-	444	449
Guarantees on behalf of associated companies	-	1	-	-
Other contingent liabilities	671	914	321	341
Total	**671**	**915**	**766**	**790**

The parent company's guarantees on behalf of Group companies relate mainly to guarantees for loans raised by the subsidiary Iggesund Kraft AB.

The Group's and the parent company´s other contingent liabilities mainly relate to tax litigation in progress that relates to disputed amounts for which no provisions have been made.

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

Note 23 Related parties

Of the parent company's net turnover of MSEK 14 382 (14 414), 0,9 (0,3) per cent relates to deliveries to Group companies. The parent company's purchases from Group companies amounted to MSEK 291.

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 subsidiary companies (see note 24).

L E Lundbergföretagen AB is a large shareholder in Holmen (see page 27). Holmen rents office premises for MSEK 7 (7) from Fastighets AB L E Lundberg, which is a group company within the L E Lundbergföretagen AB. In 2008, Fredrik Lundberg, who is CEO and principal shareholder in L E Lundbergföretagen, received a fee of SEK 550 000 as chairman of Holmen.

Transactions with related parties are priced at market conditions. The equity holdings in associated companies that produce hydro power entitle the Group to buy the electricity produced at cost price in relation to the equity interest, which means that the associated company only earns a small profit. Purchased electricity is sold to external customers at market price, and the result is stated in the consolidated accounts within the Holmen Energi business area.

In Spain energy and recovered paper are purchased from associated companies.

Transactions with related parties

	Sale of products to related parties		Purchase of products from related parties		Other (e.g. interest, dividend)		Liability to related parties		Receivable from related parties	
Group	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Associated companies	190	156	384	360	1	1	64	45	104	87
Parent company										
Subsidiary companies	134	49	291	304	41	107	3 813	2 985	2 842	1 972
Associated companies	190	156	-	5	1	1	2	-	104	73

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

Note 24 Shares in Group companies

Parent company	2008	2007
Accumulated acquisition values		
Opening balance	17 397	13 312
Purchases	208	1
Shareholders' contribution	228	4 143
Divestments	-407	-59
Closing balance at 31 December	**17 426**	**17 397**
Accumulated revaluations		
Opening book value	2 299	2 299
Closing balance at 31 December	**2 299**	**2 299**
Accumulated write-downs		
Opening book value	4 222	2 714
Write-down for the year	-	1 508
Closing balance at 31 December	**4 222**	**4 222**
Closing book value	**15 503**	**15 474**

No write-downs were made during the year in the value of holdings in Group companies.

In 2008, Holmen AB acquired Iggesund Paperboard Europe BV from MoDo Holding AB, a subsidiary. This transaction is stated under the item Purchases (MSEK 208).

During the year a number of mergers were carried out within the Group with the object of simplifying the structure of the Group in Sweden. AB Kinda Skogsprodukter, Haradsskogarna AB, Ströms Trävaru AB, AB Ankarsrums Skogar, MoDo Forest Management AB and AB Överums Skogar were merged into Fiskeby AB. In connection with the merger of these companies Holmen AB transferred its shares in the companies concerned to Fiskeby AB; this is stated under the item Sales (MSEK 407).

Parent company's direct holdings of shares in subsidiaries

				2008		2007	
	Reg. No.	Registered office	No. of participations	Participation, %1)	Book value SEK 1 000	Participation, %1)	Book value SEK 1 000
Holmen Paper AB	556005-6383	Norrköping	100	100	100	100	100
Iggesund Paperboard AB	556088-5294	Hudiksvall	1 000	100	100	100	100
Holmen Timber AB	556099-0672	Hudiksvall	1 000	100	100	100	100
Holmen Skog AB	556220-0658	Örnsköldsvik	1 000	100	83	100	83
Holmen Energi AB	556524-8456	Örnsköldsvik	1 000	100	100	100	100
Fiskeby AB	556000-9218	Norrköping	2 000 000	100	646 160	100	646 160
Holmen Energi Elhandel AB	556537-4286	Stockholm	1 000	100	100	100	100
Holmens Bruk AB	556002-0264	Norrköping	49 514 201	100	4 286 121	100	4 060 921
Holmen Försäkring AB	516406-0062	Stockholm	10 000	100	45 175	100	45 001
AB Iggesunds Bruk	556000-8053	Hudiksvall	6 002 500	100	3 932 558	100	3 932 558
Iggesund Kraft AB	556422-0902	Örnsköldsvik	116 000	100	61 361	100	58 734
Junkaravan AB	556227-3630	Örnsköldsvik	1 537 398	100	549 125	100	549 125
MoDo Capital AB	556499-1668	Stockholm	1 000	100	96 588	100	96 588
MoDo Holding AB	556537-6281	Örnsköldsvik	100	100	462 372	100	462 372
Skärnäs Terminal AB	556008-3171	Hudiksvall	4 800	100	2 913	100	2 913
Other Swedish Group companies					90 836		497 169
					10 173 793		**10 352 124**
Holmen France Holding S.A.S., France		Paris	40 000	100	5 192	100	5 231
Iggesund Decoupe France, S.A, France 2)		Valence	-	100	-	100	-
Holmen UK Ltd, Great Britain		Workington	1 197 100	100	1 518 959	100	1 518 959
Holmen Paper UK Ltd 2)		London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd 2)		Workington	-	100	-	100	-
Holmen Suecia Holding S.L., Spain		Madrid	9 448 557	100	3 577 265	100	3 577 265
Holmen Paper Madrid S.L.2)		Madrid	-	100	-	100	-
Cartón y Papel Reciclado S.A. (Carpa), Spain 2)		Madrid	-	100	-	100	-
Iggesund Paperboard Asia Pte Ltd, Singapore		Singapore	800 000	100	4 273	100	4 273
Iggesund Paperboard Europe B.V., the Netherlands		Amsterdam	35	100	207 733	-	-
Iggesund (Paper & Board) Services B.V.2)		Utrecht	-	100	-	100	-
As MoDo Mets, Estonia		Tallinn	500	100	-	100	-
Other non-Swedish Group companies					15 777		15 777
					5 329 199		**5 121 505**
Total					**15 502 992**		**15 473 629**

1) Percentage of shares and percentage of votes are the same.
2) Indirect holding.

Note 25 Untaxed reserves

Parent company	31 Dec. 2008	Appro-priations	31 Dec. 2007
Accumulated depreciation in excess of plan			
Intangible fixed assets	4	4	-
Tangible fixed assets	4	-3	8
Total	**8**	**0**	**8**
Tax allocation reserve			
Assessment of tax 2004	518		518
Assessment of tax 2005	590		590
Assessment of tax 2006	520		520
Assessment of tax 2007	490		490
Assessment of tax 2008	570		570
Assessment of tax 2009	55	55	
	2 743	**55**	**2 688**
Total	**2 751**	**56**	**2 696**

The change during the year in accumulated depreciation in excess of plan consists of depreciation in excess of plan of MSEK 0 (negative 2).

Note 26 Cash flow analysis

	Group		Parent company	
Interest paid and dividend received	**2008**	**2007**	**2008**	**2007**
Dividend received	0	0	15	5
Interest received	14	13	87	170
Interest paid	-335	-231	-331	-258
Total	**-320**	**-218**	**-229**	**-83**

Change in current liabilities

The change in current liabilities relates for the most part to borrowing within the Group's commercial paper programme and to utilisation of the Group's long-terms credit facility. A number of different short-term loans amounting in total to MSEK 9 327 (14 941) were raised within the commercial paper programme, and MSEK 11 398 (14 705) was repaid. Several different short-term loans amounting in total to MSEK 2 702 (-) were raised in 2008 within the Group's long-term credit facility, and MSEK 516 (-) were repaid.

For a specification of liquid funds see Note 14.

Note 27 Important assessments and estimates

When making up financial reports the company's management is required to make assessments and estimates that have an effect on the stated amounts. The assessments and estimates that, in the view of the company's management, are of importance for the amounts stated in the annual report, and for which there is a significant risk that future events and new information could alter these assessments and estimates, mainly include:

Biological assets

Holmen's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as Holmen's. The valuation is therefore made by calculating the present value of expected cash flows from the growing forests. The most significant assumptions made relate to how much harvesting can be increased in the future, what changes there will be in pulpwood and saw log prices, how high inflation will be, and what discount rate is used. Note 12 provides a sensitivity analysis for the valuation of changes in these estimates. The book value of biological assets was estimated at 31 December 2008 to be MSEK 11 080 and the attributable deferred tax liability was estimated at MSEK 2 914, to give a net value of MSEK 8 166.

Tax

Holmen has made a provision of MSEK 692 to cover disputes and uncertainties relating to taxes. Holmen has two large tax cases still in progress. One case, which relates to Holmen's subsidiary MoDo Capital (taxes, charges and interest amounting in total to some MSEK 636), is being tried by the County Administrative Court. The second case relates to Holmen's French subsidiary. In this case, the National Tax Board has applied to the County Administrative Court to have the tax increased by some MSEK 509. The County Administrative Court has judged in Holmen's favour, but the judgement has not yet come into legal effect. See notes 8, 19 and 22.

Net deferred tax receivables of MSEK 342 are stated in the consolidated accounts on the basis of the assessment that it will probably be possible to utilise them to reduce tax payments in the future. Over and above this the Group had loss allowances and fiscal temporary differences corresponding to tax of some MSEK 600 that are not stated in the consolidated accounts on the assessment ground that utlilisation must be likely. See note 8.

Pensions

The Group's provision for pensions amounts to MSEK 354 on the basis of defined benefit pension commitments valued at MSEK 1 553 and plan assets provided to cover them of MSEK 1 199. The value of pension commitments is estimated on the basis of assumptions regarding discount rates, inflation, future pay increases, and demographic factors. These assumptions are normally updated each year, which has an effect on the size of the stated pension liability and equity. Together with assumptions regarding the expected return on plan assets these assumptions will have an influence on the coming year's stated pension cost. See note 18.

Environment

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

Restructuring

The Wargön mill ceased production in 2008, and production was discontinued on the PM 2 paper machine and the recovered paper line at the Hallsta Paper Mill. A provision of MSEK 356 was taken in 2008 for estimated closure costs, of which MSEK 298 remained at the end of the year to be utilised. The uncertainty regarding the amount ofo the provision relates primarily to the cost of restoring the mill site and how much incom will be received from the sale of machinery. Restructuring costs normally arise as a consequence of changes in the business. The Group makes minor changes on a regular basis, and costs associated with these are not normally specified separately. No major changes have been announced but should the situation alter further provisions may become necessary.

Impairment testing

In 2007 the value of goodwill and tangible fixed assets was written down by a total of MSEK 1 603 within the Holmen Paper business area. These write-downs are based on estimates of recovery values on the basis of assumptions regarding future changes in prices, volumes and costs, as well as the estimated market cost of capital. Holmen has an obligation to carry out regular impairment tests to determine the need for further write-downs or reversals. Changes in conditions can have an effect on estimated recovery value applied in connection with future impairment tests.

Proposed treatment of unappropriated earnings

The following unappropriated earnings of the parent company are at the disposal of the Annual General Meeting:	SEK
Net profit for the 2008 financial year	-435 883 186
Retained earnings brought forward	2 988 777 298
	2 552 894 113
The Board of Directors propose that	
an ordinary dividend of SEK 9 per share (83 996 162 shares) be paid	755 965 458
and that the remaining amount be carried forward	1 796 928 655
	2 552 894 113

The Board of Holmen AB has proposed that the 2009 Annual General Meeting resolve in favour of paying a dividend of SEK 9 per share, or a total of MSEK 756, which is a decrease of SEK 3 per share to the previous year.

The proposed dividend means that 5 per cent of the company's equity on 31 December 2008 will be paid out by way of dividend. The proposal is in line with the Board's policy of distributing 5–7 per cent of the company's equity. The proposed dividend corresponds to 118 per cent of the net profit for 2008.

The Board has established that the Group shall have a strong financial position with a debt/equity ratio – defined as financial net debt in relation to equity – in the interval between 0.3 and 0.8. The debt/equity ratio on 31 December 2008 was 0.48. Payment of the proposed dividend would raise the debt/equity ratio by around 0.07.

Holmen AB's equity on 31 December 2008 amounted to MSEK 8 468, of which non-restricted equity was MSEK 2 553. The Group's equity on the same date amounted to MSEK 15 641. According to the IFRS accounting principles 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 defensible 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 otherwise. The financial position remains strong after payment of the proposed dividend and it 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 President declare that the annual report has been made up in accordance with generally accepted accounting principles in Sweden and the Group's financial statements are made up 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 and generally accepted accounting standards. The annual report and the Group´s financial statements provide a true and fair picture of the result and financial position of the parent company and the Group. The Report of the Directors for the parent company and the Group provide a true and fair picture of the development of the business, financial position and result of the Group and the parent company and also describe significant risks and uncertainties to which the parent company and other companies in the Group are exposed.

The annual report and the Group's financial statements were approved for publication by the Board in its decision of 18 February 2009. It is proposed that the Group's income statement and balance sheet and the parent company's income statement and balance sheet be adopted by the Annual General Meeting to be held on 24 March 2009.

Stockholm 18 February 2009

Fredrik Lundberg
Chairman

Kenneth Johansson
Board member

Ulf Lundahl
Board member

Steewe Björklundh
Board member

Carl Kempe
Deputy chairman

Göran Lundin
Board member

Lilian Fossum
Board member

Curt Källströmer
Board member

Bengt Pettersson
Board member

Torgny Hammar
Board member

Hans Larsson
Board member

Magnus Hall
Board member and
Chief Executive Officer

Our audit report was submitted on 20 February 2009.

KPMG AB

George Pettersson
Authorised public accountant

Audit Report

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

We have examined the annual report, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the CEO of Holmen AB for the year 2008. The company's annual report is included in the printed version of this document on pages 40–82. The Board of Directors and the CEO have responsibility for these accounting records and the administration of the company as well as for the application of the Annual Accounts Act when making up the annual report and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when making up the consolidated financial statements. Our responsibility is to express our opinion on the annual report, the consolidated financial statements and the administration on the basis of our audit.

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

The annual report has been made up in accordance with the Annual Accounts Act and gives a true and fair view of the company's financial position and the result of its operations in accordance with generally accepted accounting standards in Sweden. The consolidated financial statements are made up in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and the result of its operations. The Report of the Directors is consistent with the other parts of the annual report and the consolidated financial statements.

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

Stockholm 20 February 2009

KPMG AB

George Pettersson
Authorised public accountant

Reports and publication of information

Holmen Business Report

The interim reports are presented in our shareholder magazine *Holmen Business Report*, which is published along with the quarterly reports. *Holmen Business Report* contains news, reports about current events and the CEO's comments on the state of the business. The magazine can be ordered via www.holmen.com.

Reports

For year 2009 Holmen will publish the following financial reports:

Interim report, January–March	**7 May**
Interim report, January–June	**13 August**
Interim report, January–September	**4 November**
Year-end report for 2009	**4 February 2010**

The reports are presented at press- and teleconferences in Swedish and English.

Two reports for 2008

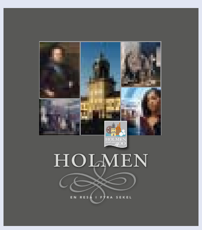
Holmen's shareholders are the main audience for the annual report, which is published in both English and Swedish. It is posted in Week 10 to shareholders.

In addition to its annual report Holmen also publishes a separate sustainability report entitled *Holmen and its World*. This is written for a broad audience, including customers, employees, school pupils and local residents where Holmen has large facilities. The sustainability report is published in Swedish and English in connection with the Annual General Meeting. A Spanish version is published in May.

The annual report and the sustainability report can be downloaded or ordered from Holmen's website.

Holmen 400 years

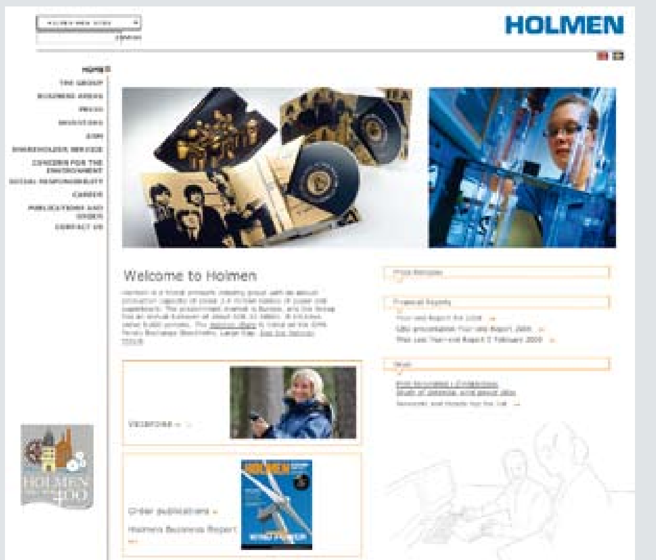
Follow our anniversary year and find out more about our history at www.holmen.com/400.
The story about Holmen can be read about in our anniversary publication "Holmen – en resa i fyra sekel" ("Holmen – a Journey through Four Centuries").
The book can be ordered at www.holmen.com/400.
A summary in English and Spanish will be available.



Internet information

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

The website contains up-to-date information about shares, financial targets and key ratios. You can also read press releases, printed matter and other published information.



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The complete list of addresses may be obtained from Holmen's website www.holmen.com

The cover of the annual report is printed on Iggesund Paperboard's solid bleached board, Invercote® Creato 280 gsm.
It is embossed and matt and UV-varnished.

The annual report is produced by Holmen.
Graphic production: Gylling Produktion
Layout: Energi Reklambyrå

Photo: Rolf Andersson and others. Pictures from the Invercote-campaign by RAYA Photographe.
Print: Trosa Tryckeri
Translation: Beck Translations, Stockholm.

Definitions and glossary

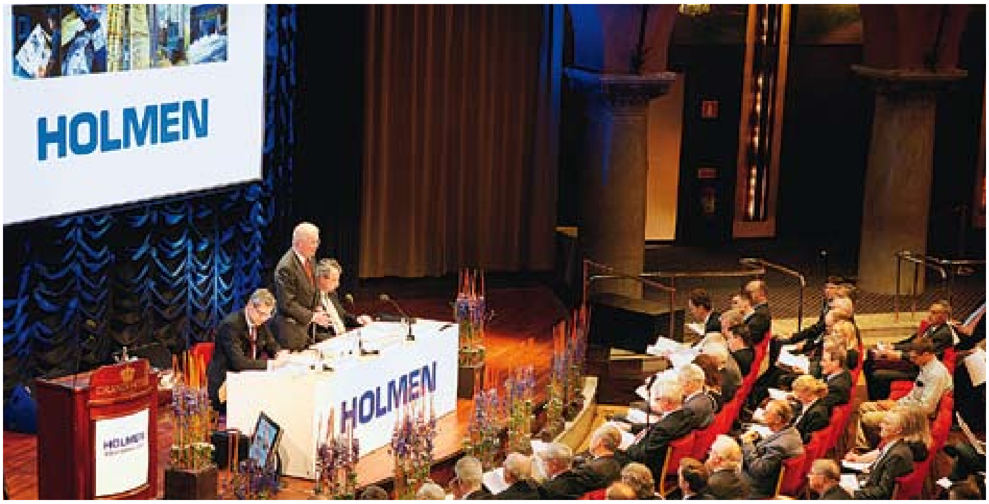
Definitions

Capital employed	Operating capital reduced by the net sum of deferred tax receivables and deferred tax liabilities. Average values are calculated on the basis of quarterly data.
Cash flow after capital expenditure	Cash flow from current operations reduced by cash flow from investment activities.
Debt/equity ratio	Financial net debt divided by the sum of equity and minority interests, if any.
Earnings per share	Profit for the year divided by the weighted average number of shares in issue, adjusted for buy-back of shares, if any, during the year and taking dilution, if any, into account. (Earnings per share after dilution).
Equity ratio	Equity plus minority interests, if any, expressed as per cent of the balance sheet total.
Financial assets	Long-term and short-term financial receivables and liquid funds.
Financial net debt	Long-term and short-term financial liabilities and pension provisions reduced by financial assets.
Items affecting comparability	See Multi-year review on page 38.
Operating capital	Balance sheet total less financial receivables, liquid funds, deferred tax receivable, operating liabilities, tax provision and other provisions. Average values are calculated on the basis of quarterly data.
Operating margin	Operating result (excl. items affecting comparability) expressed as per cent of net turnover.
Return on capital employed	Operating result (excl. items affecting comparability and divested activities) expressed as per cent of the average capital employed.
Return on equity	Profit for the year, expressed as per cent of the average equity calculated on the basis of quarterly data.
Return on operating capital	Operating result (excl. items affecting comparability and divested activities) expressed as per cent of the average operating capital.

Glossary

DIP/De-Inked Pulp	Pulp manufactured from de-inked recovered paper.
FBB/Folding Box Board	Multi-layered paperboard made from mechanical and chemical pulp.
Virgin fibre board	Paperboard produced from fibre that has not previously been used to make paperboard or paper, in contrast to recycled fibre/recovered fibre.
LWC/Light Weight Coated	Lightweight coated wood-containing paper. Mainly used for magazines and directories.
MF Special/Machine Finished	A collective term for various types of improved newsprint with higher brightness and better printing characteristics.
MWC/Medium Weight Coated	Medium weight coated wood-containing paper. Used for magazine, directories and advertising print.
RMP/Refiner Mechanical Pulp	Pulp produced from the refining of chips with or without chemical or thermal treatment.
SC/Super Calender	Super calendered paper. Uncoated, glazed magazine paper.
Groundwood pulp	Mechanical pulp produced by grinding wood against a grindstone.
SBB/Solid bleached board	Multi-layer paperboard made from bleached chemical pulp.
Sulphate pulp	Chemical pulp that is produced by cooking wood under high pressure and at a high temperature together with white liquor (sodium hydroxide and sodium sulphide).
TMP/Thermo Mechanical Pulp	Obtained by heating spruce chips and then grinding them in refiners.

Annual General Meeting



The 2009 Annual General Meeting of Holmen AB will be held at "Vinterträdgården", Grand Hôtel (entrance Royal), Stockholm, at 4.00 p.m. CET on Tuesday 24 March.

Participation in Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting shall be entered in the register of shareholders maintained by Euroclear Sweden AB (former VPC AB) by no later than Wednesday 18 March 2009, and shall notify the company by no later than 5.00 p.m. CET on Wednesday 18 March 2009 at:

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

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

Shareholders whose shares are registered in a nominee name should temporarily re-register their shares in their own name with Euroclear Sweden by no later than Wednesday 18 March 2009 to be entitled to participate in the Annual General Meeting.

Dividend

The Board has proposed that a dividend of SEK 9 (12) per share be paid to the shareholders. The Board has proposed Friday 27 March 2009 as the date of record for entitlement to dividend. Provided the Annual General Meeting resolves in favour of the proposal, the dividend is expected to be distributed by Euroclear Sweden on Wednesday 1 April 2009. Shareholders are requested to inform their account operator of any change of name and/or address.

Annual Report

The Annual Report for 2008 will be posted in the week 10 to shareholders who have not indicated their wish not to be sent the report. New shareholders will be informed in connection with the distribution of the shareholder magazine Holmen Business Report, how to order and cancel printed and electronically transmitted financial information via the website.

Sustainability Report

Holmen and its World 2008 will be published at the same time as the Annual Report and will describe Holmen's holistic approach to the environment, social responsibility and financial development. The complete sustainability report for 2008 is available on the website. The financial information and *Holmen and its World 2008* are available on the website in both English and Swedish. *Holmen and its World 2008* is also available in Spanish.

Orders and subscriptions can be made at the website under Shareholder Service or at:

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Holmen in 90 seconds

Operations

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

The business area **Holmen Paper** manufactures printing paper for daily newspapers, magazines, directories, advertising matter and books at two Swedish mills and one Spanish mill. **Iggesund Paperboard** produces paperboard for packaging and graphic purposes at one Swedish and one English mill. **Holmen Timber** produces sawn timber in one Swedish sawmill. Annual production capacity is 1 940 000 tonnes of printing paper, 590 000 tonnes of paperboard and 340 000 cubic metres of sawn timber.

MSEK	2008	2007	2006	2005	2004
Income statement					
Net turnover	19 334	19 159	18 592	16 319	15 653
Operating costs	-16 630	-15 548	-14 954	-13 205	-12 570
Depreciation	-1 343	-1 337	-1 346	-1 167	-1 156
Interest in associated companies	50	12	11	20	25
Items affecting comparability	-361	557	-	-	-
Operating profit	1 051	2 843	2 303	1 967	1 952
Net financial items	-311	-261	-247	-233	-206
Profit before tax	740	2 582	2 056	1 734	1 746
Tax	-98	-1 077	-597	-478	-471
Profit for the year	642	1 505	1 459	1 256	1 275
Operating profit by business area					
Holmen Paper	280	623	754	631	487
Iggesund Paperboard	320	599	752	626	809
Holmen Timber	13	146	80	13	5
Holmen Skog	632	702	643	537	586
Holmen Energi	327	272	197	301	178
Group central costs	-159	-56	-123	-141	-113
Items affecting comparability	-361	557	-	-	-
Group	1 051	2 843	2 303	1 967	1 952
Balance sheet					
Fixed assets	26 506	26 153	25 334	25 793	23 381
Current assets	7 268	6 549	6 138	5 709	5 149
Financial receivables	828	541	669	712	459
Total assets	34 602	33 243	32 141	32 214	28 989
Equity	15 641	16 932	16 636	16 007	15 635
Deferred tax liability	4 819	5 482	5 030	5 143	5 177
Financial liabilities	8 332	6 518	6 634	7 351	5 335
Operating liabilities	5 809	4 310	3 841	3 713	2 842
Total equity and liabilities	34 602	33 243	32 141	32 214	28 989
Cash flow					
Current operations	1 660	2 476	2 358	2 471	2 331
Investment activities	-1 124	-1 315	-947	-3 029	-1 195
Cash flow after capital expenditure	53 6	1 161	1 411	-558	1 136
Key ratios					
Return, %					
capital employed*	6.1	10.0	10.0	9.0	9.5
equity	3.9	9.2	9.0	8.0	7.9
Debt/equity ratio	0.48	0.35	0.36	0.41	0.31
The share					
Earnings per share, SEK	7.6	17.8	17.2	14.8	15.1
Ordinary dividend, SEK	9**	12	12	11	10
Closing listed price, B, SEK	193.5	240	298	262.5	230
P/E ratio	25	13	17	18	15
EV/EBIT*	17	12	14	15	12

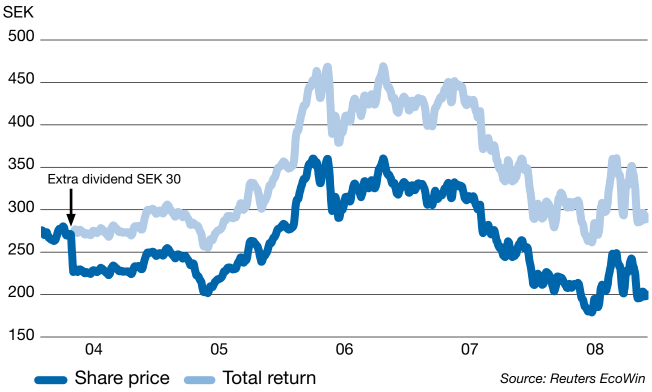
* Excl. items affecting comparability
** Proposal of the Board

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

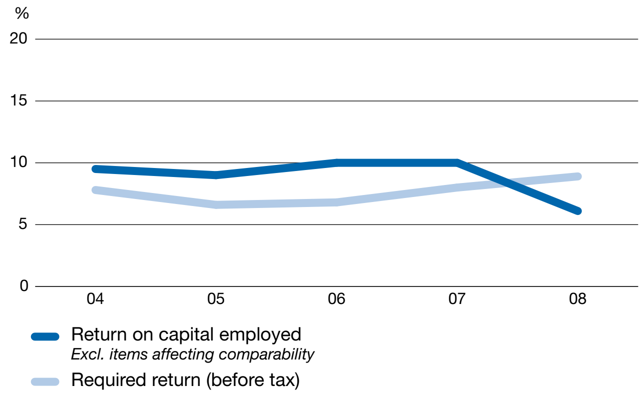
Financial targets

Holmen's profitability shall consistently exceed the market cost of capital. The financial position shall be strong with a debt/equity ratio of 0.3–0.8. The ordinary dividend paid each year shall correspond to 5–7 per cent of equity.

Share price and total return, Holmen B



Profitability



Major shareholders

	% of capital	% of votes
L E Lundbergföretagen	27.9	52.0
Kempe Foundations	7.0	16.9
Handelsbanken incl. pension fund	3.1	9.1
Silchester International Investors	10.5	3.1
Second Swedish National Pension Fund	3.2	0.9
Swedbank Robur funds	2.3	0.7
Fourth Swedish National Pension Fund	1.6	0.5
Alecta	1.4	0.4
SEB funds	1.3	0.4
SHB/SPP funds	1.3	0.4
Other	40.4	15.6
Total*	100.0	100.0
* of which non-Swedish shareholders	28.0	8.5

HOLMEN
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