



HOLMEN

ANNUAL REPORT 2014



Contents

The Board of Directors and the CEO of Holmen Aktiebolag (publ.), corporate identity number 556001-3301, submit their annual report for the parent company and the Group for the 2014 financial year. **The annual report comprises pages 6–92.** The results of the year's operations and the financial position of the parent company and the Group are presented in **the administration report, pages 6–57**, and the accompanying financial statements, together with the notes and supplementary information. The Group's income statement and balance sheet and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

The annual report describes Holmen's financial development as well as the Group's sustainability work. The management and handling of relevant sustainability issues has a major impact on profitability, risk and thus the opportunity to create value. Sustainability is a natural and integrated part of Holmen's business and is therefore also a logical element of the Group's annual report.

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Holmen in brief

BUSINESS AREAS: PRODUCTS



IGGESUND PAPERBOARD: Paperboard

Products: Solid bleached board (SBB) and folding box board (FBB) for consumer packaging and graphical printing.

Customers: Converters of paperboard for packaging, as well as printers and wholesalers. **Main market:** Europe.

Production facilities: Iggesund Mill and Workington Mill. **Brands:** Invercote and Incada.

Production 2014: 0.5 million tonnes



HOLMEN PAPER: Printing paper

Products: Printing paper for magazines, product catalogues, direct mail, books and newspapers. **Customers:**

Publishers, retailers, printers and catalogue publishers. **Main market:** Europe. **Production facilities:** Braviken Paper Mill, Hallsta Paper Mill and Holmen Paper Madrid. **Brands:** Holmen VIEW, Holmen TRND, Holmen UNIQ, Holmen XLNT, Holmen BOOK, Holmen PLUS and Holmen NEWS.

Production 2014: 1.3 million tonnes



HOLMEN TIMBER: Sawn timber

Products: Pine joinery timber and spruce construction timber. **Customers:** Joinery and furniture industry, planing mills, builders' merchants, house construction firms, etc. **Main market:** Europe, North Africa and the Middle East.

Production facilities: Braviken Sawmill and Iggesund Sawmill.

Production 2014: 0.7 million cubic metres

BUSINESS AREAS: RAW MATERIALS



HOLMEN SKOG

Products: Wood and biofuel. **Operations:** Responsible for Holmen's forests and for wood supply to the Group's Swedish units. **Customers:** Pulp and paper industry, sawmills and thermal plants. **Holding:** Total land acreage 1 269 000, of which 1 042 000 hectares of productive forest land with a volume of wood of 121 million m³ growing stock, solid over bark.

Harvesting 2014: 3.3 million m³sub Growth: 4.0 million m³sub/year



HOLMEN ENERGI

Products: Hydro power, wind power and peat. **Operations:** Responsible for the Group's hydro and wind power plants, as well as the electricity supply to the Group's Swedish units. **Production facilities (wholly and partly owned):** 21 hydro power stations and 4 wind farms.

Production 2014: 1.1 TWh from hydro and wind power

Dear shareholder

As we sum up 2014, we can report that the sweeping measures within the Group over the past few years have had an impact. With our industrial operations seeing positive development, Holmen's position has been strengthened over the year – a fact that is reflected in this year's results. Against the background of this, the Board has resolved to propose a dividend of SEK 10 (9) per share.

Active measures in a challenging market

Despite the weak European economy, the market situation for paperboard is relatively good, thanks to increased demand from outside Europe. Our Incada paperboard is in great demand and last autumn's decision to invest in increased production at the mill in Wokington, where Incada is produced, marks a natural step in exploiting the market potential. Iggesund Mill performed better in 2014, particularly in the second half of the year, than it did in 2013, and the investments announced on the pulp front present an opportunity to increase production of both pulp and paperboard, while also improving competitiveness through lower production costs. This investment takes Iggesund Mill yet another step towards becoming one of the world's leading paperboard mills in technological terms, with the lowest environmental impact.

Invercote from Iggesund Mill is a high-performance consumer paperboard for customers that demand top quality. Europe is the main market, but there is also good potential for profitable growth in other markets, not least by growing together with our European customers that operate globally. In order to fully exploit this opportunity, the service organisation will be overhauled.

The printing paper market is incredibly tough, due to falling structural demand, as a consequence of changing media habits and the growing use of digital media to source information. The cutbacks, efficiencies and repositioning towards more profitable segments that we have implemented in recent years have, however, substantially improved our competitiveness. Spring 2015 will see the launch of a new product from Braviken in the SC segment, as the next step in refocusing the Swedish mills on speciality papers. Hallsta Paper Mill has repositioned itself in product terms, and over the winter the energy restructuring, with the closure of the solid fuel boilers, has proceeded

according to plan. This has led to a considerably more efficient mill, while also enabling us to reverse the bark streams, making us a significant supplier of biofuel to nearby heating plants.

The market for sawn timber improved in early 2014, due to increased demand and a good balance in the market. During the second half of the year, the market situation declined, due to high supply and the subsequent pressure on market prices. Over the year, Holmen's two sawmills improved their productivity and increased deliveries. However, we can report that the difference in log prices between southern and northern Sweden continues, which poses a challenge for sawmills in the south of the country. The bio co-location of the paperboard mill and sawmill in Iggesund is in good balance, which bodes well for the capacity expansion of around 15 per cent that was announced in the autumn. At Braviken Sawmill, we will be switching to sawing both spruce and pine in 2015, for reasons of raw material supply and logistics.

In addition to the economy and the market, there are other external factors that have a major impact on our business. The most fundamental issue is the right to work the forest. Forest growth and sustainable management are also the key to a future bio-economy, since the forest and its products store carbon dioxide and are able to replace fossil-based alternatives. Efficient transport is a precondition for working the forest, but it represents a significant cost. On many routes where rail is not an option, trucks are used as the means of transport. The proposed kilometre tax for road transport will reduce the forest industry's competitiveness and risks putting a brake on the restructuring. On the other hand, higher gross weights for trucks would mean fewer loads and a lower environmental impact. We monitor this type of issue on a constant basis and work to lobby decision-making bodies and make them aware of the consequences.

Renewable raw material provides long-term profitability

The forest is a fantastic raw material that offers resource-efficient and climate-smart products, and using it in a sustainable way allows Holmen to create value not only for shareholders but for future generations. The silviculture improvements we have introduced and the age structure of our forests will serve to enhance growth and the facility to harvest wood from the forests over the longer term.

Although, for the most part, forest management is about long time horizons, it is vital to continue working on productivity in the forest right now. Higher productivity in logging and harvesting is the best guarantee of a good yield in the near future and beyond.

With 21 wholly and partly owned hydro power stations and four wind farms, as well as electricity produced at our mills, company-produced renewable electrical energy accounts for over 40 per cent of Holmen's total electricity use. The target is for the proportion to reach 50 per cent by 2020. Since hydro power is essentially fully exploited in Sweden, we are continuously assessing the viability of expanding wind power on Holmen's own land. With today's prices for electricity and green electricity certificates, however, the conditions are incredibly challenging. Nevertheless, we are in a position to celebrate the successful wind farm project on our own land next to Hallsta Paper Mill, which was completed during the year with an installed capacity of 50 MW.

Active sustainability work brings benefits on many levels

Sustainability is not simply a success factor, it lies at the heart of our competitiveness and profitability. Lower costs and reduced risks, motivated and committed employees and our role in the transition to a society in harmony with the environment are all important components and driving factors in our sustainability work. Holmen is affiliated to the UN's

Global Compact and sees it as only natural to support its ten principles, which cover areas such as human rights and social and environmental responsibility.

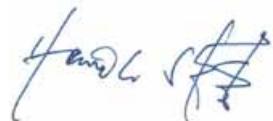
We are also proud of the repeated recognition we receive for our sustainability work. Our inclusion, for the second year in a row, on the UN's Global Compact 100 stock index establishes our credibility among investors, while our placing on the A list in CDP's Climate Performance Leadership Index 2014 strengthens our brand as a sustainable business.

Solid foundation creates confidence

Looking back on my first year as CEO, I can see that the combination of tough restructuring programmes in printing paper and investments in paperboard over the past few years have yielded results and strengthened the company. The work has also led to a re-weighting on the balance sheet, with forest and paperboard growing, and exposure to printing paper falling. Going forward, I see good opportunities for organic growth in paperboard, while the printing paper side is well placed to successfully make the switch to a profitable producer of speciality paper, even though the market remains challenging.

Holmen rests on a solid foundation of forest, energy and skilled employees. With a focus on productivity and cash flow, combined with organic growth in paperboard, Holmen is in a strong position to meet the future.

Stockholm, 18 February 2015



Henrik Sjölund
President and CEO



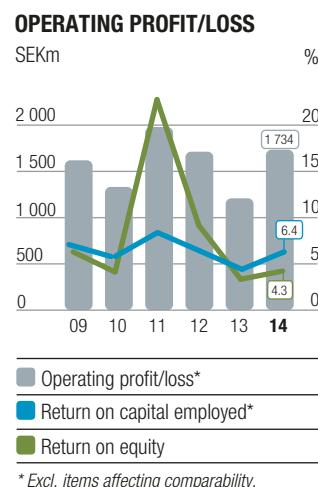
The year in brief



THE GROUP'S OPERATING PROFIT excluding items affecting comparability was SEK 1 734 million. Earnings were positively affected by higher prices for printing paper and sawn timber, a weaker Swedish krona and reduced production costs for paperboard. Investments amounted to SEK 834 million and cash flow after investments was SEK 1 342 million. The dividend paid was SEK 756 million. Net financial debt decreased to SEK 5 907 million, giving a debt/equity ratio of 0.28. The Board proposes a dividend of SEK 10 per share.

OUTLOOK. The market situation for paperboard is good. Over the next year, Iggesund Paperboard will be investing in increasing paperboard and pulp capacity, which will bring not only volume increases but also lower production costs and greater competitiveness. The market for printing paper is challenging, with structurally declining demand. Holmen Paper will continue its restructuring towards a higher proportion of magazine and book paper and a lower proportion of newsprint by converting one of the paper machines at Braviken Paper

Mill in 2015 in order to produce a new product in the SC segment. The market for sawn timber weakened due to high supply, and the market situation for 2015 is uncertain. The harvest of Holmen's own forest is following the harvesting plan. Earlier storms, however, brought higher costs and will also have an adverse impact in 2015. Holmen Energi is being negatively affected by the successive impact of lower market prices.



	2014	2013
Net sales, SEKm	15 994	16 231
Operating profit/loss, SEKm	1 284	1 069
Operating profit/loss, SEKm**	1 734	1 209
Profit for the year, SEKm	907	711
Earnings per share, SEK	10.8	8.5
Dividend per share, SEK	10*	9
Return on capital employed, %**	6.4	4.5
Return on equity, %	4.3	3.4
Debt/equity ratio, times	0.28	0.29
Investments, SEKm	834	869
Average number of employees	3 359	3 718

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

Q1

MAJOR LAND DEAL. Holmen reaches an agreement to sell almost 10 000 hectares of forest with high conservation value to the Swedish Environmental Protection Agency in order to create a nature reserve. In exchange, Holmen is being given the opportunity to purchase around 18 000 hectares of forest land of equivalent value.

NEW MANAGEMENT IN TWO BUSINESS AREAS. Johan Padel becomes the new CEO of Holmen Timber in February, and in March Nils Ringborg takes up the role of CEO of Holmen Paper.

COOP CHOOSES INVERCOTE. Coop develops new food packaging for frozen berries and chooses Invercote Bio from Iggesund Paperboard, a virgin fibre paperboard coated with bioplastic that makes the packaging compostable.

Q2

NEW CEO FOR HOLMEN. In April, Henrik Sjölund becomes President and CEO of Holmen. Henrik Sjölund moves from his role as CEO of Holmen Paper.

NEW PAPER GRADES. The launch of Holmen XLNT Elite and Holmen XLNT Light creates new opportunities for cost savings for producers of magazines, supplements and direct mail.

CAPITAL MARKETS DAY. On 3 June, a capital markets day is held in Iggesund for analysts, lending banks and institutional investors.

ENERGY EFFICIENCIES IN HALLSTA. May sees the final stage of the energy efficiency drive at Hallsta Paper Mill. Greater heat recovery allows the last solid fuel boiler to be decommissioned.

Q3

INVESTMENTS IN THE SAWMILLS. The decision to invest a total of SEK 55 million increases production capacity by 15 per cent at Iggesund Sawmill and enables Braviken Sawmill to begin processing two types of wood.

IGGESUND BEATS RECORD. Iggesund Mill produces more pulp than ever before and in October it beats the record for paperboard production.

SAS CHOOSES INCADA. Airline SAS introduces a new meal box made from the virgin fibre paperboard Incada, which is produced at the paperboard mill in Workington, UK.

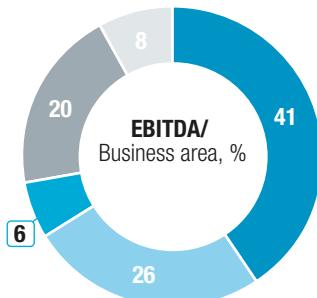
Q4

WORLD LEADER ON CLIMATE CHANGE MEASURES. Holmen is awarded top marks in the Climate Performance Leadership Index 2014. Holmen is one of a total of six Swedish companies on the A list, and joins Finland's UPM as the only two forest companies to be given the highest rating.

INAUGURATION OF WIND POWER. November sees the inauguration of Holmen's jointly owned wind farm in Varsvik. Comprising 17 wind turbines, the facility is the first on the Group's own land and also the first large-scale wind farm in the county of Stockholm.

INVESTMENTS IN THE PAPERBOARD MILLS. A decision to invest a total of SEK 530 million that will increase the capacity for paperboard production in Workington by 20 000 tonnes and pulp capacity at Iggesund Mill by 50 000 tonnes.

PRODUCTION RECORD. The paperboard mill in Workington and the sawmills in Iggesund and Braviken beat the production record for the full year.

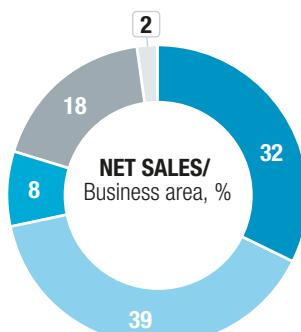


Total: 2 717

Iggesund Paperboard	1 161 SEKm
Holmen Paper	725 SEKm
Holmen Timber	160 SEKm
Holmen Skog	563 SEKm
Holmen Energi	233 SEKm

Total: 32 354

Iggesund Paperboard	6 790 SEKm
Holmen Paper	4 666 SEKm
Holmen Timber	901 SEKm
Holmen Skog	17 340 SEKm
Holmen Energi	3 401 SEKm



Total: 15 994

Iggesund Paperboard	5 113 SEKm
Holmen Paper	6 247 SEKm
Holmen Timber	1 352 SEKm
Holmen Skog	2 957 SEKm
Holmen Energi	320 SEKm

Total: 15 994

Sweden*	24%
UK	13%
Germany	13%
Spain	6%
Italy	6%
The Netherlands	4%
France	4%
Rest of Europe	17%
Rest of the world	13%

* Of which forest and energy 20%.

Strategy



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



Through active management, the substantial forest assets shall deliver stable revenue and increased value over time, while the position in the wood market shall contribute to the competitiveness of the industrial operations.



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



Energy assets shall provide revenue and the opportunity to continuously assess the profitable development of wind power on Holmen's own land.

STRATEGIC DIRECTION: PRODUCTS AND RAW MATERIALS

PAPERBOARD Organic growth

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

PRINTING PAPER Specialisation with focus on cash flow

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

SAWN TIMBER Large-scale integrated production

Holmen Timber produces high-quality sawn timber for the joinery and construction industry in Europe, North Africa and the Middle East. The sawn timber market features low margins, with raw materials accounting for a large proportion of the production costs. Holmen's strategy is based on a strong organisation for wood procurement, cost-efficiency through large-scale production and co-location with the Group's paper and paperboard mills.

FOREST Active forest management

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

ENERGY Develop wind power

Holmen's hydro power is to be managed with a focus on long-term profitability. Wind power will continue to be developed with partners where it is judged to provide good profitability. Holmen has so far built one wind farm on its own land. Other projects are in various stages of development, but the conditions for erecting wind turbines in Sweden are currently challenging.



Christian Carlsson, production manager at Holmen Skog, estimates the basal area of a forest stand using a device called a relascope.

FINANCIAL TARGETS

OUTCOME 2014

COMMENT

PROFITABILITY Holmen's target is a return that is consistently above the market-based cost of capital. At Group level, the key indicator used to calculate profitability is Value Added; this is defined as operating profit/loss less the cost of capital and tax. It provides a simple and sufficiently fair yardstick that is continuously followed up for the Group, business areas and production units.	The return on capital employed was 6.4 per cent.	The return increased by 2 percentage points thanks to improvements in the industrial operations. However, profitability remains low in printing paper and sawn timber, due to a weak market and high raw material costs respectively.
CAPITAL STRUCTURE Holmen is to have a strong financial position that provides financial stability and enables the company to make correct, long-term business decisions that are not solely dependent on the state of the economy and external financing possibilities. The target for debt/equity ratio is a maximum of 0.5.	Debt/equity ratio was 0.28.	The debt/equity ratio has been at levels around 0.3 in recent years.
DIVIDEND Decisions on dividends are based on a total appraisal of the Group's profitability, future investment plans and financial position.	The Board has proposed that the 2015 Annual General Meeting resolves in favour of a dividend of SEK 10 per share.	The proposed dividend corresponds to 4.0 per cent of equity. Over the past five years the dividend has averaged 4.0 per cent of equity.

PROFITABILITY

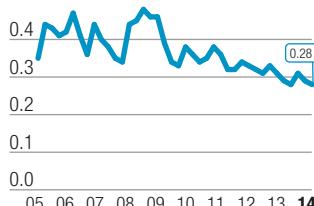
Return on capital employed, %



Excl. items affecting comparability

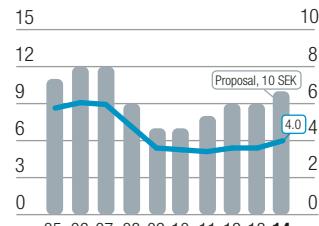
CAPITAL STRUCTURE

Debt/equity ratio, times



DIVIDEND PER SHARE

SEK %



Dividend

Dividend as per cent of equity

SUSTAINABILITY TARGETS

OUTCOME 2014

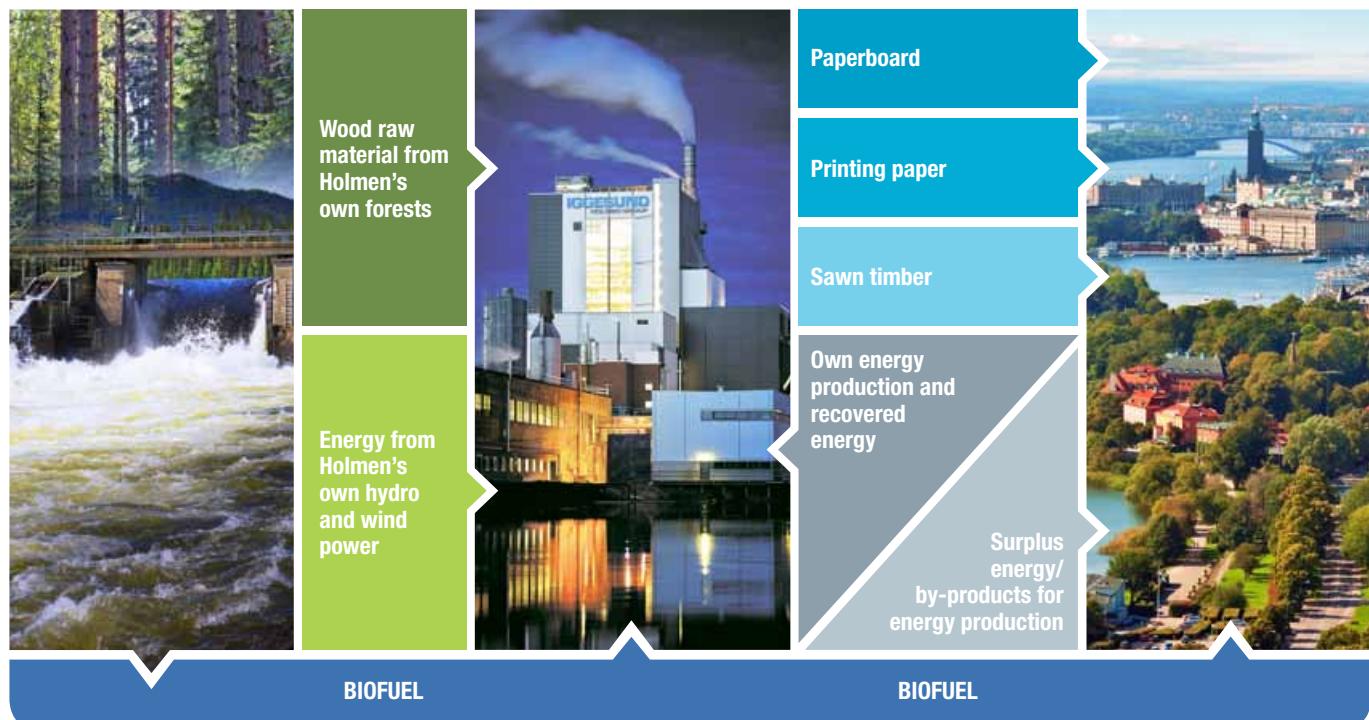
COMMENT

GROWTH IN HOLMEN'S FORESTS The target is to increase growth in Holmen's forests by 25 per cent by 2050 compared with 2007. The target is important from both a production and a climate perspective.	An assessment will be made as part of the next harvesting review in 2021.	Measures to provide increased growth have been identified and set in motion.
USE OF FOSSIL FUELS The Group is working towards a goal of reducing use of fossil fuels at the mills. The target for 2020 is a fall of 75 per cent compared with 2005.	The reduction in fossil fuels amounted to 74 per cent.	Investments in bio-based energy solutions at several mills have led to a significant reduction in the use of fossil fuels.
PRODUCTION OF RENEWABLE ELECTRICITY The proportion of company-generated renewable electrical energy shall increase as a proportion of total electricity consumption by Holmen. The proportion is to be 50 per cent by 2020, compared with 31 per cent in 2005.	The proportion of company-produced renewable electrical energy amounts to 42 per cent.	The economic conditions for building wind power are not in place at this time. As a consequence, the target was revised down in 2014, from 67 per cent to 50 per cent.



PROFITABILITY FROM NATURAL RAW MATERIALS

Holmen's active sustainability work is a key part of its business and a driver of long-term commercial value. With wood from its own forests and company-produced renewable energy, Holmen's production facilities are supplied with natural raw materials, while surplus energy and by-products from production are used to generate energy. Through this Holmen is making its own contribution to the transition to a bio-based economy.



*Steven Jardine,
Workington*



Paperboard

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

HOW DID YOUR PRODUCTS FARE IN THE 2014 MARKET?

Deliveries increased and the market gave us great feedback via Opticom's brand survey 2014. This shows once again that our high-performance paperboard products are meeting customer expectations.

HOW CAN YOU DELIVER EVEN MORE CUSTOMER BENEFIT?

By making it easier to do business with Iggesund Paperboard. In 2014, we launched our service offering, 'Care by Iggesund'. The sales offices in Asia and the US are being upgraded and a new function, Global Business Development, aims to develop our customer offering and sales work in all markets.

WHAT PRODUCT INNOVATION WAS THE MOST IMPORTANT IN 2014?

The launch of the upgraded Invercote G. Our highly valued premium product has thus become even better, strengthening our position in the market.

HOW DID THE MILLS PERFORM IN 2014?

Production was excellent at both mills and Workington saw record paperboard production. Iggesund Mill also produced more pulp than ever. Together with marketing initiatives, this has led to us reversing a negative trend and improving our profitability. We brought the year to a strong conclusion, giving us a stable foundation on which to build.

WHAT ARE YOUR FOCUS AREAS OVER THE COMING YEAR?

With our strong market position, our skilled staff and the development potential we have identified in the mills, we see good opportunities to grow organically. The decisions to invest in increased paperboard production in Workington and greater pulp capacity in Iggesund are highly significant. Combined with the efforts we are putting into service and organisational development, this will put Iggesund Paperboard in an even stronger position for the future.



*Annica Bresky,
CEO Iggesund Paperboard*

FACTS	2014	2013
Net sales, SEKm	5 113	4 618
Operating profit/loss, SEKm	674	433
Investments, SEKm	288	660
Operating capital, SEKm	6 790	6 863
Average number of employees	1 389	1 473
Share of sales in Europe, %	80	79
Deliveries, '000 tonnes	493	469

OPERATING PROFIT/LOSS



NET SALES AND OPERATING MARGIN



OPERATIONS IN 2014

Iggesund Paperboard's deliveries amounted to 493 000 tonnes for the year, which was 24 000 tonnes higher than in 2013.

Operating profit for the year was SEK 674 million (433). The improvement in profit is mainly due to reduced production costs, but also higher deliveries and a weaker Swedish krona.

Market

MARKET DEVELOPMENT. Demand in Europe for the products that Iggesund Paperboard manufactures, solid bleached board (SBB) and folding box board (FBB), has remained stable at around 2.7 million tonnes. The largest markets in Europe are Germany at 22 per cent and the UK at 12 per cent of consumption.

Asia, and especially China, account for the greatest global increase in the area of packaging. This is due to a growing middle class and urbanisation. A substantial rise in production volumes has put prices under pressure, primarily in the lower quality segments.

The North American economy has recovered and demand for packaging has generally increased, bringing minor upward adjustments to prices in the lower quality segments.

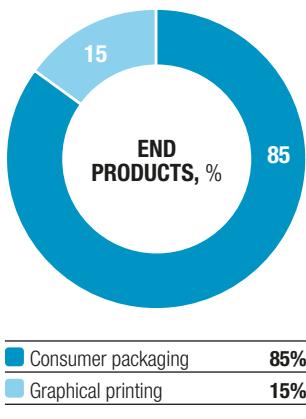
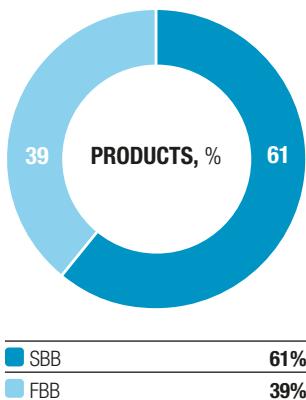
Products

MARKET POSITION. Iggesund Paperboard is a global market leader in the segment for high-performance paperboard for consumer packaging and graphical applications. The main customer categories are converters, who make packaging, and wholesalers and printers, who buy paperboard for use in graphical applications. One of Iggesund Paperboard's key competitive advantages is consistent quality, giving customers the confidence that a material will offer the same performance in the production process time after time.

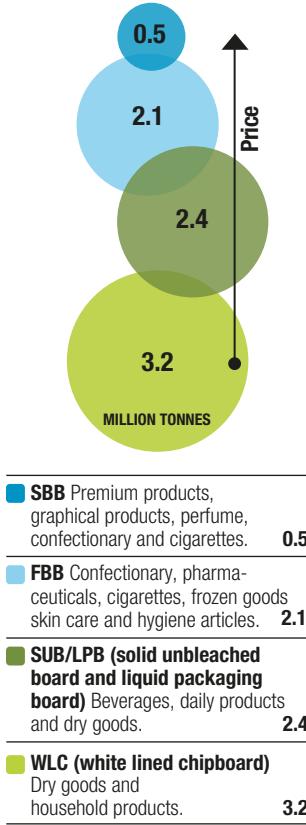
BRANDS. Iggesund Paperboard manufactures and markets paperboard products under two brands: Invercote (SBB), which is produced at Iggesund Mill, and Incada (FBB), which is made at the mill in Workington. Both brands come out top in their respective primary target groups in Opticom's brand survey 2014, 'Most valuable virgin fibre carton-board brands in Western Europe'. Invercote was also used in the winning packaging solutions at two international design competitions during the year.

APPLICATIONS. Invercote and Incada are used primarily to make consumer packaging for confectionery, perfumes, wine, spirits, pharmaceuticals, food products, cosmetics and tobacco. With one of the market's most complete product ranges, coupled with additional finishing options via the laminating plant in Strömsbruk, Iggesund Paperboard is able to offer customised products that meet the very highest of standards – all the way from the customer's industrial processes to the final consumer experience and recycling.

Both Invercote and Incada are highly regarded among designers and producers in the graphics industry, who employ the products in everything from advertising print to cards and covers. The range for graphical applications is being developed and adapted to the market on an ongoing basis to meet the rapidly accelerating demand driven by advances in digital printing, a technology that enables individually tailored end products. The pace of development was particularly fast in 2014, with digital printing also making inroads into packaging production. Iggesund Paperboard will be pushing the development of paperboard products adapted to various types of digital printing.



EUROPEAN PAPERBOARD MARKET 2014



Development

RENEWABLE. The market trends in the packaging industry focus primarily on innovative packaging solutions, the importance of packaging in brand building and, last but not least, sustainability. Commitment to sustainability is a global trend that manifests itself in various ways in different markets, but generally speaking, concrete sustainability work is a necessary door opener to new customers.

Iggesund Paperboard's mills hold chain-of-custody certification for both PEFC™ and FSC®. All the wood purchased for paperboard production comes from well managed and sustainable forests. The end product is renewable, high-performance consumer paperboard based on virgin fibre. As well as bringing unique properties to the products, virgin fibre is also a necessary addition to the recovered fibre cycle. At the end of its useful life, when the fibre is no longer reusable in paperboard production, it becomes a biofuel for the generation of energy.

CUSTOMER FOCUS. A new service concept was developed and launched in 2014 under the name 'Care by Iggesund'. The concept involves boosting the delivery service and the service surrounding the products Invercote and Incada – from technical support in local markets to the process and paperboard saw expertise offered by the company. The year also saw an increase in global sales activities, in part by growing the sales offices in Asia and the US, and through the introduction of a new function called Global Business Development. The task of this function is to provide internal support and to develop sales work in all markets.

PRODUCT DEVELOPMENT. In December, Iggesund Paperboard laid the groundwork for a successful 2015 with the development of an upgraded version of the bestselling Invercote G. This takes the company another step forward in its strategy to be a market leader in the premium segment. The extensively upgraded Incada, which was launched in autumn 2013, has received an excellent reception from the market and European converters give a top ranking to both Incada and Invercote.

PRODUCTIVITY. The mill in Workington achieved several monthly records in paperboard production and has established a reliably high level that also entails record annual production. Iggesund Mill produced more pulp than ever before and in the final part of the year beat the monthly record for paperboard production.

Based on Iggesund Paperboard's strong market position and the global growth in the packaging segment, in December 2014 the decision was taken to invest a total of SEK 530 million during 2015–2016 to increased paperboard capacity in Workington and greater pulp capacity at Iggesund Mill.

ENERGY SUPPLY. Since the extensive energy investment in a biofuel boiler in 2013, the paperboard mill in Workington has been self-sufficient in electricity and thermal energy. In addition, significant quantities of fossil-free electricity are distributed to the local community. Incada's carbon footprint has

been significantly reduced, making it amongst the lowest in the folding boxboard segment.

In the UK, electricity distributors have to meet a certain quota for renewable electricity, while producers of renewable electrical energy receive green certificates. During 2014, the biofuel boiler in Workington received 652 000 certificates, which were sold to electricity distributors.

The biofuel boiler in Workington is fired primarily with wood chips and roundwood, but also with bark. In parallel with construction of the boiler, the 'Grow your income' concept was launched as a means to encourage local farmers to grow energy crops as a supplementary fuel source for the mill.

The investments in energy initiatives at Iggesund Mill have also had positive effects on finances and the environment. In 2014, Iggesund Mill was periodically run entirely without the use of fossil fuels. In addition, both dust emissions and sulphur emissions in this part of the process decreased by around 60 per cent. An objective is to become self-sufficient in heat and electricity.

The company's targeted investment in energy solutions at the mills was recognised in early October by the industry organisation PPI, which awarded Iggesund Paperboard the prize for 'Bio Strategy of the Year'. The investments were also a major contributory factor in Holmen's placing on the A list in CDP's Climate Performance Leadership Index 2014.

ORGANISATION. Extensive changes have been implemented across the business area over the year. The organisation has been restructured at both the mills to achieve a more flexible and fast-moving organisation with short decision paths. Iggesund Mill will also be gradually reducing its workforce up until 2017. Marketing work has been adapted to create a more dynamic organisation that is driven to a larger extent by customers, rather than geography. This should allow the business to better meet requirements for quality, service and flexibility.

IGGESUND MILL

Raw materials: Softwood and hardwood pulpwood.

Process: Sulphate pulp.

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

WORKINGTON MILL

Raw materials: Spruce pulpwood and purchased sulphate pulp.

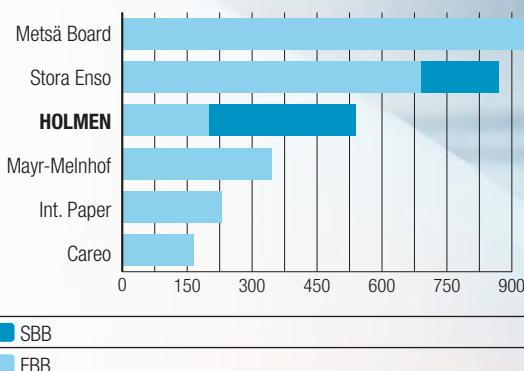
Process: RMP.

Products: Folding boxboard.



LEADING PRODUCERS 2014

FBB and SBB, capacity in Europe, '000 tonnes



Printing paper

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



*Stefan Åhlund,
Braviken Paper Mill*

HOLMEN PAPER HAS REPORTED A MAJOR IMPROVEMENT IN ITS PROFITS. WHAT IS THE BACKGROUND TO THAT?

We have been proactive in adapting the business and making it more efficient, and we intend to continue on this path. The biggest gains have come from a change to the product mix, favourable exchange rates and temporary price rises.

YOU ARE LAUNCHING A NEW PRODUCT. HOW DO YOU JUSTIFY THAT IN A SHRINKING MARKET?

This is a clear step towards fulfilling our strategy to become a speciality paper producer. With our product development based on virgin fibre and our modern machinery, we have a winning concept that we are confident will be difficult for our competitors to match over the long term.

HOW CAN YOU DEVELOP WITHIN PRINTING PAPER?

The printing paper market is a mature industry, but there is scope to develop it with innovative products and I would suggest that we are leading that development. A high pace of innovation and strong competitiveness are essential.

HOW IMPORTANT IS SUSTAINABILITY?

It is hugely important. The complete energy restructuring at the mill in Hallstavik is creating climate-smart sustainability. The Braviken bio co-location of paper mill and sawmill, and Madrid's water recovery, are other examples. Certifications such as the EU Ecolabel are a natural result of our efforts.

'PEOPLE COMMITTED TO PAPER' IS YOUR BRAND PROMISE. WHAT DOES THAT MEAN TO YOU?

We are leading the industry in developing innovative and efficient solutions that provide clear customer benefit. This comes from a passion for the product and for the opportunities we see in virgin fibre. We share this passion for paper with our customers and we all believe in the future potential of the product.



Nils Ringborg,
CEO Holmen Paper

FACTS	2014	2013
Net sales, SEKm	6 247	7 148
EBITDA, SEKm	725	429
Operating profit/loss excl. items affecting comparability*, SEKm	141	-309
Operating profit/loss*, SEKm	141	-449
Investments, SEKm	331	85
Operating capital, SEKm	4 666	4 810
Average number of employees	1 220	1 501
Share of sales in Europe, %	84	89
Deliveries, '000 tonnes	1 305	1 574

* Items affecting comparability refers to impairment loss and restructuring costs of SEK -140 million made in 2013.

OPERATING PROFIT/LOSS



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

CAPEX AND EBITDA



■ Capex
■ EBITDA,
excl. items affecting comparability

OPERATIONS IN 2014

Holmen Paper's deliveries amounted to 1 305 000 tonnes for the year, which was approximately 15 per cent lower than last year as a result of the closure of two paper machines in autumn 2013. The strategic product segments MF Magazine and book paper accounted for just over half of deliveries.

Operating profit for the year was SEK 141 million (-309), excluding items affecting comparability. The improvement in profit is due to slightly higher selling prices, a weaker Swedish krona and reduced costs. Depreciation has decreased following the implementation of closures.

Market

THE EUROPEAN MARKET for wood-containing printing paper amounted to 17.8 million tonnes in 2014, down around 5 per cent on the previous year. The market is affected by an imbalance between supply and demand, and by shrinking price differences between newsprint and magazine grades.

MAGAZINE PAPER. Demand for magazine paper fell during the year by 4 per cent to 10.2 million tonnes. The change was of the same magnitude in all quality segments. Overcapacity led to historically low prices and weak profitability in an industry that needs further restructuring.

BOOK PAPER. The market for book paper fell by 8 per cent due to falling print runs and an absence of runaway bestsellers. Demand for wood-containing book paper, a product that Holmen Paper supplies, amounted to around 400 000 tonnes.

NEWSPRINT. Demand dropped by 6 per cent to 7.3 million tonnes. Good capacity utilisation in the early part of the year generated price rises, but these proved temporary as demand remained low.

Products

PRODUCT MIX. Holmen Paper develops and sells virgin fibre-based magazine and book paper that provides retailers, printing firms and publishers around the world with cost-effective alternatives to traditional paper choices. However, newsprint, primarily for sale locally, continues to make up a significant part of the product mix

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

REPOSITIONING. It is crucial for customers that paper conveys the right feeling and image. At the same time, the choice of paper offers significant potential savings for suppliers of printed material. The combination of good quality and potential savings creates clear customer benefit and forms the backbone of Holmen Paper's transition to speciality paper.

At the end of the year, the unique product solutions in magazine and book paper accounted for more than 70 per cent of Holmen's Swedish production. This figure is expected to increase over the next few years, primarily due to the new SC product Holmen UNIQ from Braviken Paper Mill, which will be launched in spring 2015.

MAGAZINE PAPER. Holmen Paper is an industry leader in developing new products, but it is encountering increasing competition. The product brands Holmen VIEW, Holmen XLNT and Holmen TRND all offer a combination of quality and price that is challenging traditional paper choices in areas where more

expensive papers have tended to dominate. Innovative product development coupled with the properties of virgin fibre has created papers that combine high volume and an excellent feel, which allows customers to choose lower grammages that cut their production and distribution costs. The main applications are magazines, product catalogues, supplements and direct mail.

BOOK PAPER. Holmen BOOK has made Holmen Paper a market leader in Europe for paperbacks and basic hardback books, with a market share of around 40 per cent. The bright, even surface and high stability provide an excellent reading experience. Holmen's production efficiency is high and total book capacity has been further enhanced since Braviken Paper Mill began production of book paper. With its increased brightness, Holmen Paper is also challenging traditional paper choices for hardback books.

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

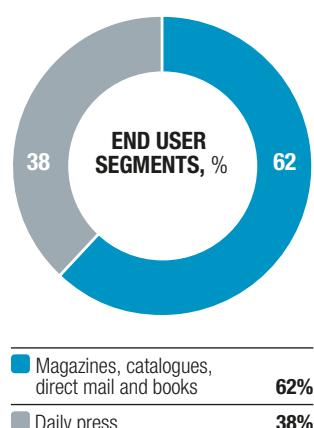
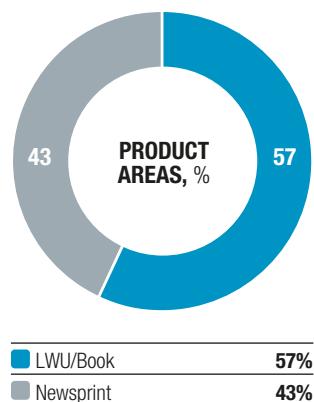
Development

PRODUCT LAUNCHES. 2014 saw Holmen Paper step up its development of a new paper for the SC segment as a natural complement to Holmen XLNT and Holmen VIEW. Holmen UNIQ is a product with clear cost benefits and huge potential for rapid volume growth. The paper has been developed for high efficiency in print production and offers a good reading experience for the consumer. Braviken Paper Mill will be manufacturing the product, which is set to be launched in spring 2015.

Within the Holmen XLNT family, two new grades were introduced in 2014: Holmen XLNT Elite and Holmen XLNT Light.

SPECIALITY PAPER. With the launch of Holmen UNIQ, Holmen is taking another important step in its strategic transition to a higher proportion of magazine and book paper at its Swedish mills. These products have successfully adopted new positions in the market and Holmen Paper continues to develop innovative printing paper products for applications where the balance between quality and price is particularly important. An additional benefit of this repositioning is that it has reduced exposure to the fluctuations in the recovered paper market. The sales processes have also been gradually overhauled to support the new paper grades. As demand in the main European market continues to fall, sales of magazine and book paper outside Europe will become increasingly important.

PRODUCTIVITY AND EFFICIENCY. The restructuring programme at the paper mill in Hallsta remained on schedule in 2014. This restructuring will make Hallsta Paper Mill a competitive factory and one of the most resource-efficient in Europe in its product segment. In combination with an investment in heat re-



covery, the mill has been modernised and made more efficient, giving it a management system for its energy balance that is unique in the industry. The mill is also conducting extensive training and development initiatives for personnel aimed at introducing new, more efficient working methods.

Over the year, measures were implemented at Braviken Paper Mill to increase productivity and support the speciality paper strategy. The investment in upgrading the wood line has resulted in increased availability and scope for higher production based entirely on virgin fibre.

Following the restructuring, the Swedish units have the capacity to produce more than 1.1 million tonnes of printing paper, with magazine and book paper based on virgin fibre accounting for more than 70 per cent of that figure.

The factory in Madrid is cost-effective, as well as a world leader among comparable mills when it comes to efficient use of water. Madrid works continuously on making efficiencies and securing recovered paper streams. The mill has a capacity of more than 0.3 million tonnes of newsprint, based on recovered paper and recovered water.

ORGANISATION. Following the restructuring, Holmen Paper now has a total workforce of around 1 160 people, including around 120 employees in the recovered paper business.

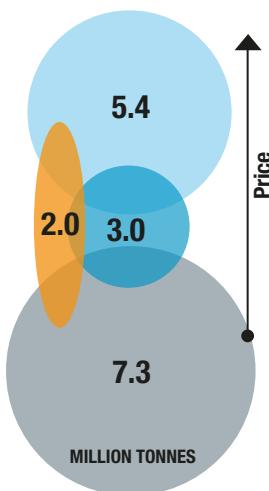
ECOCYCLE. Holmen Paper's magazine paper and book paper are based on spruce virgin fibre sourced from sustainably managed forests in Sweden. The properties of this raw material enable Holmen Paper to develop papers with high bulk, brightness and stiffness, which enables customers to choose lower and more cost-effective grammages. The manufacture of speciality products also constantly reintroduces virgin fibre into the recovered paper cycle in Europe, which is essential for the survival of the system.

The production is based around employing every part of the wood raw material, either in the manufacture of pulp or as a biofuel. At Braviken Paper Mill, energy and heat production is coordinated with Braviken Sawmill in an energy-efficient bio co-location. The sawmill's wood chips, a by-product, are also a key raw material for the paper mill. At Hallsta Paper Mill, the investment in energy efficiencies, chiefly through increased heat recovery, means that the bark previously used as a fuel at the mill has become a source of revenue when sold to external energy producers. The measures at the two Swedish mills reduce the need for fossil fuel, while also enabling Holmen Paper to support bio-based heat generation by external energy producers.

The paper mill in Madrid uses 100 per cent recovered water in its production. This is the result of focused work over many years to achieve a water supply that is sustainable in the long term.

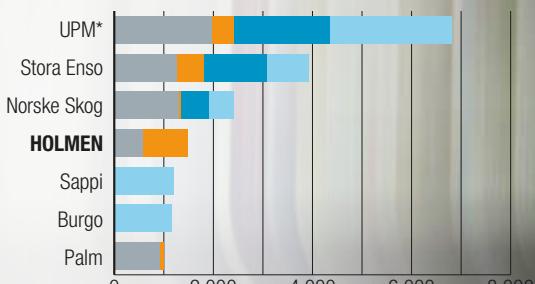


EUROPEAN PRINTING PAPER MARKET 2014



LEADING PRODUCERS 2014

Printing paper, capacity in Europe, '000 tonnes



LWC/MWC

SC paper

LWU/Book

Newsprint

* Considering announced closures.

BRAVIKEN PAPER MILL

Raw materials: Spruce pulpwood and recovered paper*
Process: TMP and DIP*

Products: Magazine paper, book paper, newsprint and catalogue paper.

HALLSTA PAPER MILL

Raw materials: Spruce pulpwood.

Process: TMP.
Products: Magazine paper and book paper.

HOLMEN PAPER MADRID

Raw materials: Recovered paper.
Process: DIP.
Products: Newsprint.

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

*Patrik Hedman,
Iggesund Sawmill*



Sawn timber

Holmen Timber produces high-quality base products in pine and spruce for construction, joinery and packaging purposes.

WHAT IS THE OUTLOOK FOR WOOD PRODUCTS?

Wood has huge potential in future construction and in other applications. The fact that it is renewable, very light in relation to its strength and good value makes wood perfectly placed to capture market share from other materials and, in my view, we are going to see a consolidation of the trend.

WHAT IS DRIVING DEMAND FOR WOOD?

Demand in North America is directly connected to new building projects. In Europe, which uses a smaller proportion of wood in newbuilds, repairs, extensions and remodelling account for a significant part of the market. Other areas of use such as furniture and flooring are also more common in Europe.

OVER THE YEAR, THE STRATEGY FOR BRAVIKEN SAWMILL HAS CHANGED, IN WHAT WAY?

Previously we only sawed spruce, but now we have decided to also begin sawing pine at Braviken. This provides added flexibility in the raw material supply and an opportunity to source more raw materials locally, which cuts transport costs.

DOES THIS REPRESENT A CHANGE IN STRATEGIC DIRECTION FOR HOLMEN TIMBER?

No, the fundamental strategy remains – to deliver base products of high quality for joinery and construction, produced at large-scale plants that operate as bio co-locations.

YOU HAVE ALSO DECIDED TO MAKE INVESTMENTS IN IGGESUND SAWMILL. WHAT WILL THIS MEAN?

Production capacity at Iggesund will rise by around 15 per cent through an investment that will improve the flow through the sawmill. This will boost productivity and further strengthen the sawmill's competitiveness. Pine sawn timber from Iggesund Sawmill already has a great reputation and this investment will reinforce our market position.



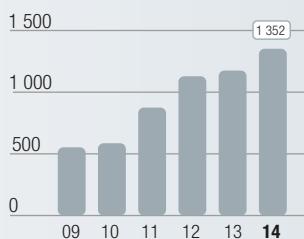
*Johan Padel,
CEO Holmen Timber*

FACTS	2014	2013
Net sales, SEKm	1 352	1 175
EBITDA, SEKm	160	45
Operating profit/loss excl. items affecting comparability* SEKm	37	-75
Operating profit/loss*, SEKm	-413	-75
Investments, SEKm	55	21
Operating capital, SEKm	901	1 361
Average number of employees	199	203
Share of sales in Europe, %	72	70
Deliveries, '000 m ³	725	686

* Items affecting comparability refers to impairment loss of SEK -450 million made in 2014.

NET SALES

SEKm



OPERATING PROFIT/LOSS

SEKm



OPERATIONS IN 2014

Holmen Timber increased productivity at both sawmills and delivered 725 000 cubic metres during the year, which was 6 per cent higher than in 2013.

Operating profit for the year was SEK 37 million (-75), excluding items affecting comparability. The improvement in profit is due to higher selling prices, a weaker Swedish krona and increased deliveries. The improvement was partly offset by higher raw material prices in southern Sweden.

Market

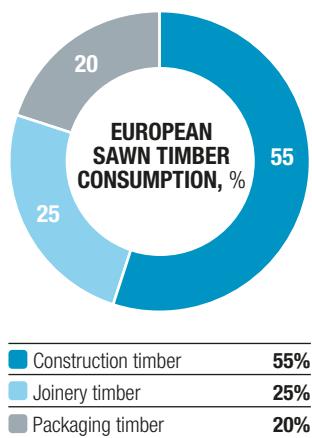
THE EUROPEAN MARKET improved in 2014, largely due to a positive trend in northern Europe, while the market in southern Europe remained weak.

Overall demand grew in Europe by 2 per cent to just over 82 million cubic metres in 2014. Raw material prices remained high, but rising prices for the end products helped to improve profitability in the industry, compared with the previous year. The production rate rose more than consumption, and by the end of the year there was a certain pressure on supply.

NORTH AFRICA AND THE MIDDLE EAST showed growth overall, with demand rising by 10 per cent to around 10 million cubic metres. In the Middle East, the market was cautious, affected as it was by the political situation. The products in demand are primarily pine joinery timber for doors, windows and furniture, plus mouldings, architrave and skirting. There was also a demand for packaging timber and simple spruce construction timber.

USA. Consumption of sawn timber for the construction of private housing continued to grow in 2014. Although housebuilding is gradually rising, it still lies well below previous normal levels. The volatility in sawn timber prices in the US saw the gradual price rise in spring reversed in the autumn.

ASIA. In China, the overheated housing market cooled during the year, due to higher taxes and rents. Demand therefore fell off to a certain extent. China imports sawn timber primarily for furniture and joinery. In Japan, demand for construction timber fell as a consequence of changes to the tax regulations.



Products

MARKET POSITION. Holmen Timber offers a successful product mix of high-quality base products for construction, joinery and packaging purposes. With its two modern facilities, Holmen Timber's total production capacity amounts to 900 000 cubic metres of sawn timber in pine and spruce.

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

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

Development

HOLMEN TIMBER is to be the customer's preferred choice when it comes to high-quality base products for joinery and construction purposes. The investment in modern and efficient sawmills with a secure wood supply and high productivity allows for large-scale and cost-effective production. Flexibility and high technical standards in the processes deliver products with the right properties for industrial finishing. Holmen Timber's approach of maintaining



close contact with customers, coupled with its sustainable production, lays the foundation for long-term and profitable customer relations.

PRODUCTION DEVELOPMENT focuses primarily on meeting high customer standards with regard to lengths, dimensions and quality. There is also an important emphasis on minimising waste and maximising yield from each log. Balancing the different needs requires rational production and stock management as well as precise planning of loading and logistics.

BRAVIKEN SAWMILL is one of the largest and most modern sawmills in Scandinavia, designed initially for efficient and large-scale manufacturing of spruce construction timber. In summer 2015, however, new investment will enable the mill to expand into pine sawn timber – primarily for joinery purposes. This will increase flexibility in the supply of raw materials.

IGGESUND SAWMILL manufactures pine joinery timber that is customised at a very early stage. The logs are x-rayed, for example, to make best possible use of their properties. A number of minor investments in recent years have contributed to high productivity, minimal waste and products that are better adapted to the next processing stage. Now centre-free products are cut directly on the saw line, which brings major drying benefits and contributes to the sawmill's high productivity, as well as saving energy. In summer 2015, green sorting will be remodelled and expanded. The investment is estimated to increase annual production capacity by 15 per cent. An environmental permit for increased production was granted during the year.

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

Building the future in wood

HOUSEBUILDING uses over 50 per cent of the world's sawn timber production. Construction timber is still used primarily for low-rise housing, and for roof trusses, internal walls and so on. However, interest in building truly high-rise structures in wood – 10 storeys or more – is growing at an increasing pace and development of suitable products is therefore progressing quickly. With the help of new technologies such as Cross Laminated Timber (CLT), strong, multi-layered structural elements are being manufactured that can be used for walls and floors in multi-storey buildings. Holmen is already present in the markets where taller structures are becoming increasingly popular, and it is entirely possible that in the future the company will produce raw materials for end products such as glulam and CLT.

SUSTAINABLE. There are various reasons for the burgeoning interest in building high-rise structures in wood. Wood products are renewable and part of the planet's natural ecocycle. In addition, wood is beneficial to the climate, since wooden structures store carbon dioxide for the whole of their useful life. The manufacture of wood products also requires relatively little energy, and the by-products make useful biofuels. Finally, the forest is a renewable resource when managed from a long-term perspective. Eco-labelled timber certified by PEFC™ and FSC® is already an established standard in several European markets, and demand is also growing in other parts of the world.

EFFICIENT. Modern timber-frame construction using new types of structural element offers opportunities to build more quickly and more efficiently than when using traditional methods and materials. The path from decision to building work is shorter, as is the time until completion. Complex structural elements can be prefabricated under protected and controlled conditions, before being delivered to the construction site ready for assembly. Simpler logistics, time savings and a low impact on the local environment are particular advantages in an urban environment.

BRAVIKEN SAWMILL

Raw materials: Spruce and pine saw logs*.

Process: Sawmilling.

Products: Spruce and pine sawn timber*.

IGGESUND SAWMILL

Raw materials: Pine saw logs.

Process: Sawmilling.

Products: Pine sawn timber.

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



*Maj-Lis Wikström,
Friggesund nursery*

Forest

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



HOLMEN SKOG HAS A NEW VISION. WHAT IS IT?

Our vision is 'We grow the future'. It serves to guide us in our work on developing all the assets of the forest, with a view to boosting the Group's earnings and growing raw materials for a sustainable society. The forest also has a key role to play in the necessary transition to a bio-based economy. Our task is to create growth that is sustainable in the long term.

HOW ARE YOU PROMOTING GROWTH IN THE FOREST?

Good management improves growth. The core focus is on how the soil is prepared and the land reforested through planting or sowing. All the subsequent links in the chain are important, including cleaning and thinning and, to further encourage growth, suitable stands can be fertilised. It is also crucial to protect the forest from creatures such as pine weevils and moose, which inhibit growth.

WHAT DOES THE LAND EXCHANGE WITH THE SWEDISH ENVIRONMENTAL PROTECTION AGENCY ENTAIL?

Under the scheme, some of Holmen's forest with high conservation value will be sold and given nature reserve status, and in return Holmen is able to purchase land where it can actively work with sustainable forestry. The deal is good for all parties and a seal of approval for our nature conservation work.

WILL DEMAND FOR WOOD INCREASE IN THE FUTURE?

Yes, the climate and environmental benefits are considerable, and this is pushing up demand for products based on forest raw materials. The world also needs more building in wood to house a growing global population effectively and sustainably. In addition, the recovered paper system constantly needs to be topped up with virgin fibre. Production of paperboard and paper will remain an important component moving forward.

IN YOUR FOCUS ON PRODUCTIVITY, WHAT IMPROVEMENTS NEED TO BE MADE?

We need to constantly develop methods, technologies and expertise. Holmen Skog therefore works with innovators, companies and universities on various research projects, as well as other initiatives. At the same time, it is important not to forget about perfecting the technology that already exists. Numerous small improvements can combine to make a big difference.



Sören Petersson,
CEO Holmen Skog

FACTS	2014	2013
Earnings from operations, SEKm	535	660
Operating profit/loss incl. change in value of forests, SEKm	817	924
Investments, SEKm	86	54
Operating capital, SEKm	17 340	16 813
Average number of employees	418	422
Harvesting in own forests, '000 m ³ sub	3 297	3 465
Productive forest land, '000 hectares	1 042	1 034
Volume of wood, million m ³ growing stock, solid over bark	121	120

OPERATING PROFIT/LOSS

SEKm %



■ Operating profit/loss,
excl. items affecting comparability

■ Return on operating capital,
excl. items affecting comparability

HARVESTING IN HOLMEN'S FORESTS

'000 m³sub



OPERATIONS IN 2014

Holmen Skog's earnings from operations for the year amounted to SEK 535 million (660). The decrease in profit is due to high costs for handling storm fellings and a decrease in harvesting volumes from a high level. Operating profit, which includes a change in value of SEK 282 million, totalled SEK 817 million (924).

Holmen Skog acquired a total of 11.4 (11.3) million m³sub of wood, of which 6.1 (5.9) million m³sub of wood was sold to external customers. 3.3 (3.5) million m³sub of wood was harvested from its own forests, including 0.1 (0.1) million m³sub of forest fuel. Holmen's Swedish production units consumed a net of 4.8 (5.0) million m³sub of wood.

Market

MARKET DEVELOPMENT. Demand for logs was high in 2014, while demand for pulpwood was normal. Log prices rose, with the price level in southern Sweden remaining significantly higher than in the rest of the country. Supply of forest fuel was higher than consumption.

THE VOLUME OF WOOD in Sweden has increased by around 80 per cent since the 1920s, amounting to 3 billion m³ growing stock, solid over bark. Approximately 70 million m³ sub is harvested each year, which accounts for around 70 per cent of the annual growth. Pulpwood and saw logs each account for around 45 per cent of the harvest. The remaining 10 per cent is firewood for energy production. Sweden's forest industry consumes 80 million m³ sub of wood per year. To meet demand, 9 million m³ sub is imported, primarily from the Baltic states and Norway.

Value of the forest

FOREST HOLDINGS. Holmen owns a total of 1 269 000 hectares of land. Under the international definition of forest land, the total area of forest land is 1 153 000 hectares, including 218 000 hectares or 19 per cent of formally and voluntary set-aside forest. Of that forest land, an estimated 1 042 000 hectares is productive. The total volume of wood is 121 million m³ growing stock, solid over bark, corresponding to 118 m³ growing stock, solid over bark, per hectare of productive forest land.

GROWTH. The growth of the forest and its value are dependent to a large extent on how it is managed. Holmen's goal is to increase growth in its own forests by 2.5 per cent by 2050 (base year 2007: 4.4 million m³ growing stock, solid over bark per year). According to the present long-term harvesting plan, around 80 per cent of annual growth is harvested in Holmen's forests. Overall, this means that the volume of wood is steadily rising. By 2050 it is projected to be 30 per cent larger than today.

HARVEST. Annual harvesting is governed by a long-term plan based on forest inventories that are conducted every 10 years. The latest plan dates from 2011. The planned annual harvest is 3.2 million m³ sub up to 2020, of which around 0.2 million m³ sub is branches and treetops for use as biofuel. Over the next 100 years, the harvesting volume is expected to rise to around 4 million m³ sub per year.

ECONOMIC VALUE. Holmen's forest holdings are recognised at fair value under international accounting standard IAS 41. A valuation is made by calculating the present value of expected cash flows from the growing forests over the next 100 years. Cash flow is made up of the net balance of sales revenues and costs of harvesting, silviculture and administration.

The valuation is based on a long-term trend price that is on a par with the average price over the past 10 years. This price is adjusted upwards by 2 per cent per year. The cost forecast is based on present-day levels and is adjusted upwards by just over 2 per cent per year. The cash flows are discounted using an interest rate of 5.5 per cent.

The carrying amount as at 31 December 2014

was SEK 16 867 million. A deferred tax liability of SEK 3 718 million is stated in relation to that figure, which means that the growing forest, net after tax, is recognised at SEK 13 149 million. For more details, see Note 11, page 79.

SOCIAL VALUE. The world we live in faces widespread challenges when it comes to resources and the climate. We need to transition to an economy where resource-efficient and climate-smart products replace those that consume the planet's resources. Holmen's growing, sustainably managed forests have a key role to play in this. By managing the forest and using forest raw materials as a replacement for fossil energy and energy-intensive construction materials, the forest can bring major climate benefits. Over 80 per cent of this volume is exported, bringing global climate benefit by capturing carbon in wooden structures, building carcasses, furniture and joinery.

Sweden currently produces around 10 per cent of the world's forest products. By managing the forest in a sustainable way, Holmen is creating value for generations to come.

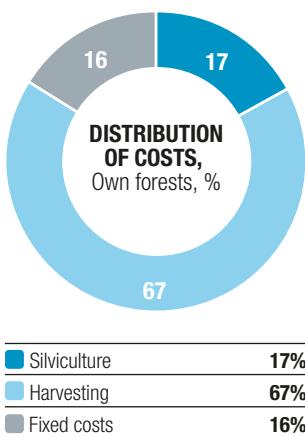
Forestry

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

Holmen's 'Guidelines for Sustainable Forest Management' provide a handbook for its own forestry and also for private forest owners who deliver wood to Holmen. A new version will be published in 2015. Based on Holmen's vision 'We grow the future', it also contains the latest from PEFC™ and FSC® and the Swedish Forest Agency's 'Visions for Good Environmental Consideration in Forestry'.

INCREASED PRODUCTIVITY is the key to long-term profitability in forestry. The focus lies on both fully exploiting current methods and technologies, and developing new ones. Holmen is actively involved in several development collaborations with manufacturers, researchers, innovators and the forest industry. One example is the ETT project, which aims to reduce fuel consumption and carbon emissions per transported log with the help of timber trucks that are longer and take heavier loads. Another example is the development of a new type of machine, a harvester that harvests and transports the wood to the road.

SILVICULTURE AND REGENERATION. The annual cost of silviculture is around SEK 160 million. The measures, which follow Holmen's forest stewardship programme, are aimed at increasing the rate of growth in the company's own forests. In addition to regeneration measures, these include cleaning, fertilising, draining and root rot treatment.



Holmen quality assures the regeneration and conducts long-term development work that covers the entire chain from seed to new planting. Each year, 30 million new seedlings are produced at Holmen's nurseries. The majority are planted on the Group's land.

DAMAGE FROM GRAZING MOOSE AND INSECT ATTACK can cause considerable losses of forest growth and revenue. Holmen loses around 400 000 m³ growing stock, solid over bark, per year due to grazing from wild animals. In a positive development, this year's inventories of grazing damage suggest reduced damage from moose grazing in northern Sweden.

The pine weevil is a pest that attacks newly planted seedlings. Holmen conducts ongoing tests and evaluations of new solutions to combat pine weevil attacks.

THE FOREST AS A SOCIAL ASSET is a concept that could be translated as 'The assets in the forest that have an effect on people's quality of life'. The starting point is that the forest gives people a better life, through its positive effect on health and wellbeing, and the way it supports life in rural communities. Many people also have a strong relationship with the forest. Holmen gives particular consideration to forests that are valuable in terms of aesthetics and experiences, and that are regularly visited by many people for various forms of outdoor life, relaxation and exercise.

Heritage environments and ancient monuments are very important in giving us knowledge about the way previous generations lived and worked the land. Holmen protects these environments and works actively to avoid vehicular and site damage. No trees are allowed to grow on or right next to monuments, with the exception of nature conservation trees.

BIODIVERSITY involves a complex interplay between many different species in different natural habitats. A variety of forest habitats need to be nurtured in order to preserve biodiversity. A total of around 20

per cent of Holmen's forest land is used for nature conservation purposes. This includes forest land voluntarily set aside, wooded unproductive forest that is protected by law, and environmental consideration within the managed forest.

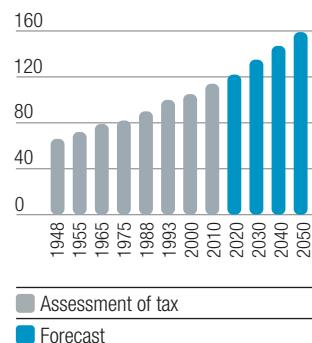
As part of measures to achieve the environmental objective of 'Living Forests', the Riksdag (Swedish Parliament) resolved in 2010 that 100 000 hectares of state-owned forest would be used to compensate Sweden's major landowners for an increase in the proportion of state-protected forest in Sweden. In 2014, Holmen struck a deal with the Swedish Environmental Protection Agency to sell around 10 000 hectares of old forest with high conservation value, in exchange for around 18 000 hectares of forest land with young stands of an equivalent value. The deal was implemented in several stages over the year.

Holmen's active nature conservation work focuses on both managed forests and set-aside areas. The core underlying principle is that actions taken today should not only protect the assets of the existing forest, but also enrich the forest for future generations. The work is therefore based on actively creating environments and structures that promote biodiversity, for example by increasing the quantity of dead wood, creating wetlands and implementing targeted thinning to favour trees of particularly high conservation value. According to the Swedish National Forest Inventory, the proportion of dead wood resulting from active measures in Sweden's forests has risen by more than 25 per cent since the mid-1990s.

CLIMATE CHANGE. A warmer climate may affect the forest in various ways. Growth may increase in certain areas, and periods of ground frost may become shorter. Holmen's silviculture programme is robust in climate terms. The conifers in the Nordic landscape are extremely old organisms (around 500 million years) and have an incredible capacity to adapt to change. In addition, the seedlings from the plant nurseries are selected to grow and thrive in a changing climate.

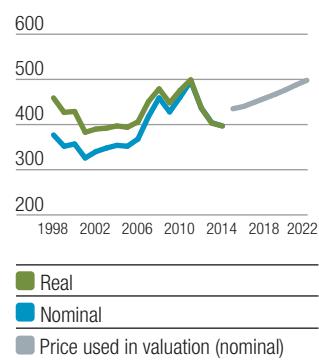
VOLUME OF WOOD

m³ growing stock, solid over bark, per hectare productive forest land

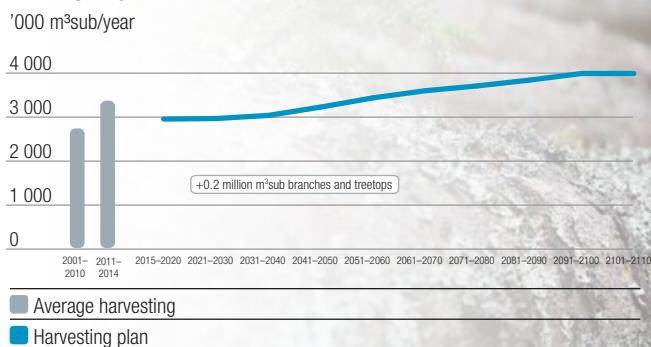


PRICES

SEK/m³ sub



HARVESTING



MAP

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



HOLMEN'S FORESTS 2014

Total land acreage	1 269 000 ha
Total forest land acreage*	1 153 000 ha
- of which nature conservation areas	218 000 ha
Productive forest land**	1 042 000 ha
Total volume of wood, on productive forest land	21 000 000 m³ growing stock, solid over bark

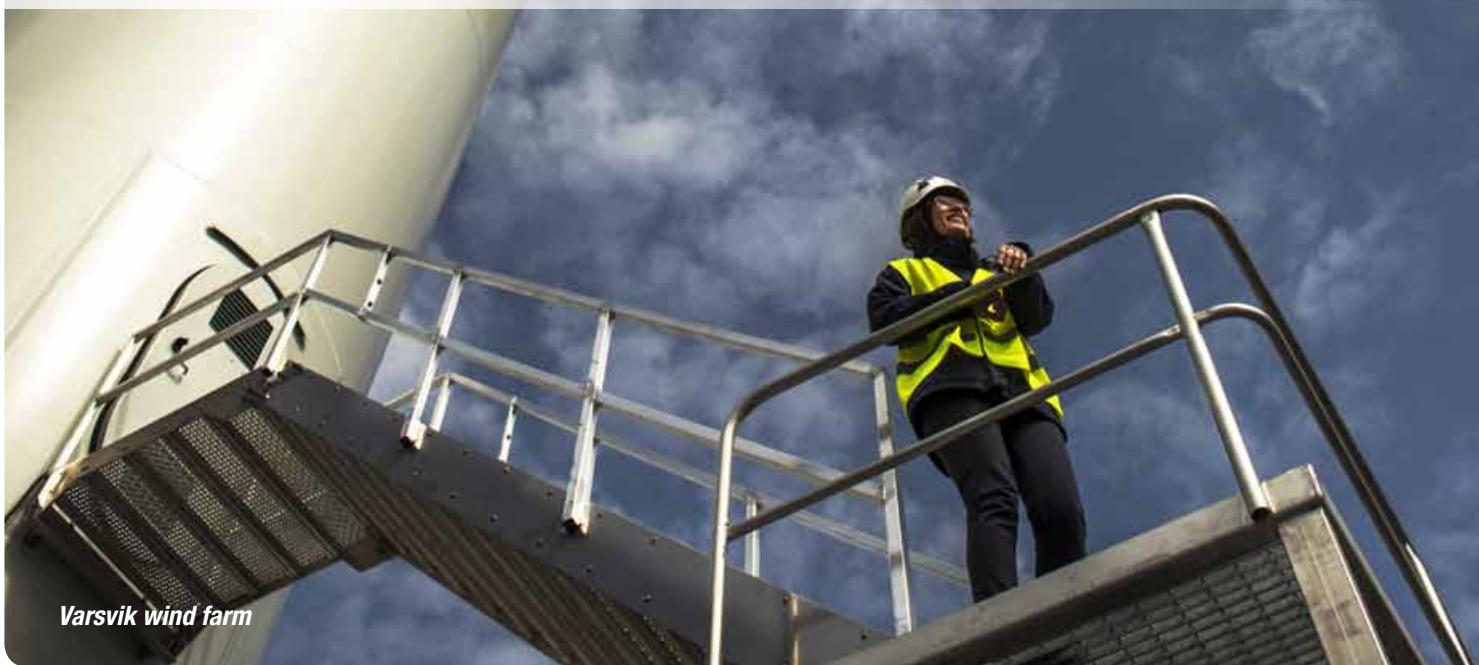
*Analysis conducted by the Swedish National Forest Inventory, according to the international definition of forest land: Land with an area of more than 0.5 hectares, a tree canopy cover of more than 10 per cent and trees with a minimum height of 5 metres at maturity.

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



Energy

Holmen Energi manages the Group's hydro and wind power plants, and is responsible for investments in renewable energy production on the Group's land.



Varsvik wind farm

WHAT WAS THE MILESTONE FOR HOLMEN ENERGI IN 2014?

It was, of course, the commissioning of the wind farm in Varsvik – the first so far on our own land. With its 17 wind turbines, the farm will supply up to 165 GWh per year. This creates value not only for Holmen but for the wider society.

HOW HAVE YOU CHOSEN TO DEVELOP THE DIFFERENT TYPES OF ENERGY?

Hydro power is essentially fully exploited in Sweden, and our focus is therefore on optimising production at Holmen's existing plants. Wind power, on the other hand, has the potential for expansion, and here our strategy is to work with partners to develop wind farms on the Group's own land.

WHEN IS A WIND POWER PROJECT WORTH INVESTING IN?

The wind conditions have to be optimal, along with proximity to infrastructure. The scope to build a large enough farm is also essential. In addition, the overall revenue from the production, i.e. the price of electricity and electricity certificates, has to be at a level that makes it profitable to invest in wind power.

WHAT EXTERNAL FACTORS IMPACT MOST ON YOU?

Market conditions are naturally crucial, but we are affected at least as much by regulations and political decisions. Property tax for hydro power, for example, has risen sharply in recent years, which has put our profitability under pressure. We have a very long investment horizon and it is therefore crucial to look at the conditions over the long term.

WHAT CONCRETE CHALLENGES ARE YOU FACING AT THIS POINT IN TIME?

The current electricity price and electricity certificate system make it a challenge to get the figures to add up when it comes to investment in renewable energy. Another aggravating factor is the long and complex processing of permit applications for wind power.



*Staffan Jonsson,
acting CEO Holmen Energi*

FACTS

	2014	2013
Operating profit/loss, SEKm	212	371
Investments, SEKm	32	46
Operating capital, SEKm	3 401	3 357
Average number of employees	10	11
Company-generated hydro and wind power, GWh	1 113	1 041

OPERATING PROFIT/LOSS



PRODUCTION, COMPANY-GENERATED HYDRO AND WIND POWER



OPERATIONS IN 2014

Holmen Energi's operating profit for the year was SEK 212 million (371). The decrease in profit is due to the impact of lower electricity prices and the fact that the previous year's earnings included SEK +102 million from the sale of a stake in the Varsvik wind farm. Production was slightly higher than in 2013, but was 6 per cent lower than in a normal year.

Market

DOWNTURN. Household demand for electricity dropped over the year, and at the same time the industry reduced its energy use. Consumption in Sweden amounted to 134 TWh, a fall of 3 per cent compared with 2013.

A total of 150 (148) TWh of electricity was produced in Sweden during 2014, of which hydro power made up 64 (61) TWh. Nuclear power produced 62 (64) TWh and wind power production continued its growth, reaching 12 (10) TWh. The remaining 13 (14) TWh constituted thermal energy.

The average spot price in 2014 for Sweden was SEK 290 (340) per MWh, which was 16 per cent lower than in the previous year. The price of electricity forwards over the coming year rose 5 per cent to approximately SEK 300 per MWh.

Own energy assets

HOLMEN ENERGI is responsible for the Group's hydro and wind power plants. Electricity production at the 21 wholly and partly owned hydro power stations, together with wind power and the electricity production at the larger mills, covers 46 per cent of the Group's electricity consumption. Holmen's electricity consumption at the production units amounted to 4 067 (4 416) GWh in 2014.

Development

HYDRO POWER dominates Holmen's energy production. With limited opportunities for expansion, Holmen is focusing on improving the efficiency of and upgrading the existing hydro power plants and dams. Hydro power production is highly cost-effective, but the costs have increased due to the substantial increase in the property tax as implemented in 2013. In 2014, the property tax for Holmen's wholly and partly owned hydro power plants totalled SEK 92 million.

A government proposal that would entail all hydro power plants in Sweden being forced to undergo a new environmental impact assessment was sent out for consultation in 2014.

WIND POWER is one of the fastest growing energy forms in the world, and the area in which Holmen Energi has the greatest potential to expand its energy production. The strategy is to work with partners to develop wind power projects on Holmen's own land that are profitable over the long term.

The company is conducting wind surveys in several locations (see map, page 31) and the factors are being carefully mapped out with regard to wind conditions, proximity to infrastructure, suitable technology and overall efficiency.

THE WIND FARM in Varsvik was gradually taken into use in autumn 2014 and was officially inaugurated on 18 November. This farm is the first on the Group's own land and also the largest wind farm in the county of Stockholm. With a total installed power capacity of 51 MW, the 17 wind turbines are expected to produce 165 GWh energy per year. The wind farm is owned through a joint venture, Varsvik AB, which has Holmen and the international investment fund Eurofideme 2 as 50 per cent shareholders. Good wind conditions, favourable infrastructure and prox-



ELECTRICITY SPOT PRICE,

Price area Stockholm (SE3)

SEK/MWh



imity to electricity consumers have laid a good foundation for the project and have formed a key motive for the investment.

PERMIT PROCESSES. Planning is under way to develop wind farms on Holmen's land in the counties of Västernorrland and Västerbotten. This includes performing in-depth wind surveys. Some permit processes had not been completed by the end of 2014. The basic conditions at the locations in question are judged to be good.

The permit process progressed at the mill in Workington, UK, which began with Holmen submitting a permit application in 2014.

THE WIND POWER COMPANY VindIn AB is owned by a number of electricity-intensive companies in Sweden, including Holmen. VindIn already generates energy from five wind turbines in Skutskär and a further 30 in the Örnsköldsvik area. The firm's first project in Finland involves five turbines and was brought on stream on 1 October 2014. VindIn's overall production in 2014 stood at 211 GWh, with Holmen's share amounting to 37 GWh.

PEAT. Holmen currently has a peat field outside Örnsköldsvik that was taken into use in 2009. Thanks to the warm and very dry summer, 2014 saw a record harvest equating to 93 (84) GWh. In the county of Västerbotten, Holmen and Skellefteå Kraft have jointly conducted feasibility studies for another peat field and an application for an environmental permit was submitted in 2014.

During the year, Holmen began investigating the future potential to deliver peat as a raw material for the production of soil improvers.





FORWARD PRICES

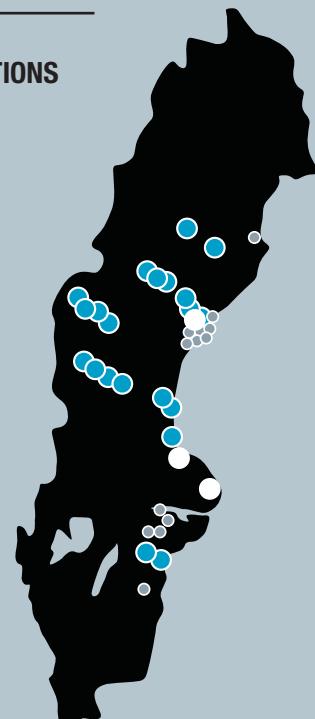
SEK/MWh



HOLMEN WHOLLY OR PARTLY OWNS

21 HYDRO POWER STATIONS

4 WIND FARMS



The permit process is under way for wind power at the mill in Workington, UK.

■ Hydro power stations

□ Wind farms (one in Finland)

■ Wind survey sites

HOLMEN POWER PLANTS

RIVERS	HYDRO POWER STATIONS	HOLMEN'S PRODUCTION SHARE %	GWh*	YEAR OF CONSTRUCTION
Umeälven	Harrsle	49.4	470	1957–58
	Tuggen	21.5	97	1962
Gideälven	Stennäs	9.9	3	1985–96
	Gammelbyforsen	9.9	1	—
	Björna	9.9	8	—
	Gideå	9.9	9	—
	Gidbölle	9.9	7	—
	Gideåbacka	9.9	7	—
Faxälven	Linnvassselv	7.2	14	1961–74
	Junsterforsen	100	115	—
	Gäddede	30	23	—
	Bågede	100	70	—
Iggesundså	Pappersfallet	100	7	1915
	Iggesunds kraftstation	100	22	2009
Ljusnan	Sveg	20	30	1949–75
	Byarforsen	20	17	—
	Krokströmmen	8.7	45	—
	Långströmmen	11	29	—
	Ljusne Strömmar	7.4	17	—
Motala Ström	Holmen	100	112	1990
	Bergsbron-Havet	100	10	1927

OWNER	WIND FARMS	HOLMEN'S PRODUCTION SHARE %	GWh*	YEAR OF CONSTRUCTION
Varsvik	Varsvik	50	83	2014
Vindlin	Skutskär	17.7	5	2009
	Trattberget	17.7	38	2012
	Svalskulla, Finland	17.7	9	2014

* Refers to normal production

Risk management

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

PRICE AND MARKET



EARNINGS SENSITIVITY A one percentage-point change		
SEKm	DELIVERIES	PRICES
PRODUCTS		
Paperboard	28	49
Printing paper	21	61
Sawn timber	4	14
COMPANY'S OWN RAW MATERIALS		
Wood from company forests	8	13
Company-generated electricity	4	4

EARNINGS SENSITIVITY A one percentage-point change	
SEKm	COSTS
Wood*	25
Electricity*	12
Chemicals	11
Recovered paper	5
Other variable costs	6
Delivery costs	12
Employees	23
Other fixed costs	15

* Earnings sensitivity in the table is based on the Group's gross consumption of wood and electricity. Taking account of harvesting of company forests and production of own electricity, net earnings sensitivity for the Group is SEK 12 million for wood and SEK 8 million for electricity.

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

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

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

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

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

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

To reduce exposure to electricity price fluctuations, the Group predominantly uses physical supply agreements at fixed prices, supplemented with financial hedges. In 2014, the company's net purchases of electricity amounted to 2 213 GWh, of which 2 188 GWh was in Sweden. Prices for the estimated net consumption of electricity in Sweden in 2015 are fully hedged. For 2016–2018 prices are 60 per cent hedged and for 2019–2021 they are 40 per cent hedged. Gains on financial hedges are recognised in the income statement when they expire; for 2014 they totalled SEK 0 million (-5). The fair value of outstanding financial hedges at 31 December 2014 amounted to SEK -147 million (-90), which was recognised in other comprehensive income as hedge accounting is applied. Under current hedging, a one percentage-point increase in the price of electricity would have a SEK 4 million impact on equity.

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

Earnings sensitivity

A one percentage-point change in deliveries, prices and costs is estimated to have the impact on operating profit/loss shown in the table to the left. The table is based on income and expenses for 2014.

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

CURRENCIES

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

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

At the beginning of 2014, flows in euro, dollar and sterling were partly hedged for 2014. Gains/losses on currency hedges are recognised in operating profit/loss as and when the hedged item is recognised. In 2014 they amounted to a loss of SEK -116 million (1). The hedging of estimated net flows is shown in the table below.

Earnings sensitivity

Calculated on the basis of existing hedges and the exchange rates at the turn of 2014/2015 (euro: 9.5, US dollar: 7.8 and sterling: 12.1), exchange rate differences are expected to have a positive impact of roughly SEK 300 million on consolidated operating profit for 2015 compared with 2014. A one percentage-point weakening in the Swedish krona compared with the level at year-end would have a positive impact on operating profit for 2015 of SEK 30 million compared with 2014.

Excluding currency hedges, a one percentage-point weakening of the Swedish krona in relation to the currencies would have the following effects on operating profit, as shown in the table to the right:

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

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



TRANSACTION EXPOSURE AT 31 DECEMBER 2014, SEKm*	12-MONTH ESTIMATED NET FLOWS	HEDGES		
		SEKm	RATE**	%
EUR/SEK	3 450	3 680	9.25	105
USD/SEK	1 500	440	7.35	30
GBP/SEK	1 500	430	11.70	30
EUR/GBP	850	260	0.79	30

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

The fair value of outstanding transaction hedges was SEK -105 million (1) at 31 December 2014. SEK -35 million (-12) was recognised in the income statement for 2014, and the remainder in other comprehensive income as hedge accounting is applied, of which the majority relates to 2015. The fair value of hedges for investment purchases is recognised in other comprehensive income until expiry, at which point the gain/loss is added to the cost of the non-current asset that was hedged. The fair value of outstanding hedges for investment purchases amounted to SEK 3 million at 31 December 2014. During the period, the cost of hedged items increased by SEK 1 million.

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

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



31 DEC 2014 SEKm	NET ASSETS	EQUITY HEDGE
EUR	1 819	1 150
GBP	2 017	460
Other	23	-

Gains on equity hedges amounted to SEK -101 million (-39) in 2014 and are recognised in other comprehensive income as hedge accounting is applied. In the parent company accounts, this gain is recognised in the income statement. The translation of net foreign assets had an impact of SEK 363 million (121) on consolidated equity. The fair value of outstanding equity hedges at 31 December 2014 was SEK -49 million (6), of which SEK -10 million relates to loans and SEK -39 million to financial derivatives. A one percentage-point weakening of the Swedish krona would have a positive impact of SEK 22 million on equity, including the translation of foreign subsidiaries and taking account of currency hedges.

INTEREST RATES

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

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

The Group's average interest rate on borrowing was 2.3 per cent in 2014. At the turn of 2014/2015, the average cost of borrowing was 1.9 per cent, based on applicable market interest rates and existing fixed interest periods. A one percentage-point increase in the average market interest rate from the level at year-end would have a negative impact of about SEK 35 million on profit/loss for 2015. As loans with fixed interest rates mature, the exposure to changes in market interest rates rises. Excluding the fixed rate periods, the exposure to a one percentage-point change in the market interest rate is SEK 59 million, calculated according to the size of the debt at 31 December 2014. The fair value of the derivatives used to manage the fixed interest periods amounted to SEK -97 million (-29) at 31 December 2014,

FIXED INTEREST PERIODS, NET FINANCIAL DEBT 31 DECEMBER 2014, SEKm	TOTAL	-1 YEAR	1-3 YEARS	3-5 YEARS	>5 YEARS	OTHER
SEK	-4 005	-2 951	-	-400	-607	-47
EUR	-951	-943	-	-	-	-8
GBP	-1 019	-674	-	-	-	-345
Other currencies	69	69	-	-	-	0
Net financial debt	-5 907	-4 500	-	-400	-607	-400

The Other column refers to pension provisions; see Note 17 on page 85.



which was recognised in other comprehensive income as hedge accounting is applied. This value is expected to be recognised in the income statement from 2015 onwards. Under existing interest rate hedges, a one percentage-point increase in market interest rates would have a SEK 37 million impact on equity.

FINANCING

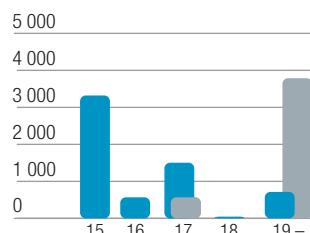
Group exposure to being unable to meet the need for future funding and refinancing maturing loans.

Holmen's strategy states that the company is to have a strong financial position that provides financial stability and gives the Group the opportunity to take 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 a maximum of 0.5. Holmen's financing mainly comprises bond loans and the issue of commercial paper. Holmen reduces the risk of future funding becoming difficult or expensive by using long-term contractually agreed credit facilities and maintaining a good spread of maturities for its liabilities. The Group plans its financing by forecasting financing needs over the coming years based on the Group's multi-year business plan, budget and profit forecasts that are regularly updated.

Net financial debt declined by SEK 209 million during the year and stood at SEK 5 907 million at 31 December 2014, consisting of financial liabilities and interest-bearing pension provisions of SEK 6 156 million, cash and cash equivalents of SEK 187 million and financial receivables of SEK 62 million. During the year, a bond loan of SEK 400 million was issued. In addition, a euro-denominated bond loan for SEK 400 million was repaid. Since year-end, an additional bond loan of SEK 300 million has been issued with a maturity of three years. At 31 December 2014, current borrowings were SEK 3 269 million. In June

**FINANCIAL LIABILITIES**

SEKm



Financial liabilities

Credit facilities

The maturity structure of financial liabilities and assets with undiscounted amounts is shown in Note 13 on page 81.

CREDIT

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

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

At 31 December 2014 the Group's trade receivables totalled SEK 2 328 million, of which 39 per cent (42) were insured against credit losses. Exposure to individual customers is limited. Sales to the five largest customers accounted for 9 per cent of the Group's total turnover in 2014. During the year, credit losses on trade receivables in the form of provisions and impairment losses had a negative SEK 3 million (negative 20) impact on earnings. At 31 December 2014, trade receivables of SEK 83 million (39) were past due for more than 30 days. After individual assessment of all trade receivables, a provision of SEK 33 million has been made for expected credit losses. The credit quality of financial assets that are neither past due nor impaired is deemed to be good.

FACILITIES

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

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

EXTERNAL ENVIRONMENT AND WORK ENVIRONMENT

The main environmental impact consists of emissions to air and water and the occurrence of noise and waste. There is a risk of conditions for operations set by the environmental authorities being breached. Landfills and discontinued industrial sites may lead to costs for restoring the environment. There is also a risk of the occurrence of industrial accidents.

The organisation and management of the environmental activities are stipulated in Holmen's environment and energy policy. In the event of process disturbances, the environment takes precedence over production. In ongoing and discontinued operations, the environmental impact must be acceptable for people and the environment.

Forestry must be undertaken with as much consideration for the environment as possible. Health and safety remains a priority issue for Holmen and its employees. The Group's work environment policy sets out the principles for achieving safe labour conditions.

The following points are examples of how Holmen continually works on preventing and managing different types of environmental risk:

- Self-monitoring according to emissions regulations from environmental authorities
- Checks of bodies of water outside mills
- Checks on the management of chemicals and waste
- Environmental risk assessments
- Checks and inspections by authorities
- Reporting to public authorities
- Group-wide climate and energy targets
- Group-wide industrial accident targets
- Follow-up of incidents

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

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

At 31 December 2014, the Group had outstanding derivative contracts with a nominal amount of about SEK 11 billion and a net fair value of SEK -415 million. Holmen's total credit risk in derivative transactions amounted to SEK 630 million at year-end 2014. This calculation is based on the maturity and historical volatility of different types of derivative. The maximum credit risk for other financial assets is estimated to correspond to their nominal amount.

Holmen insures its facilities to their replacement value against property damage and consequential loss. The excess varies from one facility to another, but the maximum is around SEK 30 million for any one claim. The Group's forest holdings are not insured. They are widely dispersed over large parts of the country, and the risk of large-scale simultaneous damage is not judged to justify the cost that insuring the forest holdings would entail. The Group has liability insurance that also covers sudden and unforeseen environmental damage affecting 'third parties'.



Sustainability report

Work on sustainability forms an integral part of Holmen's strategy for growth and value creation, and is a natural driver of day-to-day operations. The ambition is to improve the Group's competitiveness, reduce costs and risk levels, motivate and involve employees, and meet the requirements and expectations of the wider world.

THE FUTURE IS GROWING IN THE FOREST. Holmen conducts committed and active sustainability work aimed at facilitating the necessary transition to a more resource-efficient, bio-based economy. At the heart of the strategy lie the natural, renewable raw materials from Holmen's sustainably managed forests. The raw materials are refined into products and bioenergy which, like the forest, benefit the climate.

A focus on financial stability and profitability, in combination with far-reaching responsibility for the environment, employees and the wider world, creates the conditions for a sustainable business that generates value for shareholders, customers and other stakeholders.

TARGET-DRIVEN WORK. The Group has sustainability targets in the area of energy and the environment. The long-term targets focus on in-

creased growth in the forests, lower carbon dioxide emissions and a greater proportion of company-produced renewable energy.

The priority for employees is to work on improving safety awareness and minimising industrial accidents. One key target is for all operations to introduce certified occupational health and safety management systems before the end of 2015.

Over the year, the importance of working with management by objectives and key performance indicators has been clarified for each business area. The aim is for this to contribute to attaining the Group's profitability target.

FRAMEWORK FOR STEERING DOCUMENTS. A review of Holmen's policy portfolio has been conducted over the year, and work has begun on updating the Group's framework for steering doc-

uments. The purpose is to improve communication, clarify follow-up and ensure compliance with applicable policies and guidelines.

DIVISION OF RESPONSIBILITY. The Board and Group management regularly address current sustainability issues. Overall responsibility lies with the CEO and the heads of the business areas, while operational responsibility for employees and the environment rests with the mill and forest region managers. The director of environmental and sustainable affairs coordinates the work, including follow-up of targets and outcomes. The annual external reporting of sustainability work and outcomes in line with the Global Reporting Initiative (GRI) is important in ensuring that stakeholders and analysts have a good insight into Holmen's work.



HOW WOULD YOU SUM UP THE SUSTAINABILITY WORK?

The key point is our conviction that the sustainability work is an important and natural part of the Group's business strategy. Being able to show that sustainability and profitability go hand in hand clearly also puts us in a stronger position. The openness in our sustainability reporting also sets us apart in a positive way.

THE WORK ON LOWERING CARBON DIOXIDE EMISSIONS HAS BEEN RECOGNISED INTERNATIONALLY. IN WHAT WAY?

Holmen was placed on the A list in the Climate Performance Leadership Index 2014. This is, of course, great news and shows how well our work on cutting our climate impact stands up to international comparison.

LAST YEAR HOLMEN DREW UP A CODE OF CONDUCT FOR SUPPLIERS. HOW HAS THAT WORK CONTINUED?

The implementation during 2014 comprised two elements: the Group's purchasers received the relevant training, and the task of familiarising our suppliers with the code of conduct began. By the end of the year, over 1 000 suppliers had signed up to the code.

HOW IS HOLMEN BEING AFFECTED BY THE EU'S NEW EMISSION REGULATIONS FOR THE PULP AND PAPER INDUSTRY?

We have conducted an initial assessment of the new requirements and the outlook appears to be good for our mills. At the paperboard mill in Workington, we need to look at how the treatment plant for process water can be made more efficient.

IS THERE ANYTHING IN PARTICULAR YOU WOULD LIKE TO MENTION ABOUT THIS YEAR'S SUSTAINABILITY WORK?

We have begun work on developing the Group's framework for steering documents, a job that will include reviewing our policies and guidelines for employees and for the environment. One purpose of this is to clarify our procedures for follow-up of and compliance with the steering documents. This is something that is important for the Group's employees, but it is also a valuable point to be able to communicate in contact with external stakeholders.



Lars Strömberg,
Director of Environmental
and Sustainable Affairs



HOLMEN STRENGTHENED ITS POSITION IN 2014



For the second year in a row, Holmen has ranked among the top companies in the world for combining sustainable business and financial performance, in gaining a place in the UN's global stock index Global Compact 100.

Find out more about the Global Compact and GC100 on page 46.

GUIDE TO THE SUSTAINABILITY INFORMATION

Holmen's sustainability report 2014 comprises the following:

- Sustainability information in the section on business operations on pages 12–31
- Reporting on financial management, environmental responsibility, employees and other stakeholders on pages 36–47 and 93–95
- Holmen's GRI register (Global Reporting Initiative) and various links on Holmen's website

The website also provides:

- In-depth sustainability information and tables
- Environmental work by business area
- The auditors' assurance report

THE GROUP REPORTS at reporting level GRI A+. At Holmen's request, KPMG has performed a general review of the contents of the Group's sustainability reporting and shares Holmen's expressed reporting level regarding the GRI guidelines.

SUSTAINABLE PRODUCTS

The growing forest underpins Holmen's entire business and all the renewable products manufactured at the Group's mills – paperboard, printing paper and sawn timber. Optimum use of resources and positive effects on the climate are guiding principles all the way along the chain from the plant nurseries to development of the renewable products of tomorrow.

PRIORITIES 2014/2015

- To develop new business opportunities based on wood raw material and existing industrial sites
- To meet demand for sawn timber in climate-smart and cost-effective construction
- Energy production from renewable sources

HUMANS AFFECT THE CLIMATE. The Intergovernmental Panel on Climate Change (IPCC) published a new report in November 2014, which confirmed that the climate change observed around the planet and global warming are due to human activity. A new global climate agreement is set to be negotiated in Paris in late 2015.

THE RENEWABLE WOOD RAW MATERIAL from Holmen's actively and sustainably managed forests plays an important role in the necessary work of promoting good resource management and combating climate change. It does this in part through the substitution effect that occurs when renewable material and biofuels

from the forest replace fossil materials, and in part through the standing forest which, like wooden structures and joinery products, stores large quantities of carbon dioxide. In addition, Holmen's paper and paperboard products can be recycled into new products or bioenergy.

VALUABLE BY-PRODUCTS. As much as 99 per cent of the by-products and waste that arise from Holmen's operations is collected and used for various purposes. End-of-life paper and paperboard products also top up the recovered paper ecocycle with much-needed virgin fibre. Used fibre can be recycled 5–7 times before it ends up as biofuel.

THE EU SHOWS THE WAY. One precondition for sustainable social development is the availability of products with good climatic and environmental performance. The EU wishes to promote the use of bio-based products in Europe, and standards are being drawn up to support such a move.

Holmen's ambition to contribute to a future bio-based economy is fully in line with this initiative and with the programme for a waste-free Europe that the European Commission presen-

ted in 2014. The programme contains targets and initiatives to create an ecocycle society, known as a circular economy. The European Commission proposes higher target levels for material recovery, increased support for research and the promotion of sustainable biomass use.

INNOVATION AND R&D. The Riksdag (Swedish Parliament) has set a target that the country will have no net emissions of greenhouse gases by 2050. To achieve the target, the use of existing renewable products will need to increase, alongside the development of new materials and products aimed at replacing their fossil-based equivalents. Holmen contributes to the long-term achievement of the target through its own operations.

The Group's total investment in R&D amounted to approximately SEK 110 million in 2014.

NEW BUSINESS DEVELOPMENT (NBD) was launched at Holmen in 2013 through the merger of the Holmen Biorefinery Development Center and parts of the business areas' development departments. Based on Holmen's renewable wood raw material, and the by-products that arise in regular production, NBD is responsible for building up knowledge and for identifying and developing new business opportunities. The general aim is for wood-based alternatives to replace traditional fossil-based products in the long term in areas such as fuel, textiles and construction materials. An important starting point for the work is that the new business opportunities must be linked to Holmen's existing industrial sites.

Through NBD, Holmen will be initiating research, innovation and product development. Its work includes investigating how by-products from the mills can be refined into base chemicals for customers in the chemicals industry, for example. Another interesting example of refinement is Holmen's stake in an Israeli development company that produces nanocrystalline cellulose (NCC) from wood raw material. In the future, paper and paperboard may gain new properties with the help of NCC, and the crystalline parts of the material may also be put to use in foam, monitors and medical applications.



Holmen's operations from a climate perspective

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

THE FOREST. Holmen's forests absorbed around 4 480 000 tonnes of carbon dioxide for their growth in 2014. Based on growth data from the past five years, it has been calculated that approximately 80 per cent of the growth is harvested each year and used for products. This means that around 525 000 tonnes of carbon dioxide per year is captured and stored as the forest stands grow. Over the foreseeable future, annual growth in Holmen's forests is expected to exceed the harvests, and the Group's growth target indicates that carbon dioxide storage will increase in the future.

PRODUCTION UNITS. With Holmen's investment in bio-fuel-based energy production over recent years, emissions of fossil carbon dioxide from its production units decreased to just under 130 000 tonnes in 2014. Since the level of self-sufficiency in bio-based electrical and thermal energy has risen over the past

few years, the need to purchase fossil-based energy has shrunk. Compared with the situation in 2010, emissions of fossil carbon dioxide from the production of purchased energy were around 230 000 tonnes lower in 2014.

Based on figures for recent years, annual emissions of fossil carbon dioxide from forestry machines, the manufacture of input raw materials and the transport of raw materials and products are estimated at around 325 000 tonnes. These emissions represent the negative impact that Holmen's operations have on the climate.

PRODUCTS AND SUBSTITUTION EFFECTS. Sawn timber stores carbon dioxide for its entire lifetime, only releasing it when the products are burned. Holmen's production of sawn timber in 2014 equates to around 610 000 tonnes of carbon dioxide stored in products that have a lifetime of over 50 years. Holmen's sawn timber also has a substitution effect, in that it replaces construction materials with an impact on the environment. For 2014, this substitution effect could amount to nearly 1 200 000 tonnes of carbon dioxide.

Paper and paperboard products have too short a lifetime for it to be meaningful to calculate carbon dioxide storage. These products, like end-of-life sawn timber, do however make excellent biofuels. Biofuel from Holmen's forests and by-products from its production also provide energy through combustion.

Research proves climate benefit

Several independent sources have shown that carbon dioxide emissions drop when wood-based construction materials are used instead of less climate-friendly alternatives. Various scientific papers published in recent years acknowledge the positive effect of forest products on the climate. Here is a small selection.

WOOD STORES CARBON DIOXIDE. Lundmark et al. (2014) studied how different strategies for forestry and the use of wood-based products can slow climate change. If Swedish forestry continued to be run as it is today, this would avoid emissions of carbon dioxide in the order of 60 million tonnes per year, compared with a situation where non-renewable raw materials and products were used. The researchers also state that increased use of sawn timber outside Sweden could bring major climate benefits in countries where fossil-based construction materials currently dominate.

THE SUBSTITUTION EFFECT. Sathre and O'Connor (2010) reviewed around 20 scientific papers in order to calculate the substitution effects of using wood as a construction material instead

of steel and cement, for example. They concluded that every cubic metre of wood used instead of other materials equates to an average reduction in carbon dioxide emissions of 1.9 tonnes. The study shows that wood products from responsibly managed forests are positive for the climate.

LOW-ENERGY HOUSING. Dodoo et al. (2014) have published several articles showing that renewable products from the forest result in more resource-efficient construction and housing. Sealed and well insulated buildings made in wood, coupled with biofuel-based heating systems, give a better energy performance than today's building standards, and thus contribute to lower use of primary energy and less of an impact on the climate. Key preconditions for this are sustainable forestry and responsible processing of by-products.

Sources: Lundmark, T. et al. *Potential roles of Swedish forestry in the context of climate change mitigation*. *Forests* 2014, 5, 557–578. Sathre, R. and O'Connor, J. *Meta-analysis of greenhouse gas displacement factors of wood product substitution*. *Environmental Science Policy* 2010, 13, 104–114. Dodoo, A. et al. *Lifecycle primary energy analysis of low-energy timber building systems for multi-storey residential buildings*. *Energy and Buildings* 2014, 81, 84–97.

DEVELOPMENT PROJECTS

PAPERBOARD

- Optimised utilisation of fibre
- Bio-based energy production
- Bio-based barrier materials

PRINTING PAPER

- Lower energy consumption
- Increased production capacity
- Resource-efficient product solutions
- Fossil-free Swedish units

SAWN TIMBER

- Production of sawn timber for climate-smart construction
- Improving the drying process for better product properties and lower energy use

ENERGY

- Upgrading hydro power
- Wind power

WOOD

- Higher growth
- More efficient harvesting and transport
- Less site damage in forest
- Improved regeneration

NEW BUSINESS DEVELOPMENT

- New products from wood raw material
- Use of the industry's by-products/waste
- New business opportunities at Holmen's existing industrial sites

ENVIRONMENT

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

PRIORITIES 2014/2015

- Increase the proportion of company-produced renewable energy
- Continuously reduce carbon dioxide emissions
- The EU's Industrial Emissions Directive

ENVIRONMENTAL RESPONSIBILITY. Environmental and energy concerns play a natural role in Holmen's planning of its production and investments. The Group's operations are characterised by resource-efficient use of renewable raw materials and energy. Energy, chemicals and fibre are recovered as far as possible, in order to minimise the environmental impact of production. The section on risk management on page 35 outlines Holmen's preventive work on eco-related risks and how they are managed.

Holmen follows the requirements laid down by environmental legislation and the environmental authorities. Compliance is ensured via statutory official inspections and through the improvement work that is being implemented at the production facilities within the framework of the environmental and energy management systems. The main environmental impact from the industrial sites takes the form of emissions to air and water and the generation of waste and noise. Information on production and priority environmental parameters is presented in the tables on pages 94 and 95.

SUSTAINABLE GROWTH IN THE EU. The EU is working on developing a climate and energy strategy for 2030. In the energy field, there is a plan for reduced emissions and more efficient energy consumption. As part of this work, in late 2014 EU leaders agreed on new targets for climate and energy. Translated to the corporate sector, which includes Holmen, emissions of carbon dioxide are to be cut by 43 per cent by 2030 (base year 2005). Furthermore, the proportion of energy consumption represented by renewables should increase to 27 per cent within the same timeframe. Holmen is in favour of the EU's targets and action programmes. However, the Group's ambitions in the climate and energy area go further.

TARGETS FOR SUSTAINABLE DEVELOPMENT. Holmen has been working on Group-wide environmental targets for sustainable development for several years. Being able to increase the production and



use of products made from renewable forest raw material is important for the production itself and for the climate. Holmen therefore has a target of increasing growth in Holmen's forests by 25 per cent by 2050 compared with 2007.

The Group's target for fossil fuels is to reduce their use by 75 per cent by 2020 compared with 2005 level. The investments in bio-based energy production in the Iggesund Paperboard business area and the adjusted energy strategy within Holmen Paper had a huge impact on fossil fuel use in 2014. The reduction up until 2014 thus already stands at 74 per cent. Work is now being focused on maintaining this reduction at a sustainable rate. Measured per tonne of product (printing paper and paperboard), emissions of fossil carbon dioxide fell by 45 per cent in 2014, compared with 2013.

The third climate-related sustainability target is to increase company-produced renewable electrical energy as a proportion of total electricity use by Holmen. The target for 2020 is that the proportion shall be more than doubled, compared with the base year of 2005, from 31 per cent to 67 per cent. In 2014, company-produced renewable electrical energy accounted for 42 per cent of Holmen's total electricity use.

Holmen owns areas of land that are suitable for the erection of wind turbines. Due to the current market situation for this type of electricity production, the economic preconditions for investing in wind power are not in place to the extent that was predicted a few years ago. As a consequence, this sustainability target was revised down in 2014, from 67 per cent to 50 per cent.

Environmental activities in 2014

The guiding objective of Swedish environmental policy is enshrined in the Generational Goal. This goal provides guidance on the assets that are to be protected and the social changes that are required in order to achieve the desired environmental quality. Achieving the goal will require an ambitious environmental policy in Sweden, the EU and in an international context. The Swedish environmental quality system comprises 16 environmental quality objectives in areas such as climate impact, air pollution and biodiversity.

Several environment-related studies and measures were implemented within the Group over the past year, and these have contributed in various ways to achieving the environmental quality objectives. Holmen's measures and the outcomes of these in 2014 are presented on the next page in relation to a selection of Sweden's environmental quality objectives.

HOLMEN'S TARGETS FOR SUSTAINABLE DEVELOPMENT

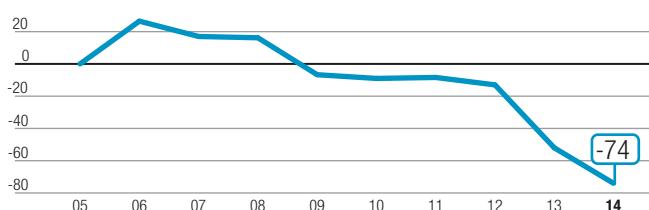
	TARGET	OUTCOME 2014	COMMENT
Increased growth in Holmen forests	2050: increase by 25%	- ¹⁾	Base year 2007: 4.4 million m ³ growing stock, solid over bark
Reduce use of fossil fuels within the Group	2020: reduce by 75%	74% ²⁾	Base year 2005
Increased production of renewable electricity relative to Holmen's electricity use	2020: 50% ³⁾	42%	Base year 2005: 31%

1) Measures to increase growth have been identified and set in motion. An assessment will be made as part of the next harvesting review in 2021.

2) Estimate based on the quantity of fossil fuel used at mills and at the CHP plant next to Holmen Paper Madrid. 3) Target revised in 2014.

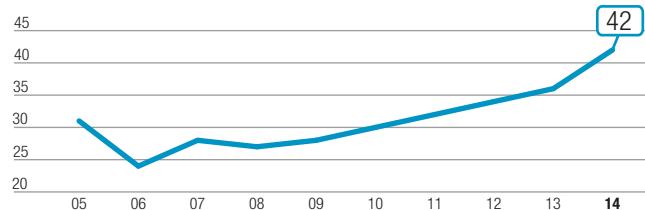
USE OF FOSSIL FUELS

(base year 2005), %



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

(base year 2005), %



NATIONAL ENVIRONMENTAL QUALITY OBJECTIVES

1. **'Reduced climate impact'**
2. **'Clean air' and 'Natural acidification only'**
3. **'A non-toxic environment'**
4. **'Sustainable forests'**

HOLMEN'S MEASURES AND OUTCOMES

1. 'Reduced climate impact'

- The investment in a new recovery boiler at the paperboard mill in Iggesund has significantly reduced emissions of fossil carbon dioxide, which has an impact on the climate. Emissions of fossil carbon dioxide fell by around 85 per cent between 2013 and 2014. The aim is to become self-sufficient in heat and electricity.
- As a result of extensive energy investments in 2013, the paperboard mill in Workington now runs on biofuel and is self-sufficient in electricity and thermal energy. In addition, fossil-free electricity is distributed to the local community.
- Major energy efficiency initiatives are being implemented at Hallsta Paper Mill, focusing primarily on increased heat recovery from paper machines and pulp manufacture. The bark that was previously used as fuel at the mill has now become a revenue source that is sold to external energy producers. In 2014, emissions of fossil carbon dioxide were cut by 70 per cent compared with 2013.
- At Braviken Paper Mill, oil consumption has been cut through improvements in the operational strategy for the mill's steam system, greater efficiency in the solid fuel boiler and increased steam recovery from the production of thermo-mechanical pulp. Emissions of fossil carbon dioxide fell by around 60 per cent between 2013 and 2014.

- 99 per cent of the by-products and waste that arose from Holmen's operations in 2014 was collected and used for various purposes. As biofuel-based material, 70 per cent was used for energy production at Holmen's own plants or sold off for energy production elsewhere. This avoided emissions of fossil carbon dioxide. The remaining amount, just under 30 per cent, was used for other purposes, such as construction material or producing soil products.

2. 'Clean air' and 'Natural acidification only'

- Iggesund Mill completed calibration of its new recovery boiler during the year, and of the system for the destruction of weak gases that was taken into operation in 2013. As a result, emissions to air of sulphur, nitrogen oxides and dust from this part of the process fell by 60, 30 and 60 per cent respectively between the years 2013 and 2014.
- Energy production at the mill in Madrid was changed during the year, which led to a reduction in emissions of acidifying nitrogen oxides.

3. 'A non-toxic environment'

- In consultation with the environmental authorities, studies are being conducted at contaminated discontinued industrial sites where Holmen has operated in the past. Studies relating to the sawmills at Stocka, Håstaholmen and Lännaholm, the sulphite mills at Strömsbruk, Domsjö and Loddby, the former mechanical pulp mill in Bureå, a surface treatment plant in Iggesund and two landfill sites in Hälsingland reached various stages in 2014.

4. 'Sustainable forests'

- As part of measures to achieve the objective, the Riksdag (Swedish Parliament) resolved in 2010 that 100 000 hectares of state-owned forest would be used to compensate Sweden's major landowners for an increase in the proportion of state-protected forest in Sweden. In 2014, Holmen reached an agreement with the Swedish Environmental Protection Agency to sell just over 10 000 hectares of forest with high conservation value. In compensation, Holmen was able to buy around 18 000 hectares of land suitable for active and sustainable forestry.

ENVIRONMENTAL PERMITS FOR THE GROUP'S PRODUCTION FACILITIES

Iggesund Mill ¹⁾	2013
The mill in Workington ²⁾	2002
Hallsta Paper Mill ³⁾	2000
Braviken Paper Mill ⁴⁾	2002
Holmen Paper Madrid ²⁾	2006
Iggesund Sawmill ⁵⁾	2014
Braviken Sawmill ⁴⁾	2010

1) The Environmental Code. In addition, operations subject to notification requirements take place at the production unit in Strömsbruk. Port activity (at Skärnäs Terminal) alongside Iggesund Mill has held an environmental permit under the Environmental Code since 1999. An application for a new environmental permit will be submitted in 2015. 2) IPPC environmental permit. 3) Environmental Protection Act. 4) The Environmental Code. 5) In 2014, the sawmill obtained a new environmental permit under the Environmental Code.

Permits

At the end of 2014, Holmen was running production operations at seven facilities that require environmental permits. The permits specify conditions regarding permitted production volumes and permitted emissions to air and water. Five of the facilities are located in Sweden, with sales equivalent to 60 per cent of Group net sales. The two remaining facilities are the mill in Workington in the UK and the mill in Madrid in Spain, whose combined share of Group sales was 18 per cent in 2014.

2013 marked the entry into force of the EU's Industrial Emissions Directive (IED). The new legislation entails more stringent requirements for using the best available technology. Work is under way at Holmen to investigate the extent to which operations at the pulp, paper and paperboard mills need to be adapted in order to

CERTIFICATIONS FOR MANAGEMENT SYSTEMS

CERTIFICATIONS ^{1,2)}	ENVIRONMENT	ENERGY	QUALITY	HEALTH AND SAFETY ³⁾
Iggesund Mill ⁴⁾	2001	2005	1990	2015
The mill in Workington	2003	— ⁵⁾	1990	2005
Hallsta Paper Mill	2001	2005	1993	2012
Braviken Paper Mill	1999	2006	1996	2015
Holmen Paper Madrid	2002	2009	2000	2015
Iggesund Sawmill ⁶⁾	1999	2006	1997	2015
Braviken Sawmill ⁶⁾	2011	2011	2011	2015
Holmen Skog ⁷⁾	1998	—	—	—

1) Certifications can be viewed on the Holmen website – www.holmen.com/certificates

2) Environment/ISO 14001:2004, Energy/ISO 50001:2011, Quality/ISO 9001:2008, Health & Safety/OHSAS 18001:2007.

The years given are the years when the certification was first issued.

3) All production units are to be certified by the end of 2015.

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

5) Energy management system introduced. Certification to international standard remains to be achieved.

6) Joint certification for the two sawmills from 2011.

7) Operations at Holmen Skog are certified in accordance with the criteria issued by PEFC™ and FSC®.

meet the tightened emission requirements by October 2018. A preliminary analysis indicates that the environmental status of the mills is good and that all the mills except the one in Workington already meet the new requirements. A team is now considering what initiatives will be required for the mill in Workington to meet the requirements concerning discharge of process water.

In 2014, Holmen Timber was granted an environmental permit for increased production at the sawmill in Iggesund.

In 2015, an application will be submitted for a new environmental permit for the port operations at Skärnäs Terminal.

The production of electrical energy at Holmen's wholly and partly owned hydro power stations is covered by a permit for water operations. The Government-appointed com-

mission of inquiry into activities using or impacting on water, Vattenverksamhetsutredningen, submitted its final report (SOU 2014:35) during the year. The report contains proposals for systems that will allow permitting processes of dams and hydro power stations that lack permits under the terms of the Environmental Code. The purpose of this is, in part, to adapt Swedish legislation to EU law. Holmen is following developments and has put its comments to the commission via the Swedish Forest Industries Federation.

In 2014, Holmen commissioned 17 wind turbines in Varsvik in the Municipality of Norrtälje through a company in which it has a 50 per cent stake.

Planning is under way to develop wind farms on Holmen's land in the counties of Västernorrland and Västerbotten. Environ-



mental permits have been granted for wind farms in the Municipality of Örnsköldsvik. Some permit processes had not been completed by the end of 2014. The permit process is under way for wind power at the mill in Workington, UK.

In 2014, an environmental permit application was submitted for a peat field in the Municipality of Skellefteå.

EMISSION ALLOWANCES AND ELECTRICITY CERTIFICATES.

Holmen's production facilities have participated in the EU Emissions Trading Scheme since 2005. The Group's measures to reduce the use of fossil fuels, and consequently carbon dioxide emissions, have made it possible to sell emission allowances. Holmen has been allocated emission allowances for the trading period up until 2020.

The Group has produced renewable electricity for several years and electricity certificate trading has generated revenues.

In the UK, electricity distributors have to meet a certain quota for renewable electricity, and producers of renewable electrical energy receive green Renewables Obligation Certificates (ROCs) in proportion to the amount of electricity generated. The biofuel boiler in Workington received such certificates in 2014 and sold them on.

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



The mill in Workington

TOOLS FOR ENVIRONMENTAL EFFORTS

THE ENVIRONMENTAL AND ENERGY POLICY

contains general principles for the environmental issues prioritised by Holmen and its stakeholders. The focus is on the significance to the business of energy and climate change issues. The environmental aspects of Holmen's operations are regulated by laws and permits in each country. The allocation of environmental responsibility and the organisation and management of environmental activities are based on the Group's environmental and energy policy. At the mills, legislation and other requirements are taken into account in the planning of production and investments.

HOLMEN'S GUIDELINES FOR SUSTAINABLE FORESTRY

indicate how the forests are to be managed from the points of view of production and the environment. The guidelines contain over 60 procedures that cover the criteria issued by PEFC™ and FSC®.

CERTIFICATIONS. At the end of 2014, operations at the Group's production sites were certified according to quality, environmental and energy management systems. Two of the mills also have certified management systems for health and safety work. All these systems mean that procedures are in place for planning, imple-

mentation and follow-up, as well as measures to enable continuous improvement in environmental efforts. In addition, all the facilities at which wood raw material is used have chain-of-custody certification. Forestry operations are certified in accordance with environmental management systems, as well as under criteria issued by PEFC™ and FSC®. The proportion of certified wood at the Group's own sites varies according to availability in the area. Holmen Skog's chain-of-custody certification (FSC® Controlled Wood) provides assurance that non-certified wood also comes from verified sources. All the certifications can be viewed on the Holmen website.

EMPLOYEES

Holmen's success depends on committed and skilled employees who share the company's values and work towards set targets. The responsibilities of the Group include supporting value-based leadership, giving every employee opportunities to develop and ensuring a safe work environment.

PRIORITIES 2014/2015

- Talent management
- Management by objectives and value-based leadership
- Improving the safety culture

TALENT MANAGEMENT AND DEVELOPMENT are a high priority within Holmen. Conditions for the industry and the company are changing rapidly. Employees thus need to develop and broaden their expertise to meet new requirements, not least due to increasingly complex technology and the continuous optimisation of the processes.

The Group encourages internal mobility and strives to fill vacant management positions through internal recruitment, so that employees have clear career paths and opportunities to grow within the organisation. The Talent Review is an annual process in which managers, key personnel and employees with great potential are identified and evaluated. Structured successor planning is also carried out as part of this process.

ATTRACTING THE RIGHT TALENT. In a labour market where key talent can be in short supply, it is important that the employer as a brand is known for positive values, good terms of employment and interesting work. Questions of sustainability and values are playing an increasingly important role in choosing an employer. Against the background of this and the shifting realities within the industry, Holmen is constantly developing its brand as an employer.

Holmen is finding that demand remains high for study visits, degree project positions, work placements and summer jobs. There was also considerable interest from students at career events in 2014.

In the Engineers Barometer 2014, a careers survey conducted by technology magazine *Ny Teknik* and the Swedish Association of Graduate Engineers, Holmen was named Sweden's second most attractive employer by engineers in the forest and wood industry.

WELL EDUCATED LEADERS are a key success factor and a vital part of Holmen's future. During 2014, all the leadership programmes were evaluated and improved on the basis of a manage-

ment philosophy that includes values, Holmen's seven manager criteria and management by objectives. Holmen's general induction programme was also developed along the same lines.

MANAGEMENT BY OBJECTIVES and value-based leadership. Work on values within Holmen continues, and the values of *Courage*, *Commitment* and *Responsibility* have been well received in all parts of the Group. In 2014, the values were linked to the concrete targets at each level and within each business area. This work took the form of workshops, where teams jointly agreed on what action needed to be taken, and what behaviours and approaches were required to achieve set targets.

The work began in the management teams and was then rolled out across all levels of the organisation. The result of the team's efforts is a team contract that is jointly agreed and signed by the participants. The strength of the team contract is that it ties up the work on values and management by objectives with everyday behaviours in a way that creates clarity and commitment. The team contract thus contributes to the development of the individual employee and the team.

The combination of management by objectives and value-based leadership is a powerful tool in the task of developing Holmen.

CHANGE MANAGEMENT. In recent years, Braviken Paper Mill and Hallsta Paper Mill have undergone major restructuring, which has involved the closure of paper machines, extensive changes to the organisational structure and a reduction in the workforce.

Iggesund Paperboard has also introduced extensive changes in the business area. One result of this is that a new organisational structure is being implemented at Iggesund Mill. This will entail a gradual reduction in the workforce up until 2017 through natural turnover.

At the same time that the number of employees has fallen, productivity – in terms of production per employee per year – has increased (see diagram page 45). The reason for this is that the organisational changes have also involved the introduction of more efficient working procedures and processes.

HEALTH AND SAFETY remains an important issue for Holmen. The company's work environment network is intensely active in introducing com-

parisons within the Group and transferring best practice in priority areas of risk. A central tenet of the preventive health and safety work over the past few years has been to improve the safety culture by changing behaviours at work.

Certified management systems for health and safety work (OHSAS 18000) have been introduced at the mill in Workington and Hallsta Paper Mill. Group management has decided that all production units within Holmen are to be certified by the end of 2015.

INDUSTRIAL ACCIDENTS. Over recent years, the number of industrial accidents has maintained a downward trend. For 2014, the target was to bring industrial accidents down to 6.0 per 1 million hours worked. The outcome was 6.5. Two production units excelled in achieving zero industrial accidents over the year – the sawmill in Iggesund and the paperboard mill in Workington.

THE RATE OF SICKNESS absence in 2014 was 3.9 per cent. Long-term sick leave (more than 60 days) remains at a low level of 1.7 per cent. The good health index is a measure of the share of employees with no sick leave during the year. The index for 2014 lies at 50 per cent, the highest figure during the past five years. The rate of sickness absence at Holmen is on a par with the rest of the industry.

EQUALITY AND DIVERSITY. Holmen aims to be a company where everyone is treated with respect and where no form of discrimination is tolerated. Increasing the proportion of women across all levels of the organisation is an important and ongoing task. Mixed teams generally perform better and strengthen Holmen as a company. The proportion of female managers has risen over the past few years, and now one in five of Holmen's managers are women. Of the total new employees recruited in 2014, 31 per cent were women.

UNION COOPERATION contributes to Holmen's progress, and is based on close collaboration with the union organisations in a spirit of trust. The company's employees are represented on the Group Board by three members and three deputy members. Collaboration with trade unions takes place in the Holmen European Works Council and in consultation groups at various levels in the company.

TOOLS FOR HR WORK

HR work is governed by laws, contracts and policies, and forms a natural part of the business plans of the business areas. The work is coordinated by a management team that comprises the personnel managers of the business areas and is chaired by the Group's director of human resources.

THE PERSONNEL POLICY reflects the Group's stance on what constitutes sound human resources policy. It highlights the joint responsibility of management and staff for maintaining a good work and development climate.

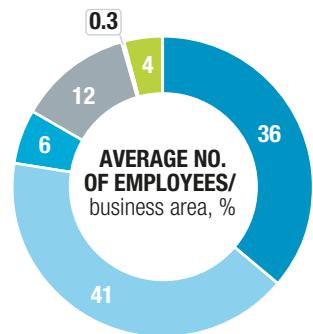
THE POLICY FOR GENDER EQUALITY AND DIVERSITY expresses the Group's view of the equal value of all people and its endeavour to bring about a more even gender distribution and greater diversity.

THE WORK ENVIRONMENT POLICY contains the principles for how health and safety activities are to be run in the Holmen Group.

THE ANTI-CORRUPTION POLICY makes it clear that employees must consider very carefully the meaning and purpose of any favours offered in their contacts with customers and suppliers.

THE GUIDELINES FOR THE INTERNAL LABOUR

MARKET set out that all Holmen employees should see the whole of the company as their labour market and that internal mobility is a natural tool in the ongoing process of skills development.



Pär Jonsson and Jonas Ohlsson, Iggesund Mill



TARGETS

INDUSTRIAL ACCIDENTS

- Safe workplaces: Interim target to bring industrial accidents down to 6.0 per 1 million hours worked by the end of 2014. The outcome was 6.5. A new interim target for the end of 2016 has been set at 4.0.

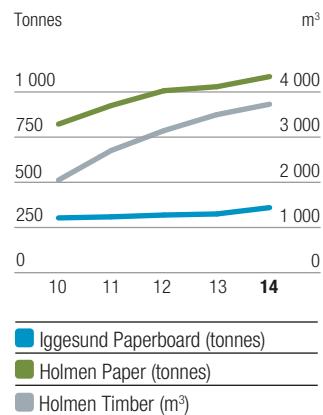
Base year 2012: 11.6 industrial accidents.

ORGANISATION

- Targets concerning staffing and optimisation of the organisation have been set for each business area.

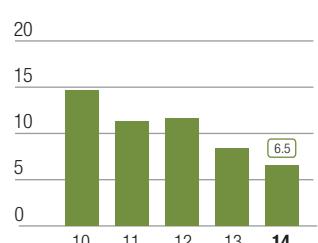
PRODUCTIVITY

Production/employee and year



INDUSTRIAL ACCIDENTS

More than 8 hours of absence, per million hours worked



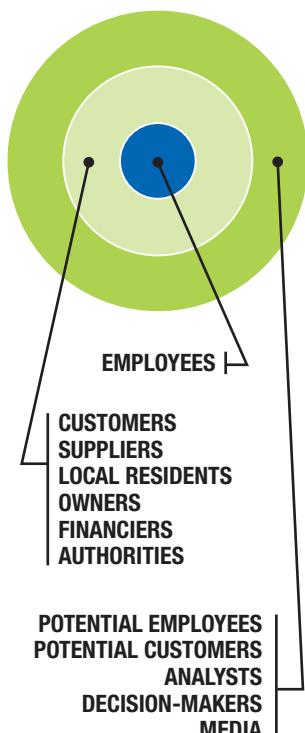
SOCIETY & STAKEHOLDERS

Holmen values its relationships with society and its various stakeholders, from employees and customers to the business world, public authorities and organisations. Through local commitment, Holmen works on a broad front to create value even beyond its core business.

PRIORITIES 2014/2015

- Openness and transparency
- Supplier appraisals
- Work on criteria under the Global Compact

STAKEHOLDERS BY RELATIONSHIP



■ Holmen

■ Stakeholders who are part of day-to-day operations

■ Stakeholders who are important from a long-term perspective

GREAT COMMITMENT. Investments in research and development, and collaborations with companies, organisations, schools and public authorities have positive effects, both locally and in the wider society. In addition, the economy benefits from the company's activities through jobs for subcontractors, suppliers and local services. Holmen's commitment also lays the foundation for people's quality of life and wellbeing by maintaining the Group's forests and making them accessible for recreation and outdoor pursuits. Last but not least, Holmen's operations as a whole bring social benefits through a sustainable use of resources and a positive impact on the climate and biodiversity.

THE UN GLOBAL COMPACT. Holmen has been part of the UN Global Compact and its corresponding Nordic network since 2007. Each year the Group reports its sustainability work according to the ten principles of the Global Compact. The principles relate to human rights, social conditions, the right to establish trade unions, environmental responsibility and anti-corruption.

Holmen's production takes place in Europe and almost 90 per cent of the Group's deliveries relate to this market. Other exports go primarily to the US, North Africa, the Middle East and countries in Asia. Holmen's anti-corruption policy gives clear guidance on how to maintain good business practices when dealing with external contacts in the various markets.

2014 saw work intensify on surveying the risks associated with Holmen's supply chain, as a code of conduct for suppliers was introduced to aid the Group's purchasing work (read more on page 47).

Holmen's website describes how the Group complies with and works to the Global Compact principles.

THE UN GLOBAL COMPACT 100 (GC100) is a global stock index that tracks compliance with the ten sustainability principles and combines this with the companies' financial performance. The 100 companies around the world judged to be the best at creating good returns through sustainable business practices are listed on the GC100 index. Holmen has held GC100 status since 2013.

THE CARBON DISCLOSURE PROJECT (CDP) is the name of an international federation that in 2014 represented 767 institutional investors with assets totalling around SEK 640 billion. CDP seeks to encourage

ECOSYSTEM SERVICES

The basic idea behind ecosystem services is to highlight nature's value to humanity. The forest provides many such services. The production of fibre raw material is one example that already has a market value. The forest's capacity to capture and store carbon dioxide, improve biodiversity and deliver social assets are examples of areas that may offer business potential. Various processes are under way in Sweden and internationally to survey, develop and evaluate ecosystem services.

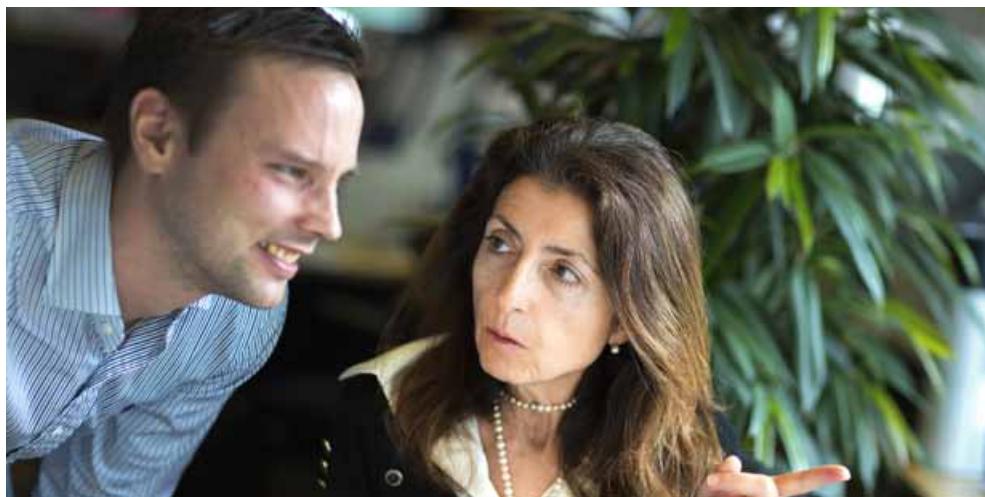
companies around the world to reduce their impact on the climate and nature's resources, and it presents an annual report on the outcome of its work. Using information from almost 2 000 listed companies, CDP has built up the world's largest database of climate information and risks associated with water- and forest-based assets. The information is made available to support strategic business and investment decisions. Holmen has reported to CDP since 2007. As a result of its energy investments and the consequent fall in carbon dioxide emissions, in 2014 Holmen qualified for the A list on the Climate Performance Leadership Index. The global index lists 187 companies that have been shown to have an excellent strategy for reducing climate change.

CDP FORESTS PROGRAMME. In 2014, CDP sent out a questionnaire to 780 companies around the world on the risks and opportunities of silviculture from a climate perspective. Holmen is among the one fifth of these companies that completed the questionnaire.

Dialogue with stakeholders

OUR EMPLOYEES are the key to a successful enterprise that is sustainable in the long term.

Holmen places great emphasis on ensuring its employees' safety, respecting their views and stimulating the desire for personal and professional development, rooted in the company's core values. The Group works systematically to identify needs and give employees opportunities to influence and develop the business through ongoing feedback and dialogue between managers and workers, employe



surveys and employee representatives on the Board. The priority issues are health and safety, leadership and talent management.

A WHISTLEBLOWER FUNCTION is in place to allow employees and other stakeholders to act if they suspect that improper conduct or deviations from Holmen's rules and policies are occurring. No incidents were reported in 2014.

CUSTOMERS AND BUSINESS PARTNERS have high expectations of products and services, good business practices and clear sustainability principles. Holmen welcomes the fact that issues of sustainable forestry, chain of custody in the wood supply and the climate effects of products have become an integral part of commercial discussions. Holmen's increased focus on customer service and relationship building fosters a sound customer dialogue, backed up by customer satisfaction surveys. Holmen Paper conducted a customer survey in 2014 and received a high customer satisfaction index. The survey also showed that Holmen Paper holds a strong market position.

HOLMEN'S OPERATIONS 2014

broken down into stakeholders based on the Group income statement

		SEKm
Customers	Sales of paper, paperboard, sawn timber, wood and electricity	17 015
Suppliers	Purchases of products, materials and services, along with depreciation, etc.	-13 463
Employees	Wages and payroll charges	-2 268
Lenders	Interest	-148
State	Taxes	-230
Shareholders	Net profit	907
	Board's dividend proposal	840

In Opticom's major brand survey of 2014, the products Invercote and Incada from Iggesund Paperboard were ranked one and two in their class by the most important customer group, Europe's converters.

SUPPLIERS. 2014 saw the continued implementation of Holmen's code of conduct for suppliers. The Group's purchasing organisation received training and now the code of conduct is included in all new supplier contracts. The code increases the focus on social responsibility among suppliers, with a view to ensuring good conditions for everyone who works in Holmen's value chain. A risk assessment is performed for each supplier, with suppliers in high-risk countries subject to stricter requirements on proving their compliance with the principles in the code of conduct.

In 2014, around 1 000 small-scale suppliers of goods and services signed up to the code. In addition, 70 per cent of Holmen's Group raw material suppliers have certified that they follow the code and work on checking this has begun.

PUBLIC AUTHORITIES. The majority of Holmen's operations require environmental permits. Openness and transparency allow the Group to establish the conditions for good oversight of and trust in Holmen's actions. Local residents have opportunities to give their views in relation to permit applications. The mills also have contact with local residents as part of day-to-day operations.

SHAREHOLDERS, INVESTORS AND ANALYSTS. In recent years, sustainability has gained increasing weight in the assessments made by investors and analysts looking to establish relationships with companies that are sustainable in the long term. The continuous analysis work and dialogue with stakeholders contribute valuable insights on how work in this area can be improved within Holmen. The fact that Holmen has been included in several sustainability indexes can thus be seen as a stamp of approval that Holmen is able to manage risks and opportunities alike. The reporting to the UN Global Compact, the Carbon Disclosure Project (CDP), reporting in line with GRI and the annual report of the Group are effective ways of providing relevant data for the analysis of Holmen.

SUSTAINABILITY INDEXES



FTSE4Good
www.ftse.com/ftse4good



www.ethibel.org



www.oekom-research.com



www.unglobalcompact.org



www.cdp.net

Corporate governance report

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

Shareholders

AT YEAR-END Holmen had 27 778 shareholders. Swedish private individuals made up the largest category of owners, comprising 25 416 shareholders. This corresponds to 91 per cent of the total number of shareholders. The largest owner at year-end, with 61.6 per cent of votes and 32.9 per cent of capital, was L E Lundbergföretagen AB, which means that a Group relationship exists between L E Lundbergföretagen AB (corporate ID number 556056-8817), whose registered office is in Stockholm, and Holmen. The Kempe Foundations' holdings of Holmen shares amounted to 16.9 per cent of votes and 7.0 per cent of capital at the same date. No other individual shareholder controlled as much as 10 per cent of the votes. Employees have no holdings of Holmen shares via a pension fund or similar system. There is no restriction on how many votes each shareholder may cast at the AGM. See pages 55–57 for further information on the shares and ownership structure.

General meetings of shareholders

THE NOTICE convening the annual general meeting is sent no earlier than six and no later than four weeks before the meeting. The notice contains: a) information about registering intention to attend and entitlement to participate in and vote at the meeting; b) a numbered agenda of the items to be addressed, c) information on the proposed dividend and the

KEY REGULATIONS

External rules

- Swedish Companies Act
- Swedish Code of Corporate Governance (the Code)
- Stock exchange rules (Nasdaq)

Internal rules

- Articles of association
- The Board of Directors' procedural rules
- Internal policies and guidelines, report manuals, etc.

ANNUAL GENERAL MEETING 2014

The 2014 AGM was held in Swedish, and the material presented was in Swedish. The notice convening the meeting, the agenda, the CEO's speech and the minutes are available on the company's website. The meeting was attended by all AGM-elected Board members, the entire Group management and the company's auditor. During the AGM, the shareholders had the opportunity to ask and obtain answers to questions. The AGM adopted the income statement and balance sheet, decided on the appropriation of profits and granted the departing Board discharge from liability. Ramsey Brufer of Alecta and Martin Wallin of Lannebo Funds checked and approved the minutes of the meeting.

It was not possible to follow or participate in the meeting from other locations using communication technology. Similarly, no such possibility is planned for the 2015 meeting.

main content of other proposals. Shareholders or proxies are entitled to vote for the full number of shares owned or represented and can notify the company of their intention to attend the AGM by letter, telephone, e-mail or the company's website. Notices convening an Extraordinary General Meeting (EGM) called to deal with changes to the company's articles of association shall be sent no earlier than six and no later than four weeks before the meeting.

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

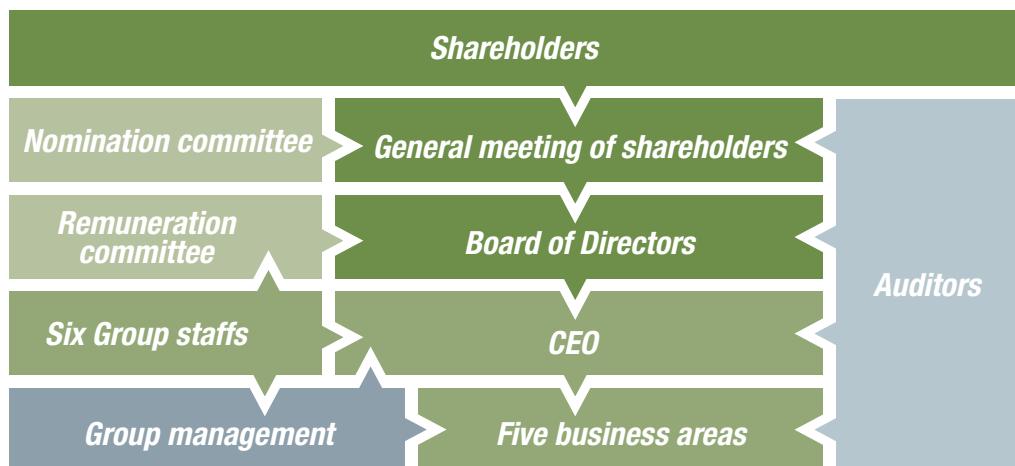
AGM 2015. It was announced on 9 April 2014 that the 2015 AGM would take place in Stockholm on 16 April 2015.

Nomination committee

COMPOSITION AND MANDATE. The AGM resolved to establish a nomination committee to consist of the chairman of the Board and one representative from each of the three shareholders in the company that control the most votes at 31 August each year. The composition of the nomination committee for the 2014 and 2015 AGMs is shown in the table. The nomination committee's mandate is to submit proposals for the election of Board members and the Board chairman, for the Board fee and auditing fees and, where applicable, for the election of auditors. The committee's proposals are presented in the notice convening the AGM.

NOMINATION COMMITTEE PROPOSALS. For the 2015 AGM the nomination committee proposes that the Board consist of nine members elected by the AGM. The nomination committee proposes the re-election of the current Board members: Fredrik Lundberg (who is also proposed for re-election as chairman of the Board), Carl Bennet, Carl Kempe, Lars G Josefsson, Louise Lindh, Ulf Lundahl, Göran Lundin and Henrik Sjölund, and that Henriette Zeuchner be elected as a new Board member.





BOARD MEETINGS IN 2014

The Board held nine meetings in 2014, four of which were in connection with the company's publication of its quarterly reports. A two-day meeting was devoted to strategic business planning. One meeting was held in Iggesund in conjunction with a site visit to the mill and the sawmill. One meeting dealt with the Group's budget for 2015. The other two meetings were held in connection with the company's AGM. The Board also paid special attention to strategic, financial and accounting issues, monitoring business operations and major investment matters. On two occasions the company's auditors reported directly to the Board, presenting their observations from their audit of the accounts and internal control. All AGM-elected board members attended all the meetings.

BOARD MEMBERS AS OF THE 2014 AGM

BOARD MEMBERS	POSITION	ELECTED	ATTENDANCE	FEES (SEK)	COMPANY	INDEPENDENT OF THE MAJOR SHAREHOLDERS
Fredrik Lundberg*	Chairman	1988	9/9	650 000	Yes	No
Carl Kempe	Deputy chairman	1983	9/9	325 000	Yes	No
Carl Bennet*	Member	2009	9/9	325 000	Yes	No
Lars G Josefsson	Member	2011	9/9	325 000	Yes	Yes
Louise Lindh	Member	2010	9/9	325 000	Yes	No
Ulf Lundahl	Member	2004	9/9	325 000	Yes	Yes
Göran Lundin	Member	2001	9/9	325 000	Yes	Yes
Henrik Sjölund	Member, President and CEO	2014	9/9	—	No	Yes
Total					7 / 8	4 / 8

* Representatives of the remuneration committee

EMPLOYEE REPRESENTATIVES

Steewe Björklundh, member, elected 1998
 Kenneth Johansson, member, elected 2004
 Karin Norin, member, elected 1999

Daniel Hägglund, deputy member, elected 2014
 Martin Nyman, deputy member, elected 2010
 Tommy Åsenbrygg, deputy member, elected 2009

INTERNAL MANAGEMENT PROCESSES



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

The Group uses annual rolling three-year business plans to break down goals and strategies into action plans and activities that can be measured and evaluated. These business plans are important to the long-term strategic control of the Group. Annual budgets, forecasts and action plans are used for day-to-day management of operations.

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

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

COMPOSITION OF THE NOMINATION COMMITTEE

NAME	REPRESENTING	BEFORE AGM:		INDEPENDENT OF THE:	
		2014	2015	COMPANY	LARGEST SHAREHOLDER (IN TERMS OF VOTES)
Mats Guldbrand	L E Lundbergföretagen*	x (chairman)	x (chairman)	Yes	No
Fredrik Lundberg	Chairman of the Board	x	x	Yes	No
Alice Kempe	Kempe Foundations*	x	x	Yes	Yes
Hans Hedström	Carnegie funds*	x	x	Yes	Yes

*At 31 August 2014, L E Lundbergföretagen controlled 61.1 per cent of the votes, the Kempe Foundations controlled 16.9 per cent and Carnegie funds (Sweden) controlled 1.7 per cent.

Composition of the Board

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

THE 2014 AGM re-elected Fredrik Lundberg, Carl Bennet, Lars G Josefsson, Carl Kempe, Louise Lindh, Ulf Lundahl and Göran Lundin to the Board and elected Henrik Sjölund as a new Board member. Fredrik Lundberg was re-elected chairman. Magnus Hall had declined re-election. At the statutory first meeting of the new Board in 2014, Carl Kempe was elected deputy chairman and Lars Ericson, the company's general counsel, was appointed secretary of the Board.

Over and above the eight members elected by the AGM, the local labour organisations have a statutory right to appoint three members and three deputy members.

Of the eight AGM-elected members, seven are deemed independent of the company as defined by the Code. The CEO is the only Board member with an operational position in the company. Further information about the members of the Board is provided on pages 52–53.

The Board's activities

INFORMATION AND WORKING PROCEDURES.

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

EVALUATION. The Board evaluates its activities each year, and the nomination committee has been informed of the content of the 2014 evaluation. This will serve as a basis for planning the Board's work in the next few years.

Remuneration

ACTIVITY. The Board has appointed a remuneration committee consisting of Fredrik Lundberg and Carl Bennet. During the year, the committee prepared matters pertaining to the remuneration and other employment conditions of the CEO.

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

remuneration of senior management adopted by the Annual General Meeting.

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

AT THE 2014 AGM, an account was given of the Board's proposed guidelines on remuneration to the CEO and other members of senior management. The AGM adopted the guidelines in the proposal. The Board is proposing unchanged guidelines to the 2015 AGM. They are presented in Note 4 on page 72.

The 2014 AGM approved the Board fee and payment of the auditors' fee as invoiced.

Group management

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

Holmen's Group management includes 12 individuals: the company's CEO, the heads of the five business areas and the heads of the six Group staffs.

MEETINGS IN 2014. Group management met on 10 occasions in 2014, dealing with matters such as earnings trends and reports before and after Board meetings, business plans, budget-

ing, investments, internal control and reviews of market conditions, general development of the economy and other external factors affecting the business. Projects relating to business areas and Group staffs were also discussed and decided on. Management by objectives was in particular focus during the year. Work on policies and guidelines, along with a Group-wide framework for this, has begun.

Information on the CEO and other members of Group management is provided on page 54.

Audit

KPMG, which has been Holmen's auditor since 1995, was re-elected by the 2014 AGM as auditor for a period of one year. Authorised accountant George Pettersson was appointed as the principal auditor. KPMG audits Holmen AB and almost all of its subsidiaries.

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

DUTIES OF THE BOARD. Holmen allows the Board to perform duties that would otherwise be performed by an audit committee. The Board's reporting instructions include requirements that the members of the Board shall receive a report each year from the auditors confirming that the company's organisation is structured to enable satisfactory supervision of accounting, management of funds and other aspects of the company's financial circumstances. In 2014 the auditors reported to the entire Board at two meetings. Over and above this, the auditors reported to the Board chairman and the CEO on two occasions and to the CEO at one further meeting.

In addition to the audit assignment, Holmen has consulted KPMG on matters pertaining to taxation, accounting and for various investigations. The remuneration paid to KPMG for 2014 is stated in Note 5 on page 73. KPMG is required to assess its independence before making decisions on whether to provide Holmen with independent advice alongside its audit assignment.

Internal control

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

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

The structure adheres to guidelines issued by

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

The framework for internal control was evaluated and further developed in 2014. The self-assessments that are completed each year by all Group units have been revised. Training courses and workshops have been conducted at several of the Group's units.

CONTROL ENVIRONMENT. The basis for Holmen's framework for internal control is the control environment, which is defined through policies, procedures, manuals and instructions. The control environment is maintained by means of an organisational structure with clearly defined roles and areas of responsibility and individuals' awareness of their role in maintaining adequate internal control. The Board of Directors is ultimately responsible for internal control, in accordance with the Swedish Companies Act. Day-to-day responsibility for these matters is delegated to the CEO. Holmen's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules in each country where the company operates. In addition to external rules and recommendations, financial reporting is also covered by internal instructions, directions and systems.

A review of Holmen's policy portfolio has been conducted over the year, and work has begun on updating the Group's framework for steering documents.

RISK ASSESSMENT. Risk assessment activities are based on identifying and evaluating the risks that can result in the Group's financial reporting objectives not being met. The results of these risk-related activities are compiled and developed under the guidance of Group Finance.

Holmen's greatest risks regarding financial reporting are linked to the valuation of biological assets and property, plant and equipment as well as to financial transactions (see the section on risk management on pages 32–35).

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

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

The self-assessments that are completed by all Group units set out what control require-

GOALS

HOLMEN'S FINANCIAL REPORTING

Holmen's external financial reporting shall:

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

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

ments apply for each respective process. These need to state whether the respective control requirements have been met and what proof of verification exists. As Holmen's different units vary widely in nature, these self-assessments have been tailored to each unit's operations.

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

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

Guidelines on financial reporting are communicated to staff via manuals, policies and codes published on the company's intranet. A whistle-blower function is available so that employees and other stakeholders can highlight any deficiencies in Holmen's financial reporting or possible areas of concern at the company.

Board of Directors



From the left: Daniel Hägglund, Steewe Björklundh, Karin Norin, Göran Lundin, Lars G Josefsson, Henrik Sjölund and Ulf Lundahl.

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

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

Karin Norin Forsa. Born in 1950. Member since 2009. Employee representative, PTK. Chairman of Unionen Holmen-Iggesund.

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

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

* Until January 2015

Shareholding: 5 000 shares.

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

Ulf Lundahl Lidingö. Born in 1952. Member since 2004. B.A. in Legal Science and B.Sc. in Economics. Other significant appointments: Chairman of Fidelio Capital. Board member of Indutrade AB, Attendo, Eltel, Ramirent Plc and SHB Regionbank Stockholm. Shareholding: 4 000 shares.

This information refers to 31 December 2014.



Fredrik Lundberg, Carl Kempe, Carl Bennet, Louise Lindh, Kenneth Johansson, Tommy Åsenbrygg and Martin Nyman.

Fredrik Lundberg Chairman. Djursholm. Born in 1951. Member since 1988. Master of Engineering and B.Sc. in Economics. D. Eng. h.c. and D. Econ. h.c. President and CEO of L E Lundbergföretagen AB. Other significant appointments: Chairman of Hufvudstaden AB and Indutrade AB. Deputy chairman of Svenska Handelsbanken AB. Board member of L E Lundbergföretagen AB, AB Industrivärden and Skanska AB. Own and related parties' shareholdings: 834 724 shares Shareholding of L E Lundbergföretagen: 27 622 000 shares.

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

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

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

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

Tommy Åsenbrygg Hallstavik. Born in 1968. Deputy member since 2009. Employee representative, PTK. Deputy chairman of Ledarna, Hallsta Paper Mill. Shareholding: 100 shares.

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

Auditors: KPMG AB

Principle auditor: George Pettersson *Authorised public accountant*

Group management



Top row: Henrik Sjölund, Anders Jernhall, Staffan Jonsson and Nils Ringborg. Centre: Annica Bresky and Johan Padel. Bottom row: Mats Nilsson, Lars Ericson, Sören Petersson, Ola Schultz-Eklund and Ingela Carlsson.

Henrik Sjölund President and CEO.
Born in 1966. Joined Holmen in 1993.
Own and related parties' shareholdings: 2 000 shares.
Henrik Sjölund has no significant shareholdings and no ownership in companies with which the Group has important business relations. For further information about the CEO see page 52.

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

Staffan Jonsson Director of Technology and acting CEO Holmen Energi as of 15 January 2015.
Born in 1958. Joined Holmen in 1997.
Shareholding: 275 shares.

Nils Ringborg CEO Holmen Paper.
Born in 1958. Joined Holmen in 1988.
Shareholding: 1 000 shares.

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

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

Mats Nilsson acting Director of Human Resources as of 15 March 2015.
Born in 1972. Joined Holmen in 1998.
Shareholding: 200 shares.

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

Sören Petersson CEO Holmen Skog.
Born in 1969. Joined Holmen in 1994.
Shareholding: 3 400 shares.

Ola Schultz-Eklund Director of Business Development and Innovation.
Born in 1961. Joined Holmen in 1994.

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

This information refers to 31 December 2014, unless otherwise stated.

Shareholder information

In 2014, the price of Holmen's class B shares rose by SEK 32 or 14 per cent. Earnings per share excluding items affecting comparability was SEK 15.0. A dividend of SEK 10 (9) is proposed.

Stock exchange trading

Holmen was listed on the Stockholm Stock Exchange in 1936, but was called Mo och Domsjö AB at that time. Holmen's two series of shares are listed on Nasdaq Stockholm, Large Cap. During the year, the price of Holmen's class B shares rose by SEK 32 or 14 per cent, to SEK 266. The Stockholm Stock Exchange rose by 12 per cent over the same period. Holmen's market capitalisation of SEK 22.3 billion (19.7) represents some 0.4 per cent of the total value of the Stockholm Stock Exchange. Holmen's class B shares reached their highest closing price for the year, SEK 272, on 29 December and the lowest closing price, SEK 209, was recorded on 7 October. The daily average number of class B shares traded was 181 000, which corresponds to a value of SEK 42.5 million. The daily average number of class A shares traded was 650. Some 70 per cent of trading took place on Nasdaq OMX Nordic. The Holmen shares have also been traded on other trading platforms, such as BATS Europe, Burgundy, Chi-X and Turquoise.

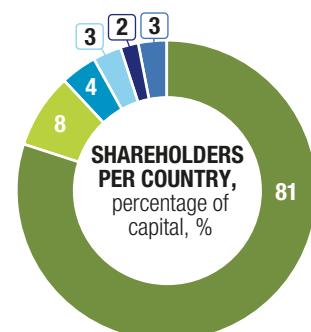
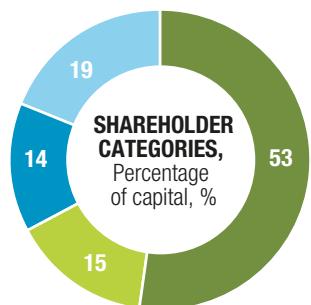
Earnings per share

Earnings per share excluding items affecting comparability was SEK 15.0. Earnings per share including items affecting comparability was SEK 10.8 (8.5). Holmen's earnings per share have averaged SEK 19.4 over the past five years.

Dividends

Decisions on dividends are based on an appraisal of the Group's profitability, future investment plans and financial position. The Board proposes that the AGM, to be held on 16 April 2015, approve a dividend of SEK 10 (9) per share. The proposed dividend corresponds to 4.0 per cent of equity. Over the past five years the dividend has averaged 4 per cent of equity.

- The final date for trading in Holmen shares including right to dividend: 16 April 2015.
- Record date for dividend: 20 April 2015.
- Payment date for dividend: 23 April 2015.



Share structure

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

Ownership structure

Holmen had a total of 27 788 shareholders at year-end 2014. In absolute numbers, Swedish private individuals made up the largest category of owners: 25 416 shareholders. This corresponds to 91 per cent of the total number of shareholders. Shareholders registered in Sweden own 81 per cent (79) of the share capital. Among foreign shareholders, the largest proportion of shares are held in the US and Luxembourg, accounting for 8 per cent and 4 per cent of the capital, respectively. The largest owner at year-end 2014/2015, with 61.6 per cent of votes and 32.9 per cent of capital, was L E Lundberg-företagen AB.

Share buy-backs

The company has no specific target for share buy-backs. There is a mandate to repurchase up to 10 per cent of all the company's shares. Any buy-backs are regarded as a complement to dividend payments to adjust the capital structure when circumstances are deemed favourable. The 2014 Annual General Meeting renewed the Board's mandate to decide on the acquisition of up to 10 per cent of the company's shares through the acquisition of class B shares. No shares were repurchased during the year. As previously, the company holds 0.9 per cent of all shares. The Board proposes that the 2015 AGM also authorise the Board to repurchase and transfer up to 10 per cent of all shares in the company through the acquisition of class B shares.

DATA PER SHARE

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Diluted earnings per share, SEK ¹⁾	10.8	8.5	22.1	47.1	8.4	12.0	7.6	17.8	17.2	14.8
Dividend, SEK	10 ⁵⁾	9	9	8	7	7	9	12	12	11
Dividend as % of:										
Equity	4	4	4	3	3	4	5	6	6	6
Closing listed price	4	4	5	4	3	4	5	5	4	4
Profit for the year	93	106	41	17	83	58	118	67	70	74
Return, equity, % ¹⁾	4	3	9	23	4	6	4	9	9	8
Return, capital employed, % ⁶⁾	6	5	7	9	6	7	6	10	10	9
Equity per share, SEK	250	248	248	235	201	196	186	200	196	189
Closing listed price, B, SEK	266	234	192	198	221	183	194	240	298	263
Average listed price, B, SEK	236	198	186	201	195	180	203	277	302	227
Highest listed price, B, SEK	272	235	204	251	226	206	242	316	336	266
Lowest listed price, B, SEK	209	173	169	156	173	135	170	228	255	190
Total closing market capitalisation, SEK '000 million	22.3	19.7	16.2	16.6	18.5	15.4	16.2	20.6	25.3	22.6
P/E ratio ²⁾	25	28	9	4	26	15	25	13	17	18
EV/EBITDA ^{3) 6)}	10	11	9	7	10	7	9	8	9	10
Closing beta value (48 months), B ⁴⁾	0.7	0.7	0.9	0.8	0.8	0.7	0.5	0.9	1.0	0.7
Number of shareholders at year-end	27 788	27 692	28 440	28 899	28 339	30 425	29 745	30 499	32 189	33 320

1) See page 100: Definitions and glossary. 2) Closing listed price divided by earnings per share. 3) Market capitalisation plus net financial debt at year-end (EV) divided by EBITDA. 4) Measures the sensitivity of the yield on class B shares in relation to the yield on the Affärsvärlden General Index over a period of 48 months. 5) Proposal of the Board. 6) Excl. items affecting comparability.

SHARE STRUCTURE

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

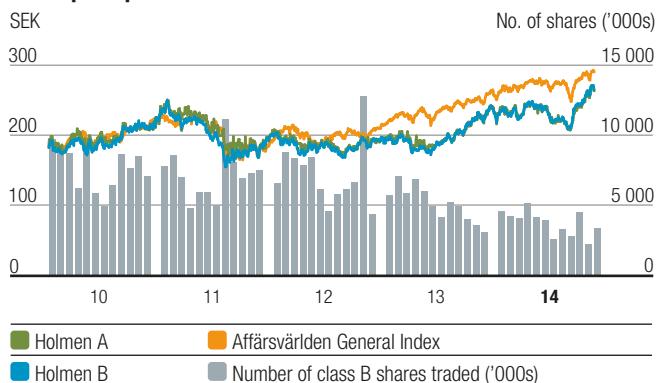
Shareholder communication

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

Analysts

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



Share price performance for Holmen class A and B and General Index**Total return on Holmen class B shares and General Index**

Source: Macrobond

CHANGES IN SHARE CAPITAL 2000–2014

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

SHAREHOLDER STRUCTURE AT 31 DECEMBER 2014

	% of capital	% of votes
L E Lundbergföretagen	32.9	61.6
Kempe Foundations	7.0	16.9
Carnegie funds (Sweden)	5.8	1.7
Alecta	3.6	1.0
Lannebo funds	3.4	1.0
DFA funds (USA)	2.2	0.6
SHB funds	1.8	0.5
Norges Bank Investment Management	1.7	0.5
Nordea funds	1.4	0.4
Fredrik Lundberg	1.0	0.9
Total	60.8	85.2
Other	39.2	14.8
Total*	100.0	100.0

* Of which non-Swedish shareholders.

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

**OWNERSHIP STRUCTURE**

No. of shares	Shareholders	Percentage of shares
1–1 000	25 624	6
1 001–100 000	2 081	16
100 001–	82	79
Total	27 787	100



INCOME STATEMENT

GROUP, SEKm	NOTE	2014	2013
Net sales	2	15 994	16 231
Other operating income	3	1 021	984
Change in inventories		83	54
Raw materials and consumables		-8 713	-9 150
Staff costs	4	-2 268	-2 350
Other operating costs	5, 20	-3 393	-3 512
Depreciation and amortisation according to plan	9, 10	-1 265	-1 370
Impairment losses	9, 10	-450	-86
Change in value of biological assets	11	282	264
Profit/loss from investments in associates and joint ventures	12	-7	3
Operating profit/loss		1 284	1 069
Finance income	6	1	8
Finance costs	6	-149	-205
Profit/loss before tax		1 137	871
Tax	7	-230	-160
Profit/loss for the year		907	711
Attributable to:			
Owners of the parent company		907	711
Earnings per share (SEK)	8	10.8	8.5
Average number of shares (million)	8	84.0	84.0

Operating profit amounted to SEK 1 284 million (1 069). Operating profit includes an impairment loss of SEK -450 million on property, plant and equipment within Holmen Timber. Operating profit in 2013 included an impairment loss on non-current assets and restructuring costs within Holmen Paper (SEK -140 million).

Operating profit, excluding the above-mentioned items, improved by SEK 525 million to SEK 1 734 million. The increase is due to higher prices for printing paper and sawn timber, a weaker Swedish krona and reduced production costs for paperboard.

Net financial items for 2014 totalled SEK -147 million (-198). During the year, interest costs of SEK 1 million (8) were capitalised in conjunction with major investment projects, reducing the recognised interest expense. The average cost of borrowing declined to 2.3 per cent (3.1), and average net debt was lower than in the preceding year.

Tax recognised totalled SEK -230 million (-160) in 2014, which corresponds to 20 per cent of profit before tax.

STATEMENT OF COMPREHENSIVE INCOME

GROUP, SEKm	NOTE	2014	2013
Profit/loss for the year		907	711
OTHER COMPREHENSIVE INCOME			
Revaluations of defined benefit pension plans	17	-170	72
Tax attributable to items that will not be reclassified to profit/loss for the year	7	34	-15
Total items that will not be reclassified to profit/loss for the year		-137	58
Cash flow hedging			
Revaluation		-343	-69
Transferred from equity to the income statement		116	5
Transferred from equity to non-current assets		1	0
Translation difference on foreign operations		355	109
Hedging of currency risk in foreign operations		-101	-39
Tax attributable to items that will be reclassified to profit/loss for the year	7	72	23
Total items that will be reclassified to profit/loss for the year after tax		100	28
Total other comprehensive income		-37	86
Total comprehensive income		870	797
Attributable to:			
Owners of the parent company		870	797

BALANCE SHEET

GROUP AT 31 DECEMBER, SEKm	NOTE	2014	2013
NON-CURRENT ASSETS			
Intangible non-current assets	9	114	59
Property, plant and equipment	10	11 265	12 104
Biological assets	11	16 867	16 517
Investments in associates and joint ventures	12	1 970	1 961
Other shares and participating interests	12	4	9
Non-current financial receivables	13	40	28
Deferred tax assets	7	1	2
Total non-current assets		30 261	30 680
CURRENT ASSETS			
Inventories	14	3 198	3 140
Trade receivables	15	2 328	2 103
Current tax receivable	7	44	106
Other operating receivables	15	394	425
Current financial receivables	13	22	24
Cash and cash equivalents	13	187	275
Total current assets		6 172	6 074
Total assets		36 434	36 753
EQUITY			
Share capital		4 238	4 238
Other contributed capital		281	281
Reserves		-210	-309
Retained earnings incl. profit/loss for the year		16 660	16 645
Total equity attributable to the owners of the parent company		20 969	20 854
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	2 488	2 734
Pension provisions	17	400	238
Other provisions	7, 18	533	552
Deferred tax liabilities	7	5 480	5 804
Total non-current liabilities		8 901	9 328
CURRENT LIABILITIES			
Current financial liabilities	13	3 269	3 470
Trade payables	19	1 882	2 007
Current tax liability	7	248	28
Provisions	18	69	64
Other operating liabilities	19	1 096	1 002
Total current liabilities		6 564	6 571
Total liabilities		15 465	15 899
Total equity and liabilities		36 434	36 753

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

CHANGES IN EQUITY

GROUP, SEKm

	RESERVES					
	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TRANSLATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS INCL. PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
Opening equity balance 1 Jan 2013	4 238	281	-303	-35	16 632	20 813
Profit/loss for the year	-	-	-	-	711	711
Other comprehensive income	-	-	78	-50	57	86
Total comprehensive income	-	-	78	-50	769	797
Dividend paid	-	-	-	-	-756	-756
Closing equity balance 31 Dec 2013	4 238	281	-224	-85	16 645	20 854
Profit/loss for the year	-	-	-	-	907	907
Other comprehensive income	-	-	276	-177	-137	-37
Total comprehensive income	0	0	276	-177	771	870
Dividend paid	-	-	-	-	-756	-756
Closing equity balance 31 Dec 2014	4 238	281	51	-261	16 660	20 969

CASH FLOW STATEMENT

GROUP, SEKm	NOTE	2014	2013
OPERATING ACTIVITIES			
Profit/loss before tax	25	1 137	871
Adjustments for non-cash items			
Depreciation and amortisation according to plan		1 265	1 370
Impairment losses		450	86
Change in value of biological assets		-282	-264
Change in provisions		4	-16
Other*		11	-119
Income tax paid		-191	210
Cash flow from operating activities before changes in working capital		2 394	2 138
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in inventories		-24	93
Change in trade receivables and other operating receivables		-111	173
Change in trade payables and other operating liabilities		-82	-394
Cash flow from operating activities		2 176	2 011
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-691	-983
Disposal of property, plant and equipment		10	137
Acquisition of intangible non-current assets		-73	-7
Acquisition of biological assets		-49	-26
Disposal of biological assets		4	3
Increase in non-current financial receivables		-17	0
Repayment of non-current financial receivables		-2	3
Acquisition of shares and participating interests		-17	-83
Disposal of shares and participating interests		0	86
Cash flow from investing activities		-834	-869
FINANCING ACTIVITIES			
Raised long-term borrowings		400	1 700
Repayments of long-term borrowings		-421	-2 092
Change in current financial liabilities	25	-655	-36
Change in current financial receivables		-3	9
Dividend paid to owners of the parent company		-756	-756
Cash flow from financing activities		-1 434	-1 175
CASH FLOW FOR THE YEAR			
Cash and cash equivalents at beginning of year		275	308
Exchange gains/losses on cash and cash equivalents		4	1
Cash and cash equivalents at end of year		187	275

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

The Group's cash flow from operating activities amounted to SEK 2 176 million. Cash flow from investing activities amounted to SEK -834 million. Dividends of SEK 756 million were paid to shareholders during the year.

During the year a bond loan of SEK 400 million was issued and a euro-denominated bond loan for SEK 400 million was repaid early.

	2014	2013
CHANGE IN NET FINANCIAL DEBT		
Opening net financial debt	-6 116	-6 590
Cash flow		
Operating activities	2 176	2 011
Investing activities (excl. non-current financial receivables)	-816	-872
Dividend paid	-756	-756
Revaluations of defined benefit pension plans	-173	70
Foreign exchange currency effects and changes in fair value	-223	21
Closing net financial debt	-5 907	-6 116

PARENT COMPANY

INCOME STATEMENT, SEKm	NOTE	2014	2013
Net sales	2	14 077	14 443
Other operating income	3	1 013	720
Change in inventories		29	32
Raw materials and consumables		-8 182	-8 703
Staff costs	4	-1 753	-1 893
Other external costs	5, 20	-3 996	-4 148
Depreciation and amortisation according to plan	9, 10	-27	-35
Operating profit/loss		1 161	417
Profit/loss from investments in Group companies	6, 23	195	15
Profit/loss from investments in associates	6	0	0
Interest income and similar income	6	19	15
Impairment losses on value of shares and participating interests	6	0	-5
Interest expense and similar costs	6	-240	-238
Profit/loss after financial items		1 135	204
Appropriations	24	1 219	824
Profit/loss before tax		2 353	1 028
Tax	7	-483	-201
Profit/loss for the year		1 870	828
<hr/>			
STATEMENT OF COMPREHENSIVE INCOME, SEKm	NOTE	2014	2013
Profit/loss for the year		1 870	828
Other comprehensive income			
Cash flow hedges			
Revaluation		-307	-32
Transferred from equity to the income statement		151	9
Transferred from equity to non-current assets		1	0
Tax attributable to other comprehensive income	7	34	5
Total items that will be reclassified to profit/loss for the year		-121	-18
Total comprehensive income		1 749	810

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

The item 'Appropriations' includes Group contributions of SEK 1 777 million (530). The item 'Interest expense and similar costs' in the income statement includes result of SEK -101 million (-39) on hedging equity in foreign subsidiaries.

CASH FLOW STATEMENT, SEKm	NOTE	2014	2013
OPERATING ACTIVITIES			
Profit/loss after financial items	25	1 135	204
CASH FLOW FROM OPERATING ACTIVITIES before changes in working capital			
		1 085	1 041
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Change in inventories		-19	148
Change in operating receivables		-98	273
Change in operating liabilities		-4	-341
Cash flow from operating activities		963	1 122
INVESTING ACTIVITIES			
Shareholders' contribution paid		4	-37
Acquisition of property, plant and equipment		-41	-11
Disposal of property, plant and equipment		8	7
Acquisition of intangible non-current assets		0	-3
Increase in external non-current financial receivables		-17	0
Repayment of external non-current financial receivables		0	0
Acquisition of shares and participating interests		0	-56
Disposal of shares and participating interests		0	86
Cash flow from investing activities		-47	-16
FINANCING ACTIVITIES			
Raised external long-term borrowings		400	1 700
Repayments of external long-term borrowings		-421	-2 091
Change in other financial liabilities	25	-616	-10
Change in other financial receivables		-1 399	-480
Dividends paid to owners of the parent company		-756	-756
Group contributions received		1 777	531
Group contributions paid		0	-1
Cash flow from financing activities		-1 015	-1 105
CASH FLOW FOR THE YEAR			
Cash and cash equivalents at beginning of year		213	213
Cash and cash equivalents at end of year		115	213

* Other adjustments primarily consist of impairment losses on the value of shares in Group companies, currency effects and the marking to market of financial instruments as well as gains/losses on the sale of non-current assets. As of 2013 Group contributions are recognised as appropriations.

BALANCE SHEET at 31 December, SEKm		NOTE	2014	2013	BALANCE SHEET at 31 December, SEKm		NOTE	2014	2013		
ASSETS											
Non-current assets											
Intangible non-current assets	9		9	10	Restricted equity	16					
Property, plant and equipment	10		2 912	2 589	Share capital		4 238	4 238			
Financial non-current assets					Statutory reserve		1 577	1 577			
Shares and participations	12, 23		12 145	12 499	Revaluation reserve		100	100			
Non-current financial receivables	13		3 329	2 715	Non-restricted equity						
Total non-current assets			18 396	17 814	Retained earnings incl. hedge reserve		2 691	2 740			
Current assets					Profit/loss for the year		1 870	828			
Inventories	14		2 494	2 477	Total equity		10 476	9 483			
Operating receivables	15		2 162	2 050	Untaxed reserves	24	2 330	1 771			
Current tax receivable	7		-	-	Provisions						
Current investments	13		22	24	Pension provisions	17	11	39			
Cash and cash equivalents	13		115	213	Tax provisions	7, 18	45	45			
Total current assets			4 793	4 764	Other provisions	18	630	651			
Total assets			23 188	22 578	Deferred tax liability	7	585	538			
Liabilities											
Non-current financial liabilities											
Current financial liabilities					Total provisions		1 271	1 274			
Current tax liabilities					Liabilities						
Operating liabilities					Non-current financial liabilities	13	2 898	3 948			
Total liabilities					Current financial liabilities	13	3 263	3 464			
Total equity and liabilities					Current tax liabilities	7	221	4			
COLLATERAL AND CONTINGENT LIABILITIES					Operating liabilities	19	2 730	2 635			
Collateral					Total liabilities		9 111	10 051			
Contingent liabilities					Total equity and liabilities		23 188	22 578			

CHANGES IN EQUITY, SEKm

	RESTRICTED EQUITY				NON-RESTRICTED EQUITY			TOTAL EQUITY
	SHARE CAPITAL	STATUTORY RESERVE	REVALUATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS	PROFIT/LOSS FOR THE YEAR		
Opening equity balance 1 Jan 2013	4 238	1 577	100	-125	4 633	-994		9 428
Appropriation of profits	-	-	-	-	-994	994		-
Profit/loss for the year	-	-	-	-	-	828		828
Other comprehensive income	-	-	-	-18	-	-		-18
Total comprehensive income	-	-	-	-18	-994	1 822		810
Dividend paid	-	-	-	-	-756	-		-756
Closing equity balance 31 Dec 2013	4 238	1 577	100	-143	2 883	828		9 483
Appropriation of profits	-	-	-	-	828	-828		-
Profit/loss for the year	-	-	-	-	-	1 870		1 870
Other comprehensive income	-	-	-	-121	-	-		-121
Total comprehensive income	0	0	0	-121	828	1 042		1 749
Dividend paid	-	-	-	-	-756	-		-756
Closing equity balance 31 Dec 2014	4 238	1 577	100	-264	2 954	1 870		10 476

NOTES TO THE FINANCIAL STATEMENTS

Amounts in SEKm, unless otherwise stated

NOTE 1. ACCOUNTING POLICIES

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

COMPLIANCE WITH STANDARDS AND STATUTORY REQUIREMENTS

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

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

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

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

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

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

ESTIMATES AND JUDGEMENTS IN THE FINANCIAL STATEMENTS

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

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

CHANGES IN ACCOUNTING POLICIES

Amended IFRSs applied by the Group from January 1, 2014 are described below.

Consolidated accounts, joint arrangements and disclosure of interests in other entities

The new reporting standards IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements have not had any impact on amounts or classification. IFRS 12 Disclosure of Interests in Other Entities means increased disclosures in the annual accounts, chiefly in Note 12 'Investments in associates, joint ventures and other shares and participating interests'.

New and amended accounting policies applicable as of 2015

A number of new or amended IFRSs are not effective until the coming financial year, and Holmen has opted not to apply any of these standards in advance. Similarly, there is no plan to apply new or amended standards effective as of financial years after 2015 in advance. New or amended IFRSs effective as of 2015 and 2016, such as changes to IFRIC 21 Levies, are not expected to have any material impact on the Group's accounting. IFRIC 21 means that property tax levies will be booked in full on January 1 of each year instead of the debt being booked as the cost is recognised in the income statement. This change will not have any effect on the income statement.

SEGMENT REPORTING

The Group's operations are divided into operating segments, based on which parts of the operations are monitored by the company's highest executive decision-maker, known as the management approach. The segmentation criterion is based on the Group's business areas. This

corresponds to the Group's operating structure and the internal reporting to the CEO and the Board. The items in the profit, assets and liabilities of the operating segment are recognised in accordance with the profit (operating profit), assets and liabilities that are monitored by the company's highest executive decision-maker. See Note 2 for more details of the classification and presentation of operating segments.

CLASSIFICATION

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

CONSOLIDATION PRINCIPLES

Subsidiaries

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

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

Holdings recognised in accordance with the equity method

Associates

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

Jointly owned companies/joint ventures

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

The equity method

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

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

FOREIGN CURRENCY

Transactions denominated in foreign currencies

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

Financial statements of foreign operations

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

COMPANIES OPERATING ON BEHALF OF THE PARENT COMPANY

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

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

INCOME

Net sales

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

Other operating income

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

State grants

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

FINANCE INCOME AND COSTS

Finance income and costs consist of interest income and interest costs, dividend income and revaluations of financial instruments valued at fair value, as well as unrealised and realised currency gains and losses. In the case of the parent company, Group contributions received and paid are also recognised as financial income and expense, respectively.

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

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

TAXES

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

become liable to taxation in the foreseeable future. In the parent company's accounts, untaxed reserves are recognised inclusive of deferred tax liability.

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

EARNINGS PER SHARE

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

FINANCIAL INSTRUMENTS

Financial instruments are measured and recognised according to IAS 39.

Recognition in and derecognition from the balance sheet

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

Measurement of financial instruments

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

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

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

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

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

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

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

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

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

INTANGIBLE NON-CURRENT ASSETS

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

The following useful lives (years) are used:

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

If there is any indication that the carrying amount is too high, an analysis is made in which the recoverable value of single or inherently related assets is determined at the higher of the net selling price and the utility value. The net realisable value is the estimated selling price after deduction of the estimated cost of selling the asset. The utility value is measured as expected future discounted cash flow. The discount rate applied takes account of the risk-free rate and the risk associated with the asset. An impairment loss consists of the amount by which the recoverable amount falls short of the carrying amount. Impairment loss is reversed if there has been any positive change in the circumstances upon which the determination of the recoverable amount is based. A reversal may be

made up to, but not exceeding, the carrying amount that would have been recognised, less depreciation, if there had been no impairment.

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

LEASING

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

BIOLOGICAL ASSETS

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

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

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

INVENTORIES

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

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

EMPLOYEE BENEFITS

Pension costs and pension obligations

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

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

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

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

The interest cost on defined benefit obligations is recognised in profit/loss for the year under financial items. This is calculated as the net total of the upward adjustment of interest on the pension obligation and expected income on plan assets calculated according to the same interest factor (discount rate).

Other components are recognised in operating profit/loss. The revaluation effects consist of actuarial gains and losses and the difference between the actual return on plan assets and the amount included in net interest. Revaluation effects are recognised in other comprehensive income.

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

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

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

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

Termination benefits

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

Short-term benefits

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

EQUITY

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

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

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

PROVISIONS

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

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

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

CONTINGENT LIABILITIES

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

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS FOR LEGAL ENTITIES

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

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

MISCELLANEOUS

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

NOTE 2. OPERATING SEGMENT REPORTING

2014	IGGESUND PAPERBOARD	HOLMEN PAPER	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP-WIDE AND OTHER	ELIMINA- TIONS	TOTAL GROUP
Net sales								
External	5 113	6 247	1 352	2 957	320	4	-	15 994
Internal	-	-	-	2 683	1 088	-	-3 771	-
Other operating income	697	166	265	150	17	147	-421	1 021
Operating costs	-4 648	-5 677	-1 457	-5 228	-1 197	-276	4 192	-14 291
Depreciation and amortisation according to plan	-487	-584	-123	-29	-21	-21	-	-1 265
Impairment losses	-	-	-450	-	-	-	-	-450
Change in value of biological assets	-	-	-	282	-	-	-	282
Share of profits of associates	-	-12	-	-	5	-1	-	-7
Operating profit/loss	674	141	-413	817	212	-146	-	1 284
<i>Operating profit/loss excluding items affecting comparability*</i>	674	141	37	817	212	-146	-	1 734
Operating margin excluding items affecting comparability, %	13	2	3	14	15			11
Return on operating capital excluding items affecting comparability, %	10	3	3	5	6			5
Operating assets	7 521	5 634	1 040	18 580	3 493	294	-379	36 183
Operating liabilities	731	968	138	1 240	91	1 038	-379	3 829
Operating capital	6 790	4 666	901	17 340	3 401	-744	-	32 354
Investments	288	331	55	86	32	57	-	849

*Items affecting comparability refer to an impairment loss on Braviken Sawmill of SEK -450 million.

NON-CURRENT ASSETS PER COUNTRY	GROUP		PARENT COMPANY		NET SALES BY MARKET	GROUP		PARENT COMPANY	
	2014	2013	2014	2013		2014	2013	2014	2013
Sweden	26 779	27 336	15 066	15 098	Sweden	3 822	3 873	3 802	3 854
UK	2 021	1 835	-	-	UK	2 110	1 996	1 474	1 488
Spain	1 410	1 464	-	-	Germany	2 066	2 168	1 756	1 866
Other	6	6	-	-	Spain	979	1 042	806	836
Total	30 216	30 641	15 066	15 098	Italy	898	786	851	752
					France	648	746	572	676
					The Netherlands	642	755	556	694
					Rest of Europe	2 765	2 949	2 316	2 497
					Rest of the world	2 063	1 917	1 944	1 780
					Total	15 994	16 231	14 077	14 443
NET SALES BY PRODUCT AREA		GROUP		PARENT COMPANY		GROUP		PARENT COMPANY	
		2014	2013	2014	2013	2014	2013	2014	2013
Paperboard	4 890	4 521	3 076	2 959					
Printing paper	6 079	6 952	6 053	6 914					
Pulp	212	87	325	182					
Sawn timber	1 352	1 175	1 352	1 175					
Wood	2 957	2 901	2 940	2 831					
Energy	320	382	320	382					
Other	184	213	11	0					
Total	15 994	16 231	14 077	14 443					

2013	IGGESUND PAPERBOARD	HOLMEN PAPER	HOLMEN TIMBER	HOLMEN SKOG	HOLMEN ENERGI	GROUP-WIDE AND OTHER	ELIMINA- TIONS	TOTAL GROUP
Net sales								
External	4 618	7 148	1 175	2 901	382	7	-	16 231
Internal	-	-	-	2 793	1 265	-	-4 059	-
Other operating income	581	156	268	149	123	145	-438	984
Operating costs	-4 321	-6 931	-1 401	-5 149	-1 380	-272	4 497	-14 958
Depreciation and amortisation according to plan	-445	-738	-119	-34	-20	-15	-	-1 370
Impairment losses	-	-86	-	-	-	-	-	-86
Change in value of biological assets	-	-	-	264	-	-	-	264
Share of profits of associates	-	1	3	-	1	-2	-	3
Operating profit/loss	433	-449	-75	924	371	-136	-	1 069
<i>Operating profit/loss excluding items affecting comparability*</i>	433	-309	-75	924	371	-136	-	1 209
Operating margin excluding items affecting comparability, %	9	-4	-6	16	23			7
Return on operating capital excluding items affecting comparability, %	7	-6	-5	6	11			4
Operating assets	7 639	5 838	1 486	18 055	3 507	259	-360	36 424
Operating liabilities	776	1 028	125	1 243	150	692	-360	3 653
Operating capital	6 863	4 810	1 361	16 813	3 357	-433	-	32 772
Investments	660	85**	21	54	46	8	-	874

* Items affecting comparability refer to an impairment loss and restructuring costs in Holmen Paper.

** Including proceeds from the sale of the PM61 paper machine in Spain.

The Iggesund Paperboard business area produces paperboard for consumer packaging and graphical printing at one Swedish and one UK mill. The Holmen Paper business area manufactures printing paper for magazines, product catalogues, direct mail, books and daily newspapers at two mills in Sweden and one in Spain. Holmen Timber produces sawn timber at two Swedish sawmills. In 2014, the Group produced 0.5 million tonnes of paperboard, 1.3 million tonnes of printing paper and 0.7 million m³ of sawn timber.

Holmen Skog manages the Group's forests, which cover just over one million hectares. The normal annual volume of wood harvested in company forests is about 3.2 million m³ sub. Holmen Energi is responsible for the Group's hydro and wind power assets and for developing the Group's operations in the energy sector. Production in 2014 amounted to 1.1 TWh of electricity. Holmen Skog and Holmen Energi are also responsible for supplying the Group with wood and electricity, respectively, in Sweden.

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

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

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

NOTE 3. OTHER OPERATING INCOME

	GROUP	PARENT COMPANY	
	2014	2013	2014
Sales of by-products	394	324	262
Certificates, renewable energy	323	285	144
Emission allowances	53	32	44
Sales of non-current assets	13	9	317
Rent and land lease income	31	24	25
Silviculture contracts	71	70	71
Other	137	241	151
Total	1 021	984	720

Of the sales of by-products in the Group, SEK 161 million (111) relates to rejects from production, SEK 77 million (88) to sawdust, bark, chips etc., and SEK 156 million (126) to external sales of energy.

Income from renewable energy certificates received from the production of renewable energy at the Group's mills amounted to SEK 323 million (285). The increase is due to the biofuel boiler that entered service at Workington in the first quarter of 2013 being in service for the whole of 2014.

The Group has been allotted emission allowances that have been used partly within its own production. The surplus resulted in a gain of SEK 53 million (32).

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

	GROUP	PARENT COMPANY	
	2014	2013	2014
WAGES, SALARIES AND SOCIAL SECURITY COSTS			
Wages, salaries and other remuneration	1 600	1 642	1 221
Social security costs	596	635	482
			554

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

The 2014 AGM decided on the following guidelines for determining the salaries and other remuneration of the CEO and other senior management, namely the heads of the business areas and heads of Group staffs who report directly to the CEO.

Salary and other benefits

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

Pension

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

Notice and severance pay

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

Incentive scheme

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

Remuneration committee

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

Deviations in individual cases

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

REMUNERATION OF BOARD AND SENIOR MANAGEMENT

Board

A fixed Board fee shall be paid to the members of the Board elected by the AGM. The CEO, however, does not receive any Board fee. For 2014, fees to the Board amounted to SEK 2 600 000 (2 400 000). The chairman received a fee of SEK 650 000 (600 000), and each of the other members received SEK 325 000 (300 000).

Senior management

The CEO's salary and other benefits for 2014, when a new CEO was appointed, amounted to SEK 9 925 651 (7 874 220), of which SEK 5 063 149 was nine months' remuneration to the newly appointed CEO. The new CEO has agreed annual remuneration of SEK 6 780 000, as well as an accommodation and car allowance equivalent to SEK 408 900 in 2014's value.

The total pension cost attributable to the outgoing and incoming CEOs (ITP occupational pension cost and the cost of benefits over and above ITP, including vesting in the senior management pension plan in 2014), calculated in accordance with IAS 19, amounted to SEK 4 449 375 (4 246 531), SEK 2 110 560 of which relates to the newly appointed CEO. No variable remuneration was paid.

In 2014, the salaries and other benefits of other senior management, i.e. the heads of the five business areas and the heads of the six Group staffs who report directly to the CEO, totalled SEK 26 947 050 (22 224 504).

In 2014, the total pension cost (ITP cost and the cost of benefits over and above ITP, including vesting in the senior management pension plan in 2014) for this group, calculated in accordance with IAS 19, amounted to SEK 12 821 925 (10 995 369). No variable remuneration was paid.

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

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

Pension obligations in respect of the Board and senior management

Holmen's pension obligations over and above the ITP plan for the CEO amounted to SEK 8 million (23) at 31 December 2014 and for other members of senior management to SEK 45 million (37), calculated in accordance with IAS 19. The Group also has a SEK 7 million (7) obligation for one Board member, Göran Lundin, former CEO of Holmen. The pension obligations are secured using plan assets managed by an independent pension fund.

	AVERAGE NUMBER OF FULL-TIME EQUIVALENTS	OF WHICH WOMEN	AVERAGE NUMBER OF FULL-TIME EQUIVALENTS	OF WHICH WOMEN
	2014		2013	
Parent company				
Sweden	2 487	486	2 770	536
Spain	11	7	12	7
Group companies				
Estonia	9	3	14	4
France	11	5	17	7
Germany	20	8	22	8
Hong Kong	5	1	5	1
Italy	7	3	7	3
The Netherlands	94	32	96	33
Poland	7	5	7	4
Portugal	1	-	1	-
Singapore	5	3	5	3
Spain	278	50	310	64
Switzerland	5	1	5	1
UK	412	41	440	44
USA	7	2	7	3
Total Group companies	861	153	936	173
Total Group	3 359	645	3 718	716

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

PROPORTION OF WOMEN, %	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Board (excl. deputy members)	18	18	18	18
Senior management	25	25	25	25
Total	19	19	19	19

NOTE 5. AUDITORS' FEE AND REMUNERATION

The audit firm KPMG was elected by the 2014 Annual General Meeting as Holmen's auditors for a period of one year. KPMG audits Holmen AB and almost all of its subsidiaries.

REMUNERATION TO KPMG	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Audit assignments	7	6	4	4
Tax advice	1	3	1	1
Other services	0	0	0	-
Total	8	9	5	5
Other auditors	0	0	-	-
Total	9	9	5	5

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

NOTE 6. NET FINANCIAL ITEMS AND INCOME FROM FINANCIAL INSTRUMENTS

FINANCE INCOME	GROUP		PARENT COMPANY		GROUP		PARENT COMPANY	
	2014	2013	2014	2013	2014	2013	2014	2013
Dividend income from Group companies	-	-	546	671	Exchange gains/losses on trade receivables and trade payables	191	6	164
Net profit/loss					Net gain/loss on derivatives stated in working capital	-116	-5	-81
Assets and liabilities measured at fair value through profit/loss for the year								-8
- Held for financial risk management*	-33	-11	-33	-11	Interest income on trade receivables	1	1	1
Cash and cash equivalents	-5	-5	-5	-5	Interest costs on trade payables	-4	-10	-4
Other financial receivables	38	21	41	20				-10
Interest income	1	4	15	12	The derivatives included in operating profit/loss relate to hedging of trade receivables and trade payables as well as financial electricity derivatives.			
Total finance income	1	8	565	686				
FINANCE COSTS								
Impairment losses on value of shares in Group companies	-	-	-351	-656				
Impairment losses on other shares and participating interests	-5	-5	-	-5				
Net profit/loss								
Assets and liabilities measured at fair value through profit/loss for the year								
- Held for financial risk management*	-	-	-67	-12				
Other financial liabilities	0	-	-34	-27				
Total net profit/loss	-6	-5	-452	-700				
Interest costs**	-143	-200	-139	-199				
Finance costs	-149	-205	-591	-899				
Net financial items	-147	-197	-26	-213				

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

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

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

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

Information on financial risks is stated in the administration report on pages 32–35.

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

NOTE 7. TAXES

TAXES STATED IN INCOME STATEMENT	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Current tax	-485	134	-403	-188
Deferred tax	255	-294	-80	-13
Total	-230	-160	-483	-201

Tax recognised totalled SEK -230 million, corresponding to 20 per cent of profit before tax.

	GROUP				PARENT COMPANY			
	2014		2013		2014		2013	
	SEKm	%	SEKm	%	SEKm	%	SEKm	%
Recognised profit/loss before tax	1 137		871		2 353		1 028	
Tax at applicable rate	-250	22.0	-192	22.0	-518	22.0	-226	22.0
Difference in tax rate in foreign operations	4	-0.4	-3	0.4	0	0.0	0	0.0
Non-taxable income and non-deductible costs	4	-0.3	8	-0.9	38	-1.6	28	-2.7
Standard interest on tax allocation reserve	-6	0.5	-5	0.6	-5	0.2	-5	0.5
Effect of unstated loss carry-forwards and temporary differences	22	-2.0	14	-1.6	0	0.0	0	0.0
Tax attributable to previous periods	-4	0.3	2	-0.2	2	-0.1	1	-0.1
Change to tax rate on deferred tax assets/liabilities	0	0.0	16	-1.8	0	0.0	0	0.0
Other	0	0.0	1	-0.1	0	0.0	1	-0.1
Effective tax	-230	20.2	-160	18.4	-484	20.6	-201	19.5

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	GROUP				PARENT COMPANY			
	BEFORE TAX	AFTER TAX	BEFORE TAX	AFTER TAX	BEFORE TAX	AFTER TAX	BEFORE TAX	AFTER TAX
	2014		2013		2014		2013	
Cash flow hedges	-226	50	-177	-64	14	-50	-155	34
Translation differences on foreign operations	355	-	355	109	-	109	-	-
Hedging of currency risk in foreign operations	-101	22	-79	-39	9	-30	-	-
Revaluations of defined benefit pension plans	-170	34	-137	72	-15	58	-	-
Other comprehensive income	-143	106	-37	78	8	86	-155	34
							-121	-23
							5	-18

TAXES AS STATED IN BALANCE SHEET

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Deferred tax asset	1	2	-	-
Current tax receivable	44	106	-	-
Total tax receivables	46	108	-	-

DEFERRED TAX LIABILITIES

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Non-current assets				
Biological assets*	3 718	3 654	632	542
Property, plant and equipment	1 361	1 760	-2	-2
Tax allocation reserve	512	389	-	-
Transactions subject to hedge accounting	-74	-24	-74	-40
Other, including deferred tax assets stated net among deferred tax liabilities	-38	24	29	39
Total deferred tax liabilities	5 480	5 804	585	538
Provisions for taxes				
Current tax liability	140	155	45	45
Total tax liabilities	5 868	5 987	851	587

* For the parent company this relates to forest land.

NOTE 7. TAXES, CONT.**CHANGE IN THE NET OF DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES**

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

	GROUP						PARENT COMPANY			
	STATEMENT	IN OTHER	STATEMENT	IN OTHER	STATEMENT	IN OTHER	STATEMENT	IN OTHER	STATEMENT	IN OTHER
	OPENING	THE INCOME	OPENING	THE INCOME	OPENING	THE INCOME	OPENING	THE INCOME	OPENING	CLOSING
	BALANCE	STATEMENT	BALANCE	STATEMENT	BALANCE	STATEMENT	BALANCE	STATEMENT	BALANCE	BALANCE
2013										
Biological assets*	-3 587	-67	-	-	-3 654	-542	0	-	-	-542
Property, plant and equipment	-1 397	-358	-	-5	-1 760	2	0	-	-	2
Pension provisions	68	-14	-15	0	40	-	-	-	-	-
Tax allocation reserve	-552	163	-	-	-389	-	-	-	-	-
Other	-34	-18	14	0	-38	8	-12	5	1	
Deferred net tax liability	-5 502	-294	-1	-5	-5 802	-531	-13	5	-538	

*For the parent company this relates to forest land.

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

For information concerning provisions for taxes see Note 26.

The deferred tax income recognised in the consolidated income statement relates primarily to a change in temporary differences. The amount recognised in other comprehensive income includes deferred tax related to changes of SEK 50 million in hedging reserves (14) and an impact of SEK 34 million from the revaluation of defined benefit pension plans (-15).

At year-end there were tax loss carry-forwards and temporary differences corresponding to approximately SEK 700 million in tax for which deferred tax liabilities have not been recognised in the income statement and balance sheet. Of this amount, SEK 500 million relates to loss carry-forwards. There is no time limit on the use of these. Whether a deferred tax asset is recognised or not depends on an assessment of how likely it is that the Group will be able to utilise it by offsetting it against future taxable profits.

NOTE 8. EARNINGS PER SHARE (EPS)

	GROUP	
	2014	2013
Total number of shares outstanding, 1 January	83 996 162	83 996 162
Buy-back of company's own shares during the year	-	-
Total number of shares outstanding, 31 December	83 996 162	83 996 162
Shareholders' share of profit for the year, SEKm	907	711
Average number of shares	83 996 162	83 996 162
EPS for the year, SEK	10.8	8.5

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

NOTE 9. INTANGIBLE NON-CURRENT ASSETS

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
ACCUMULATED ACQUISITION COST				
Opening balance	151	140	26	23
Investments	73	10	-	3
Disposal and retirement of assets	-12	0	-	-
Translation differences	3	1	-	-
Total	215	151	26	26
AMORTISATION AND IMPAIRMENT LOSSES, ACCUMULATED				
Opening balance	92	82	16	13
Amortisation for the year	18	8	1	3
Impairment losses for the year	-	-	-	-
Disposal and retirement of assets	-12	-	-	-
Translation differences	3	1	-	-
Total	101	92	17	16
Residual value according to plan at end of year	114	59	9	10

Intangible non-current assets mostly consist of IT systems of SEK 91 million (39). These assets were largely acquired from external sources. They have determinable useful lives and are amortised over 5–20 years. No goodwill applies for the Group.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

GROUP	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		WORK IN PROGRESS AND ADVANCE PAYMENTS TO SUPPLIERS		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Accumulated acquisition cost										
Opening balance	137	117	6 758	6 455	29 918	28 181	108	1 075	36 921	35 828
Investments	22	17	61	95	417	952	62	27	561	1 091
Reclassifications	-	3	-	161	17	835	-17	-999	0	-
Disposal and retirement of assets	-	-	-5	-11	-93	-239	-	-11	-98	-261
Translation differences	7	1	156	58	705	189	1	16	868	264
Total	165	137	6 970	6 758	30 964	29 918	153	108	38 252	36 922
Accumulated depreciation and impairment losses										
Opening balance	-	-	3 454	3 286	21 363	19 999	-	-	24 817	23 285
Depreciation for the year according to plan	-	-	140	142	1 106	1 219	-	-	1 246	1 362
Impairment losses for the year	-	-	148	1	302	85	-	-	450	86
Disposal and retirement of assets	-	-	-4	-7	-90	-86	-	-	-94	-94
Translation differences	-	-	84	31	484	148	-	-	569	179
Total	-	-	3 822	3 454	23 166	21 363	-	-	26 988	24 817
Residual value according to plan at end of year	165	137	3 148	3 304	7 798	8 555	153	108	11 265	12 104

PARENT COMPANY	FOREST LAND		BUILDINGS, OTHER LAND AND LAND INSTALLATIONS		MACHINERY AND EQUIPMENT		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Accumulated acquisition cost								
Opening balance	90	90	140	141	245	262	475	493
Investments	344	0	0	0	21	11	365	11
Reclassifications	-	-	-	-	-	-	-	-
Disposal and retirement of assets	0	0	-1	-1	-18	-28	-19	-29
Total	434	90	139	140	248	245	822	475
Accumulated depreciation according to plan								
Opening balance	-	-	127	128	175	170	302	297
Depreciation for the year according to plan	-	-	1	1	25	30	26	31
Disposal and retirement of assets	-	-	0	-1	-16	-25	-17	-26
Total	-	-	128	127	184	175	312	302
Accumulated revaluations								
Opening balance	2 415	2 415	1	1	-	-	2 416	2 416
Disposal and retirement of assets	-14	0	-	0	-	-	-14	0
Total	2 401	2 415	1	1	-	-	2 402	2 416
Residual value according to plan at end of year	2 835	2 506	12	13	65	70	2 912	2 589

The Group's impairment losses on property, plant and equipment are stated in the income statement in the line item 'Impairment losses'. The estimated recoverable amount for Braviken Sawmill decreased in 2014 owing to continued high raw material costs in southern Sweden and was less than the carrying amounts at year-end. This resulted in an impairment loss of SEK -450 million on property, plant and equipment. The recoverable amount is a utility value and has been calculated based on assumptions regarding future changes in prices, volumes and costs, as well as an estimated market cost of capital of 8 per cent before tax. In 2013, impairment losses of SEK 86 million were applied to property, plant and equipment as a result of the closure of capacity within Holmen Paper.

The Group's investment commitments for approved and ongoing projects amounted to SEK 710 million (670) at 31 December 2014. In 2014, the company's capitalised borrowing costs totalled SEK 1 million (8). An interest rate of 2.5 per cent (3.5) was used to determine the amount.

NOTE 11. BIOLOGICAL ASSETS

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

In total, Holmen owns 1 042 000 hectares of productive forest land, with a volume of standing forest totalling 121 million m³ growing stock, solid over bark. According to the harvesting plan, valid from 2011, harvesting will amount to 3.2 million m³ sub per year, of which 0.2 million m³ sub will be biofuel in the form of branches and treetops. It is believed that this level will remain largely unchanged until 2030. Thereafter, harvesting is expected to increase gradually to over 4 million m³ sub per year by 2110. Around 40 per cent of the wood harvested consists of pulpwood that is sold to the pulp and paper industry, 50 per cent is timber sold to sawmills and the remainder mainly consists of branches and treetops, which are used primarily as forest fuel.

The valuation is based on a long-term trend price that is on a par with the average price over the past 10 years but slightly higher than current market prices. The trend price is adjusted upwards annually by an inflation rate of 2 per cent. The cost forecast is based on present-day levels and is adjusted upwardly by just over 2 per cent per year.

Holmen's forest holdings are reported at SEK 16 867 million (16 517) before tax. A deferred tax liability of SEK 3 718 million (3 654) is stated in relation to that figure. This represents the tax that is expected to be charged against the earnings from harvesting in the future. On that basis, the growing forest, net after tax, is stated at SEK 13 149 million (12 863).

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

GROUP	2014	2013
Carrying amount at start of year	16 517	16 227
Acquisition of growing forest	690	25
Sales of growing forest	-641	0
Change due to harvesting	-471	-601
Change in fair value	753	865
Other changes	20	-
Carrying amount at end of year	16 867	16 517

The net effect of the change in fair value and the change as a result of harvesting is stated in the income statement as a change in value of biological assets. In 2014, this amounted to SEK 282 million (264). The purchase and sale of forest mainly relates to a property exchange with the Swedish Environmental Protection Agency.

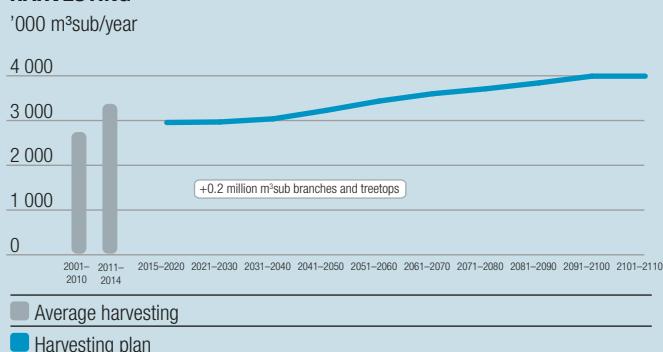
The table below shows how the value of forest assets would be affected by changes in the most significant valuation assumptions.

Change in value (SEKm)

GROUP	BEFORE TAX	AFTER TAX
Annual change, +0.1% per year		
Harvesting rate	730	570
Price inflation	1 120	870
Cost inflation	-640	-500
Change in level, +1%		
Harvesting	250	190
Prices	370	290
Costs	-270	-210
Discount rate, +0.1%	-450	-350

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

HARVESTING



PRICES

SEK/m³sub



The Nominal price series shows the average selling price for Holmen. The Real series shows nominal prices recalculated at 2014 monetary value using historical Swedish CPI.

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

ASSOCIATES	GROUP		PARENT COMPANY		JOINT VENTURES	GROUP		PARENT COMPANY	
	2014	2013	2014	2013		2014	2013	2014	2013
Carrying amount at start of year	1 825	1 821	125	125	Carrying amount at start of year	136	-	82	-
Investments	17	-	-	-	Investments	-	139	-	82
Share of earnings	-17	5	-	-	Share of earnings	10	-2	-	-
Dividends received	-2	-	-	-	Other	-3	-1	-	-
Translation difference	10	6	-	-	Carrying amount at end of year	142	136	82	82
Impairment losses	-5	-7	-	-					
Carrying amount at end of year	1 828	1 825	125	125					

OTHER SHARES AND PARTICIPATING INTERESTS	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Carrying amount at start of year	9	13	1	6
Investments	-	1	-	-
Disposals	-	-	-	-
Translation difference	-	0	-	-
Impairment losses	-5	-5	-	-5
Carrying amount at end of year	4	9	1	1

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

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTEREST %*	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS		VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS
							2014	2013	
ASSOCIATES									
Brännälvens Kraft AB	556017-6678	Arbrå	5 556	13.9	-	36 400	13.9	-	36 400
Gidekraft AB	556016-0953	Örnsköldsvik	990	9.9	99	99	9.9	99	99
Harrsele AB	556036-9398	Vännäs	9 886	49.4	-	1 468 927	49.4	-	1 472 724
Uni4 Marketing AB	556594-6984	Stockholm	1 800	36.0	1 856	21 423	36.0	1 856	20 993
Industriskog AB	556193-9470	Falun	-	-	-	-	33.3	37	37
Pressretur AB	556188-2712	Stockholm	334	33.4	-	0	33.4	-	0
PÅAB, Pappersåtervinnning AB	556142-5116	Norrköping	500	50.0	109	109	50.0	109	109
Vattenfall Tuggen AB	556504-2826	Lycksele	683	6.8	74 755	74 755	6.8	74 755	74 755
Vindln AB	556713-5172	Stockholm	200	17.7	46 260	51 103	17.7	46 260	52 322
ScandFibre Logistics AB	556253-1474	Stockholm	2 000	20.0	2 115	2 115	20.0	2 115	2 115
Melodea Ltd, Israel		Tel Aviv	119	37.6	-	11 705	21.1	-	345
Baluarde Sociedade de Recolha e Recuperação de Desperdícios, Lda, Portugal		Alcochete	2	50.0	-	37 255	50.0	-	37 939
SAS Saica Natur sud, France		Lorp-Sentaraille	678	24.0	-	18 883	24.0	-	17 669
Peninsular Cogeneración S.A., Spain		Madrid	4 500	50.0	-	104 975	50.0	-	109 629
					125 194	1 827 749		125 232	1 825 137
JOINT VENTURES									
Varsvik AB	556914-9833	Stockholm	250	50.0	82 470	142 482	50.0	82 470	135 807
Total					207 664	1 970 231		207 702	1 960 944

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

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

	CORPORATE ID NO.	REGISTERED OFFICE	NO. OF SHARES	INTEREST %*	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS	CARRYING AMOUNT AT PARENT COMP. SEK THOUSANDS	VALUE OF HOLDING IN CONSOLIDATED ACCOUNTS, SEK THOUSANDS
					2014	2013	2014	2013
Parent company								
Industrikraft i Sverige AB	556761-5371	Stockholm	100 000	20.0	107	107	20.0	107
Miscellaneous shares owned by the parent company					647	647		647
Total					754	754	754	754
Group								
SweTree Technologies AB	556573-9587	Umeå	79 391	2.6	-	2 427	2.6	-
Miscellaneous shares					-	384		340
Total					754	3 565	754	8 720

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

The holdings in Brännälvens Kraft AB, Gidekraft AB, Harrsele AB and Vattenfall Tuggen AB refer to hydro power assets, and the holdings in Vindln AB refer to wind power assets. The holdings entitle the Group to buy some of the electricity produced at cost price, so the associate only earns a limited profit. Purchased electricity is sold to external customers at market price, and the earnings are stated in the consolidated accounts within the Holmen Energi business area. Ownership in remaining associates relates to activities in the areas of logistics, sales, research and development, and recycling and management of recovered paper.

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

No individual investment in associates and joint ventures is deemed to be of such material significance or associated with particular or significant risk for the Group that more extensive disclosures must be made in accordance with IFRS 12 Disclosure of Interests in Other Entities.

Ownership in Varsvik AB relates to wind power assets.

The combined value of Holmen's share in the profits of associates amounted to SEK -13 million (4) for the Group and to SEK 2 million (1) for the parent company.

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

NOTE 13. FINANCIAL INSTRUMENTS

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

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

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

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

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

The maturity structure and average interest for the Group's liabilities are stated in the administration report on page 34. SEK 3 219 million of the parent company's liabilities are due for payment within one year. In addition to the financial assets and liabilities identified above, the pension liability (see Note 17) is also included in net financial debt.

All of the Group's derivatives are covered by ISDA or FEMA agreements, which entails a right for Holmen to offset assets and liabilities in relation to the same counterparty in the case of a credit event. Assets and liabilities are not offset in the report. Recognised derivatives totalled SEK 18 million (32) on the asset side and SEK -433 million (-156) on the liabilities side.

Items measured at fair value belong to measurement level 2 pursuant to IFRS 7. Fair value in the tables is calculated on the basis of discounted cash flows and all variables, such as discount rates and exchange rates, are taken from market listings for calculations. The difference between fair value and carrying amount arises because certain liabilities are not measured at fair value in the balance sheet, and are instead stated at their amortised cost. For loans recognised at amortised cost, fair value is calculated on the basis of discounted cash flows and belongs to measurement level 2. All variables are taken from market listings for calculations. The Group has no loans that are recognised at fair value in profit/loss. In the case of trade receivables, trade payables and other items not affected above, the carrying amount is stated as the fair value, as this is judged to be a good reflection of the fair value. Since it has not been possible to determine a reliable fair value for shares and interests, they have been excluded from the tables. For further information on financing, see the section on Risk, on page 34.

MATURITY STRUCTURE, UNDISCOUNTED AMOUNTS*

	2015	2016	2017	2018	2019-
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FINANCIAL LIABILITIES

Derivatives	-89	-23	-21	-14	-17
Other financial liabilities	-3 224	-530	-1 420	-311	-506

FINANCIAL RECEIVABLES

Derivatives	5	-	-	-	-
Other financial liabilities	199	4	3	3	6

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

NOTE 13. FINANCIAL INSTRUMENTS, CONT.

Group	DERIVATIVES RECOGNISED AT FAIR VALUE THROUGH PROFIT/LOSS		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE- FOR-SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT														
NON-CURRENT RECEIVABLES														
Derivatives	-	-	-	-	5	-	-	-	-	-	-	5	-	5
Other financial receivables	-	-	-	-	-	40	23	-	-	-	40	23	40	23
	-	-	-	-	5	40	23	-	-	-	40	28	40	28
CURRENT FINANCIAL RECEIVABLES														
Accrued interest	-	-	-	-	-	0	1	-	-	-	0	1	0	1
Derivatives	5	5	-	-	1	-	-	-	-	-	5	6	5	6
Other financial receivables	-	-	-	-	-	17	17	-	-	-	17	17	17	17
	5	5	-	-	1	17	18	-	-	-	22	24	22	24
CASH AND CASH EQUIVALENTS														
Current deposit of cash and cash equivalents	-	-	-	-	-	11	12	-	-	-	11	12	11	12
Bank balances	-	-	-	-	-	176	263	-	-	-	176	263	176	263
	-	-	-	-	-	187	275	-	-	-	187	275	187	275
NON-CURRENT LIABILITIES														
MTN loans	-	-	-	-	-	-	-	-	-1 200	-1 512	-1 200	-1 512	-1 200	-1 529
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 200	-1 203	-1 200	-1 203	-1 200	-1 221
Derivatives	-	-	-80	-19	-	-	-	-	-	-	-80	-19	-80	-19
Other non-current liabilities	-	-	-	-	-	-	-	-	-8	-	-8	-	-8	-
	-	-	-80	-19	-	-	-	-	-2 408	-2 715	-2 488	-2 734	-2 488	-2 769
CURRENT LIABILITIES														
Commercial paper programme	-	-	-	-	-	-	-	-	-2 747	-3 383	-2 747	-3 383	-2 747	-3 383
Bank account liabilities	-	-	-	-	-	-	-	-	-94	-26	-94	-26	-94	-26
Derivatives	-11	-6	-56	-18	-	-	-	-	-	-	-67	-25	-67	-25
Accrued interest	-	-	-	-	-	-	-	-	-18	-25	-18	-25	-18	-25
MTN loans	-	-	-	-	-	-	-	-	-331	-	-331	-	-338	-
Other current liabilities	-	-	-	-	-	-	-	-	-11	-11	-11	-11	-11	-11
	-11	-6	-56	-18	-	-	-	-	-3 201	-3 445	-3 269	-3 470	-3 275	-3 470
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT														
Other shares and participating interests	-	-	-	-	-	-	-	4	9	-	-	4	9	-
Trade receivables	-	-	-	-	2 328	2 103	-	-	-	-	2 328	2 103	2 328	2 103
Derivatives (recognised among operating receivables)	3	2	10	19	-	-	-	-	-	-	13	21	13	21
Trade payables	-	-	-	-	-	-	-	-	-1 882	-2 007	-1 882	-2 007	-1 882	-2 007
Derivatives (recognised among operating receivables)	-38	-15	-247	-98	-	-	-	-	-	-	-286	-112	-286	-112
Total financial instruments	-41	-14	-374	-111	2 572	2 420	4	9	-7 491	-8 167	-5 330	-5 863	-5 340	-5 907

Parent company	DERIVATIVES RECOGNISED AT FAIR VALUE THROUGH PROFIT/LOSS		DERIVATIVES WITH HEDGE ACCOUNTING		TRADE RECEIVABLES AND LOAN RECEIVABLES		AVAILABLE- FOR-SALE ASSETS		OTHER LIABILITIES		TOTAL CARRYING AMOUNT		FAIR VALUE	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
FINANCIAL INSTRUMENTS INCLUDED IN NET FINANCIAL DEBT														
NON-CURRENT RECEIVABLES														
Derivatives	-	-	-	-	5	-	-	-	-	-	5	-	5	-
Receivables from Group companies	-	-	-	-	3 234	2 632	-	-	-	-	3 234	2 632	3 234	2 632
Other financial receivables	-	-	-	-	96	79	-	-	-	-	96	79	96	79
	-	-	-	-	5	3 329	2 711	-	-	-	3 329	2 715	3 329	2 715
CURRENT FINANCIAL RECEIVABLES														
Accrued interest	-	-	-	-	0	1	-	-	-	-	0	1	0	1
Derivatives	5	5	-	1	-	-	-	-	-	-	5	6	5	6
Other financial receivables	-	-	-	-	17	17	-	-	-	-	17	17	17	17
	5	5	-	1	17	18	-	-	-	-	22	24	22	24
CASH AND CASH EQUIVALENTS														
Bank balances	-	-	-	-	115	213	-	-	-	-	115	213	115	213
	-	-	-	-	115	213	-	-	-	-	115	213	115	213
NON-CURRENT LIABILITIES														
MTN loans	-	-	-	-	-	-	-	-	-1 200	-1 512	-1 200	-1 512	-1 200	-1 529
Loans from banks and other credit institutions	-	-	-	-	-	-	-	-	-1 200	-1 201	-1 200	-1 201	-1 200	-1 218
Liabilities to Group companies	-	-	-	-	-	-	-	-	-418	-1 215	-418	-1 215	-418	-1 215
Derivatives	-	-	-80	-19	-	-	-	-	-	-	-80	-19	-80	-19
	-	-	-80	-19	-	-	-	-	-2 818	-3 928	-2 898	-3 948	-2 898	-3 982
CURRENT LIABILITIES														
Commercial paper programme	-	-	-	-	-	-	-	-	-2 747	-3 383	-2 747	-3 383	-2 747	-3 383
Bank account liabilities	-	-	-	-	-	-	-	-	-93	-25	-93	-25	-93	-25
Derivatives	-11	-6	-56	-18	-	-	-	-	-	-	-67	-25	-67	-25
Accrued interest	-	-	-	-	-	-	-	-	-18	-25	-18	-25	-18	-25
MTN loans	-	-	-	-	-	-	-	-	-331	-	-331	-	-338	-
Other current liabilities	-	-	-	-	-	-	-	-	-6	-6	-6	-6	-6	-6
	-11	-6	-56	-18	-	-	-	-	-3 196	-3 440	-3 263	-3 464	-3 269	-3 464
FINANCIAL INSTRUMENTS NOT INCLUDED IN NET FINANCIAL DEBT														
Other shares and participating interests	-	-	-	-	-	-	1	1	-	-	1	1	-	-
Trade receivables	-	-	-	-	1 921	1 790	-	-	-	-	1 921	1 790	1 921	1 790
Derivatives (recognised among operating receivables)	3	3	10	21	-	-	-	-	-	-	13	23	13	23
Trade payables	-	-	-	-	-	-	-	-	-1 855	-1 738	-1 855	-1 738	-1 855	-1 738
Derivatives (recognised among operating receivables)	-41	-16	-251	-174	-	-	-	-	-	-	-292	-190	-292	-190
Total financial instruments	-44	-15	-377	-185	5 382	4 733	1	1	-7 868	-9 106	-2 906	-4 573	-2 913	-4 608

NOTE 14. INVENTORIES

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Raw materials and consumables	906	966	613	644
Timber and pulpwood	277	277	259	260
Finished products and work in progress	1 405	1 295	1 037	996
Felling rights	530	448	516	434
Electricity certificates and emission allowances	79	155	69	144
Total	3 198	3 140	2 494	2 477

During the year, impairment losses on inventories had a positive impact on earnings as a result of a reversal of previous years' impairment losses and amounted to SEK 2 million (60) for the Group and SEK 4 million (50) for the parent company.

NOTE 15. OPERATING RECEIVABLES

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Trade receivables				
Group companies	-	-	80	59
Associates	65	43	61	39
Other	2 263	2 060	1 780	1 692
Total trade receivables	2 328	2 103	1 921	1 790
Current receivables				
Group companies	-	-	-	-
Associates	15	16	5	7
Other	167	168	126	124
Derivatives	13	21	13	23
Prepayments and accrued income	199	219	97	105
Total other operating receivables	394	425	241	259
Total operating receivables	2 721	2 528	2 162	2 050

Trade receivables are recognised at the amount expected to be received, based on an individual assessment of each customer. The Group's trade receivables mainly relate to European customers. Trade receivables denominated in foreign currencies were valued at the balance sheet date. The provision for anticipated credit losses on trade receivables stood at SEK 33 million (47) at 31 December 2014 and it has been recognised, net, together with trade receivables. During the year, the provision was changed by SEK -7 million (-1) as a result of actual credit losses, and by SEK -8 million (15) as a result of changes in the provision for anticipated credit losses.

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

Customer credit risks related to the Group's customers are managed by the relevant business areas and are described in the administration report on page 35.

NOTE 16. EQUITY, PARENT COMPANY

	31 DEC 2014		
SHARE CAPITAL	NUMBER	QUOTIENT	VALUE
			SEKm
Registered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total number of shares	84 756 162		4 237.8
Repurchased class B shares	-760 000		
Total number of shares outstanding	83 996 162		

	31 DEC 2013		
SHARE CAPITAL	NUMBER	QUOTIENT	VALUE
			SEKm
Registered share capital			
Class A	22 623 234	50	1 131.2
Class B	62 132 928	50	3 106.6
Total number of shares	84 756 162		4 237.8
Repurchased class B shares	-760 000		
Total number of shares outstanding	83 996 162		

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

At 31 December 2014 the Group's own shareholding was 760 000 shares (760 000). None of the Group's own shares were sold during the year.

Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK -421 million (-200) on parent company equity. In the consolidated accounts, valuation of derivatives and other financial instruments had an impact of SEK -415 million (-125) on equity.

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

The Board proposes that the AGM, to be held on 16 April 2015, approve a dividend of SEK 10 per share. The proposed dividend totals SEK 840 million.

For the previous year, the dividend paid was SEK 9 per share (SEK 756 million).

The debt/equity ratio was 0.28 (0.29).

Neither the parent company nor the subsidiaries are subject to external capital requirements, except for Holmen Försäkring AB, the Group's insurance company, which complies with the Swedish Financial Supervisory Authority's regulations on the ratio between equity and risk. For more details about the Group's capital management and risk management, see the administration report on pages 32–35.

NOTE 17. PENSION PROVISIONS

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

COST RECOGNISED IN PROFIT/LOSS FOR THE YEAR	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Defined benefit plans				
Staff cost	-24	-27	9	-15
Finance costs	-5	-13	3	-2
Total defined benefit plans stated in profit/loss for the year	-29	-39	11	-16
Defined contribution plans				
Staff cost	-119	-124	-107	-115
Total recognised in profit/loss for the year	-148	-163	-96	-131
COST RECOGNISED IN OTHER COMPREHENSIVE INCOME				
	2014	2013		
Return on plan assets excl. recognized interest income	84	73		
Actuarial gains and losses from changes in demographic assumptions	3	-		
Actuarial gains and losses from changes in financial assumptions	-260	-3		
Payroll tax	3	2		
Total recognised in other comprehensive income	-170	72		

The change in the defined benefit obligations and the change in plan assets are specified in the table below. Some 90 per cent of the obligations relate to the pension plans in the UK. The obligations arising out of the pension schemes in the UK are placed in trusts. These are governed by a board consisting of representatives from Holmen and the beneficiaries. Holmen's UK subsidiary has a commitment to cover the deficit that exists over a period of time as agreed between the trust and the company in consultation with its actuary. This period is currently 7 years and is subject to review every 3 years.

OBLIGATIONS	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Obligations at 1 January	-2 016	-1 963	-183	-193
Current service cost	-24	-22	-5	-26
Payroll tax	-2	-5	-	-
Interest costs	-89	-78	3	-2
Actuarial gains/losses	-258	-3	-	-
Contribution by plan participants	-5	-5	-	-
Benefits paid	93	95	27	41
Transferred from provisions	-1	-4	-1	-4
Settlements	0	0	-	-
Exchange differences	-265	-32	-	-
Obligations at 31 December	-2 565	-2 016	-159	-183

Of the Group's total obligations, SEK 22 million (42) refers to those that are not funded, while the rest are wholly or partially funded obligations. Of the parent company's obligations, SEK 11 million (39) are secured under the act on safeguarding pension obligations, Tryggandelagen.

The weighted average duration is 18 years.

PLAN ASSETS	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Fair value of assets at 1 January	1 777	1 608	144	133
Interest income	84	66	-	-
Expected return excl. recognized interest income	84	73	-	-
Real return (parent company)	-	-	14	11
Administration fees	-4	-5	-	-
Contribution by employer	62	53	-	-
Contribution by plan participants	5	5	-	-
Benefits paid	-75	-53	-10	-
Exchange differences	232	31	-	-
Fair value of assets at 31 December	2 165	1 777	148	144
Pension provisions, net	-400	-238	-11	-39

Plan assets by type are as shown below:

PLAN ASSETS	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Equity	1 075	903	58	50
Bonds	1 080	856	86	94
Current fixed income investments	10	19	4	0
	2 165	1 777	148	144

The plan assets do not include any financial instruments issued by Group companies or assets used by the Group. Of shares, 52 per cent relate to the UK, 44 per cent to the rest of Europe and the US and 4 per cent to the rest of the world. Of bonds, 41 per cent relate to government bonds and 59 per cent to corporate bonds.

KEY ACTUARIAL ASSUMPTIONS, GROUP (WEIGHTED AVERAGE), %

	31 Dec 2014	31 Dec 2013
Discount rate	3.6	4.5
Rate of salary increase	3.7	4.0
Rate of price inflation	2.9	3.2

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

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

SENSITIVITY ANALYSIS

	31 Dec 2014	31 Dec 2013
Discount rate (+ 0.5%)	-221	-160
Rate of salary increase (+ 0.5%)	38	33
Rate of price inflation (+ 0.5%)	195	136
Mortality (+1 year in life expectancy)	77	55

The Group's payments into the funded defined benefit plans in 2015 are expected to amount to SEK 61 million.

Multi-employer plans

The year's premiums for pension insurance policies taken out with Alecta amounted to SEK 30 million (31) and are included among staff costs in the income statement. Alecta's surplus can be allocated to policyholders and/or the persons insured. At the end of 2014, Alecta's collective consolidation level was 144 per cent (148).

NOT 18. ÖVRIGA AVSÄTTNINGAR

KONCERNEN	AVSÄTTNING FÖR SKATTER		ANDRA AVSÄTTNINGAR		TOTALT	
	2014	2013	2014	2013	2014	2013
Redovisat värde vid årets ingång	155	86	461	479	616	566
Avsättningar som gjorts under året	0	70	30	82	30	152
Belopp som tagits i anspråk under året	-15	-1	-29	-101	-44	-102
Omräkningsdifferenser	0	0	0	0	0	0
Redovisat värde vid årets utgång	140	155	463	461	603	616
Varav total långfristig del av avsättningarna	140	155	393	397	533	552
Varav total kortfristig del av avsättningarna	0	0	69	64	69	64
MODERBOLAGET						
Redovisat värde vid årets ingång	45	45	651	626	696	671
Avsättningar som gjorts under året	0	0	127	214	127	214
Belopp som tagits i anspråk under året	0	0	-148	-189	-148	-189
Redovisat värde vid årets utgång	45	45	630	651	676	696
Varav total långfristig del av avsättningarna	45	45	466	470	511	515
Varav total kortfristig del av avsättningarna	0	0	164	181	164	181

Andra avsättningar avser främst förpliktelser att återställa miljö samt personal- och omstruktureringskostnader. I moderbolaget ingår även avsättning för framtida åtgärder för återbeskogning efter jorda slutavverkningar, 221 Mkr, vilket normalt utförs inom tre år efter avverkning.

Vid utgången av 2014 fanns cirka 55 Mkr i avsättningar för att täcka kostnader för omstruktureringar. Dessa förväntas i huvudsak att utbetalas under 2015.

NOT 19. RÖRELSESKULDER

	KONCERNEN		MODERBOLAGET	
	2014	2013	2014	2013
Leverantörsskulder				
Koncernföretag	-	-	320	135
Intresseföretag	32	17	-	-
Övriga	1 850	1 990	1 535	1 603
Summa leverantörsskulder	1 882	2 007	1 855	1 738
Kortfristiga skulder				
Koncernföretag	-	-	0	0
Intresseföretag	9	14	9	14
Övriga	136	172	109	139
Derivat	286	112	292	190
Upplupna kostnader och förutbetalda intäkter	665	704	466	554
Summa övriga rörelsесkulder	1 096	1 002	875	897
Totala rörelsесkulder	2 978	3 009	2 730	2 635

Samtliga leverantörsskulder förfaller inom ett år.

Upplupna kostnader och förutbetalda intäkter i moderbolaget består främst av personalkostnader 200 (195) Mkr, inlevererat men ej fakturerat 76 (171) Mkr samt rabatter 36 (40) Mkr. Därav avser 0 Mkr intresseföretag.

Marknadsvärden på derivat avser i allt väsenligt säkringar av framtida kassaflöden. Se not 13.

NOT 20. OPERATIONELL LEASING

	KONCERNEN		MODERBOLAGET		
	2015	2016 -2020	2021- 2015	2016 -2020	2021- 2015
Framtida leasingavgifter	58	76	3	30	47
Nuvärde av framtida leasingavgifter	57	75	3	30	47

Avtalen har en återstående löptid mellan 1 och 10 år. Koncernens framtida leasingavgifter för befintliga leasingavtal uppgick vid utgången av föregående år till 132 Mkr. För moderbolaget var motsvarande belopp 57 Mkr.

Utöver leasingavtal har Holmen tidsbefraktningsavtal avseende fartyg, vilka används för transport av företagets produkter. Två avtal ingicks den 1 januari 2014 och dessa avtal har en återstående löptid om 1 år.

NOT 21. STÄLLDA SÄKERHETER OCH EVENTUALFÖRPLIKTELSER

KONCERNEN	FASTIGHETS- INTECK- NINGAR	ÖVRIGA SÄKERHETER	TOTALT STÄLLD SÄKERHET	TOTALT STÄLLD SÄKERHET	KONCERNEN		MODERBOLAGET	
			2014	2013	2014	2013	2014	2013
För egna skulder	-	-	-	-	-	-	29	32
Finansiella skulder	6	142	149	142	118	113	65	61
Summa	6	142	149	142	118	113	95	93
MODERBOLAGET								
För egna skulder	-	-	-	-				
Finansiella skulder	6	142	149	142				
Summa	6	142	149	142				

Borgen till förmån för koncernföretag
Övriga eventualförförpliktelser

EVENTUALFÖRPLIKTELSER

Med stöd av Miljöbalkens bestämmelser aktualiseras de svenska miljömyndigheterna frågor om markundersökningar och efterbehandling vid nedlagda verksamheter. Ansvaret för efterbehandling avgörs i det enskilda fallet ofta med hjälp av skälgångsbedömning. Holmen har miljörelaterade eventualförförpliktelser som idag inte kan kvantificeras men som i framtiden kan komma att innehåra kostnader.

Ägandet i ett samägt bolag, Varsvik AB, är pantsatt och uppgick vid årsskiftet till 142 (136) Mkr.

Den spanska konkurrensmyndigheten har genomfört en omfattande utredning avseende avfalls- och återvinningsbranschen i landet och i januari 2015 ålagt ett mycket stort antal företag att betala konkurrensskadeavgift. Holmens spanska dotterbolag ingår bland dessa företag och har ålagts att betala 4,8 MEUR. Anledningen är att konkurrensmyndigheten gör gällande att det förelegat ett konkurrensbegränsande samarbete vid insamlingen av papper och kartong i Madrid. Holmens spanska dotterbolag kommer att överlämna beslutet.

NOT 22. NÄRSTÅENDE

Av moderbolagets nettoomsättning 14 077 (14 443) Mkr avser 0,8 (0,7) procent leveranser till koncernföretag. Moderbolagets inköp från koncernföretag uppgick till 1 604 (1 488) Mkr.

Mellan moderbolaget och svenska dotterföretag finns betydande finansiella skulder och fordringar som löper utan ränta.

Moderbolaget har en närländerelation med sina dotterföretag, se not 23.

Enligt avtal har Holmen Paper AB förbundit sig att löpande köpa produkter från Holmen Paper Madrid SL till ett pris baserat på produktionskostnad och kapitalbindning för vidare försäljning till sluttak. Syftet är att optimera verksamheten inom tidningspapper. Holmen Paper ABs köp från Holmen Paper Madrid SL uppgick under 2014 till 1 355 (1 353) Mkr. Då Holmen Paper AB agerar i kommission för Holmen AB redovisas dessa affärer i Holmen AB.

L E Lundbergföretagen AB är en stor aktieägare i Holmen (se sid. 57). Holmen hyr kontorslokaler för 7 (7) Mkr av Fastighets AB L E Lundberg, som är ett koncernföretag till L E Lundbergföretagen AB. Fredrik Lundberg, som är VD och huvudägare i L E Lundbergföretagen, erhöll 2014 ett arvode som styrelseordförande i Holmen om 650 000 kronor.

Transaktioner med närlänta är prissatta på marknadsmässiga villkor. Ägandet i intresseföretag som producerar vatten- och vindkraft ger koncernen rätt att köpa producerad elkraft till självkostnad i förhållande till ägare, vilket innebär att endast ett begränsat resultat uppstår i intresseföretaget. Inköpt elkraft säljs externt till marknadspris och resultatet redovisas i koncernen inom affärsområdet Holmen Energi.

I Spanien köps energi och returpapper från intresseföretag.

Transaktioner med närlänta

KONCERNEN	FÖRSÄLJNING AV VAROR TILL NÄRSTÅENDE		INKÖP AV VAROR FRÅN NÄRSTÅENDE		ÖVRIGT (T EX RÄNTA, UTDELNING)		SKULD TILL NÄRSTÅENDE		FORDRAN PÅ NÄRSTÅENDE	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Intresseföretag	283	242	200	272	3	0	118	70	119	93
Joint venture	4	-	-	-	0	-	-	-	8	-
MODERBOLAGET										
Dotterföretag	113	95	1 604	1 488	555	676	744	1 519	3 314	2 691
Intresseföretag	283	242	115	153	0	1	79	53	98	80
Joint venture	4	-	-	-	4	1	-	-	63	57

För ersättningar till styrelseledamöter, se not 4.

NOT 23. ANDELAR I KONCERNFÖRETAG

MODERBOLAGET		
ACKUMULERADE ANSKAFFNINGSVÄRDEN	2014	2013
Redovisat värde vid årets ingång	17 144	16 682
Inköp	-	0
Ägartillskott	-4	11
Försäljningar	0	-10
Överfört till Intresseföretag och Joint ventures	-	-5
Omföringar	-	466
Utgående balans 31 december	17 141	17 144
ACKUMULERADE UPPSKRIVNINGAR		
Redovisat värde vid årets ingång	-	2 299
Omföringar	-	-2 299
Utgående balans 31 december	-	-

MODERBOLAGET		
ACKUMULERADE NEDSKRIVNINGAR	2014	2013
Redovisat värde vid årets ingång	4 853	6 030
Årets nedskrivning	351	656
Omföringar	-	-1 833
Utgående balans 31 december	5 204	4 853
Redovisat värde vid årets utgång	11 936	12 291

Moderbolagets nedskrivningar av andelar i koncernföretag redovisas i resultaträkningen på raden Resultat från andelar i koncernföretag och avser för 2014 innehavet i den spanska verksamheten.

Moderbolagets direkta innehav av andelar i dotterföretag

ORG. NR.	SÄTE	ANTAL ANDELAR	BOKFÖRT VÄRDE HOS MODERBOLAGET, TKR		BOKFÖRT VÄRDE HOS MODERBOLAGET, TKR	
			ANDEL %*	2014	ANDEL %*	2013
Iggesund Paperboard AB	556088-5294	Hudiksvall	1 000	100	100	100
Holmen Paper AB	556005-6383	Norrköping	100	100	100	100
Holmen Timber AB	556099-0672	Hudiksvall	1 000	100	100	100
Holmen Skog AB	556220-0658	Örnsköldsvik	1 000	100	83	100
Holmen Energi AB	556524-8456	Örnsköldsvik	1 000	100	100	100
Holmens Bruk AB	556537-4286	Stockholm	1 000	100	8 867 852	100
Holmen Försäkring AB	516406-0062	Stockholm	10 000	100	45 304	100
MoDo Capital AB	556499-1668	Stockholm	1 000	100	71 552	100
Holmen Energi Elnät AB	556878-3905	Örnsköldsvik	500	100	50	100
Stavro Vind AB	556953-6153	Stockholm	500	100	7 050	100
Övriga svenska koncernföretag					874	874
Totalt svenska innehav				8 993 165		8 993 165
Holmen France S.A.S., Frankrike	Paris	10 000	100	51	100	3 593
Holmen UK Ltd, Storbritannien	Workington	1 197 100	100	1 518 959	100	1 518 959
Holmen Paper UK Ltd**	London	-	100	-	100	-
Iggesund Paperboard (Workington) Ltd**	Workington	-	100	-	100	-
Holmen GmbH, Tyskland	Hamburg	-	100	655	100	655
Holmen Suecia Holding S.L., Spanien	Madrid	9 448 557	100	1 381 433	100	1 732 340
Holmen Paper Madrid S.L.**	Madrid	-	100	-	100	-
Cartón y Papel Reciclado S.A. (Carpá), Spanien**	Madrid	-	100	-	100	-
Iggesund Paperboard Asia Pte Ltd, Singapore	Singapore	800 000	100	4 273	100	4 273
Holmen B.V., Holland	Amsterdam	35	100	24 498	100	24 498
AS Holmen Mets, Estland	Tallinn	500	100	-	100	-
Iggesund Paperboard Inc, USA	Lyndhurst	1 000	100	6 899	100	6 899
Iggesund Paperboard Asia (HK) Ltd, Kina	Hong Kong	4 000 000	100	4 812	100	4 812
Övriga utländska koncernföretag				1 433		1 433
Totalt utländska innehav				2 943 013		3 297 462
Totalt				11 936 178		12 290 627

*Ägarandel överensstämmer med andel av rösterna för totalt antal aktier. **Indirekt innehav.

NOT 24. OBESKATTADE RESERVER

ACKUMULERADE AVSKRIVNINGAR UTÖVER PLAN	MODERBOLAGET		
	2014-12-31	BOKSLUTS- DISPOSITIONER	2013-12-31
Immateriella anläggningstillgångar	1	0	1
Materiella anläggningstillgångar	2	2	0
Totalt	3	1	1
PERIODISERINGSFONDER			
Taxering 2009	-	-53	53
Taxering 2010	707		707
Taxering 2011	170		170
Taxering 2012	560		560
Taxering 2013	0		0
Taxering 2014	280		280
Taxering 2015	610	610	-
	2 327	557	1 770
Totalt	2 330	559	1 771

Erhålla koncernbidrag uppgick till 1 777 (531) Mkr och lämnade koncernbidrag uppgick till 0 (-1) Mkr. Totala bokslutsdispositioner i resultatet uppgick till 1 219 Mkr.

NOT 25. KASSAFLÖDESANALYS

BETALDA RÄNTOR OCH ERHÄLLEN UTDELNING	KONCERNEN		MODERBOLAGET	
	2014	2013	2014	2013
Erhållen utdelning	0	-	546	671
Erhållen ränta	1	4	15	5
Betald ränta	-130	-201	-127	-195
Totalt	-129	-197	433	481

FÖRÄNDRING AV KORTFRISTIGA SKULDER

Förändring av kortfristiga skulder avser till största delen upplåning under koncernens certifikatsprogram. Under koncernens certifikatprogram låndades det 2014 kortfristigt sammanlagt 9 435 (8 121) Mkr uppdelat på flera olika lån, och återbetalades 10 071 (8 120) Mkr. För sammansättning av likvida medel, se not 13.

NOT 26. VIKTIGA BEDÖMNINGAR OCH UPPSKATTNINGAR

Upprättande av finansiella rapporter kräver att företagsledningen gör bedömningar och uppskattningar som påverkar de redovisade beloppen. De bedömningar och uppskattningar som enligt företagsledningen är väsentliga för redovisade belopp i årsredovisningen, och där det finns en betydande risk att framtidta händelser och ny information kan förändra dessa bedömningar och uppskattningar, inkluderar främst:

BIOLOGISKA TILLGÅNGAR

Holmens bedömning är att det saknas relevanta marknadspriser som kan användas för att värdera skogsinnehav av Holmens storlek. Värderingen görs därför genom att beräkna nuvärdet av framtida förväntade kassaflöden från den växande skogen. De mest väsentliga uppskattningar som görs vid värderingen är hur mycket avverkningen kan ökas i framtiden, hur priserna på massaved och timmer kommer att utvecklas, hur stor kostnadsinflationen kommer att bli samt vilken diskonteringsränta som används. I not 11 redogörs för känsligheten i värderingar för förändringar av dessa uppskattningar. Per 2014-12-31 uppgick det redovisade värdet av biologiska tillgångar till 16 867 Mkr och den tillhörande uppskjutna skatteskulden till 3 718 Mkr, netto 13 149 Mkr.

SKATT

Vid årskifte fanns skattemässiga underskottsavdrag och temporära skillnader motsvarande cirka 700 Mkr i skatt som inte redovisats i koncernen utifrån bedömningsgrunden att utnyttjandet måste vara troligt. Se not 7.

PENSIONER

Koncernens avsättning för pensioner uppgår till 400 Mkr baserat på förmånsbaserade pensionsförpliktelser välderade till 2 565 Mkr och förvaltningstillgångar avsatta för att täcka dessa om 2 165 Mkr. Värdet av pensionsförpliktelser beräknas utifrån antaganden om diskonteringsränta, inflation, framtida löneökningar och demografiska faktorer. Dessa antaganden uppdateras normalt årsvis vilket påverkar den redovisade pensionsskuldens storlek och eget kapital samt det kommande årets redovisade pensionskostnad. Se not 17.

MILJÖ

Avsättningar för kostnader för miljörelaterade insatser som sammanhänger med tidigare verksamhet har gjorts utifrån bedömningar över framtida återställande kostnad. Därutöver bedöms det finnas ett ansvar för miljörelaterade insatser som idag inte kan kvantifieras men som i framtiden kan komma att innebära kostnader. Se not 21.

NEDSKRIVNINGSPRÖVNING

Nedskrivningsprövningar utförs årligen. Under 2014 har nedskrivning av materiella anläggningstillgångar gjorts inom affärsområdet Holmen Timber med -450 Mkr. Nedskrivningen baseras på beräkningar av återvinningsvärdet utifrån antaganden om framtida utveckling för pris, volym och kostnader samt beräknad marknadsmässig kapitalkostnad. Se not 10. Förändringar av förutsättningarna kan komma att påverka det beräknade återvinningsvärdet vid kommande nedskrivningsprövningar.

PROPOSED APPROPRIATION OF PROFITS

	SEK
The following earnings of the parent company are at the disposal of the Annual General Meeting:	
Net profit for the 2014 financial year	1 870 035 055
Retained earnings	2 690 922 750
	4 560 957 805
The Board of Directors proposes that a dividend of SEK 10 per share (83 996 162 shares) be paid to the shareholders	839 961 620
and that the remaining amount be carried forward	3 720 996 185

The Board of Holmen AB has proposed that the 2015 Annual General Meeting resolve in favour of paying a dividend of SEK 10 per share – SEK 1 per share higher than the preceding year – totalling SEK 840 million. The proposal complies with the Board's policy, in that decisions on dividends are to be based on an appraisal of the Group's profitability, future investment plans and financial position.

The proposed dividend corresponds to 93 per cent of net profit for 2014 for the Group and means that 4 per cent of equity in the Group at 31 December 2014 will be paid out by way of dividend.

The Board has established that the Group should have a strong financial position with a debt/equity ratio – defined as net financial debt in relation to equity – at a maximum of 0.5. The debt/equity ratio at 31 December 2014 was 0.28. Payment of the proposed dividend would raise the debt/equity ratio by around 0.05.

Holmen AB's equity at 31 December 2014 amounted to SEK 10 476 million, of which non-restricted equity was SEK 4 561 million. Assets and liabilities measured at fair value according to Chapter 4 Section 14a of the Swedish Annual Accounts Act had an impact of SEK -421 million on equity. The Group's equity at 31 December 2014 amounted to SEK 20 969 million. In accordance with IFRS, no distinction is made at Group level between restricted and non-restricted equity.

The Board considers that payment of a dividend of the amount proposed is justifiable in view of the demands made on the company and the Group by the nature, extent and risks associated with the business in terms of the amount of equity required, and taking into account the need for

consolidation, liquidity and financial position in other respects. The financial position will remain strong after payment of the proposed dividend and is considered to be fully adequate to enable the company to fulfil its obligations in both the short and the long term, as well as to finance such investments as may be necessary.

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

The annual report and the Group's consolidated accounts were approved for publication by the Board in its decision of 20 February 2015. The Group's consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting to be held on 16 April 2015.

Stockholm, 20 February 2015

Fredrik Lundberg

Chairman

Lars G Josefsson

Board member

Ulf Lundahl

Board member

Carl Bennet

Board member

Carl Kempe

Deputy chairman

Göran Lundin

Board member

Steewe Björklundh

Board member

Louise Lindh

Board member

Karin Norin

Board member

Kenneth Johansson

Board member

Henrik Sjölund

Board member and
Chief executive officer

Our audit report was submitted on 23 February 2015.

KPMG AB

George Pettersson

Authorised public accountant

AUDIT REPORT

To the annual meeting of the shareholders of Holmen Aktiebolag (publ), corp. id. 556001-3301

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Holmen Aktiebolag (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 6–90.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of

31 December 2014 and of their financial performance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Holmen Aktiebolag (publ) for the year 2014.

Responsibilities of the Board of Directors and the CEO

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, 23 February 2015

KPMG AB

George Pettersson

Authorised public accountant

ASSURANCE REPORT

Holmen's Sustainability Report, as defined on page 37 of Holmen's Annual Report 2014, has been subject to a limited review in accordance with RevR 6 Assurance of Sustainability Reports, issued by FAR.

For a complete assurance report on the Sustainability Report, please see the Holmen website. The assurance report contains the following conclusion:

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Group management.

Stockholm, 23 February 2015

KPMG AB

George Pettersson

Authorized public accountant

Jenny Fransson

Expert member of FAR



Skärnäs Terminal, Iggesund

FIVE-YEAR REVIEW, SUSTAINABILITY

Data from all parts of the Group is collected, collated, quality-assured and evaluated. The key indicators for HR and environmental data are those in common use in the industry. No material changes have been made to the principles of reporting in comparison with previous years.

As some of the details provided in this report had already been collected by the end of the

year it refers to, it might differ slightly from the information finally reported to the authorities.

The licensing authorities' conditions relating to emissions to air and water stipulate regular sampling in accordance with specific rules.

Holmen reports its environmental data to the supervisory authorities monthly and annually. All reporting to Swedish authorities is made available to the public under the prin-

ciple of public access to documents. Data from all the mills is reported to the EU annually.

Holmen reports its expenditure on environmental protection in accordance with guidelines from Statistics Sweden (SCB).

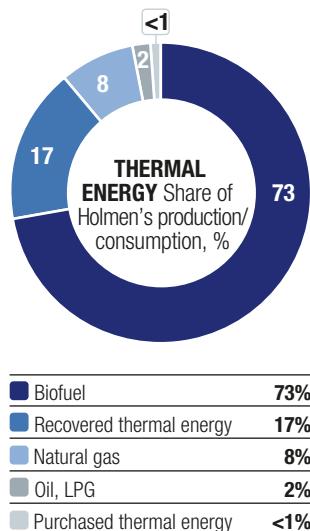
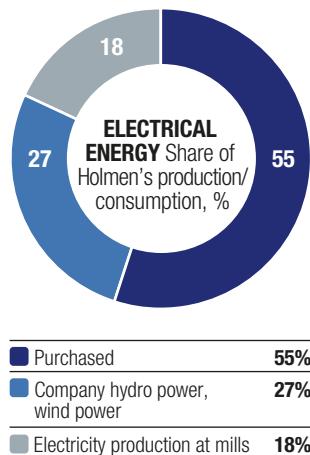
PERSONNEL	2014	2013	2012	2011	2010
EMPLOYEES					
Average number	3 359	3 718	3 945	4 041	4 241
of whom women, %	19.2	19.3	19.3	19.2	19.0
of whom temporary employees, %	7.9	7.7	6.9	6.6	6.7
Average age ¹⁾	46.8	46.8	45.9	46.1	45.8
SICKNESS ABSENCE²⁾, %					
Total	3.9	3.6	3.4	3.5	3.5
of which longer than 60 days	1.7	1.3	1.1	1.2	1.1
Good health index (proportion of employees with no sick leave during the year)	50	47	48	48	47
GENDER EQUALITY¹⁾, %					
Women managers out of total number of managers	20.9	20.3 ³⁾	20.3	19.1	16.5
Women joining the company out of total new employees	31	37	24	26	18
EDUCATION¹⁾, %					
Compulsory education	14	18	17	18	19
Upper-secondary school	59	58	60	60	60
Higher education, at least 2 years	27	25	23	22	21
Graduates, proportion of new employees	27	26	26	19	15
Women as proportion of recruited graduates	49	53	67	68	68
STAFF TURNOVER¹⁾, %					
Staff turnover	7.2	11.5	8.5	8.9	9.3
of which given notice	2.0	6.2	2.7	3.5	3.7
of which retiring	2.2	1.7	2.6	1.9	3.9
of which leaving at own request	3.0	3.6	2.9	3.5	1.7
New employees	5.1	3.4	3.6	4.4	3.3
NUMBER OF INDUSTRIAL ACCIDENTS					
Industrial accidents, more than 8 hours of absence, per million hours worked	6.5	8.4	11.6	11.3	14.6
UNION COOPERATION²⁾					
Employees covered by collective bargaining agreements	97	98	95	96	97
Rate of union membership	70	72	72	71	70

1) Relates to permanent employees.

2) Relates to permanent and temporary employees.

3) Figure adjusted since 2013.

PRODUCTION AND ENVIRONMENT	2014	2013	2012	2011	2010
<i>INTERNAL SUPPLY OF RAW MATERIALS</i>					
Harvesting in company forests, '000 m ³ sub	3 297	3 465	3 211	2 988	2 999
Electricity production, hydro and wind power, GWh	1 113	1 041	1 353	1 235	1 149
<i>PRODUCTION, '000 TONNES</i>					
Paperboard	500	478	492	480	474
Market pulp	67	50	35	42	40
Printing paper	1 325	1 545	1 658	1 673	1 713
Sawn timber, '000 m ³	742	710	651	560	285
<i>RAW MATERIALS, '000 TONNES</i>					
Wood, million m ³ sub ¹	5.16	5.25	5.19	4.94	4.44
Recovered fibre	439	543	630	683	790
Purchased pulp	75	99	108	118	118
Thermal energy, GWh	6 224	6 451	5 833	5 602	5 839
Electrical energy, GWh	4 067	4 420	4 603	4 588	4 625
Water use, million m ³	74	77	77	82	82
Process wastewater, cooling and seal water ² , million m ³	73	75	74	80	55
Plastic granules/foiling material	2.1	2.6	2.3	2.1	2.3
Chemicals ³	146	146	145	140	153
Filler, pigment ³	147	178	175	177	204
<i>THERMAL ENERGY, GWh</i>					
Production at mills from recovered liquors, bark and wood residues	4 532	4 156	2 880	2 874	2 942
Recovered in the TMP process ⁴	1 068	1 117	1 171	1 201	1 152
Natural gas, oil and purchased ⁵	619	1 178	1 783	1 527	1 744
<i>ELECTRICAL ENERGY, GWh</i>					
Company hydro power	1 048	1 008	1 343	1 230	1 145
Company wind power	65	33	10	5	4
Production at mills	740	769	563	440	481
Purchased ⁶	2 214	2 610	2 687	2 913	2 995
<i>EMISSIONS TO AIR, TONNES</i>					
Sulphur dioxide (counted as sulphur, S)	57	91	116	132	176
Nitrogen oxides	1 181	1 557	1 664	1 468	1 465
Particulates	29	52	84	120	98
Carbon dioxide, '000 tonnes					
-Fossil	126	254	330	259	302
-Biogenic	1 551	1 449	1 064	1 073	1 082
<i>EMISSIONS TO WATER, TONNES</i>					
COD (organic matter), '000 tonnes	20.4	20.4	18.9	19.8	19.2
Suspended solids, '000 tonnes	3.6	4.3	3.2	3.7	3.5
AOX (chlorinated organic matter)	54.3	46.5	47.7	54.3	53.6
Nitrogen	203	215	242	250	243
Phosphorus	19.0	15.0	15.7	15.7	14.7
<i>BY-PRODUCTS, '000 TONNES</i>					
To energy production, internally/externally	767	885	865	747	553
<i>WASTE, '000 TONNES</i>					
Utilised or for recovering ⁷	296	367	380	398	432
Hazardous ⁸	1.6	2.4	2.4	2.0	2.1
Sent to landfill (wet)	5.6	12	16	18	24
<i>DELIVERIES</i>					
Branches, treetops and peat, GWh ⁹	275	294	297	305	328
Electrical and thermal energy, GWh ¹⁰	315	199	202	182	123
Tall oil, '000 tonnes ¹¹	13.2	13.0	12.3	8.4	4.4



ELECTRICAL ENERGY		2014	2013	2012	2011	2010
SHARE OF HOLMEN'S PRODUCTION/CONSUMPTION, %						
Company hydro power/wind power		27	24	30	27	25
Electricity production at the mills		18	17	12	10	10
Purchased electricity		55	59	58	63	65
THERMAL ENERGY		2014	2013	2012	2011	2010
SHARE OF HOLMEN'S PRODUCTION/CONSUMPTION, %						
Biofuel		73	64	49	51	50
Recovered thermal energy		17	17	20	21	20
Natural gas		8	12	18	12	15
Oil, LPG		2	6	9	8	8
Purchased thermal energy		<1	<1	4	8	7
ENVIRONMENTAL PROTECTION		2014	2013	2012	2011	2010
COSTS/INCOME, SEKm						
Investments (remedial and preventive)		26	122	60	91	50
Electricity and heat-saving investments		320 ¹⁾	300	576	211	52
Environmental taxes and charges ²⁾		10	14	22	23	35
Internal and external environmental costs ³⁾		169	178	196	202	188
Environmental cost of forestry ⁴⁾		70	84	93	90	70
Emission allowances – income ⁵⁾		53	32	20	40	26
Certificates renewable energy – income ⁶⁾		323	285	54	31	56

1) The majority of the stated amount derives from environment-related costs for the construction of the wind farm in Varsvik, in the Municipality of Norrtälje. The amount also includes costs for measures to improve heat recovery at Hallsta Paper Mill, which have led to reduced electricity consumption in the boilers.

2) The stated amount includes costs for waste management, energy tax charged in Sweden on the use of fossil fuels, nitrogen oxide tax and inspection charges.

3) Includes costs of environmental personnel, operation of treatment equipment, waste management, management systems, environmental training, applications for permits, environmental consultants and the costs of inquiries and measures in connection with discontinued operations.

4) The environmental cost of forestry is calculated as the value of the wood that is not harvested for environmental reasons. Holmen sets aside 10 per cent of its productive forest for environmental reasons and thus refrains from harvesting around 10 per cent of the potential volume. The annual loss of income is estimated at around SEK 70 million.

5) The Group has been allotted emission allowances which, for the most part, have been used for its own production. The surplus allowances have been sold.

6) Income from renewable energy certificates received from the production of renewable energy at the Group's mills. The higher income reported for 2013 and 2014 is due to the commissioning of the biofuel boiler at the mill in Workington in early 2013.

Comments on the table on page 94

- 1) At Group level, wood consumption is computed net, taking into account internal deliveries of chips from the sawmills to the nearby mills.
- 2) Process wastewater 55 million m³. Cooling and seal water 18 million m³.
- 3) 100 per cent active substance. Total quantity of commodities was 221 000 tonnes for chemicals and 206 000 tonnes for filler and pigment.
- 4) Thermal energy is produced from the electricity used in the production of thermo-mechanical pulp at Braviken Paper Mill and Hallsta Paper Mill; this is recovered and used in production.
- 5) The reporting includes data for gas consumption and associated emissions linked to Holmen's share of electricity production at the half-owned cogeneration (COGEN) plant at Holmen Paper Madrid. The mill's energy supply was changed in 2014. The current energy plant has led to reduced emissions of nitrogen oxides. The data also includes natural gas and oil used at the mills.
- 6) In 2014, emissions of fossil carbon dioxide from production of purchased electrical energy totalled to just over 12 400 tonnes.
- 7) By-products used, for example, as filling material, construction material or for the production of soil products.
- 8) Hazardous waste is dealt with by an authorised collection and recovery contractor. Certain fractions of the waste are recovered. Oil-containing waste from docking ships is dealt with at port facilities at three Holmen mills. Such waste is included in the figures for hazardous waste. In 2014 the amount of this waste was almost 910 tonnes.
- 9) Branches, treetops and peat delivered from Holmen's land to external energy producers.
- 10) For 2014: 94 GWh electrical energy, delivered from the mill in Workington to the local community, 194 GWh thermal energy, from Iggesund Mill and Braviken Paper Mill to Iggesund Sawmill and Braviken Sawmill, 19 GWh thermal energy from Hallsta Paper Mill and Iggesund Mill to the district heating network of the local communities.
- 11) For delivery to the chemical industry.

TEN-YEAR REVIEW, FINANCE

SEKm	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
INCOME STATEMENT										
Net sales	15 994	16 231	17 852	18 656	17 581	18 071	19 334	19 159	18 592	16 319
Operating costs	-13 270	-13 919	-15 224	-15 501	-15 077	-15 191	-16 614	-15 637	-15 069	-13 287
Profit from investments in associates and joint ventures	-7	3	47	84	28	45	50	12	11	20
Depreciation and amortisation according to plan	-1 265	-1 370	-1 313	-1 260	-1 251	-1 320	-1 343	-1 337	-1 346	-1 167
Change in value of forests	282	264	350	-	52	16	-16	89	115	82
Operating profit/loss excl. items affecting comparability	1 734	1 209	1 713	1 980	1 332	1 620	1 412	2 286	2 303	1 967
Items affecting comparability*	-450	-140	-193	3 593	264	-	-361	557	-	-
Operating profit/loss	1 284	1 069	1 520	5 573	1 596	1 620	1 051	2 843	2 303	1 967
Net financial items	-147	-198	-227	-244	-208	-255	-311	-261	-247	-233
Profit/loss before tax	1 137	871	1 294	5 328	1 388	1 366	740	2 582	2 056	1 734
Tax	-230	-160	559	-1 374	-684	-360	-98	-1 077	-597	-478
Profit/loss for the year	907	711	1 853	3 955	704	1 006	642	1 505	1 459	1 256
Diluted earnings per share, SEK	10.8	8.5	22.1	47.1	8.4	12.0	7.6	17.8	17.2	14.8
<i>NET SALES</i>										
Iggesund Paperboard	5 113	4 618	4 967	5 109	4 849	5 023	4 860	5 100	5 240	4 860
Holmen Paper	6 247	7 148	8 144	8 631	8 142	9 303	10 443	10 345	10 140	8 442
Holmen Timber	1 352	1 175	1 129	875	586	553	499	589	465	460
Holmen Skog	5 641	5 694	6 061	6 348	5 585	4 799	5 443	4 775	4 042	3 858
Holmen Energi	1 408	1 648	1 728	1 807	1 932	1 628	1 834	1 590	1 691	1 480
Elimination of intra-group net sales	-3 767	-4 051	-4 178	-4 113	-3 513	-3 236	-3 745	-3 239	-2 986	-2 781
Group	15 994	16 231	17 852	18 656	17 581	18 071	19 334	19 159	18 592	16 319
<i>OPERATING PROFIT/LOSS</i>										
Iggesund Paperboard	674	433	596	863	817	419	320	599	752	626
Holmen Paper	141	-309	94	228	-618	340	280	623	754	631
Holmen Timber	37	-75	-130	-136	20	21	13	146	80	13
Holmen Skog	817	924	931	739	818	605	632	702	643	537
Holmen Energi	212	371	355	406	495	414	327	272	197	301
Group-wide costs and eliminations	-146	-136	-132	-120	-200	-178	-159	-56	-123	-141
	1 734	1 209	1 713	1 980	1 332	1 620	1 412	2 286	2 303	1 967
Items affecting comparability*	-450	-140	-193	3 593	264	-	-361	557	-	-
Group	1 284	1 069	1 520	5 573	1 596	1 620	1 051	2 843	2 303	1 967
<i>CASH FLOW</i>										
Profit/loss before tax	1 137	871	1 294	5 328	1 388	1 366	740	2 582	2 056	1 734
Adjustment items	1 448	1 056	1 057	-2 561	811	1 163	1 797	629	1 225	914
Income tax paid	-191	210	-434	-557	-704	-334	-192	-390	-664	-516
Changes in working capital	-217	-127	338	-109	28	678	-686	-345	-259	339
Cash flow from operating activities	2 176	2 011	2 254	2 101	1 523	2 873	1 660	2 476	2 358	2 471
Cash flow from investing activities	-834	-869	-1 920	-1 733	-1 597	-818	-1 124	-1 315	-947	-3 029
Cash flow after investments	1 342	1 142	334	368	-74	2 054	536	1 161	1 411	-558
Share buy-back	-	-	-	-	-	-	-138	-	-	-
Dividend paid	-756	-756	-672	-588	-588	-756	-1 017	-1 017	-932	-848

* Items affecting comparability:

2007: Impairment losses of SEK -569 million on goodwill and of SEK -1 034 million on property, plant and equipment within Holmen Paper, reversed impairment losses of SEK 60 million on non-current assets within Holmen Timber, and a positive revaluation of forests of SEK 2 100 million within Holmen Skog.

2008: Closure of Wargön Mill accounted for a cost of SEK -298 million and a cost of SEK -115 million was for the closure of PM 2 at Hallsta Paper Mill. Income of SEK 52 million corresponds to the effects on earnings of the fire at Braviken Paper Mill.

2010: Impairment losses on fixed assets of SEK -555 million, restructuring costs of SEK -231 million and revaluation of forest amounting to an increase of SEK 1 050 million.

2011: Revaluation of forest of SEK 3 593 million.

2012: Impairment loss on non-current assets of SEK -153 million and restructuring costs of SEK -40 million.

2013: Impairment loss on non-current assets and restructuring costs of SEK -140 million.

2014: Impairment loss on non-current assets of SEK -450 million.

For a ten-year review of data per share, see page 56.

SEKm	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
BALANCE SHEET										
Non-current assets	30 221	30 652	30 664	30 335	26 028	25 694	26 507	26 153	25 354	25 793
Current assets	5 964	5 774	6 005	6 642	6 950	6 075	7 268	6 549	6 138	5 709
Financial receivables	62	52	69	128	262	225	175	147	165	132
Cash and cash equivalents	187	275	308	112	193	182	653	394	484	580
Total assets	36 434	36 753	37 046	37 217	33 432	32 176	34 602	33 243	32 141	32 214
Equity	20 969	20 854	20 813	19 773	16 913	16 504	15 641	16 932	16 636	16 007
Deferred tax liability	5 480	5 804	5 504	6 630	5 910	5 045	4 819	5 482	5 030	5 143
Financial liabilities and interest-bearing provisions	6 156	6 443	6 967	6 499	6 227	6 091	8 332	6 518	6 634	7 351
Operating liabilities	3 829	3 653	3 762	4 313	4 383	4 536	5 809	4 311	3 841	3 713
Total equity and liabilities	36 434	36 753	37 046	37 217	33 432	32 176	34 602	33 243	32 141	32 214
<i>OPERATING CAPITAL</i>										
Iggesund Paperboard	6 790	6 863	6 177	5 041	4 313	4 114	4 254	4 180	3 935	3 965
Holmen Paper	4 666	4 810	5 608	6 606	6 954	8 789	10 237	9 971	11 541	11 452
Holmen Timber	901	1 361	1 416	1 507	1 192	396	366	345	208	230
Holmen Skog	17 340	16 813	16 663	16 278	12 597	11 384	11 415	11 264	9 001	8 919
Holmen Energi	3 401	3 357	3 261	3 253	3 235	3 207	3 006	2 960	2 965	2 958
Group-wide and other	-744	-433	-220	-217	93	-963	-1 654	-630	-354	-87
Operating capital	32 354	32 772	32 905	32 469	28 385	26 929	27 623	28 090	27 297	27 437
Deferred tax liability, net	-5 478	-5 802	-5 502	-6 436	-5 700	-4 741	-4 477	-5 181	-4 676	-4 791
Capital employed	26 876	26 970	27 403	26 032	22 684	22 188	23 146	22 909	22 621	22 646
KEY FIGURES										
<i>OPERATING MARGIN, %*</i>										
Iggesund Paperboard	13	9	12	17	17	8	7	12	14	13
Holmen Paper	2	-4	1	3	-8	4	3	6	7	7
Holmen Timber	3	-6	-12	-16	4	4	3	24	17	3
Group	11	7	10	11	8	9	7	12	12	12
<i>RETURN ON OPERATING CAPITAL, %*</i>										
Iggesund Paperboard	10	7	10	19	20	10	8	15	19	16
Holmen Paper	3	neg	2	3	neg	4	3	5	6	6
Holmen Timber	3	neg	neg	neg	3	6	4	64	38	6
Holmen Skog	5	6	6	6	7	5	6	8	7	6
Holmen Energi	6	11	11	13	15	13	11	9	7	10
Group	5	4	5	7	5	6	5	8	8	7
KEY FIGURES										
Return on capital employed, %*	6	4	7	9	6	7	6	10	10	9
Return on equity, %	4	3	9	23	4	6	4	9	9	8
Debt/equity ratio	0.28	0.29	0.32	0.32	0.34	0.34	0.48	0.35	0.36	0.41
DELIVERIES										
Paperboard, '000 tonnes	493	469	485	474	464	477	494	516	536	492
Printing paper, '000 tonnes	1 305	1 574	1 651	1 668	1 732	1 745	2 044	2 025	2 021	1 764
Sawn timber, '000 m ³	725	686	660	487	285	313	266	262	248	229
Harvesting own forests, '000 m ³	3 297	3 465	3 211	2 988	2 999	2 897	2 649	2 575	2 618	2 334
Own production of hydro and wind power, GWh	1 113	1 041	1 353	1 235	1 149	1 090	1 128	1 193	934	1 236

* Excl. items affecting comparability.

DEFINITIONS AND GLOSSARY

DEFINITIONS

Capital employed

Operating capital less the net sum of deferred tax assets and deferred tax liabilities. Average values are calculated on the basis of quarterly data.

Cash flow after investments

Cash flow from operating activities less cash flow from investing activities.

Debt/equity ratio

Net financial debt divided by the sum of equity and any non-controlling interests.

Earnings per share (EPS)

Profit for the year divided by the weighted average number of shares outstanding, adjusted for buy-back of shares, if any, during the year. Diluted EPS means that any diluting effect from outstanding call options has been taken into account.

EBITDA

Earnings before interest, taxes, depreciation, amortisation and change in value of forests, excl. items affecting comparability.

Equity/assets ratio

Equity expressed as a percentage of total assets.

Financial assets

Non-current and current financial receivables and cash and cash equivalents.

Net financial debt

Non-current and current financial liabilities and pension provisions, less financial assets.

Operating capital

Total assets, less financial receivables, cash and cash equivalents, deferred tax assets, operating liabilities, tax provision and other provisions. Average values are calculated on the basis of quarterly data.

Operating margin

Operating profit/loss (excl. items affecting comparability) expressed as a percentage of net sales.

Operating profit

Profit before net financial items and tax.

Return on capital employed

Operating profit/loss (excl. items affecting comparability and transferred operations) expressed as a percentage of average capital employed.

Return on equity

Profit for the year expressed as a percentage of average equity, calculated on the basis of quarterly data.

Return on operating capital

Operating profit/loss (excl. items affecting comparability and transferred operations) expressed as a percentage of average operating capital.

GLOSSARY

Biofuel

Renewable fuels (such as wood, black liquor, bark and tall oil). Fuels that do not generate any net emission of carbon dioxide into the atmosphere, since the quantity of carbon dioxide formed during combustion is part of the carbon cycle.

Bio co-location

A co-location of different operations for more efficient use of raw materials and energy, amongst other benefits.

Bulk

Bulk is a measure of the volume of the paper. Paper with the same grammage may have a different thickness, depending on the bulk of the paper. A high bulk indicates a thick but relatively lightweight paper.

Carbon dioxide (CO₂)

Carbon is the building block of life and is part of all living things. Biogenic carbon dioxide is released when biological material decays or wood is burned. Fossil carbon dioxide is released when coal, oil or natural gas is burned.

COD

Chemical Oxygen Demand. A measure of the amount of oxygen needed for the complete decomposition of organic material in water.

DIP

De-inked pulp. Pulp manufactured from de-inked recovered paper.

FBB Folding Box Board

Multi-layered paperboard made from mechanical and chemical pulp.

Fillers

Fillers, such as ground marble and kaolin clay, are used to give the paper bulk and make it more uniform in structure and brighter.

Fossil fuels

Fuels based on carbon and hydrogen compounds from sediment or sedimentary bedrock – mainly coal, oil and natural gas.

FSC®

Forest Stewardship Council®. FSC® promotes management of the world's forests in a way that is acceptable from three perspectives: environmentally, socially and economically.

GRI

Global Reporting Initiative. International cooperation body, in which many different groups of stakeholders in society have drawn up global guidelines for how companies are to report on activities encompassed by the umbrella term of sustainable development.

Groundwood pulp

Mechanical pulp produced by grinding wood against a grind-stone.

IPPC

Integrated Pollution Prevention and Control. EU environmental legislation about integrated, individual testing and supervision of major industrial companies.

ISO 9001

An international standard for quality management systems. Primarily aimed at companies and organisations that wish to improve two aspects of their operations, i.e. to ensure more satisfied customers and lower costs.

ISO 14001

An international standard for environmental management. Important principles in ISO 14001 include regular environmental audits and a gradual increase in the requirements.

LWC

Lightweight coated wood-containing paper. Mainly used for magazines and catalogues.

LWU

Lightweight uncoated, wood-containing magazine paper. Used primarily for magazines, supplements, catalogues and direct mail.

m³ growing stock, solid over bark

The volume of tree stems, incl. bark, from stump to top. Generally used as a measure for growing forest.

m³sub

Cubic metres solid volume under bark. The actual volume (no gaps between the logs) of whole stems or stemwood excl. bark and treetops. Generally used as a measure for harvested wood.

MWC

Medium-weight coated wood-containing paper. Used for magazines, catalogues and direct mail.

Nitrogen (N)

An element included in wood. Nitrogen emissions to water may cause eutrophication.

Nitrogen oxides (NO_x)

Gases that consist of nitrogen and oxygen that are formed in combustion. In moist air, nitrogen oxides are converted into nitric acid, which creates acid rain. Nitrogen oxides also have a fertilising effect.

OHSAS 18000

A series of international standards regarding a management system for health and safety. The management system includes monitoring, evaluating and reporting on health and safety work.

Particulates

Particles of ash formed in incineration of bark or liquor, for example.

PEFC™

The Programme for the Endorsement of Forest Certification is an international forest standard.

Phosphorus (P)

An element contained in wood. Excessive phosphorus in the water may cause over-fertilisation (eutrophication) and oxygen consumption.

SBB Solid Bleached Board

Multi-layer paperboard made from bleached chemical pulp.

SC paper

Uncoated, super calendered paper with high gloss surface. Used for magazines, catalogues and direct mail.

Sulphate pulp

Chemical pulp that is produced by boiling wood under high pressure and at a high temperature together with white liquor (sodium hydroxide and sodium sulphide).

Sulphur dioxide (SO₂)

A gas consisting of sulphur and oxygen that is formed in combustion of sulphur-containing fuels, such as oil. In contact with moist air, sulphur dioxide is converted into nitric acid, which creates acid rain.

Suspended solids

Waterborne substances consisting of fibres and particles that can largely be removed using a fine mesh filter.

Tall oil

By-product of the sulphate pulp process used for making soft soap, paints, biodiesel and other products.

TMP

Thermo-mechanical pulp. Obtained by heating spruce chips and then grinding them in refiners.



INFORMATION

The interim and year-end reports are presented at press and teleconferences in English. The conferences can also be accessed live on Holmen's website.

The annual report, together with year-end and interim reports, is published in Swedish and English and the reports are sent automatically to the shareholders who have indicated their wish to receive them. They are also available on the website www.holmen.com

How to order printed material:

- www.holmen.com
- Holmen AB, Group Communications, P.O. Box 5407, SE-114 84 Stockholm, Sweden
- e-mail info@holmen.com
- telephone +46 8 666 21 00

CALENDAR

For 2015 Holmen will publish the following financial reports:

- 8/5 **Interim report January–March**
- 13/8 **Interim report January–June**
- 5/11 **Interim report January–September**
- 2016
5/2 **Year-end report**

The cover is printed on Invercote® Creato 260 gsm. It is matt laminated and partially UV-varnished. **The insert** is printed on Holmen TRND, 2,0 – 80 gsm.

Layout: BYN Kommunikationsbyrå AB. **Graphic production:** Gylling Produktion AB.

Photos: Ulla-Carin Ekblom, Rolf Lavergren, Liam Melton, Carl Hjelte, Viktor J Fremling, Jan Jansson, Teknomedia, Lasse Hejdenberg and others. **Print:** Åtta.45

HOLMEN

Holmen AB (publ)
P.O. Box 5407, SE-114 84 STOCKHOLM, SWEDEN
Tel +46 8 666 21 00
E-mail info@holmen.com • www.holmen.com
ID no. 556001-3301 • Registered office Stockholm

100% Holmen-produced paper

This entire annual report is made using Holmen's own products. The cover is printed on **Invercote Creato**, manufactured at Iggesund Mill. This is a paperboard with high whiteness and a smooth, matt surface. Both sides are fully coated. The paperboard is built up in several layers, making it ideal for graphical products where the focus is on designing and embossing the surface for first-class results. The insert is printed on **Holmen TRND**, which is manufactured at Hallsta Paper Mill. This is an uncoated, matt magazine paper that offers a wide range of options in terms of bulk, grammage and shade. Both Holmen TRND and Invercote Creato are made from virgin fibre.