



Welcome to the
2010 Annual General Meeting

HOLMEN

Magnus Hall
President & CEO

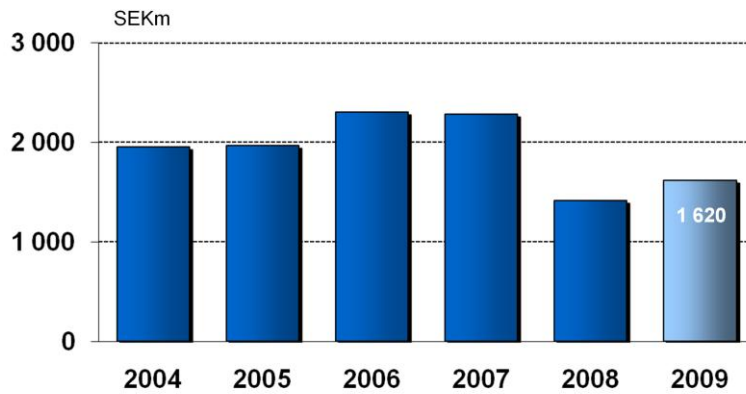


Mr chairman, esteemed shareholders, ladies and gentlemen!

Today we're going to summarise 2009 and thereby add another year to Holmen's history. A year in which Holmen celebrated its 400th anniversary, but also a year that was characterised by the global financial crisis that struck in autumn 2008.

It was a tough year, and the economic crisis made an impact on Holmen's business areas. Thanks to good planning, we have been able to deal with the challenges through dynamic and carefully considered action.

Holmen Operating profit

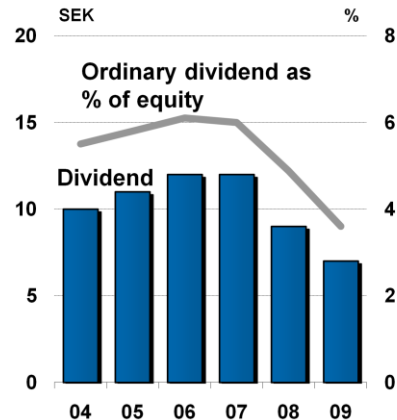


Holmen's operating profit was somewhat better for the past year than for 2008. This was achieved despite the global recession, which entailed a drop in demand of more than 10 per cent for printing paper and consumer paperboard. In turn, this led to production cutbacks.

For Holmen, these negative trends were offset with higher prices, lower fibre costs and a favourable currency situation. This helped the year's profit after tax to reach SEK 1 006 million, compared to SEK 642 million in the preceding year.

Net sales declined from SEK 19.3 billion to SEK 18.1 billion, while operating profit before items affecting comparability rose from SEK 1.4 billion to SEK 1.6 billion.

Profitability and dividend



Despite the improved operating profit, the Board proposes lowering the dividend from SEK 9 to SEK 7 per share. The reasons for this proposal are the prevailing uncertainty in the market for newsprint and the company's coming investments – by which I primarily mean construction of the new sawmill at Braviken.

The Board has also reviewed the company's dividend policy. From now on, the dividend will be based on an appraisal of the Group's profitability, future investment plans and the goal of having a robust financial position.

I will now comment on the situation in each business area.

Holmen Paper



I would like to start with Holmen Paper, which is our business area for newsprint and magazine, book and directory paper and the fifth-largest printing paper manufacturer in Europe.

Newsprint Europe

Market growth, %



	2007	2008	2009
Demand	0	-3	-14
Imports	+61	-16	-19

Source: Cepiprint

It's no secret that the situation for printing paper is currently very difficult. The imbalance in the market is extremely unfortunate and the overcapacity in the European newsprint market is estimated to be about 1–1.5 million tonnes/year. In addition, another new paper machine will be commissioned in continental Europe in 2011.

The reductions in demand are therefore being met by increases in production capacity, although the opposite should apply. The industry faces a need to change its production structure.



Holmen Paper has a clear strategy in this respect. A gradual harmonisation with market conditions involves quality improvements and adaptation of production through measures such as cutbacks, efficiency enhancements and cost reductions.

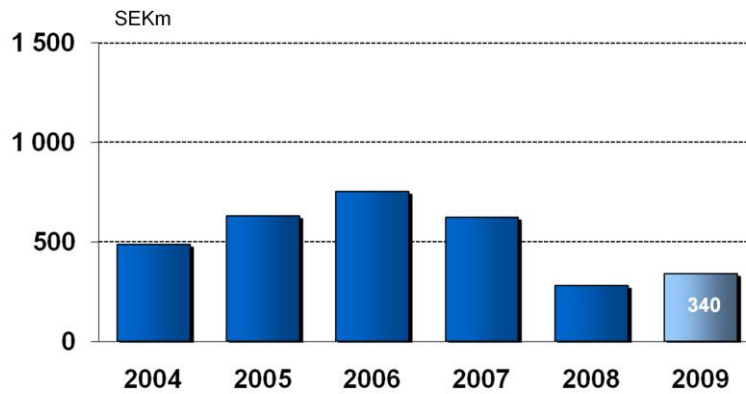
The closure of Wargön Mill and the shutdown of a paper machine and the recovered paper line at Hallsta Paper Mill in 2008 were followed in 2009 by further streamlining at Braviken Paper Mill, where the number of employees will now be reduced by about 100.

The new pulp line at Braviken has resulted in a dramatic drop in energy consumption.

Despite a weak order book, the mill in Madrid has worked on improving its productivity and it broke a speed record for producing newsprint at the start of 2010.

Production at Hallsta Paper Mill was adapted to increase the volume of book paper.

Holmen Paper Operating profit



Holmen Paper's deliveries decreased by about 15 per cent in 2009, but operating profit increased compared to the preceding year and reached SEK 340 million, excluding items affecting comparability.

Higher selling prices counteracted the negative effects on profit of the production cutbacks.



But does the future look totally bleak for the paper industry? Personally I find that hard to believe! On the contrary, various facts speak in favour of paper – not least for climate reasons.

A few examples:

One argument for the much-discussed digital e-book reader has been that it is supposed to be more environmentally friendly than books made of paper.

A study from the Centre for Sustainable Communication at KTH, the Royal Institute of Technology, shows that for the e-book reader to have better environmental credentials, you would need to read at least 33 e-books, of 360 pages each. Maybe some people will start using e-book readers instead of paper books, but it is hardly better for the environment.

Many people put a notice stating “No advertising, thank you” on their letterboxes and think that they are thereby doing the environment a favour. But many don’t know that the trees we use for making paper are immediately replaced through replanting, and that all paper is recycled if you take it to a recycling station or have it collected for recycling. Direct mail is also an important catalyst in today’s modern retail trade.

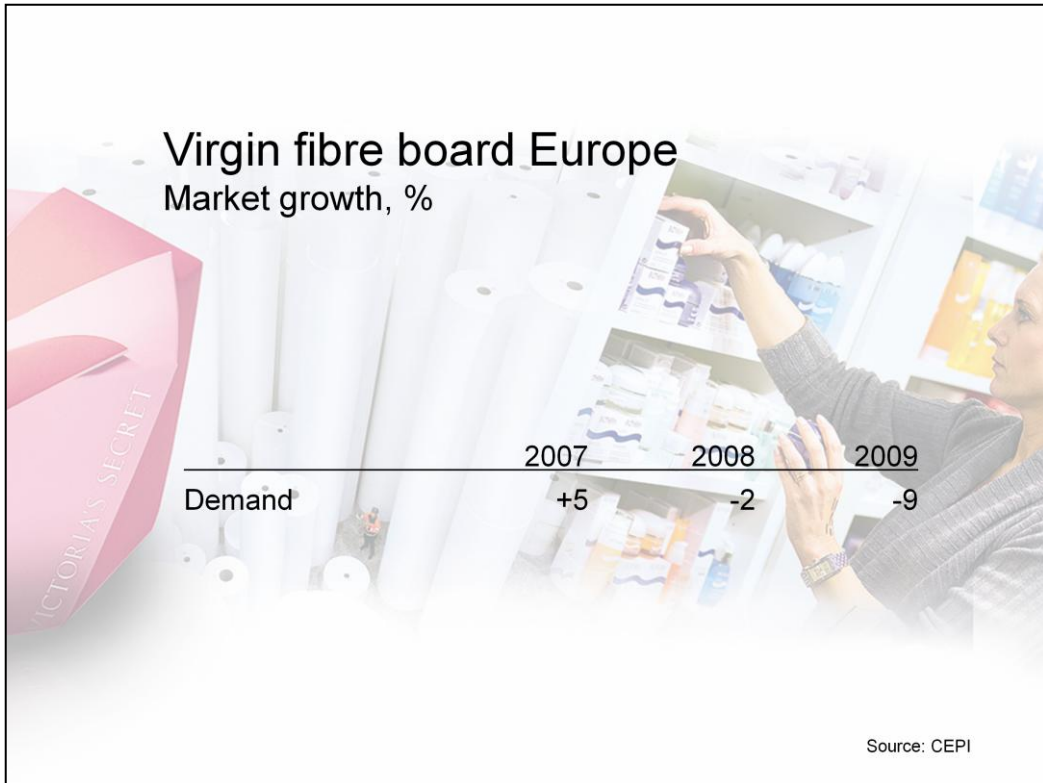


I would rather see a sign stating “Advertising welcomed!”
For those of you who share my support of paper, we have produced alternative letterbox stickers that you can take with you on your way out.

Iggesund Paperboard



I would now like to continue with Iggesund Paperboard, which is our business area for virgin-fibre-based consumer paperboard and the third-largest manufacturer in Europe.

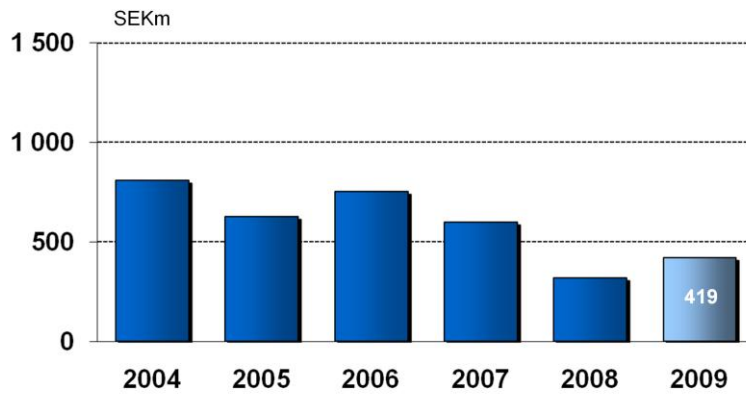


Iggesund Paperboard's deliveries were down 3 per cent during the year compared to 2008, while the European market fell by 9 per cent.

The order book for paperboard was weak in early 2009, but grew stronger during the year. We do not currently see any indication of a weakening in the market. Instead a balanced situation prevails, which gives us great confidence and opportunities for price adjustments.

Prices were also increased during the past year for solid bleached board and folding boxboard. Iggesund Paperboard implemented price rises for folding boxboard in the UK market during the autumn.

Iggesund Paperboard Operating profit



Operating profit for Iggesund Paperboard rose from SEK 320 million to SEK 419 million. The improvement was thanks to the price rises implemented in the second half of the year, along with a weaker pound and Swedish krona.

Production cutbacks and high manufacturing costs adversely affected the result, and costs related to the closure of a board machine at Workington Mill had a negative impact of SEK 75 million.



Our Invercote and Incada brands maintain a leading position in the European paperboard market.

Here, you can see a selection of fantastic consumer packaging solutions that are based on our paperboard.

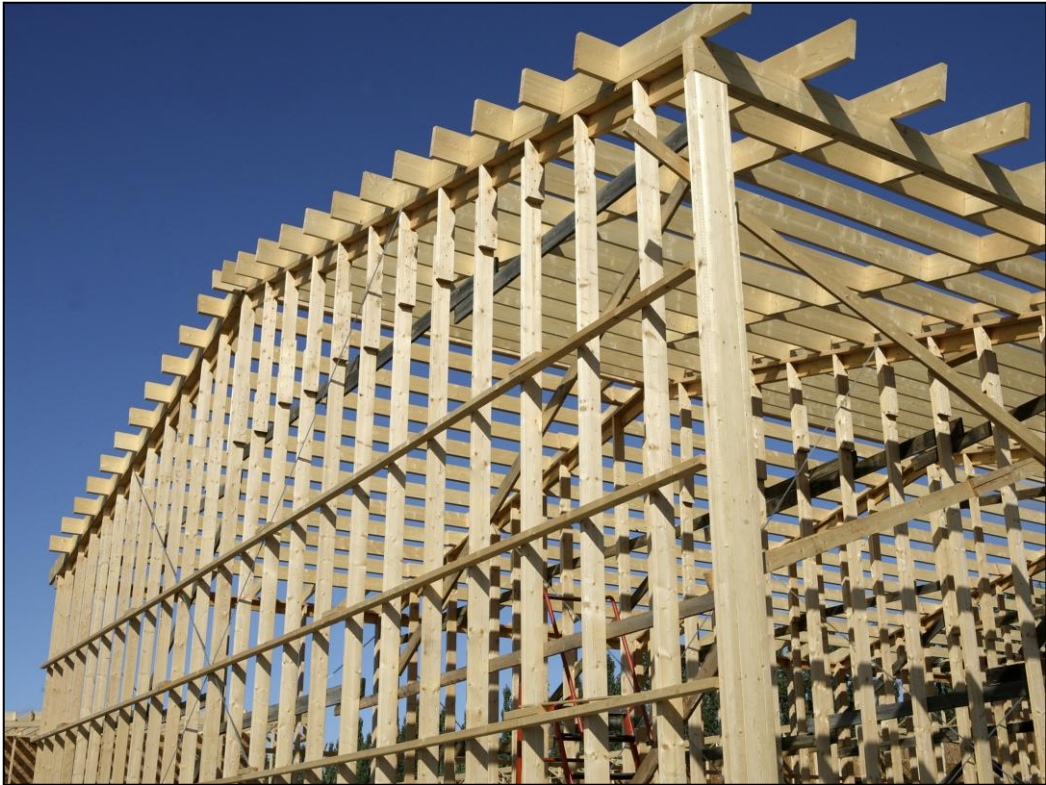
Customers continue to show confidence in us because of our ongoing development work. Efficiency improvements are also underway with the aim of lowering costs. As part of this action, Holmen shut down the oldest board machine at Workington Mill in December 2009 and upgraded the capacity of the remaining machine. These measures move us towards a higher quality segment in the market and boost our competitiveness.

Annual capacity at Workington Mill has thus been reduced from 250 000 tonnes to 200 000 tonnes, which entails staff cuts affecting about 100 people.

Holmen Timber



And now we come to Holmen Timber, which makes pine sawn timber, but the near future the business area will also supply spruce construction timber.



Wood is increasingly used in construction!

Short construction periods, low energy consumption and climate benefits are a few of the strong arguments that explain why construction using wood is rapidly gaining ground worldwide.

Two thirds of Swedish municipalities have started major wooden construction projects in recent years to build apartment blocks, sports halls and other public buildings.

Sweden's first wooden multi-storey car park, with four storeys above ground, was recently opened in Skellefteå in northern Sweden. A nine-storey building with a wooden frame has been constructed in London.



About 120 wooden bridges are built in Sweden each year. Here you can see the new 123-metre-long wooden bridge at Iggesund Mill. It consists of approximately 350 cubic metres of glue-laminated wood, much of which is from Holmen's forests.

New markets are emerging: Swedish exports of sawn timber to North Africa rose by 45 per cent in 2009. In China – where wood is relatively uncommon as a building material – interest is growing and major efforts are underway to introduce and illustrate the many advantages of wood. In conjunction with this summer's World Expo in Shanghai, several activities will focus on this.

In addition, in the aftermath of the earthquake in Italy about two years ago, it emerged that the buildings made of wood were the most durable. This was experience gained the hard way, but it may lead to an increase in the construction of buildings using wood, and can hopefully help to mitigate the impact of future natural disasters.

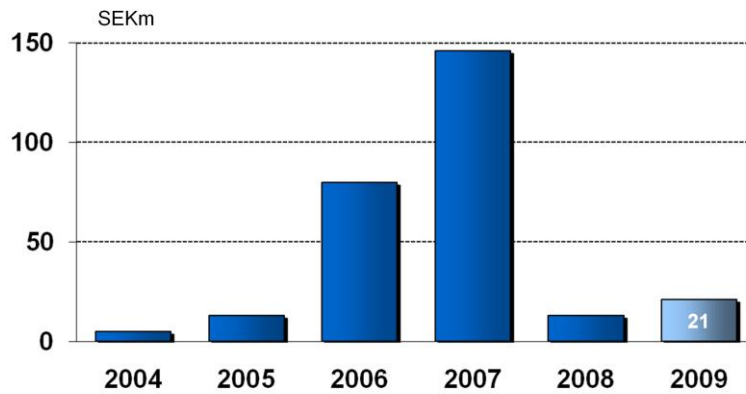


In light of this, it feels completely apt that we were able to start the groundwork for our new sawmill during the past year. It will be the largest and most efficient sawmill in Scandinavia – a sawmill for the 21st century. Through its location next to the paper mill it will offer many synergies and energy-efficient solutions.

Here you can see a drawing of what the new mill will look like. Full of expectation, a number of employees and I are preparing the start of production, which is scheduled for the turn of the year.

The new range of spruce will mainly be used to make construction timber for the building sector. Europe and the US will be key markets.

Holmen Timber Operating profit



If we look back on the past year, Holmen Timber's deliveries were 18 per cent higher than in 2008 – despite the prevailing recession. This was achieved because of the limited access to raw material, low stock levels and production cutbacks among many European suppliers.

Operating profit increased from SEK 13 million to SEK 21 million, and price rises were implemented during the second half of the year.

Holmen Skog



Holmen is Sweden's fourth-largest forest owner, and the Holmen Skog business area manages the company's forest holdings.

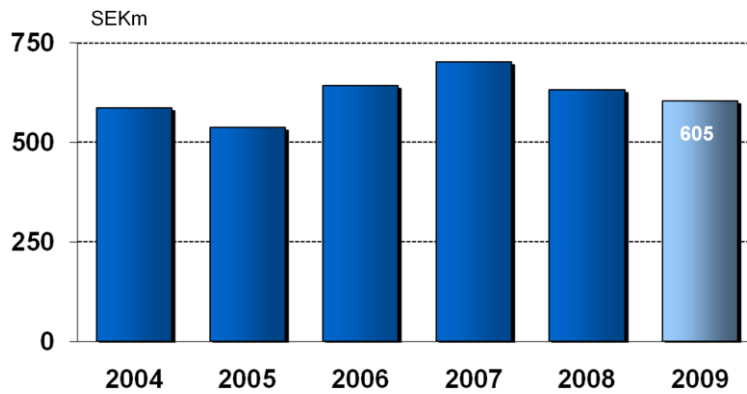
Through its own holdings, Holmen is 60 per cent self-sufficient in wood.

The new sawmill will place further requirements on the business area in terms of its role in obtaining wood for our industrial facilities. We are now therefore fortifying our organisation and marketing activities to meet the need for spruce saw timber for Braviken Sawmill.

Competition for Swedish wood as a raw material is increasing, partly because of the greater need for biofuels used at thermal power stations. Holmen is helping to develop technology for harvesting forest fuel in response to this growing demand. We have also reinforced our own organisation for extracting and obtaining energy assortment.

The threat of a dramatic increase in Russian export tax has gradually subsided.

Holmen Skog Operating profit



Low demand at the start of 2009 was followed by an upturn during the year.

The long and cold winter naturally created difficulties for timber transport and affected wood supply, but did not affect prices.

Harvesting in Holmen's forests rose to 2.9 million cubic metres of wood during the year, compared to 2.6 million in 2008.

Operating profit fell to SEK 605 million compared to SEK 632 million in 2008; this was the result of lower wood prices.

Holmen Energi



Through its hydro power production, the Holmen Energi business area helps to ensure that the Group is one-third self-sufficient in electricity.

Development

- Wind power surveys on Holmen's land
- VindIn
- Peat harvesting
- Possible pellets production
- Holmen Biorefinery Development Centre
- Industrikraft i Sverige AB

The framework of our strategy encompasses development of energy-related operations, and in addition to hydro power we are developing activities in a range of areas:

Wind power surveys are in progress on Holmen's land. Holmen's aim is to generate wind power corresponding to 1 TWh on our own land.

The first wind farm managed by VindIn, a wind power company of which Holmen is one of the owners, was launched during the autumn.

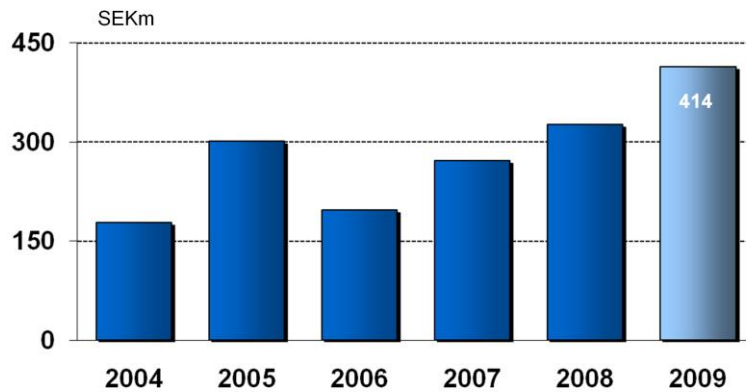
The first deliveries of peat from Holmen's land were also made in the autumn.

Possible pellets production is under investigation.

The Holmen Biorefinery Development Centre was established in 2009. This is where we gather expertise in order to develop new products from forest raw materials as well as by-products and residual products from Holmen's other operations.

Holmen and four electricity-intensive enterprises founded a company called Industrikraft AB at the end of 2008. In the autumn this company signed an agreement with the power utility Vattenfall to proceed with projects to secure future fossil-free baseload power.

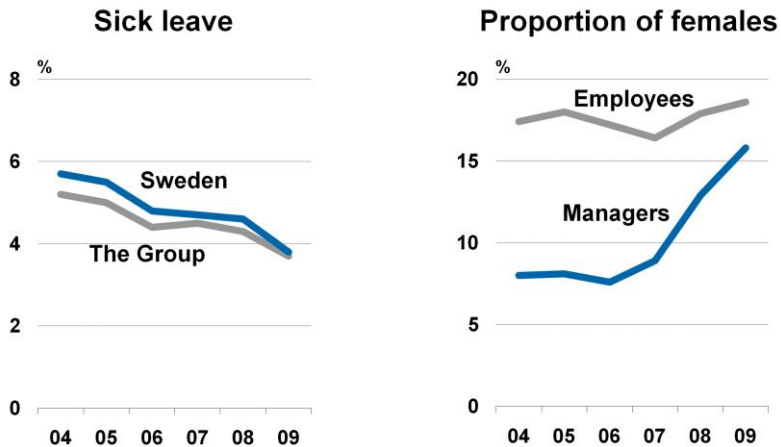
Holmen Energi Operating profit



Holmen's hydro power production in 2009 was 2 per cent lower than in a normal year. However, Holmen Energi's operating profit was strong, rising from SEK 327 million to SEK 414 million – mainly thanks to good electricity prices.

The cold winter caused electricity prices to soar, because a large proportion of nuclear power generation facilities are currently not in use due to rebuilding work. Holmen works with long-term agreements in which prices are fully hedged, but the company is still affected by this critical situation. We have therefore tried to schedule necessary stoppages for maintenance when the price of electricity has peaked.

Employees



Here you can see two graphs which are both going in opposite directions – although they're both going in the right direction. Sickness absence and the proportion of women employed at Holmen are two examples of the key indicators that we use to run effective HR work, that is, how we utilise and develop our employees.

The emphasis in our HR work is on skills provision, leadership and organisation – all three are key areas for companies that want to be successful in difficult competitive situations.

If you would like more detailed information on our goals in this area and how we work on social responsibility, sustainability and the environment, I warmly recommend our sustainability report *Holmen and its World 2009*. If you have not yet picked up a copy, you can do so on your way out.

Forecast 2010



And now a few words about the current year; 2010 started with challenging price negotiations for printing paper. The majority have been concluded and have led to considerable price cuts as expected. In terms of volume, our planning is based on the volumes achieved in 2009, even though we eventually expect an improvement in the economy.

We face another challenge in recovered paper. Current estimates indicate that there will be a recovered paper shortage in Europe, which will lead to price rises. We are closely monitoring this development, because operations at our mill in Madrid are now entirely based on recovered paper, and at Braviken Mill recovered paper accounts for a significant proportion of the raw materials used.

A balanced situation for paperboard prevails with a good order book, which gives us great confidence. New price rises are continually being announced for various grades of paperboard, and we are now negotiating higher prices for folding boxboard in continental Europe.

The demand for sawn timber is gradually growing stronger.



Ladies and gentlemen, I would like to conclude with the agenda that we are currently working to.

We must keep a watchful eye on capacity optimisation, particularly in Holmen Paper. We must also increase the proportion of MF Special and maintain a driven approach to our cost reduction measures and efficiency improvement work.

Further paperboard price increases are required, and the sawmill project at Braviken near Norrköping must naturally be implemented with care.

Holmen faces a major challenge in printing paper, but we have several positive opportunities for development thanks to the breadth of our operations.

And with that, ladies and gentlemen, I would like to hand you over to the chairman.

HOLMEN