

Holmen and its World

2005



Social
responsibility



Financial
development



Concern for
the environment



HOLMEN

Holmen and its World

*Paper, paperboard
and sawn timber from
Holmen are fully in
harmony with IPP,
the EU's product policy
that guides development
towards more eco-
compatible products.*



Natural and renewable raw materials ...

Holmen's products come from the forest, which is a renewable source of raw materials. Wood forms in growing trees with the help of solar energy, air, water and nutrients.

...that satisfy demanding environmental standards

Holmen's forestry is environmentally certificated in accordance with PEFC and FSC. Holmen does not buy wood from protected forests.



Valuable products ...

Paper and paperboard are used in newspapers, printed matter, paperbacks, and packaging and many other items. Sawn timber is converted into furniture and home furnishing fittings.

... that can be recovered as materials or ...

Paper and paperboard can be recovered as materials and turned into new products.

...energy

After use, paper, paperboard and sawn timber become excellent bio-fuels.

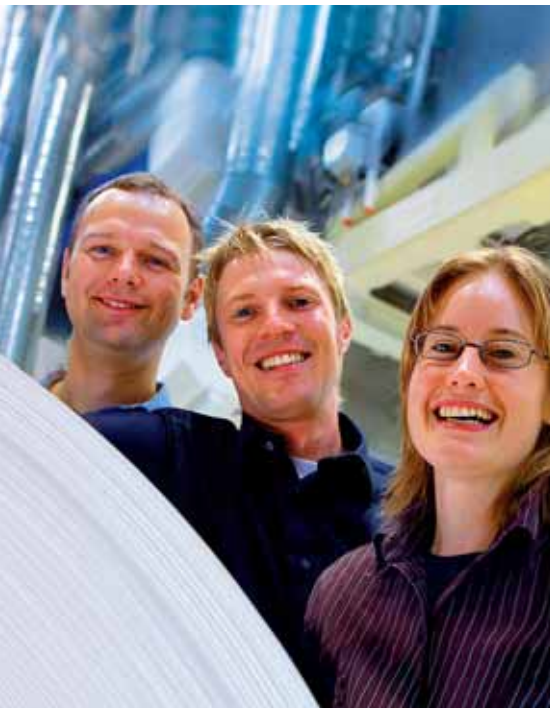


Does not contribute to the greenhouse effect

The carbon dioxide released when paper and wood are burnt is already part of the carbon cycle in the atmosphere. Unlike fossil carbon dioxide from oil and coal, it does not contribute to the greenhouse effect.

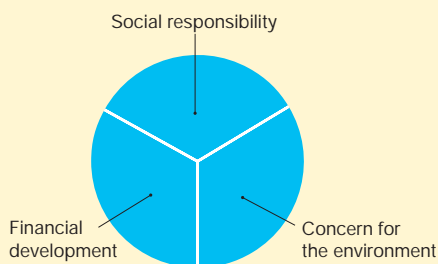
Holmen in brief

Holmen produces printing paper, paperboard and sawn timber at seven units, five of which are in Sweden, one in Spain and one in England. 3,700 of the almost 5,000 employees work in Sweden. Some 90 per cent of the output is sold within the EU.



Contents

- 2 REPORTING PRINCIPLES**
- 3 THE YEAR IN BRIEF**
International recognition
- 4 CEO MAGNUS HALL**
The guiding principle at Holmen is sustainability
- 6 THIS IS HOLMEN**
The Group
Strategy
Business areas
Production units
End products and markets
Working practices
Policies and guidelines
Stakeholders
- 16 RAW MATERIALS AND RESOURCES**
Forests and wood
Recovered paper
Water
Energy supply
Climate and energy
- 22 RESEARCH AND DEVELOPMENT**
Customer focused R&D
- 24 SOCIAL RESPONSIBILITY**
Working practices
Human rights
Employee surveys
Health and safety
Management development
Competence development
Recruitment
Equal opportunity and diversity
Relations with the unions
Personnel reductions
Holmen powers the local jobs market
- 36 CONCERN FOR THE ENVIRONMENT**
Working practices
Environmental activities 2005
Environmental costs
Chemicals
Noise
Waste
Transportation
Discontinued businesses
- 42 FINANCIAL DEVELOPMENT**
Financial development
Holmen 2005
- 44 FACTS**
Personnel
Production and environment
Permits and certifications
Finance
- 50 GLOSSARY**
- 52 ADDRESSES AND CONTACTS**



Holmen and its World

This report describes the Group in terms of its sustainability. Social responsibility, concern for the environment and financial development form a three-legged structure in which each leg is of equal importance for the whole.

The cover of Holmen and its World is printed on Invercote® Creato 280 gsm, that has been embossed, and UV and matt varnished. It has been produced by Holmen. Graphic design and graphic production: Energi Reklambyrå, Linköping in cooperation with Lars Klingström Photo: Rolf Andersson, Bildbolaget, Västervik et al Printed by Strokirk-Landströms, Lidköping, 2006 Graphic illustrations: Bo Persson, Designmakarna, Stockholm Translation: Beck Translations, Stockholm

Holmen and its World



Reporting principles

Holmen and its World 2005 describes Holmen from the perspective of sustainable enterprise. The focus is on social responsibility, concern for the environment and financial development.

HOLMEN AND ITS WORLD provides a broad view of the Holmen Group. It describes Holmen's operations in 2005 and other measures that are being taken to satisfy tomorrow's increasing demands for sustainable development.

WHO IS IT FOR? Employees, customers, analysts, the general public, business partners, the mills' neighbours, schoolteachers and pupils.

THE INFORMATION it contains consists of data that are reported to various authorities, and tables, figures and lists that have been prepared specifically for this report. As the data are collected immediately at the end of the year they describe they may differ slightly from those reported to the relevant authorities.

HARMONISED WITH GRI. The Global Reporting Initiative (GRI) aims to get companies and organisations to voluntarily submit reports on the financial, environmental and social aspects of their business. Holmen has been publishing detailed economic, social and environmental information in various reports for many years. The approach is now being successively harmonised with the GRI requirements of relevance to Holmen.

EXTERNAL AUDIT. The financial information is based on facts and figures taken from Holmen's annual report for 2005 which has been examined by the company's external auditors. The financial, personnel and environment sections in the Report of the directors have thus been examined. *Holmen and its World* has not been examined by external auditors.

HOLMEN AND ITS WORLD 2004 was examined after publication by external sustainability analysts. Their main comments have been taken into consideration in this year's edition.

INTERNAL PRODUCTION. *Holmen and its World* has been written and produced within the Group. Holmen sees this as a way of developing competence in the relevant subject areas.

A SPECIAL WORKING GROUP consisting of representatives of Group Technology (Environment), Group Human Resources, Group Finance and Group Public Relations has responsibility for coordinating factors that can be covered by the term *sustainable development*. This group is set up by the Group's CEO.

One of the working group's responsibilities is to produce *Holmen and its World* each year.

More information on the Internet

ADDITIONAL FACTS. More detailed information that complements many sections of this report can be found on Holmen's website. The pdf version of *Holmen and its World* contains active links to the marked sections.

GRI INDEX. Holmen's website also contains digital GRI Index with links to the documents in which the information is provided.

www.holmen.com/itsworld

HOLMEN AND ITS WORLD is available in Swedish, English and Spanish. Further copies may be obtained from Holmen's website or from:

Holmen
Group Public Relations
P.O. Box 5407
SE-114 84 Stockholm
Sweden

Phone: +46 8 666 21 00
Fax: +46 8 666 21 30
info@holmen.com
www.holmen.com

The year in brief

Social responsibility

- Holmen adopted strategic goals for leadership, work climate and equality of opportunity.
- The Holmen Inblick employee survey showed that the proportion of the employees who consider that they have good conditions for doing a good job has increased and is better than the forest products industry average.
- The level of sick leave at Holmen's Swedish units declined for the second year in a row; it is now down to 5.5 per cent.
- In 2005, Holmen began to inform its employees about the content and implications of the UN's Global Compact on human rights.

Concern for the environment

- Holmen gained recognition for its approach to sustainability and social responsibility and was listed on some international corporate indices (see below).
- Holmen and Vattenfall entered into an agreement with the object of improving energy efficiency at all the Group's facilities.
- Hallsta and Iggesund Bruk became the first mills in the forest products industry to have their energy management systems certificated.
- The development of new, useful applications for waste enabled further reductions to be made in the volume of waste sent to landfill.

Financial development

- Demand for Holmen's products remained firm. The financial result was more or less unchanged in relation to 2004.
- Test running of Holmen's new newsprint machine in Madrid began as planned towards the end of the year.
- A decision was made to invest MSEK 415 in the KM 2 paperboard machine at Iggesund Bruk in order to further improve product quality.
- The storm over southern Sweden in January brought down a total of 70 million cubic metres of wood – but only some 100,000 cubic metres in Holmen's forests. However, it left its mark on the wood market for the rest of the year.



Test running of the new newsprint machine in Madrid began as planned at the end of the year. The machine will raise the mill's annual capacity by 300,000 tonnes.

Summary

	2005	2004
Net turnover, MSEK	16,319	15,653
Operating profit, MSEK	1,973	1,952
Profit for the year, MSEK	1,256	1,275
Earnings per share (after dilution), SEK	14.8	15.1
Dividend per share, SEK	11*	10
Return on capital employed, %	9.0	9.5
Return on equity, %	8.0	7.9
Debt/equity ratio	0.41	0.31
Capital expenditure, MSEK	3,170	1,291
Average number of employees	4,868	4,897

*Proposal of the Board

International recognition for Holmen's measures to promote sustainability

Holmen has attracted attention for its measures to promote sustainable development and Holmen is now included in some international indices.

These indices make it easier for investors to identify companies that have adopted a sound and effective approach to sustainability. Being included in such an index may be seen as confirmation of the company's responsible approach to the financial, environmental and social aspects of its business.

FTSE4GOOD INDEX. Characteristic of the companies on this index is the sophisticated nature of the environmental activities, the healthy relationship with their stakeholders and their consideration for human rights.
www.ftse.com/ftse4good



STOREBRAND SRI. Companies that are world leaders in their approach to social and environmental responsibility qualify for Storebrand's best in class list.
www.storebrand.com



GLOBAL 100 WAS launched by Corporate Knights, a media company which, with the aid of Innovest Strategic Value Advisors, selects the best 100 companies in the world when it comes to accepting environmental and social responsibility.
www.global100.org



The term sustainable development was coined at the UN's environmental summit in Rio de Janeiro in 1992, since when it has guided developments in the environment and use of resources throughout the world.

CEO Magnus Hall

The guiding principle at Holmen

In Holmen and its World we have described the Group from a broad perspective. The report reflects our intention of becoming a sustainable enterprise. This applies to the entire chain – from planting out seedlings in the forest, through the production and distribution of our products, until the time they are used and recovered.

Sustainability nowadays is a widely used term in the public debate. We hear it in political propaganda, indeed in any context where people discuss the future. Put simply, it is a matter of using without using up. Of running the business so that it neither depletes resources nor causes harm or damage in any other way. But also so that it earns a healthy financial return, which is essential for taking acceptable environmental and social responsibility.

I CAN STATE WITH SOME satisfaction that Holmen is well placed to meet expectations regarding sustainability. Our products are based on wood – a natural and renewable raw material. The environmental impact of our production processes is well within the limits deemed by the environmental authorities to be acceptable. Our forests are cultivated with the aim of regularly growing more and more wood, while also leaving room for the many species that have their natural habitat in the forest.

THIS SITUATION DID NOT arise of its own accord. It is the result of a fruitful interaction between our own goals, market forces, international regulations, and our efforts to offer products that meet our customers' requirements. The role of the environmental lobby as an alarm clock is also worth mentioning. It is therefore encouraging that our efforts in the area of sustainability have gained international recognition. Holmen is now included in some of the corporate indices that have been created to enable investors to select shares in companies that adopt a sustainable and responsible approach to their business.

NOW, AS I LOOK BACK ON another year at Holmen, it is interesting to observe how wrong those who predicted the decline of the newspaper in the face of competition from electronic media are. The demand

for newsprint is growing strongly, especially in southern Europe, and particularly in Spain, which noted growth of no less than 17 per cent last year.

THE STRATEGY WE HAVE adopted for Holmen's future will enable us to improve our logistical efficiency. Our recovered fibre-based mill in Madrid, which has now been enlarged, will serve as the hub for what is a new domestic market for us. It will supply the whole of the Iberian Peninsula and southern France with newsprint. Our Swedish mills will concentrate their deliveries on northern Europe.

IT IS NO COINCIDENCE THAT the raw material in Spain consists of recovered paper and in Sweden of wood. In terms of resources, it is natural to use the raw material that is closest to hand; in Spain that is recovered paper, in Sweden it is the forests. However, to enable the continental fibre system to function it is important to keep topping it up with virgin fibre from the Nordic forests, for instance.

DEVELOPMENTS IN THE PACKAGING segment are also driven by an ecological approach to resources and sustainability. The time is long past when the use of packaging was challenged. Nowadays, people are generally aware that, on the contrary, efficient packaging represents a sensible use of resources, especially when the packaging is light and made of paperboard that has a minimal effect on the contents and can provide many useful additional functions.

But sustainability is not merely a matter of physical resources and the environment; it is just as much about the social aspect, about our employees and our role in the community.

AT THE BEGINNING OF this century, therefore, we began to tackle these issues in a more structured way than before. Every second year we carry out an extensive survey among our employees, most recently in 2005. It is pleasing that the results are

is sustainability

generally better than in the 2003 survey. I interpret this to mean that the follow-up and measures taken on the basis of the first survey were effective. I see this improvement process as fundamental, especially for the procurement of Holmen's future competence. The competition to attract labour is intensifying all the time. We have stated explicitly that our aim is to attract dedicated personnel by offering stimulating jobs in an open and creative environment.

WE HAVE ALSO BEEN LOOKING at Holmen's role in the communities where we are active. The in-depth studies made in Norrköping, Hudiksvall, Hallstadvik and Workington confirm the importance of our role – and, in the final analysis, that of the forest – not merely in terms of jobs at our own mills, but even more so in terms of the many other job opportunities generated by our business activities. Each Holmen employee creates – at a conservative estimate – 2.5 jobs in other types of business and in the public sector.

ONE ISSUE THAT I VIEW WITH CONCERN is that of electricity. For Holmen, it is essential to have access to electricity at a reasonable cost, especially for the electricity intensive production of printing paper at Braviken and Hallsta. Measures and investments to reduce energy consumption are therefore high on the agenda throughout the Group. We have launched a programme in collaboration with Vattenfall to analyse energy consumption at our Swedish units with the ultimate aim of reducing it. We have signed long-term supply agreements until 2015 covering three quarters of the electricity that we buy. We have also bought back power assets in Iggesund and raised our interest in a power station. We have also decided to replace three old power stations on the river Iggesund with a new, more efficient one.

THE SWEDISH GOVERNMENT'S climate initiative whereby the country should by 2020 no longer be dependent on oil for heating



and transportation has put biofuel under the spotlight. As far as Holmen is concerned, we see some possibilities of harvesting more biofuel from our own forests. We have also carried out a comprehensive study that shows that in the longer term we could increase the production of wood by as much as 25 per cent.

HOWEVER, I BELIEVE there are some serious risks associated with the government's challenging bio-fuel goals. The supply of bio-fuel is limited, especially in the densely populated parts of southern Sweden where most thermal power stations are located. Bio-fuel might therefore find itself having to compete with industrial raw materials, which would push up Holmen's raw material costs. I am convinced that from the perspective of the forest products industry and in the national interest the wisest solution would be to use best quality wood for industrial processing and to use twigs and tops as biofuel.

FINALLY, A FEW WORDS about this report. Firstly, it is comprehensive. But that's how it has to be when we wish to describe so

many and such broad-ranging topics. We would like *Holmen and its World* to function as a sort of an encyclopædia. We hope that it will provide answers to most of the questions our stakeholders ask about the environment and social issues. It also describes our financial performance and situation in broad outline. Readers who wish to find out more about the financial aspects of the business can, as usual, refer to our annual report. We have also provided more detailed information on the environment on our website, where there is also a presentation describing our performance in the context of the internationally recognised principles for sustainability reporting known as the Global Reporting Initiative (GRI).

Stockholm March 2006

Magnus Hall
President and CEO

This is Holmen

The Group

Holmen is a forest products group that produces printing paper, paperboard and sawn timber. Some 90 per cent of the output is sold within Europe.

HOLMEN'S PRODUCTION is based on raw materials from the forest and recovered paper. The Group owns just over one million hectares of productive forestland. Recovered paper is procured by companies in Sweden and abroad. The Group's energy requirements are met by production at wholly and partly owned hydroelectric power stations, from back pressure power turbines at the mills and by purchase.

A LONG HISTORY. Holmen's shares have been listed on the Stockholm Stock Exchange since 1936. The company can trace its heritage back to 1609 when an arms factory was set up on an island (holme) in the River Motala in Norrköping. It is this island that gave the company its name. In the 1620s Holmen came into the ownership of Louis De Geer, who developed it into a brass factory. In 1633 its output was complemented with paper made in a "paper mill". Paper production did not last long, however, and had already ceased by the 1640s, not to be resumed until 1837, this time with the aid of one of the first paper machines in Sweden.

Iggesund also has a long history. In 1665 a paper mill was set up in Östanå, just west

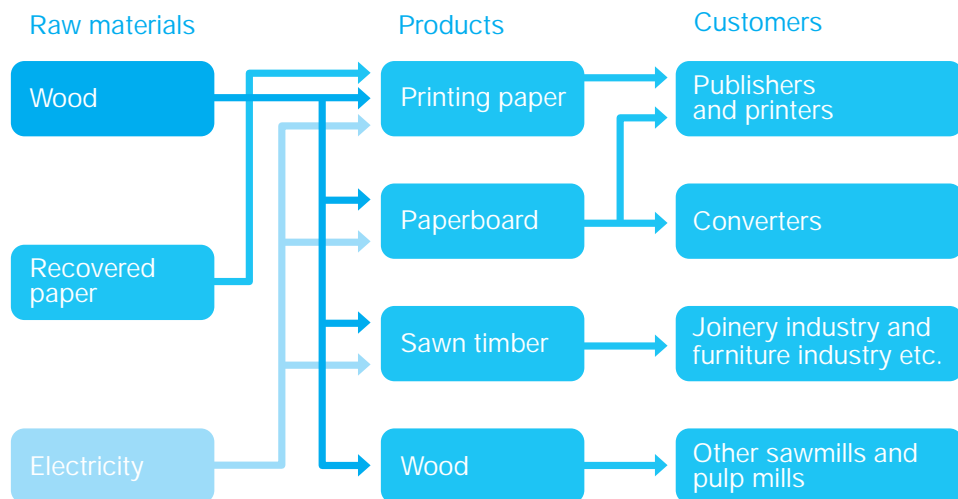
of Iggesund, and in 1685 Isak Breant was granted a licence to set up an iron-works in Iggesund. In the 19th century this was complemented with a sawmill and at the beginning of the 20th century a combined sulphite and sulphate pulp mill was brought into production.

HOLMEN NOW FOCUSES ITS business on printing paper and paperboard. These businesses account for some 80 per cent of the Group's net turnover.

Holmen has a strong position on the markets for printing paper and paperboard.

HOLMEN'S TWO SERIES OF shares are listed on the Stockholm Stock Exchange's list of most heavily traded shares. The price of Holmen's "B" shares rose by 14 per cent in 2005 to SEK 262.50. The Affärsvärlden General Index rose by 33 per cent during the same period.

In the past ten years, Holmen's shares, including reinvested dividends, have on average earned a total return of 17 per cent per year. The total return on the Affärsvärlden General Index during the corresponding period was 14 per cent per year.



Holmen's raw materials, products and customers. Wood and recovered paper are converted with the aid of electricity etc into printing paper, paperboard and sawn timber. Most of Holmen's customers are in Europe. Wood is sold not only to the company's own mills but also to other companies.

More information:
www.holmen.com

Strategy

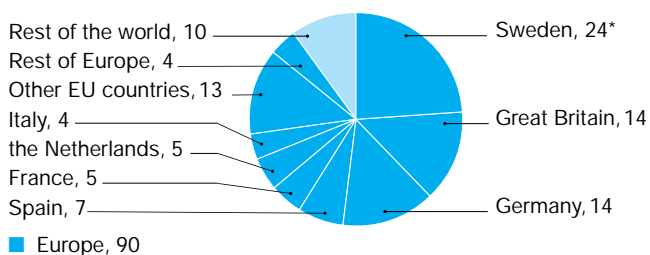
Business concept

<p>Main products Holmen's two main product areas are</p> <p>printing paper for newspapers, magazines, directories and advertising print</p> <p>paperboard for packaging and graphical applications.</p> <p>In these areas Holmen has a strong position on the market, which it intends to develop.</p>	<p>Growth Holmen shall grow at a faster rate than the market by means of</p> <p>attractive products active marketing and product development.</p> <p>The growth shall be organic and via selective acquisitions.</p>	<p>Production Holmen shall have high quality and low production costs within each product area by means of</p> <p>large-scale production rational processes active purchasing and high competence of the personnel.</p>	<p>Raw materials By owning</p> <p>forest assets power assets recovered paper collection companies and sawmill</p> <p>Holmen ensures efficient and profitable procurement of key raw materials.</p>
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Guidelines

<p>Financial targets</p> <p>Profitability. Holmen's profitability and return shall consistently exceed the market cost of capital.</p> <p>Dividend. Ordinary dividend paid each year shall correspond to 5–7 per cent of equity.</p> <p>Capital structure. The financial position shall be strong with a debt/equity ratio of 0.3–0.8. Extra dividend will be paid and shares bought back when the capital structure and the financing requirements of the business permit.</p>	<p>Employees Holmen's competence long term shall be developed by</p> <p>attracting keeping and developing qualified employees.</p>	<p>Research and development Holmen's R&D activities are to be directed towards supporting the needs of the business for</p> <p>product development and efficient production processes.</p>	<p>Sustainability Holmen's operations shall be characterised by a holistic approach that involves</p> <p>protection of the environment lean use of raw materials and energy respect for ethical and social norms and furtherance of sustainable development.</p>
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Net turnover by market, %



Business areas



Holmen Paper

Products

- Newsprint, white and coloured
- Telephone directory paper
- MF Magazine
- SC paper
- Coated printing paper

Markets

Holmen Paper's main market is Europe. It has a strong market position within the product areas MF Magazine, newsprint and telephone directory paper.

Brand names

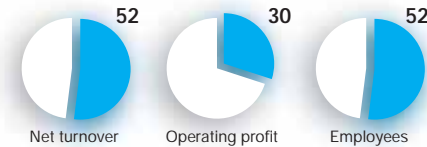
Holmen News, Holmen Coloured News, Holmen Plus, Holmen Plus Gravure, Holmen XLNT, Holmen Book, Holmen Guide, Holmen Bravo, Holmen Scanmag, Holmen Ideal

Holmen Paper is one of the main suppliers to many of the major daily newspaper and magazine publishers in Sweden, Spain, Great Britain and Germany.

Production facilities

Holmen Paper Hallsta, Hallstavik
Holmen Paper Braviken, Norrköping
Holmen Paper Madrid, Spain
Holmen Paper Wargön, Vargön.

Share of Group, % (external share)



Iggesund Paperboard

Products

- Solid bleached board, SBB
- Folding box board, FBB
- Plastic coated and laminated paperboard

Iggesund Paperboard is market leader in Europe within the highest quality segment of the paperboard market.

Brand names

Invercote
Incada

Production facilities

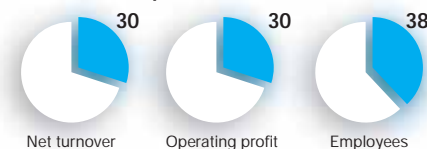
Iggesunds Bruk, Iggesund
Workington, England

Markets

Iggesund Paperboard's main markets are in Europe, primarily Great Britain, Germany and France. Substantial volumes are also exported to South East Asia and the USA.

Paperboard is coated with plastic and laminated at Ströms Bruk. Sheeting units in the Netherlands and France.

Share of Group, % (external share)





Iggesund Timber

Products

■ Sawn redwood timber, which is used in the manufacture of flooring, panels and furniture.

Brand names

Monolit, Quatrolit, Relax.

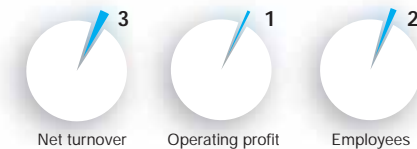
Markets

Iggesund Timber's main market is Europe, mainly Scandinavia and Great Britain. The customers consist primarily of furniture and flooring manufacturers, the joinery industry, and building merchants.

Production facility

Iggesund Sawmill, Iggesund.

Share of Group, % (external share)



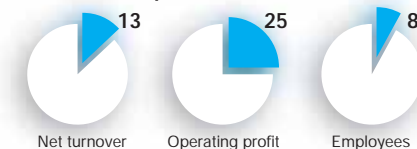
Holmen Skog

Holmen Skog procures wood for Holmen's Swedish mills and manages the Group's forests, which extend over a million hectares of productive forestland. Some 60 per cent of the Group's wood requirements are met from harvesting in Holmen's own forests.

Forest regions. Lycksele, Örnsköldsvik, Iggesund, Norrköping.

Purchasing company. Holmen Mets, Tallinn, Estonia.

Share of Group, % (external share)

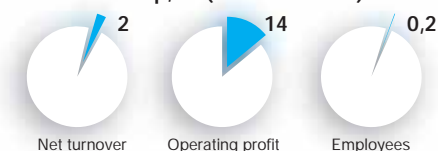


Holmen Kraft

Holmen Kraft has responsibility for supplying Holmen's Swedish mills with electricity and for running the Group's hydroelectric power stations. Holmen's electricity requirements are met from purchased electricity, production at the Group's hydroelectric power stations and from back pressure power turbines at the mills.

Wholly and partly owned hydroelectric power stations in: Umeälven, Faxälven, Gideälven, Iggesundån, Ljusnan och Motala Ström.

Share of Group, % (external share)



Energy and recovered paper

Holmen is a half-owner in Peninsular Cogeneration, a gas-combination power plant that supplies Holmen Paper Madrid with energy.

More than half of the recovered paper

used by Holmen's mills Hallsta and Braviken is obtained within the country, while the remainder is imported. Recovered paper is collected by PÅAB, an associate company. The recovered paper used at

the mill in Madrid is mostly procured within the country. The bulk of it is obtained from wholly and partly owned recovered paper collection companies, mainly CARPA.

Holmen's products are made here...

Holmen has production facilities in Sweden, Great Britain and Spain. Some further processing takes place in the Netherlands and France. The Group's forests and hydroelectric power stations are all located in Sweden.

HARVESTING IN Holmen's forests account for around 60 per cent of the wood requirements of the Group's Swedish mills. The remainder is purchased or imported. Imported wood for mills in Sweden account for some 10 per cent. In Great Britain all of the wood used is purchased.

Some mills use recovered paper, and the mill in Madrid uses only recovered paper. All of Holmen's mills, and its forestry, satisfy very stringent environmental demands and are certificated in accordance with the international ISO 14001 environmental management system. Holmen's forestry is also certificated in accordance with the international PEFC and FSC forestry standards.



Holmen Paper Hallsta
Holmen Paper
Raw materials: Sprucewood, recovered paper
Process: TMP, DIP and groundwood pulp
Products: Newsprint, MF Magazine, SC paper and book paper
Production capacity: 795,000 tonnes/year
Average No. of employees: 932



Iggesunds Bruk
Iggesund Paperboard
Raw materials: Softwood and hardwood
Process: Sulphate pulp
Product: Solid bleached board
Production capacity: 310,000 tonnes of which some quantities are plastic coated and laminated at Ströms Bruk (incl. deliveries from Workington). Capacity: 45,000 tonnes/year.
Average No. of employees: 969



Holmen Paper Braviken
Holmen Paper
Raw materials: Sprucewood, recovered paper
Process: TMP and DIP
Products: Newsprint, coloured newsprint, telephone directory paper
Production capacity: 750,000 tonnes/year
Average No. of employees: 725



Workington
Iggesund Paperboard
Raw materials: Sprucewood and purchased sulphate pulp
Process: RMP pulp
Product: Folding box board
Production capacity: 235,000 tonnes/year
Average No. of employees: 503



Holmen Paper Madrid
Holmen Paper
Raw material: Recovered paper
Process: DIP
Products: Newsprint, MF Magazine and lightly coated magazine paper
Production capacity: 470,000 tonnes/year
Average No. of employees: 330

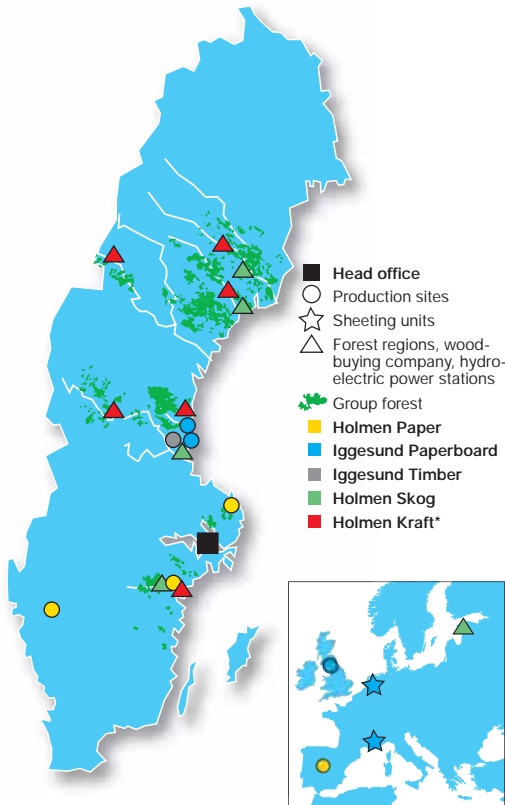


Iggesund Sawmill
Iggesund Timber
Raw material: Pine saw timber
Process: Sawmilling
Product: Redwood sawn timber
Production capacity: 250,000 m³/year
Average No. of employees: 83



Holmen Paper Wargön
Holmen Paper
Raw material: Sprucewood
Process: Groundwood pulp, purchased sulphate pulp
Product: Coated printing paper (MWC paper)
Production capacity: 145,000 tonnes/year
Average No. of employees: 320

Sheeting units
Iggesund Paperboard has two facilities, one in Utrecht, the Netherlands, and the other in Valence, France, where paperboard from Iggesunds Bruk and Workington is cut to specific sizes for customers.
Production capacity: 70,000 tonnes/year



* Holmen has interests in 23 wholly or partly owned power stations located on the marked rivers.

... and are used here

Daily newspapers

Numerous daily newspapers, mainly in Europe but also in other parts of the world, are printed on newsprint from Holmen.

Magazines, weekly magazines and business journals

The market for specialist magazines and journals is expanding with support from the Internet, which inspires people to read more.

Directories and catalogues

Telephone directories are alive. A new market is emerging for product catalogues whose functionality and low price matter more than exclusiveness.

Brochures and supplements

MF Magazine looks like newsprint but has more bulk. This type of paper has been used for years in newspaper supplements and is now discovered by many brochure publishers.

Packaging for foods, medicines, cosmetics, chocolates and cigarettes

With these products demands for cleanness, printability and runnability of the paperboard are very high. It is also important that the packaging can convey the right impression about its often exclusive contents.

Printed matter

Paperboard is often used as the cover of printed matter of various types. Just look at the cover of this report.

Wooden fittings and furniture

Sawn timber is used as visible wood in the home environment.



Operations in different countries, 2005

	Net turnover, MSEK	Average No. of employees
Sweden	3,916	3,735
Australia	298	4
Belgium	335	4
Denmark	454	3
Estonia	14	23
France	820	28
Germany	2,229	18
Hong Kong	104	4
Ireland	63	1
Italy	713	5
the Netherlands	732	130
Poland	351	4
Portugal	129	2
Singapore	30	6
Spain	1,111	343
Switzerland	275	10
the UK	2,336	536
USA	302	12
Other countries	2,107	-
Total	16,319	4,868

Production/sheeting and sales
 Sales



Working practices

Holmen's business is highly decentralised to business area and mill level. The organisation includes a number of networks and areas of special expertise.

Board and Senior management

BOARD. Holmen's Board has nine members who are elected by the Annual General Meeting, and three employee representatives and three deputies who are appointed by the union organisations.

As of 2005 the planning of nominations is the responsibility of a Nomination Committee, which is appointed by the three largest shareholders, who together represent more than two-thirds of the votes in the company.

The Board held nine meetings in 2005. The company's auditors report their observations to the Board.

SENIOR MANAGEMENT. The Board has delegated operative responsibility for the administration of the company and the Group to the company's Chief Executive Officer. Holmen's Senior management consists of the CEO and the heads of the five business areas and the five Group staffs. The Senior management held eleven meetings in 2005, which dealt with such matters as the progress and result of the business, reports before and after Board meetings, business plans, budgets, capital expenditure, personnel, and the environment.

Finance

Financial activities at Holmen are decentralised to business area, mill and forest region level. Group Finance has functional responsibility for financing, accounting, controlling and reporting, taxes and insurance.

The financial activities are planned and coordinated by a group consisting of the Group's Chief Financial Officer, the finance managers of each business area and specialists at Group Finance. This group coordinates major group-wide issues relating to finance. One key task is to develop internal controls and coordinate internal auditing activities with Holmen's external auditors. The mill's own finance managers deal with issues that relate to each individual mill.

Organisation and joint action



The Group's Board, CEO and Group staff presidents, the presidents of the five business areas and mill and forest managers are responsible for their organisational level.

Management groups

Functional management groups deal with policies and strategies, as well as exchange of experience.

Joint action groups

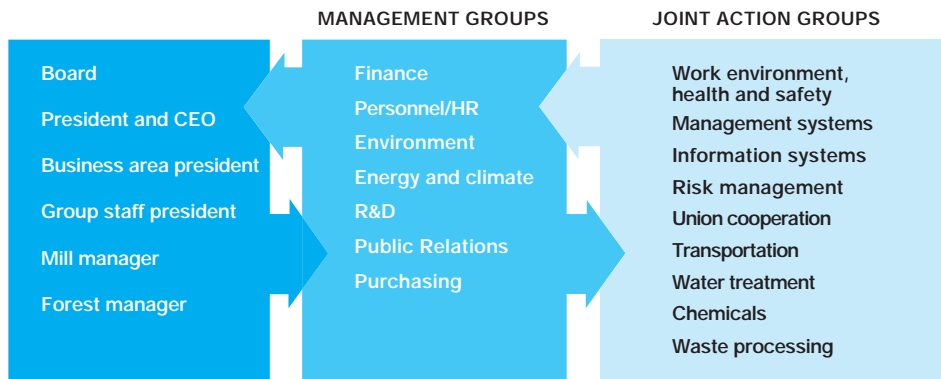
In areas where more detailed work is important, joint action groups have been set up that consist of specialists from the business areas and staffs. These groups are involved in competence development and the transfer of expertise and experience in their respective subject fields.



Personnel

Personnel activities at Holmen are carried out in accordance with the Group's personnel policy. This is coordinated by a management group for Human Resources (HR) that consists of the personnel managers from each business area. The Group's HR director has responsibility for the activities of this group. For specific HR issues, working groups are formed on which the unions are also represented. Personnel activities within the business areas are coordinated by the HR council. Large mills have their own HR manager and HR specialists.

UNION COOPERATION. The union organisations meet regularly in the Holmen European Works Council and in consultation groups at each unit.



Environment

Environmental responsibility is delegated and activities are carried on in accordance with Holmen's environmental policy.

The Board and CEO and the heads of the business areas have overall responsibility for the environment. Operative responsibility for the environment rests on the mill and forest managers.

The industrial activities are inspected regularly by the environmental authorities, which monitor compliance with the current permits. Inspections are also carried out by external experts.

The forestry activities are inspected by the National Board of Forestry.

ENVIRONMENTAL MANAGEMENT SYSTEM. All units and Holmen's forestry are certificated in accordance with the ISO 14001 environmental management system and audited regularly by external authorised auditors.

ENVIRONMENTAL CERTIFICATION. Holmen's forestry is certificated in accordance with PEFC and FSC. External environmental auditors perform annual audits to ensure compliance with the system requirements.

ENVIRONMENTAL DEMANDS ON SUPPLIERS. Holmen continually assesses the quality and environmental activities of its suppliers in accordance with established procedures.



Information

FINANCIAL INFORMATION. Each year Holmen publishes an annual report which is audited by the company's external auditors. The company also publishes Holmen Business Report four times a year, which contains the Group's year-end and interim reports. Financial information is also published on the website at www.holmen.com

PRODUCT AND INDUSTRY INFORMATION. Holmen Paper and Iggesund Paperboard publish their own customer magazines. Holmen Skog publishes a magazine for forest owners and politicians at national and local level.

PERSONNEL INFORMATION. Holmen Insikt, Holmen's personnel magazine, is published six times a year. The magazine reflects the Group's activities from the perspective of its employees. The contents of the magazine are decided on by an editorial board upon



which the company and the unions are represented.

The Intranet offers both local and Group information. Personnel magazines are available at most of the units.

ENVIRONMENTAL INFORMATION. Holmen publishes annually the report Holmen and its World, which contains environmental information. This is complemented by more detailed environmental information on the Group's website.

Insurance

A groupwide group administers insurance issues. Along with Holmen's insurance advisors it makes extensive risk analyses that then serve as a basis for loss prevention measures and the procurement of insurance. The aim is that Holmen's major facilities should be classified as having the best possible fire safety, which means not only optimal protection against fire but also

lower insurance premiums. The safety activities required at small units are structured to meet the specific needs of each unit. Holmen takes out insurance cover for property damage and sequential loss. The Group's forests are not insured as they are dispersed over large areas of the country, which reduces the risk of simultaneous damage.

Customer and environmental surveys

CUSTOMER SURVEYS. Holmen carries out regular surveys and interviews to find out what its customers and wood suppliers think about the company. The replies are converted into action plans as a means of ensuring that Holmen's role as a supplier/wood buyer can be continuously improved.

ENVIRONMENTAL AND ETHICAL SURVEYS. Holmen responds to environmental and sustainability surveys and regards them as a valuable means of identifying strengths and weaknesses.

Sustainability

A **SPECIAL WORKING GROUP** has responsibility for coordinating factors that can be covered by the term *sustainable development*. This group is set up by the Group's CEO.

International initiatives and guidelines

GLOBAL REPORTING INITIATIVE - GRI Holmen is successively adapting its procedures and reports to satisfy GRI requirements of relevance to the company. See page 2.
www.holmen.com/itsworld

UN'S GLOBAL COMPACT. Holmen is in favour of the core values that are expressed in the guiding principles in the UN's Global Compact. See page 25.

Policies and guidelines

The Group's policies and guidelines, together with the laws in each country, provide the framework within which the Group and its employees are to act.

HOLMEN'S PRODUCTION takes place in the EU, where the bulk of its output is sold. There are also some sales to the USA and countries in Asia. Holmen operates since long in accordance with local laws and agreements, and observes sound business practice. This is also reflected in the policies adopted for the business. Holmen is developing a system for monitoring how the Group's stakeholders handle questions relating to the environment and personnel.

THE ENVIRONMENTAL POLICY contains overall principles for the Group's environmental activities. The policy covers the environmental aspects to which Holmen's stakeholders give priority. The environmental goals are drawn up locally and followed up in the environmental management system at each mill and in the Group's forestry activities.

PERSONNEL POLICY. Holmen's personnel policy reflects the Group's stand on what is a sound personnel policy and has been developed in association with the Group's union organisations. The policy highlights the joint responsibility of managers and subordinates for a sound work and development climate at each work place. The manager establishes the conditions for the development of groups and individuals, but it is up to the individual to make use of

these opportunities. The policy also clarifies what is expected of a good leader/manager.

THE EQUAL OPPORTUNITIES POLICY reflects the Group's position on the conditions for its male and female employees. It stipulates that each work place shall be equally suitable for men and women and that Holmen regards it as natural to combine parenthood and work. The policy shall promote a more uniform gender distribution within the Group and an increase in the number of women in management positions. Each unit in the organisation has its own equal opportunity plans.

INFORMATION POLICY. Holmen's information to the stock market is based on the information policy that was established by the Group's Board in 2004. The policy regulates how the company is to handle, distribute and comment on internal and external information. It complies with the Stockholm Stock Exchange's recommendations.

PURCHASING POLICY. Holmen shall apply and maintain sound business ethics and carry on its business in a professional manner. The laws and rules that apply to the purchase of goods and services shall be followed to the letter. Holmen's environmental policy stipulates how to handle environmental issues.

GUIDELINES FOR PURCHASING WOOD. Holmen requires the wood the company procures to be harvested in accordance with relevant laws. It should satisfy specific environmental demands.

GUIDELINES FOR SUSTAINABLE FORESTRY. Extensive guidelines have been drawn up how to manage the forests. The requirements stipulated in the environmental certifications according to FSC and PEFC are incorporated into the guidelines.

LOCAL POLICIES have been adopted in several areas to meet the specific needs of each unit.

UNION AGREEMENT. Relations between management and the union organisations are based on an agreement that focuses on health, equality of opportunity and competence development.

BRIBERY AND CORRUPTION. Holmen has guidelines that explain how important it is that in their contacts with customers and suppliers, where any form of favour is offered, employees give careful consideration to its implications and purpose. The level of tolerance is low.

www.holmen.com/itsworld

- Environmental policy
- Personnel policy
- Equal opportunities policy
- Guidelines for purchasing wood
- Guidelines for sustainable forestry



Stakeholders

Holmen's stakeholders make varying demands on the Group, and have different expectations. The list below describes the five most important stakeholders.



Employees

Employees, unions and prospective employees demand a well thought out personnel policy that is also applied in practice, a sound work environment and the explicit intention of developing conditions of employment.

Holmen aims to be an attractive employer that offers interesting and developing job roles. Holmen gives its employees opportunities to keep themselves informed about the company's progress and the conditions that apply to its relations with stakeholders. The Holmen Inblick employee survey is carried out every second year to obtain data that can serve as a base for improvements.

Society at large

Government authorities, the mills' neighbours, students and the general public, legitimately expect to receive correct, timely and relevant information about the company, its financial situation, results and environmental status, and about how it satisfies the criteria for good citizenship.

Holmen aims to keep society at large well informed about the company's progress. The mills' neighbours receive Holmen and its World so they can obtain a clear picture of Holmen and its business. Holmen maintains trusting relationships with the authorities that supervise or inspect the company and issue permits for its activities.

Opinion leaders

Analysts, the media, environmental and other organisations are continuously watching Holmen and its operations from various perspectives.

Holmen aims to convey an objective and correct picture of the company. The Group regards it as natural to be watched when it comes to issues that impact on society. Holmen believes that dialogue and exchange of ideas are the best means of handling areas of disagreement.

Shareholders

Holmen's shareholders expect the company's assets to be managed effectively and to earn a healthy return. They also expect Holmen to be managed responsibly in accordance with laws and regulations and in a sustainable manner.

Holmen aims to develop the business in a way that is sustainable in all respects, and to increase its value.

Holmen's financial information is factual and intended to give shareholders a fair picture of the company and its business activities.

Business partners

Customers make demands on Holmen's products and services, and expect the company to adhere to sound business practices, and maintain a high status on key environmental issues. Holmen makes the same demands on its suppliers.

Holmen aims to maintain long-term and mutually rewarding relations with its business partners. Holmen carries out regular surveys to measure their perception of the company. Measures are then taken to rectify any areas of weakness. The Group monitors the sustainability measures of its customers and suppliers by means of surveys and studies.

Raw materials and resources



Forests and wood

Holmen owns a million hectares of productive forestland in Sweden. Harvesting in Holmen's forests corresponds to just over half the annual wood requirement at the Group's Swedish mills.

Wood procurement in Sweden

Holmen's Swedish mills used 4.5 million cubic metres of wood in 2005. In total Holmen procured almost 10.1 million cubic metres. Some 5.7 million cubic metres of this were delivered to other pulp mills and sawmills.

The volume harvested in Holmen's own forests was 2.3 million cubic metres.

Most of Holmen's forests are situated in northern Sweden, while its mills are in the southern and central parts of the country. This means that the mills are largely supplied with wood that is purchased from private forest owners in that part of the country. The wood from the Norrland forests is sold to nearby sawmills and pulp/paper mills.

ENVIRONMENTAL CERTIFICATION IN SWEDEN.

All the large Swedish forest products companies, and some private forest owners, are certificated in accordance with FSC. Holmen and one other forest company are also certificated in accordance with PEFC. Forest-owner associations have been offering PEFC certification to their members for some years now.

Over half (57 per cent) of the Swedish forests are now certificated in accordance with FSC and/or PEFC.

Imports

In 2005 Holmen imported just over 600,000 cubic metres of wood. Some three-quarters of this went to Iggesunds Bruk. Smaller amounts were also delivered to Hallsta and external buyers.

Most of the imported wood comes from Estonia. Smaller amounts are also imported from Latvia, Russia and Scotland.

Wood procurement in Estonia

Holmen's wholly owned subsidiary Holmen Mets buys and ships wood to Holmen's terminals on the basis of Holmen Skog's guidelines for wood procurement.

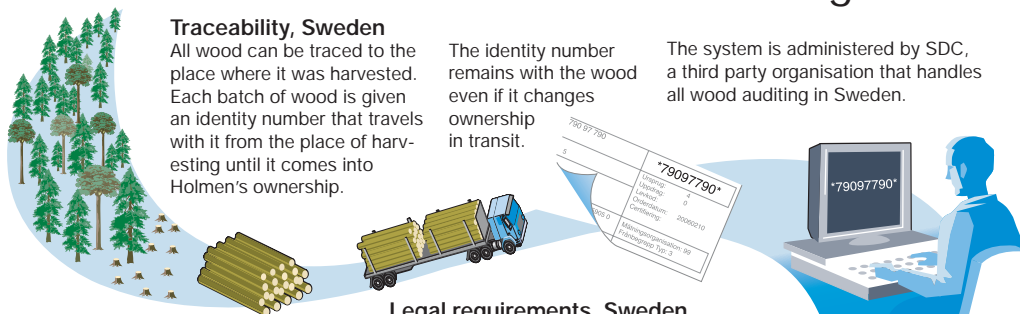
The origins of the wood have so far been verified using own inspections of random samples. An FSC system for traceability will be introduced in 2006. Compliance is verified by means of random checks performed by an FSC-accredited external auditor.

In 2005 Holmen imported 400,000 cubic metres of wood from Estonia.

ENVIRONMENTAL CERTIFICATION IN ESTONIA.

The state-owned forests, which correspond to around half the total area of forestland in Estonia, are certificated in accordance with FSC.

How the wood is traced to its origin



Traceability, Sweden

All wood can be traced to the place where it was harvested. Each batch of wood is given an identity number that travels with it from the place of harvesting until it comes into Holmen's ownership.

The identity number remains with the wood even if it changes ownership in transit.

The system is administered by SDC, a third party organisation that handles all wood auditing in Sweden.

More info on forest and wood:

■ All the Facts, pages 47 and 48

www.holmen.com/itsworld

- Holmen's guidelines for sustainable forestry
- Holmen's guidelines for wood procurement
- Forestry certification systems
- The Swedish forestry model
- Differences between different types of forest
- Holmen's activities with the forest environment
- Holmen's goals for the forest environment

Traceability, Estonia

A system for traceability will be introduced in 2006. It is verified by an FSC-accredited auditor via random tests. Wood procured within the framework of this system may be labelled "FSC Controlled Wood".

Legal requirements, Sweden

All harvesting on land of more than half a hectare must be reported to the National Board of Forestry. The application must also specify how regeneration is to be managed. The National Board of Forestry monitors how the work is performed.

Legal requirements, importing countries

As in Sweden, there are authorities that monitor harvesting and regeneration in all the countries from which Holmen imports wood.

Wood procurement in Great Britain

Iggesund Forestry procures annually round 400,000 cubic metres of spruce wood and sawmill chips for the paperboard mill in Workington. Most of the wood comes from state-owned forests, mainly in south west Scotland and northern England. A small proportion is purchased from private forest owners. Holmen does not own any forests in Great Britain.

ENVIRONMENTAL CERTIFICATION IN THE UK. All state-owned forests and most of the privately owned forests are certificated in accordance with FSC.

Holmen's guidelines for wood procurement

Holmen has applied guidelines for wood procurement since 1998. These guidelines define the types of wood that the Group may not purchase.

Environmental certification in Holmen Skog

Holmen Skog has the following environmental certifications:

PEFC – silviculture. Holmen Skog manages its own forests in accordance with the requirements of the Swedish PEFC standard.

PEFC – group certification. Holmen Skog is also able to offer PEFC certification to private forest owners and entrepreneurs.

PEFC – traceability. Holmen Skog has procedures for tracing the origin of all wood that is procured in Sweden.

FSC – silviculture. Holmen Skog manages its own forests in accordance with the requirements of the Swedish FSC standard.

FSC – group certification. Holmen Skog is able to offer FSC certification to wood suppliers.

FSC – traceability. Holmen Skog has procedures for tracing the origin of all Swedish wood. A similar, simpler system is being developed in Estonia.

ISO 14001. Holmen Skog carries on its environmental activities in accordance with the ISO 14001 environmental management system.

Inspection. The international certification companies DNV, Det Norske Veritas and SCC, Svensk SkogsCertifiering, which are both accredited by FSC and SWEDAC (PEFC and ISO) ensure that the environmental certification requirements are fulfilled.



Company-owned forest – a strategic resource

Holmen sees its own forests as a strategic resource, despite the fact that most of them are located outside the normal procurement areas for the Group's industries.

THE YIELD FROM THE COMPANY'S OWN forests is stable, and each year's growth is well in excess of the level of annual harvesting. This means that the stock of wood is steadily increasing, which in turn means that harvesting levels can be raised. Holmen expects to be able to increase wood production considerably in the future.

FORESTRY IS ONLY MARGINALLY affected by the economic fluctuations that normally affect the markets for forest products. There are only slight variations in the result from Holmen's own forests over time, regardless of whether there is a boom or a recession. Holmen's own forests therefore have a stabilising effect on Holmen's consolidated result. Forestry also requires relatively small investments.

STABLE BASE FOR WOOD PROCUREMENT. Swedish forestry is currently in a situation where the need for wood is increasing by around a million cubic metres a year. In future forests will also play an increasingly important role as a source of energy in Sweden. In view of climate change, in autumn 2005 the Swedish government set a target for Sweden to cease to be dependent on fossil fuels for heating and transportation by the year 2020.

Meanwhile, between now and 2010 additional forestland in Sweden will be protected for environmental reasons on the basis of earlier decisions.

Sweden's forests will consequently serve as source of raw materials for the pulp and paper and sawmilling industries, provide the country with biofuel to reduce climate problems, and contain a considerably larger area of nature reserves. And all this at a time when harvesting is approaching its present sustainable level in Sweden. It must also be kept in mind the fact that the existing ability to import wood from the east is unlikely to remain in the long term.

It is therefore quite likely that competition for wood in Sweden will increase dramatically, which is a further reason for owning forests.

BIOLOGICAL PRODUCTION. The forest is a means of biological production that, if properly managed, can produce valuable wood forever. The forest and its products therefore have an assured place in future, sustainable society. This, combined with depleting natural resources, could strengthen the position of forest products.

Growth in forests could increase

In 2005 Holmen carried out a comprehensive production study together with Skogforsk. The investigation reveals that with more intensive forest management practices it is possible to increase growth in the Group's forests and raise wood production in the long term by as much as 25 per cent.

In the long range, and by making use of biotechnology, it will be possible to raise the production of wood in Sweden even further.

Recovered paper

Holmen uses recovered paper in the form of collected newspapers, magazines and catalogues at its mills Braviken, Hallsta and Madrid. The Group's total consumption in 2005 was 679,000 tonnes.

Recovered paper in Holmen

USES. At Braviken and Hallsta recovered paper is used in the production of newsprint and telephone directory paper. The admixture of recovered paper in these products varies between 30 per cent and 60 per cent.

At Holmen Paper Madrid newsprint production is 100 per cent based on recovered paper. A second machine at the mill was test run at the end of 2005. The new machine will significantly raise the consumption of recovered paper.

PROCUREMENT. More than half of the recovered paper used at Holmen's Swedish mills is procured in the country. The rest is imported from England, Norway, Denmark, Finland and Germany. It is, for the most part, shipped from England to Sweden as return cargo on the vessels used to ship paper to England. The recovered paper is collected by Holmen's associate company PÅAB.

The recovered paper used at the mill in Madrid is largely procured in Spain by CARPA, Holmen's recovered paper collection company.

Collection of recovered paper

In Sweden around 1.5 million tonnes of recovered paper are collected each year, which corresponds to 70 per cent of all the paper used in the country. In Spain the corresponding figures are 3.9 million tonnes and 55 per cent. In Western Europe, a total of almost 52 million tonnes of paper was collected in 2004, which is equivalent

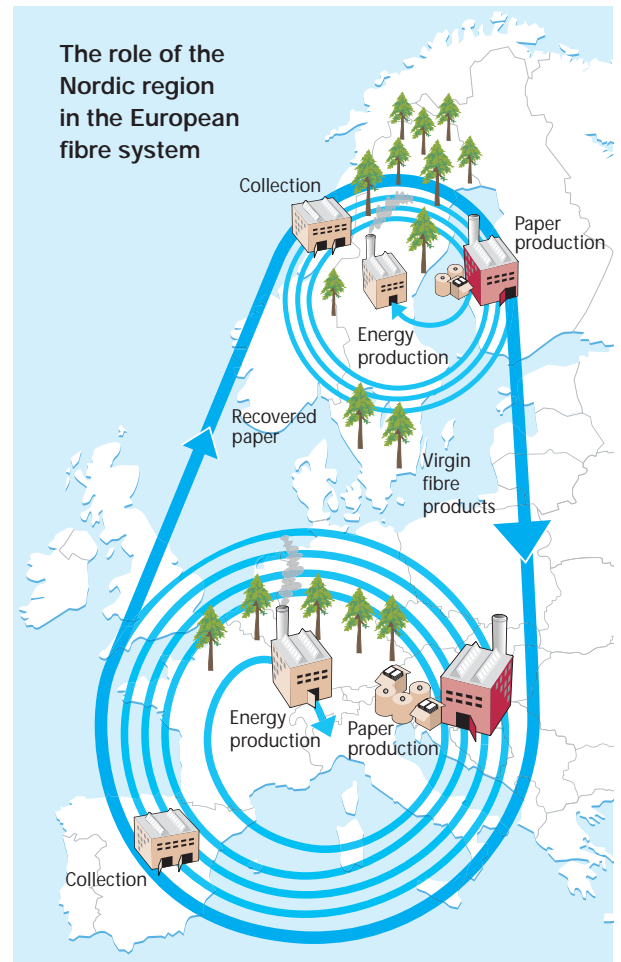
to 60 per cent of total paper consumption.

As the supply of recovered paper in Sweden is not sufficient to satisfy the demand, around 0.5 million tonnes are imported each year.

In 2000, the European trade association Cefi set a target for the recovery rate*; this was to be raised from the prevailing level of 49 per cent to 56 per cent by 2005. The outcome by 2004 was around 54 per cent, which should mean that the target will be achieved. Discussions are underway on setting a new target for 2010.

PRODUCER RESPONSIBILITY CONDITIONS SATISFIED. According to a law that came into effect in Sweden in 1994, companies that make or import newsprint and print or import newspapers are responsible for the collection and recovery of the used paper. Magazines, direct advertising, telephone directories, and mail order catalogues are also included. The target decided on was to raise the recovery level to 75 per cent.

In total 0.45 million tonnes were collected in 2004, or more than 80 per cent of the types of paper covered by the producer responsibility. The statutory target was thus more than satisfied.



The Nordic region is a motor driving Europe's more and more closed fibre system. It needs to be continuously refilled with virgin fibre from the Nordic forest to maintain the quality. Swedish mills are also elements in the European flow of recovered paper as they can make good use of available freight capacity to carry return cargoes.

www.holmen.com/itsworld

■ Re-use or burn

* The proportion of recovered paper used in relation to total paper consumption.

Facts about recovered paper

Collection 2004

Recovered paper collected in relation to total paper consumption in the country/Europe

	Share, %	Million tonnes
Sweden	70	1.5
Spain	55	3.9
Europe (Cepi)	60	51.8

Admixture of recovered paper 2004

Proportion of recovered paper in the total volume of paper produced in the country/Europe

	Share, %	Million tonnes
Sweden	17	2.0
Spain	81	4.5
Europe (Cepi)	47	46.5

Recovered paper at Holmen

Consumption, tonnes

	2005	2004
Braviken	353,000	348,000
Hallsta	105,000	104,000
Madrid	221,000	206,000
Holmen, total	679,000	658,000

Water

Water is an important environmental factor at all of Holmen's mills. Its use and effluent are both regulated in the environmental permits. The volume of water used in production is being steadily reduced by the use of increasingly efficient methods and equipment.

HOLMEN USES WATER TO transport and wash fibres at the mills. Water is also used for cooling and to produce steam. The water used is almost 100 per cent surface water drawn from lakes and rivers. After being used it is treated in several stages before being discharged back into the recipient.

Supply of surface water

In Sweden and Great Britain there are ample supplies of surface water. Precipitation is high, which means that rivers and streams are well filled throughout the year.

In Madrid the supply of water can be limited from time to time owing to the generally dry climate. Holmen devotes particular attention to the limited availability of surface water in Madrid. According to its environmental permit the company has to examine the possibility of using treated water from the city's effluent treatment plant.

Uses of water

TO PROCESS CHEMICALS. The mills use water to prepare and dilute chemicals.

AS COOLING MEDIUM. Water is used to cool various parts of the process plant.

AS A TRANSPORT MEDIUM. Once the fibres have been released from the wood or recovered paper water is used to carry them through the process. For example, pulp is 99 per cent water when it enters the paper machine.

TO PRODUCE STEAM. Paper production is largely a matter of extracting water, which requires thermal energy. Steam is used for carrying thermal energy to where it is needed.

HOLMEN has a marked aim of reducing its use of water. The less water used the easier it is to clean the effluent before it is discharged. It also means that less energy and chemicals are required for cleaning, which also lowers costs.

HOLMEN'S SPECIFIC WATER consumption (m^3 of water per tonne of end product) has been reduced by around 20 per cent over the past decade.



Holmen Paper Braviken

Treatment and emissions

Effluent from the mills is treated in several stages before it is discharged. The treatment methods are regulated in the environmental permit and vary from mill to mill, depending on the production method and conditions in the recipient.

MECHANICAL TREATMENT. The water is channelled into ponds where particles, mainly fibres, fall to the bottom, from where they can be removed.

BIOLOGICAL TREATMENT. Organic substances in the effluent are broken down with the aid of micro-organisms. The principle is the same as in nature, but the process goes much faster and takes place under controlled conditions.

CHEMICAL TREATMENT. Effluent is treated with the aid of chemicals that cause contaminants to precipitate, after which they can be removed mechanically.

HOLMEN monitors the status of the recipient regularly in close cooperation with the

environmental authorities. The conditions in the permit regarding treatment are determined on the basis of water conditions in the vicinity of the mill, which are unique for each mill. At the mills there are local environmental goals for the use of water and effluent characteristics.

Holmen's water environment group handles issues relating to the use of water and effluent treatment.

As a result of increasingly effective treatment and better technical equipment Holmen's emissions into water have been reduced very sharply in the last few decades. Generally the aqueous environments adjacent to Holmen's mills are now in good condition.

New legislative demands

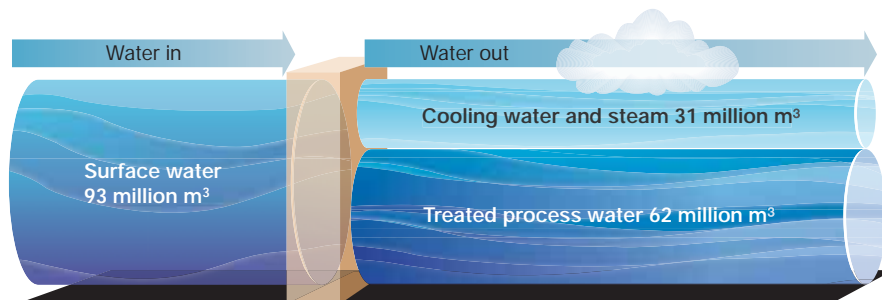
The EU's Water Directive is being implemented. Its object is to bring all water in Europe up to a good status by no later than 2015. It also aims to ensure the sustainable use of water.

HOLMEN is well placed to satisfy the demands in the EU Water Directive thanks to the measures that have been taken to reduce water consumption and impact of discharged effluent. The Group plays an active role in local water management associations, which are expected to play a key role when the Directive is implemented.

DETAILED DESCRIPTIONS of the aqueous environment in the vicinity of Holmen's mills:

www.holmen.com/itsworld

- Holmen Paper Hallsta
- Holmen Paper Braviken
- Holmen Paper Madrid
- Holmen Paper Wargön
- Iggesund Bruk
- Workington
- Iggesund Sawmill



Every year, Holmen uses large volumes of surface water as a medium for transporting and washing fibres in its mills. Two-thirds of it is process water that is treated in several stages before being discharged.

Energy supply

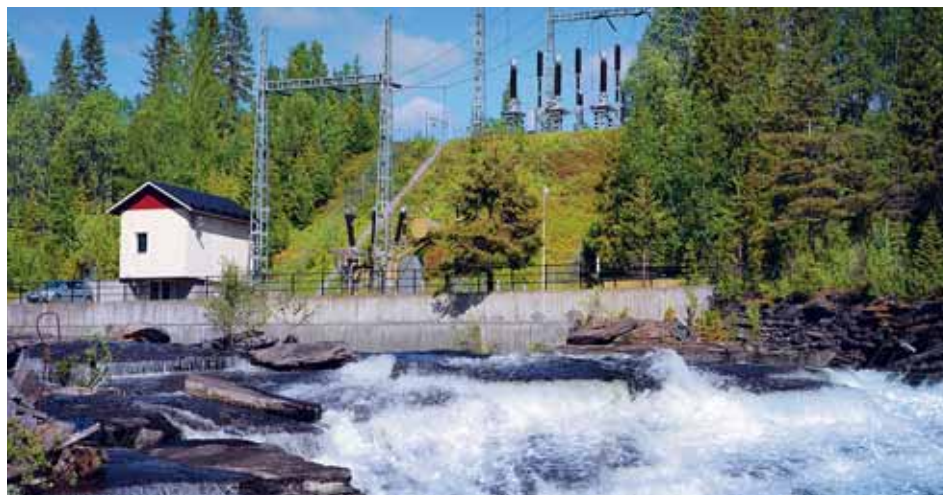
Holmen is one of Sweden's largest users of electricity, which means the Group focuses closely on matters relating to energy. Having access of electricity at competitive prices is a key factor affecting Holmen's development.

IT IS MAINLY THE PRODUCTION of newsprint and magazine paper at the mills in Norrköping and Hallstavik that is energy intensive. The wood is converted into pulp thermo-mechanically, which requires substantial amounts of electricity. In return the yield is high with around 98 per cent of the wood being converted into paper. These mills differ in this respect from the mill in Iggesund, where the pulp is produced using the sulphate method, which is a chemical method in which only the cellulose fibres in the wood, around 55 per cent of the wood content, are used in the production of paper-board. The remainder is used as a high-energy biofuel. Sulphate pulp mills are normally self-sufficient in thermal energy and satisfy much of their own electricity requirements with electricity generated in the mill's own back pressure power turbines.

IN ORDER TO REDUCE the financial risks associated with a low level of self-sufficiency in electricity the Group has interests in 23 wholly or partly owned hydroelectric power stations on the Umeälven, Faxälven, Gideälven, Iggesundån, Ljusnan and Motala Ström rivers. These units generate around one-fourth of the Group's total energy requirements. Combined with the company's own back pressure power production, this means that Holmen covers approximately one-third of its electricity needs from internal sources. The rest is purchased. The current distribution of energy supplies by source is shown in the figures alongside.

Holmen's approach to energy

Energy is high on the agenda in the Group and is a factor in many investment projects. As energy costs continue to rise, and in view of the current debate on energy and the climate, energy is an issue of greater importance than it was in the past. It is of the



The Junsterforsen power station in Ströms Vattudal in northern Jämtland.

utmost importance for the Group's future profitability to keep the cost of energy as low as possible.

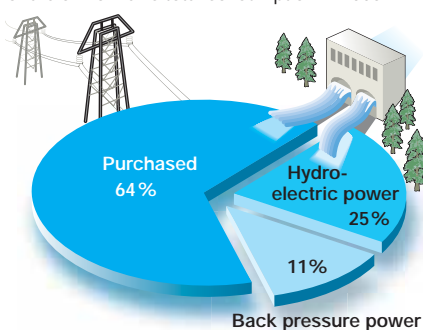
MORE ENERGY-EFFICIENT PRODUCTION. Holmen and Vattenfall have launched a study

of the energy consumption at the Group's Swedish units. This will lead to a number of proposals for how each mill can make more efficient use of energy. In 2006 similar studies will be made at the units in England and Spain.

Energy supply in Holmen 2005

Electric energy

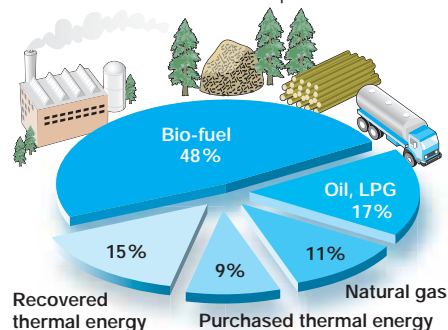
Share of Holmen's total consumption in 2005



ELECTRICITY. 25 per cent (2004: 22) of the Group's electricity requirements were covered from wholly and partly owned hydroelectric power stations. The mills' back pressure power production accounted for 11 (12) per cent, while the rest was purchased from outside suppliers. Holmen's self-sufficiency in electricity thus rose to 36 (34) per cent. The rise in production is mainly due to increased flows into the reservoirs as a result of heavy precipitation.

Thermal and fuel energy

Share of Holmen's total consumption in 2005



THERMAL AND FUEL ENERGY. Biofuel and recovered thermal energy covered 63 (63) per cent of the Group's requirements. Fossil fuels such as oil, LPG and natural gas accounted for 28 (28) per cent. The rest was purchased. The purchased volumes were mainly produced using natural gas.

At Iggesund Bruk, which is a sulphate pulp mill, thermal energy is produced by incinerating wood-containing liquors. At Hallsta and Braviken surplus heat is recovered from the thermo-mechanical pulp process. At Workington and Madrid thermal energy is produced using natural gas.

Climate and energy

MORE COMPANY-GENERATED HYDRO-ELECTRICITY. In 2005, Holmen's Board earmarked funds to build a new, more efficient power station on the river Iggesund that would replace three old ones. Permit is expected during 2006.

RAISE SHARE OF INTERNALLY GENERATED ENERGY. Holmen has an explicit goal of raising the share of internally generated energy. This involves various projects that will make it possible to replace fossil fuels with bioenergy and to make even greater use of surplus heat for a variety of purposes.

FOCUS ON COSTS. Holmen has hedged the prices of a high proportion of its electricity usage until 2015 by means of long-term supply agreements.

ENERGY MANAGEMENT SYSTEMS. Measures are being taken at the Group's mills to introduce certificated energy management systems. The energy management systems at Hallsta and Iggesunds Bruk were certificated in 2005.

ENERGY IN THE COMMUNITY. Hallsta and Iggesunds Bruk recover surplus heat and deliver it to the municipal district heating plants in Hallstavik and Iggesund.

INDUSTRY-WIDE ACTION. In 2005 Holmen and some of the country's other electricity-intensive manufacturers set up BasEl, a company that is to engage in practical projects intended to increase the supply of electricity at competitive prices. BasEl's initial aim is to raise the supply of electricity by around 9 TWh a year.

More information on Holmen's energy consumption:

■ All the facts, pp 46–47

www.holmen.com/itsworld

- Electric energy
- Thermal energy

New laws and initiatives in both Sweden and the EU are steering the European energy system towards relatively lower use of fossil fuels.

Trading in emission rights

At the beginning of 2005 the EU introduced a system for trading in fossil carbon dioxide emission rights. Manufacturers covered by the system have been allotted a certain number of emission rights for 2005-2007. Plants that emit more fossil carbon dioxide than is permitted by the allotted rights are then compelled to purchase additional rights on the market that has emerged. The main vendors are companies that do not make full use of their allotted rights. The overall purpose of the system is to master climate change.

Holmen has a positive approach to the initiatives to master the threat of climate change. However, the company objects to the failure of the system to take indirect effects on electricity prices into account. The fact is that electricity prices are determined in accordance with the marginal pricing principle, which means that the price of the most expensive unit of electricity affects all electricity. In the Nordic region, approximately 70 per cent of all electrical energy is produced by hydroelectric or nuclear power stations. The marginal production is generated using fossil fuels. The price of all electricity rises as a result of the additional costs incurred by coal-fired and oil-fired power stations due to the trade in emission rights.

Electricity certificates

In Sweden a law aimed at increasing the production of renewable energy came into effect in 2003. Whoever generates one megawatt-hour of renewable electricity receives one electricity certificate. Electricity users are obliged to acquire electricity certificates in relation to the energy consumption, known as the quota duty. This will be raised successively, which will lead to higher demand for renewable energy. Electricity-intensive manufacturers are exempt from the quota duty.

Holmen participates in the trade in electricity certificates. In 2005, it sold electricity certificates for renewable energy to a value of some MSEK 56.

EU energy tax directive and voluntary agreements

In 2004 an electricity tax was introduced in Sweden as a way of harmonising Swedish legislation with that of the EU. Electricity-intensive manufacturers were offered tax relief if they undertook to save energy and introduce energy management systems in accordance with a new act, PFE (Programme For Energy Efficiency), which came into effect in 2005. The law applies for five years, during which practical action should have been taken. Similar agreements have also been introduced in other European countries, including the Climate Change Agreement (CCA) in England, where manufacturers are offered an 80 per cent reduction in energy tax in return of a reduction in their energy consumption.

For Holmen, the new Swedish electricity tax would involve additional costs of some MSEK 20 per year. Holmen has decided that its energy-intensive mills in Sweden should participate in PFE. Energy management systems have been introduced at Hallsta and Iggesunds Bruk. If the programme is implemented Holmen will not have to pay the proposed tax. Holmen's paperboard mill in Workington is participating in the CCA programme through the paper industry sector, whereby the mill, together with more than 330 other English companies, will be permitted to remain outside the EU's trade in emission rights. The CCA programme is considered to satisfy the demands of the trading system.

Growing demand for biofuel

The use of bioenergy is rising rapidly throughout Europe – due to the growing awareness that fossil fuels are a main contributor to the greenhouse effect. In 2005, the Swedish government expressed an explicit goal that by 2020 the country would no longer be dependent on oil for heating and transportation. Most likely, this means that competition between pulpwood and various biofuels will intensify.

In recent years, Holmen has become more and more involved in debate, and is steadily extracting more biofuel from its forests. A strategy for dealing with biofuel will be drawn up in 2006.

Research and Development



Holmen R&D

Local development units at each mill

R&D projects are handled in close contact with production and customers. Typical aims include product development and improving production efficiency.

Holmen Paper Development centre (HPD)

This centre focuses mainly on printability and on reducing the consumption of fibre and energy in the production of printing paper.

Paperboard Development Centre (PDC)

Development activities focus mainly on the surface treatment of paperboard.

Group-wide working group

Holmen's R&D activities are coordinated within a joint action group whose members are drawn from each business area's development department.

Customer focused R&D

Process and product development is an important aspect of Holmen's business. The R&D activities are aimed at improving products, improving production efficiency and reducing the use of resources.

Holmen's two main products – printing paper and paperboard – are entirely different with differing areas of use and their own development requirements.

PRINTING PAPER is used for daily and weekly newspapers, catalogues and directories, brochures and other printed matter, areas where high demands are made for printability and runnability, and where cost efficiency is another important consideration. Printing paper is produced from virgin fibre as well as recovered fibre. In many cases, these two types of fibre are blended in order to ensure that the final paper products have the best possible characteristics.

PAPERBOARD is primarily used for packaging where the main requirement is to protect the product. However, paperboard must also satisfy rigorous demands in terms of runnability in the customers' increasingly high-speed packaging machines. It must, for instance, be capable of taking high quality, selling print. Paperboard from Iggesund Paperboard is produced exclusively from virgin fibre.

HOLMEN'S R&D ACTIVITIES are decentralised to the individual mills in order to maintain proximity to production and the market. In addition, there are two development centres, one at Holmen Paper and one at Iggesund Paperboard, which engage in joint research in closely related fields.

Holmen is also involved in joint research together with numerous outside research and development institutes, including STFI-Packforsk, MoRe Research, the Royal Institute of Technology (KTH), Mid Sweden University, the Swedish University of Agricultural Sciences (SLU) and Skogforsk. Holmen cooperates with the Pulp and Paper Research & Technical Centre (CTP) in France, Universidad Complutense in Madrid in Spain and with the University of Manchester in England.

In all, Holmen invests around MSEK 100 a year in R&D, about a fifth of which goes on external costs. This is comparable to the average amount spent on R&D in the forest products industry.

Printing paper

Holmen Paper has accumulated significant competence in the areas of thermo-mechanical and de-inked pulp. A special development centre, *Holmen Paper Development Centre (HPD)*, has been established, which focuses mainly on pulp research.

The amount of energy required to produce thermo-mechanical pulp (TMP) at Holmen Paper's mills has fallen dramatically since the 1970s. During the same period the paper's strength and brightness have improved by making greater use of filler. This means that both runnability in the printing press and printability have been improved, while the amount of fibre used per printed surface has been almost halved. Today's newspapers are therefore better, lighter and thinner than earlier. This in turn leads to fewer paper reels, lower distribution and handling costs, less need for transportation and therefore less of an impact on the environment.

Holmen Paper is now examining the scope for further reducing energy requirements. One possibility is to try out techniques on a full scale that will eventually reduce the need for electrical energy in the production of TMP by a further 30 per cent.

ONE OF THE PRODUCTS developed in 2005 was an extra thin, lightweight directory paper with a grammage of 30 gsm. Steps were also taken to improve the print characteristics of the directory paper by adding more filler. Similar development measures have also been taken in the case of standard newsprint.

The joint research carried on by Holmen Paper Madrid and Universidad Complutense in Madrid has continued. One particular development is the establishment of a joint paper laboratory at the mill, which increases Holmen's opportunities to make use of the competence possessed by the university researchers. It also creates an important contact network for recruiting newly qualified engineers in the future.



In view of the widely varying demands on Holmen's products, R&D is decentralised to business area and mill level. Anita Gibson, Workington, is checking the quality of the paperboard.

Paperboard

At the *Paperboard Development Centre (PDC)* activities are mainly focused on surface treatment. The paperboard is coated with an extremely fine-grained clay material to even out the microscopic irregularities between the fibres. The coating improves the paperboard's ability to take advanced printing. The bank of experience in coating possessed by Iggesund Paperboard will also benefit Holmen Paper.

PDC has also developed considerable expertise in paper physics. This has resulted in the paperboard acquiring characteristics that enable it to be folded, stamped and embossed using extremely advanced means. Knowledge of the physical properties of paperboard is especially important for runnability, i.e. how fast and safely it can be printed on and formed into packaging.

IN 2005 SOME PROJECTS were carried out at Iggesunds Bruk with the aim of achieving an even more consistent quality of the paperboard. At the beginning of 2006 a project was launched to develop the next generation of graphic and packaging paperboards.

At Workington the development activities focused on reducing the grammage of

the board whilst retaining its strength and stiffness.

The development activities at PDC concentrated on surface treatment and paper physics. The aim is to improve the optical characteristics of paperboard and its surface layer. PDC also began a fibre modification project, which will involve chemically or mechanically improving the stiffness and bulk of the cellulose fibres.

Forestry

Development activities at Holmen Skog are concentrated on three main areas:

- Increasing forest growth and wood production.
- Developing methods and equipment to improve the efficiency of forest management activities.
- Developing methods that more effectively create conditions for maintaining biodiversity in the forests.

A STUDY WAS CARRIED OUT in association with Skogforsk which shows that it would eventually be possible to raise the amount of wood produced by Holmen's forests by as much as 25 per cent.

In order to improve the biological quali-

ties in the forests under cultivation, Holmen Skog has for several years been testing what could be termed second generation conservation in association with the Swedish University of Agricultural Sciences (SLU). Until now, conservation has almost exclusively meant protecting and leaving alone. Now it is also about cultivating the conditions needed for biodiversity. The evaluation made by researchers at SLU reveals several promising results from the trial.

In cooperation with researchers at Umeå University, Holmen Skog is also participating in research intended to partly automate the cranes on harvesters and forwarders.

Holmen Skog is also involved in a joint project with machine manufacturers to develop harvesters that can handle several trees at the same time.

External contacts

Holmen is represented in several trade associations, such as the Swedish Forest Industries Federation, the Paper Federation of Great Britain and the UK Forest Products Association and the Association of Spanish Pulp and Paper Manufacturers (Aspapel). In addition Holmen is actively involved in Capi, the European trade association, and in groups that deal specifically with packaging board and printing paper. These groups also deal with R&D and the environment.

Holmen contributes to developments in the environmental field, partly through its own research, and partly through its involvement in the industry-wide environmental research that has been taking place since 1970. This joint research takes place at colleges, universities and environmental research institutes. Since 2003 Holmen has been cooperating with Värmeforsk on a project examining the environmentally sound uses of incinerator ash. The project has high priority on Holmen's R&D agenda to identify cost-effective and sustainable uses for production waste.

Working practices

Holmen's personnel policy is aimed at developing leadership, and Holmen's organisation and employees. HR has acquired greater importance in the Group in recent years.

IMPORTANT ISSUES affecting employees are coordinated by the HR management. This consists of the personnel managers of the business areas and is chaired by the Group HR director. For specific HR issues, working groups are formed on which the unions are represented.

Personnel activities at business area level are run by the HR Council. The large units have their own personnel managers and HR specialists.

The HR process

The activities of the Group's personnel departments are based on Holmen's personnel policy and HR strategy. Emphasis is given to competence sourcing, leadership and the organisation. The results are followed up by means of key ratios and Holmen Inblick, the Group's employee survey.

HR is a natural component in the Group's business plan.

HR goals

Holmen has set a number of strategic goals for its HR activities. The goals relate to the work environment, leadership, sick leave, the number of industrial accidents, the proportion of female managers and graduate recruitment. So far the goals have only applied to Holmen's Swedish mills, but as of 2007 they will apply to the whole Group.

The current goals relate to the 2005-2008 period.

In addition to these goals, there are key ratios that are followed up on a monthly basis, as well as goals generated by the employee surveys.

Common HR processes

It is Holmen's ambition to ensure that HR issues such as recruitment, manning, competence development, rehabilitation and discontinuation are dealt with in the same way throughout the Group. The new HR system that will come into effect in 2007 will be a valuable tool for this.

Policies and guidelines

www.holmen.com/itsworld

- Personnel policy
- Equal opportunities policy

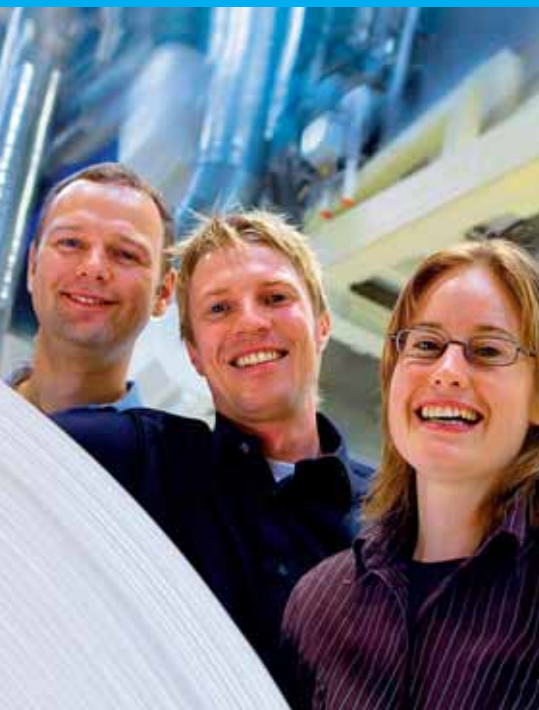
Other HR-policies

Each of the mills has policies for the following:

- Wages and salaries
- Work environment
- Protection and safety
- Discrimination
- Drugs
- Rehabilitation
- Internet and e-mail

HR

Personnel issues at Holmen are coordinated under the internationally recognised term HR (Human Resources).



HR-goals and results, Holmen's Swedish units

	2003/04	2005	Goal 2007/08
Value-creating capital index ¹⁾	560	604	635
Leadership index ¹⁾ , %	52	55	58
Sick leave, %	5.7	5.5	4.5
Accidents involving absence/1,000 employees	23	24	10
Proportion female managers, %	9.2	9.0	16
Proportion graduates recruited ²⁾ , %	33	38	>50

1) Figures from Holmen Inblick

2) At least two years studies



Anders Thorén, operations engineer, moved from Braviken to Workington four years ago. His wife Ewa and two sons, William and Per, are with him in the picture.

Internal mobility encouraged

Holmen supports employees who wish to relocate within the Group and sees internal mobility as a way of helping individuals to develop. Holmen is open to flexible solutions during a transitional period, for example the Group supports telecommuting to help employees decide where to live and/or work.

The policy for the internal labour market, which was adopted in 2002, means for instance that:

- All vacancies are advertised internally.
- Internal mobility is discussed at individual employee appraisals.
- Holmen covers the cost of relocating to a new place of residence and pays an extra month's pay as a contribution towards relocation costs.

Appraisals

Holmen's personnel policy stipulates that each manager shall carry out annual personnel appraisals. Personal development plans are established during the discussion. Managers and employees are also able to train for this to enable them to get the most out of the discussion.

The number and quality of the appraisals conducted are measured in the employee survey. According to the latest survey, some 93 per cent of the employees had participated in an appraisal in the past two years.



Human rights

Holmen is in favour of the principles in the UN's Global Compact. The Group has therefore taken a clear stance on issues that affect human rights, social relations, the environment, and union rights.

Holmen examines its activities to determine if there is anything that could conflict with the UN's Declaration on Human Rights. However, there is little risk since all production takes place in the EU, where such issues are closely regulated.

In 2005 Holmen began to inform the Group's employees about the contents of the Global Compact. The first stage was a seminar for the 50 most senior managers to inform them about the principles, together

with an article on the subject in the personnel magazine, Holmen Insikt.

Holmen has also investigated whether there are major suppliers or customers in risk countries that are not living up to the requirements of the Global Compact. The investigation is not yet complete, but so far no suspect cases have been identified.

Global Compact

The Global Compact is based on:

- The UN Declaration on International Human Rights
- The International Labour Organisation's (ILO) declaration on the 16 Fundamental Principles and Rights at Work
- The Rio Declaration on Development and the Environment

UN Global Compact's ten basic principles

Companies shall:

Human rights	<ol style="list-style-type: none"> 1. support and respect protection of internationally proclaimed human rights in the sphere that the company is able to influence 2. make sure that they are not complicit in human rights abuses.
Labour standards	<ol style="list-style-type: none"> 3. uphold the freedom of association and the effective recognition of the right to collective bargaining 4. eliminate all forms of forced labour 5. eliminate child labour 6. eliminate discrimination in respect of employment and occupation.
Environment	<ol style="list-style-type: none"> 7. support a precautionary approach to environmental challenges 8. undertake initiatives to promote greater environmental responsibility 9. encourage the development and diffusion of environmentally-friendly technologies.
Anticorruption	<ol style="list-style-type: none"> 10. work against all forms of corruption, including extortion and bribery.

Employee surveys

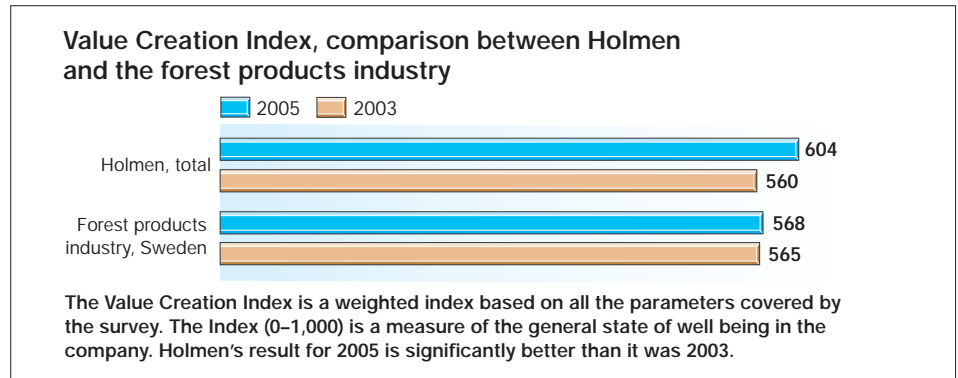
Holmen carries out its Inblick employee survey every second year. The results are analysed and then serve as a basis of local action programmes.

EMPLOYEE SURVEYS were in 2005 carried out in Sweden and the Netherlands. The questions in the employee questionnaire are broadly the same from one time to the next. The main purpose is to obtain a picture of the employees' conditions for doing a good job. There are also questions about equality of opportunity, discrimination, work environment, progress discussions, and the balance between work and free time.

RESPONSE RATE. Replies to the 2005 questionnaire were sent in by 2,889 employees in Sweden, 79 per cent (2003: 79). In the Netherlands the corresponding figures were 155 and 84 (53) per cent.

Results – Sweden

WORK CONDITIONS. The number of employees who stated that they had good condi-



tions for doing a good job rose to 60 (56) per cent. At that level, Holmen is far better than the average for the forest products industry. Some mills, mainly Braviken, Hallsta and Ströms Bruk, noted considerably better results than last time. Holmen Skog further improved an already good result.

LEADERSHIP INDEX. This index of the quality of leadership in Holmen rose to 55 (52) per cent, which is better than the industry average. Some managers scored more than 70 per cent, which is very good. There are also some whose index is low, and who need support to develop their leadership skills.

Targets for 2007

- Value Creating Index: 635
- Ledarship index: 58
- Bullying and harassment: 0
- Action plans at units and departments: 100 %

WOMEN are more positive about their work situation than last time.

BULLYING. Unfortunately, some cases do occur. The managers concerned have a duty to take action together with the units' personnel managers.

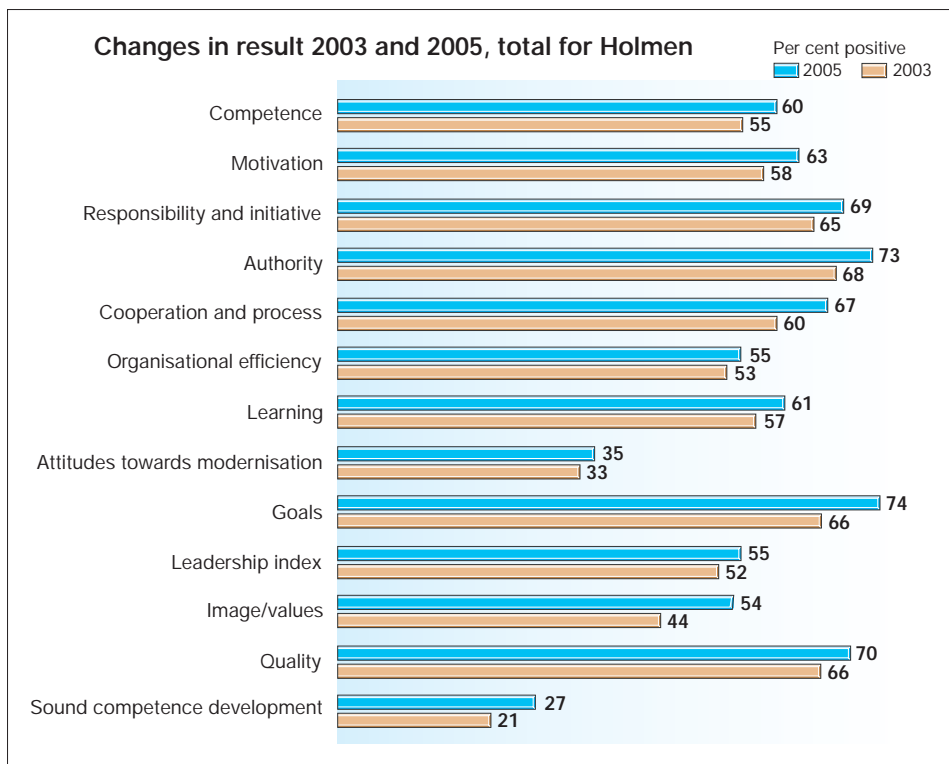
TECHNICAL AIDS. 57 per cent consider they have access to effective technical aids.

ATTITUDE TOWARDS MODERNISATION. This is still felt to be weak, and below the average for the forest products industry.

DIFFERENT GROUPS have different attitudes. Managers are most positive, while shift workers are at the other end of the scale. However, the gap between the groups has narrowed since 2003.

YOUNG EMPLOYEES are not as positive as older ones. For example, they are less motivated and consider that Holmen's corporate values have not reached all parts of the organisation.

The result for 2005 varies from one area to another. However, all areas have improved since the 2003 survey.





The result of the employee survey, Holmen Inblick, and management's comments are published in a supplement to the personnel magazine.



Union representatives meeting Senior management to discuss Holmen Inblick. From left: Kenneth Johansson, Paperworkers' union, Steewe Björklundh, Forestry & Woodworkers' union, Maj Aidanpä, Salaried Employees' union, Magnus Hall, CEO, and Thommy Haglund, HR director.

Results – the Netherlands

The proportion of employees who consider that they have sound conditions for doing good job increased to 57 (54) per cent. The greatest improvements were in motivation, cooperation, efficiency and quality.

A coaching programme for managers has been launched as a result of the Inblick results.

Areas of strength

- Professional competence – people have the competence needed to do their jobs
- Business competence – the employees know what is required to enable the company to do well
- Responsibility – the employees consider their colleagues take proper responsibility when problems arise
- Authority – the employees have the authority needed to do their job
- Quality targets – most employees work to achieve quality goals.

Areas of weakness

- Knowledge of customer needs – some employees consider that they don't know enough about customer demands
- Initiative – too few initiatives are taken by individuals so they can work more efficiently
- Modernisation – new ideas need to be given more support and encouragement
- Psycho-social work environment – cases of discrimination and bullying do occur.

How the results are analysed

All the results are broken down to business area, mill, region and department level (with at least six employees). Smaller units are given a written summary. Each manager has access to the results of his/her unit and is expected to go through them with subordinates. All group level results can be compared with those of other forest products companies.

Each manager is given a personal profile of the leadership skills by the immediate superior.

How the results are followed up

Action plans are drawn up at all units to remedy the identified weaknesses. Senior management follows up twice a year to ensure the plans are being put into effect. The results are summarised at Group level and taken into the next year's HR plan.

70 per cent of Holmen's employees have been involved in implementing action plans. More than 40 per cent consider this has resulted in improvements.

Employee survey

Holmen has arranged to have an employee survey (Holmen Inblick) carried out every second year since 2001 by market research consultants Research International.

The first survey in the Netherlands was carried out in 2003. Limited surveys in England and Spain will be carried out in 2006.

An employee survey covering all employees will be carried out in 2007.

Health and safety

Workington OHSAS certified

Workington is one of the first workplaces in Great Britain to be certified in accordance with OHSAS 18001 (Occupational Health and Safety Assessment Series). This is an international management system for the work environment very like the ISO 14001 environmental management standard.

Certification is one aspect of the preventive measures to improve safety that have been taken over many years and that have resulted in a steadily declining number of accidents and incidents.

Back to work after long period of sick leave

Procedures have been introduced at Holmen Paper Braviken for rehabilitating employees after long periods of sick leave. They meet their immediate superior together with representatives of the personnel department, company health service and national insurance office. The primary aim is to arrive at solutions at the regular workplace.

Rehabilitation means that sick leave is replaced by half-time working combined with training programmes. So far, six people have been able to return to work as a result of rehabilitation.



Holmen employees rehabilitated in Marbella

The Swedish Forest Industries Federation has a rehabilitation centre just outside Marbella in southern Spain.

This facility has been in operation since 1995 in association with the Swedish Back Institute. The evaluation made of 1997-2000 by researchers at the Karolinska Institute shows that the Back Institute's methods scored better than those of other clinics. Rehabilitation and training programmes are provided by trained personnel, which, in combination with the favourable climate, is one factor behind the good results.

Work environment programmes at Holmen focus on making workplaces safe and stimulating. Considerable effort is also devoted to dealing with the ill health that has for many years been so widespread on the labour market in Sweden.

Slightly lower sick leave

In 2005, the level of sick leave at Holmen's Swedish units declined to 5.5 per cent from 5.7 per cent in the previous year. This means that the declining trend has continued. The target is that the level of sick leave at the Swedish units in 2008 should not exceed 4.5 per cent.

Long-term sick leave declined from 4.2 per cent to 3.8 per cent in 2005, which corresponds to 16 fewer cases of long-term sick leave. The rate for women is higher than that.

Short periods of sick leave (1-14 days) have for several years been below two per cent.

The reasons for high rates of sick leave include management shortcomings, life styles and long queues for treatment.

At Workington, the level of sick leave was 3.1 per cent, at Holmen Paper Madrid it was 2.6 per cent and at Iggesund Paperboard's units in the Netherlands it was 5.0 per cent.

It is difficult to make an objective comparison between the three countries owing to differences in their health insurance systems.

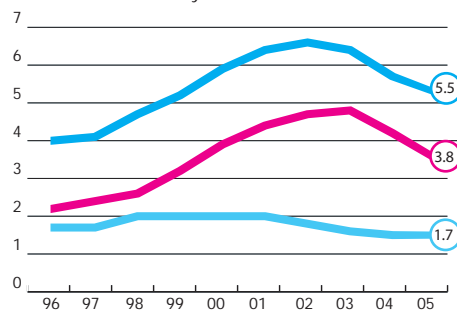
Good health index down

In 2003, Holmen began to measure what it calls its Good health index, which is

Sick leave

Holmen Sweden, %

The level of sick leave at Holmen's Swedish units declined for the third year in a row.



- Total sick leave
- Long-term sick leave, 15 days or more
- Short-term sick leave, up to 14 days



Patric Karlsson had to go on sick leave for 10 months after falling from a forklift truck. After rehabilitation on the model developed at the mill he now works half-time in the re-reeling department.

defined as the proportion of the employees who were not off sick at all during a calendar year.

In 2005, the Good health index at Holmen was 41 per cent, down on the 44 per cent of the previous year. This means that 1,531 of the Group's 3,735 employees in Sweden were at work every working day in 2005.

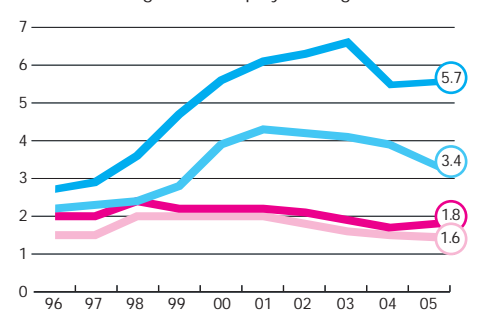
Work environment and safety

Each unit has a set of work environment targets. According to local policies and

Sick leave by gender

Holmen Sweden, %

Although sick leave among men fell further, the level among female employees stagnated.



- Women, long-term sick leave, 15 days or more
- Men, long-term sick leave, 15 days or more
- Women, short-term sick leave, up to 14 days
- Men, short-term sick leave, up to 14 days

Management development

guidelines there are procedures for registering and following up accidents and incidents. The object is to identify risks so that preventive measures can be taken. The Work Environment Inspectorate makes regular inspections of how the measures are carried out.

Each year internal audits are made of the work environment and fire safety activities at Holmen. The National Rescue Service makes regular in situ inspections of the fire safety arrangements at each unit.

OCCUPATIONAL ACCIDENTS. The number of occupational accidents that resulted in sick leave rose at some units and fell at others. All in all, this meant that the number of accidents resulting in sick leave was 26 per 1,000 employees, or the same level as last year. No fatal accident has occurred in the Holmen Group for a long time.

The target is for the number of occupational accidents not to exceed 10 in 2008, which will require very effective measures.

A GROUPWIDE TEAM handles matters relating to the work environment, safety and security. This group consists of specialists from the business areas and is run by Group HR.

Legionella

One case of legionella, a kind of pneumonia, was identified at the end of 2004 at a Swedish paper mill. Consequently, in 2005, the Swedish Forest Industries Federation and the Swedish Institute for Infectious Disease Control mapped the incidence of legionella bacteria in the effluent treatment units at the country's pulp and paper mills.

No legionella bacteria were found at Holmen Paper Braviken or Wargön. The results of the study at Iggesunds Bruk and Holmen Paper Hallsta were conflicting.

The employees have been regularly informed about the situation, and wherever legionella bacteria have been found the industry's recommendations regarding safety equipment have been followed.

The Federation and the Institute will investigate the situation further in 2006.

Effective managers and sound leadership are key strengths in any company. Identifying and developing employees with management potential has high priority at Holmen.

EACH YEAR HOLMEN identifies those managers who are interested in being promoted to more demanding tasks. It is just as important to identify managers ready to shoulder broader and more demanding tasks. The analysis is made in each unit and is then coordinated at Group level. The aim is that at least 75 per cent of all vacant managerial positions in the Group should be filled by internal recruitment. A further aim is to be able to identify female employees with managerial potential.

AN INTERNATIONAL PROGRAMME to develop potential managers within the Group has been carried out in association with the Swedish Institute for Business Management (IFL). The aim is to develop leadership and management skills and also to create a common approach to strategic issues. The programme is arranged every second year, most recently in 2004.

LOCAL MANAGERS are trained within their unit. For the past few years, Holmen Paper Braviken has been arranging a two-week management development programme with

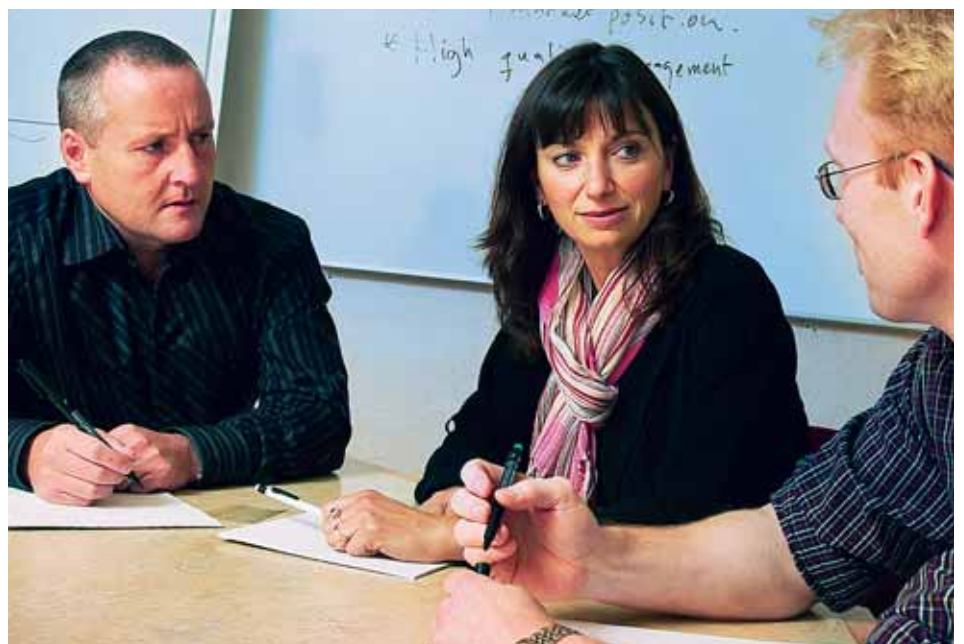
the object of creating a shared position on leadership. Gradually, the programme has also come to include employees at other Holmen units. To date, it has been arranged fifteen times.

Trainee programmes

A one-week trainee programme is arranged each year at Holmen Paper Braviken. The purpose is to identify candidates for coming managerial appointments and to give the participants a chance to "have a go at being a manager". The programme has been arranged for many years and is much appreciated.

Values at Holmen Paper Hallsta

In 2004 the management, together with the employees, identified the values upon which the mill should base its activities. This was the first time a process of this type had taken place. As a consequence, greater attention is now given to "soft" issues at all levels. Hallsta's higher score in the 2005 employee survey is most probably an effect of this process.



Paul Storey, Workington, Yasmina Sefrin, Holmen Papier France, and Olle Steffner, Iggesunds Bruk, were among the participants in Holmen's 2004 international management development programme.

Competence development

Each year Holmen devotes substantial resources to competence development for its employees. The main purpose of this is to increase professional skills and offer the employees opportunities for promotion to more qualified positions.

TRADITIONALLY, COMPETENCE development has been about improving skills within a particular vocation or acquiring qualifications for performing new tasks. But the term also covers competence gained from having greater responsibility, using new equipment and from taking on new tasks.

All business areas provide numerous training programmes each year. The following are just a few examples of what went on in 2005.

Induction programme

In addition to local induction programmes there is also a group-wide induction programme for new graduate employees. Around 50 new employees took part in the programme. The aim is to increase their knowledge of the Group and offer participants opportunities for networking.

Mentor programme

Holmen's Adept and Mentor programme was completed during the year. The aim of the programme is to give the participants an opportunity to develop personally and professionally and to build networks within the Group. This time 15 trainees took part, each with his/her, personal mentor from another business area.

In the assessments made later, the programme scored highly. Trainees and mentors alike feel that they have gained something. The programme will now be carried out on an annual basis.

Customer visits give added product value

The employee survey at Iggesund Timber showed that without exception employees knew rather little about customers and products. A number of study visits to Swedish customers were therefore arranged.

One important aim of the visits was to increase understanding amongst employees of the customers' requirements. The employee response was very positive and the companies that acted as hosts also found the visits valuable.

Group management training in crisis management

An exercise in crisis management was carried out in 2005, for Holmen's Senior management and representatives of the large Swedish units. The exercise was a success and underlined the importance of having an up-to-date contingency plan in place at all times.

Process apprentices at Workington

Eight newly recruited employees took part in an apprentice training programme at Workington. They sandwiched study and practical work at the mill's education centre. The programme took place over twelve months.

Competence assurance at Braviken

Since 1999 Holmen Paper Braviken has arranged a series of lectures each year to give employees a better understanding of the entire production chain – from wood to paper. To date some 225 employees have benefited from the training programme. In an evaluation the participants awarded the lecture series top marks.

Participation strengthened Wargön

Holmen Paper Wargön carried out a project aimed at raising production and reducing the consumption of raw materials and chemicals. The project was named *Wargspränget* and to launch it all employees were asked to say what they thought needed changing.

The result was a long list of proposed measures. One change that was made was to restructure the organisation, which resulted in a reduction in the number of managerial levels from four to three. Some of those who are now managers will be given new tasks, including work on technical matters and providing support for operators. This is expected to increase commitment and thus profitability.

Boost to competence of harvesting team

Holmen Pilot is a Holmen Skog-project aimed at raising the competence of machine operators and production management.

The effects are already becoming apparent in the form of better financial results. Communication between production management and the machine team has also improved.

Eight young men at Workington sandwiched schoolroom study with practical work in the mill. Standing from left: Paul Graham, Ross McBride, Craig Kirkbride, and Jason Davidson. Seated: Ben Graham, Tom Jepson, Robert Mackay and Mark Donaoghee.



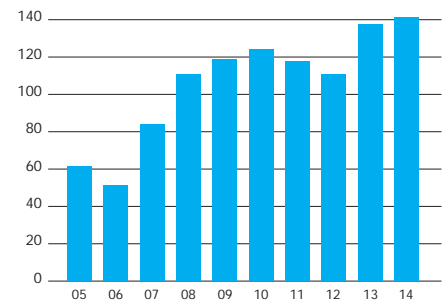
Recruitment



Holmen regularly takes part in Labour Market Days at universities around the country. Here Richard Haag (left) and Karin Frennberg (right) from Holmen discuss prospects with students at Royal Institute of Technology (KTH).

Retirement figures in Sweden

The number of people retiring at Holmen's Swedish units will double between 2005 and 2009.



During the coming decade many Holmen employees will be retiring. The annual number of people retiring at the Swedish units after 2009 will be twice as high as the current number.

HOLMEN IS TAKING various types of action to lay a sound foundation for its recruitment activities in the future. In recent years efforts have focused on upper secondary schools and universities. Around 40 per cent of all new employees are university graduates. Holmen aims to increase the proportion of graduates in the organisation.

SKOGEN I SKOLAN. It is important that young people acquire an awareness of the forest and the forest products industry at an early stage. Holmen therefore participates in the nation-wide programme arranged by the *Skogen i Skolan* (Forest in the School) organisation. This type of activity is important, particularly since fewer young people these days have much natural contact with forests and nature.

FRAMTIDSRESAN. Holmen is involved in a project known as *Framtidsresan* (Journey into the Future), together with the Swedish Forest Industries Federation. The project is aimed at young people and teachers at upper secondary schools. Each year a day is arranged at some 120 schools on the theme of the forest products industry and career opportunities associated with it. Holmen follows up the days with study visits to nearby mills.

SWEDEN'S BEST WORK EXPERIENCE. Holmen also acts as host for schools' work experience schemes. In the Hudiksvall region these are turning out very well within the framework of what is known as *Sweden's best work experience*. Over a 10-day period some 60 elementary school pupils get to participate in the work in the forest and at the mills and to follow the wood on its way from the forest to finished product.

FURTHER EDUCATION FOR TEACHERS. Holmen has been running an annual further education course since 2003 for some 30 social science teachers in Norrköping. Nine out of ten teachers say that they have found the training useful for their own teaching.

INDUSTRY EVENINGS. Holmen arranges industry evenings for students at six institutes of technology together with other forest products companies. In 2005 around 900 students took part, which is twice as many as five years ago.

LABOUR MARKET DAYS. Holmen takes part in the labour market days that are organised at institutes of technology and at the Royal College of Forestry. These events are often followed up by study visits to Holmen's units.

EXAM PROJECTS. Holmen supports various kinds of examination project. In 2005 Holmen hosted 170 students who carried out their practical or examination projects at the Group.

TRAINEES AT HOLMEN SKOG. Holmen Skog employed some thirty potential forest

officers and senior forest rangers in 2005 as summer trainees. Having a summer job in the "right environment" for a few months offers trainees valuable experience and the company has the opportunity to get to know prospective employees.

The company has also set up several trainee positions that regularly employ young forest officers or senior forest rangers. These are permanent posts where the trainee gets to work in several different places doing different jobs over a seven to nine month period. After this period the trainee is welcome to apply for an ordinary job at Holmen Skog.

Numerous candidates apply for these traineeships and experience so far has been very good.

A NEW APPROACH IN MADRID. Around a hundred operators were taken on in Madrid prior to the commissioning of the new paper machine. Recruitment proved to be a challenge as the number of operators with paper industry know-how is limited in Spain.

New operators were already being taken on back in the spring of 2004 for the existing newsprint machine as experienced employees were transferred to the new project. The supervisors were given responsibility for training the new operators, which had favourable side effects as closer relations developed between the new operators and their supervisors.

Equal opportunity and diversity



Lisbeth Rantaniemi of Holmen Skog's Bredbyn district is a production manager, typically a man's job not so long ago. Lisbeth has responsibility for harvesting, silviculture, and planning of operations for several groups of harvesting machines.



Anneli Gehlin is head of Building and Environment at Braviken. Three of the ten people in the department are women. Up until two years ago, it was exclusively a male preserve. She is engaged in a discussion with Thomas Holmén, section manager in the Project department.

The number of women in the Group is increasing as a result of Holmen's equal opportunity activities. Holmen sees efforts to foster equality of opportunity and diversity as a priority issue.

HOLMEN'S EQUAL OPPORTUNITIES POLICY aims to promote women's development within the company. This requires local action plans and analyses of the pay structure. The policy, which was drawn up in 2000, was revised in 2003 and is an important tool in the ongoing measures to promote greater equality between the sexes. Its goals are followed up by means of key ratios and in employee surveys.

Traditional values losing ground

The forest industry has long been typified by the strength of traditional values. The typical employee at a paper mill used to be a local man who began work at the mill straight after leaving school.

However, this picture is changing. Growing numbers of young graduates – and not just those from the local community – are moving into the forest industry.

Holmen has set as its target that every second new employee should have at least two years of post-secondary education.

One in six employees is female ...

For long women have been underrepresented both at Holmen and in the forest products industry as a whole. However, the proportion of women is increasing and at present 17 per cent of the Group's employees are female.

The proportion of female managers at Holmen doubled between 2000 and 2004. However, this tendency stagnated in 2005 and the proportion of female managers is now 9 per cent. The target of 16 per cent in 2008 remains, but a major effort will be needed to achieve it.

The proportion of women in qualified positions, i.e. the kind that require a high level of competence and responsibility, rose from 11 per cent in 2002 to 14 per cent in 2005. There are now five female managers in the management groups at business area and mill level, but none in the Senior management. There are two women on Holmen's Board, one of whom was elected by the Annual General Meeting, while the other is a representative of the employees.

... and more women are doing "men's jobs"

The number of women in traditional male occupations is also increasing. This trend is very clear in forest management, a profession that used to be totally male dominated. Holmen Skog now has 13 women in what were typically male positions, of whom several are production managers and wood buyers. The company is in favour of this development, which is bringing new life and female values into the organisation. The latter is all the more valuable given that the proportion of women among Swedish forest owners is now in excess of 40 per cent.

... as among new employees

Of those joining the Group over the past three years, 25 per cent are female. It is Holmen's intention that this figure should rise.

More than half of all the new female employees are graduates, which creates a solid foundation from which more women

Relations with the unions

can fill qualified positions in the future. The proportion of women on Holmen's induction programme for newly-employed graduates in 2005 was 33 per cent.

Parental leave among men on the increase

Holmen encourages men to exercise their right to take leave when there is an addition to the family. The company pays 80 per cent of the proportion of the pay that is not covered by the Swedish social insurance system to make it easier for the family to distribute its parental leave more equally.

In 2005, 597 men were on parental leave for an average of 15 days, compared with 12 days in 2003, for 632 men.

More girls take technical training

Holmen is taking active steps to get more women into the forest industry. With this in mind, a week-long Technical course for girls in the Class 8 school programme is arranged annually in Hudiksvall. The courses are arranged by schools and industries in the area, including Holmen. Seventy-five girls took part in 2005. This has helped to raise the number of girls on technical programmes to 35 from just 8 three years ago.

Anti-discrimination

Holmen applies the EU's anti-discrimination laws. The employee survey contains questions on discrimination on grounds of sexual orientation, religion, ethnic origin, age or disablement.

The 2005 employee survey showed that no one was discriminated against because of their sexual orientation, although 90 people stated they felt they were subject to discrimination because of their age. Some 30 employees considered they were discriminated against on account of their ethnic origin or disablement.

Holmen does not tolerate any form of discrimination. The managers of those units in which some kind of discrimination has come to light have a responsibility to investigate the cause and to take action.

Holmen's management and the union organisations cooperate on issues relating to health, safety, equality of opportunity and human resources development.

UNION COOPERATION. The company's employees are represented on the Board by three members and three deputies. Reference groups from the union organisations meet regularly within each unit. Such joint action groups have been set up at Group, business and mill level. In addition, there is the joint European group, the European Works Council.

All joint action groups meet the management of the respective units on a regular basis.

THE MANAGER OF THE EMPLOYEE concerned deals with disputes and ambiguities concerning working conditions, although these may also be channelled via the union. The normal procedure is that the employee's union representative tries to bring about an agreement between the manager and the employee. If this fails, the matter is referred to local level negotiations. If the parties still fail to agree, the matter can be referred to central level negotiations. The Labour Court is the court of final instance.

REDUNDANCIES. Holmen negotiates with the union organisations in the event of overmanning. In Sweden, an impact study is made in accordance with the guidelines issued by the Occupational Health and Safety Board. Company and unions try as far as possible to find a solution acceptable to both parties. When redundancies are necessary, the number is limited by the use of redeployment, training grants, early retirement etc.

THE LEVEL OF UNION MEMBERSHIP is high at Holmen; in 2005 it was 85 per cent.

CONDITIONS OF EMPLOYMENT are mainly regulated by means of agreements between the Swedish Forest Industries Federation and its union counterparts. These are supplemented by local agreements for production bonus, preventive health care and working hours at each unit.

HEALTH AND SAFETY RULES have been prepared at all units in association with the union organisations.

Holmen European Works Council

Holmen European Works Council (HEWC) is the Group's internal European union council. It consists of eleven members, of whom six are from Sweden, two from England, two from Spain and one from the Netherlands.

The council meets twice a year. The HEWC acts as a forum for co-operation and communication across national borders and has an advisory function. Experiences are positive and the HEWC has helped Group units in the various countries to come closer to each other.

Personnel reductions

A DECISION WAS MADE IN 2005 to reduce the number of employees at three of Holmen's Swedish mills by a total of two hundred. The aim is to arrange these cutbacks by natural wastage.

Falling profitability due to the higher cost of raw materials, energy and distribution as well as tougher competition on the market lie behind the job cuts.

The number of full-time employees at Iggesunds Bruk will be reduced by 110

to some 740, at Ströms Bruk by 40 to around 90 and at Holmen Paper Braviken by 50 to some 675.

In percentage terms, the largest cuts – at Ströms Bruk – have been managed by coordinating the administration of the facility there with that of Iggesunds Bruk.

The programme of personnel cuts that started at Hallsta and Wargön in 2004 was completed in 2005 without anyone being given notice.

Holmen powers the local jobs market

Holmen is important as a creator of jobs in small towns. By getting involved in a variety of ways the company contributes to social service, education and quality of life.

IN RECENT YEARS, Holmen has examined what effect its business has on employment in some Swedish towns where the company has activities. In 2005 Workington in England was studied. The results are interesting. Holmen's business – from harvesting the wood in the forest to end products reaching consumers – generates jobs for a very large proportion of the people in these communities.

In Hallstavik Holmen and forestry account for one in every two jobs; in Hudiksvall for one in four, in Norrköping for one in nine, and in Workington for one in twenty.

In all of these towns Holmen is deeply involved in issues relating to business, education and communications.

THE STUDIES SHOW QUITE CLEARLY the follow-on effects on employment that large industrial employers have.

Like rings on the water, they generate further job opportunities at suppliers as a result of the purchasing power these jobs create elsewhere in the business community and in public services.



Workington. As in other mill towns, the Group's business generates numerous additional jobs in the local community.

Holmen's role in Workington

Iggesund Paperboard Workington has 503 employees. In addition, a further 200 full-time jobs are created with suppliers and contractors. These people in turn create 370 more annual job opportunities in local business and 220 in local government.

In addition the public sector employees themselves create 190 jobs opportunities in retail and service companies and in the public sector.

In this way, the 503 annual employees at the Workington mill generate almost twice as many jobs (979) in other sectors.

The total number of "jobs" is around 1,700 since there is a relatively high level of part-time employment in retailing and the public sector.

Local government involvement

NORRKÖPING. Holmen is a shareholder in Norrköping's development company Nya Norrköping and in the Port of Norrköping. The company is also represented on various research councils at the University of Linköping's Norrköping Campus; it also awards scholarships to deserving students.

Holmen has a seat on the boards of Business & Society Educational Association in Östergötland and the Eastern Sweden Chamber of Commerce.

Holmen makes its voice heard in public debate on issues relating to air and rail communications, health care, the environment, education and energy.

Holmen and the forest create numerous jobs at a local level

No. of job opportunities	Norrköping 2004 ¹⁾		Hudiksvall 2005 ²⁾	Hallstavik 2005 ³⁾	Workington 2005 ⁴⁾
	Holmen	Including other forest companies			
Direct jobs	848	2,390	1,258	942	503
Indirect jobs and forest-owners	236	650	489	100	197
Total direct and indirect jobs	1,084	3,040	1,747	1,042	700
Jobs in trade and services	565	1,540	609	224	369
Total including trade and services	1,649	4,580	2,356	1,266	1,069
Municipal and county council jobs	385	1,060	833	288	223
Public sector employees' share of service industries*	203	560	303	70	119
Public sector employees' direct and indirect share of own sector	138	380	401	80	71
Total	2,375	6,580	3,893	1,704	1,482
Share of all annual jobs in each town, %	4	11	24	62	5

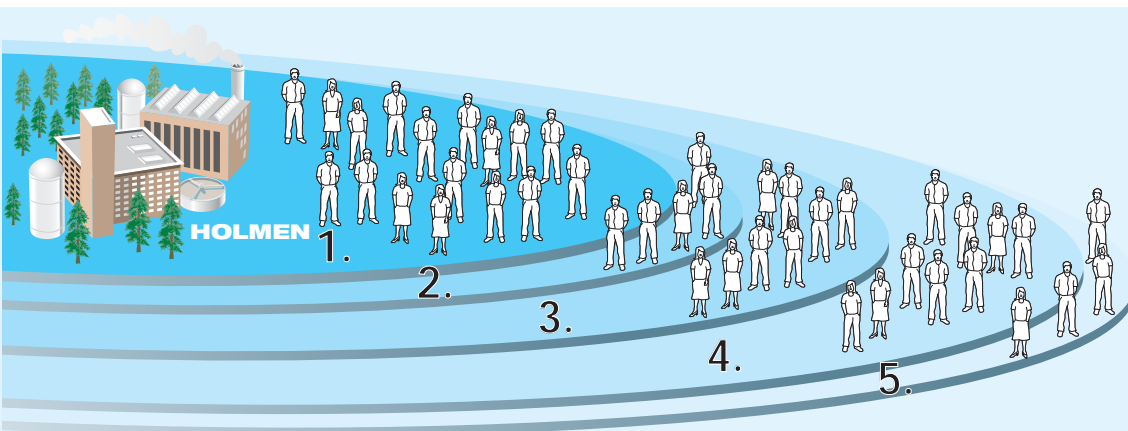
1) Norrköping, Söderköping and Finspång municipalities
* Municipal and county council employees

2) Hudiksvall, Delsbo and Nordanstig municipalities

3) Häverö-Singö, Edebo and Ununge parishes

4) District of Allerdale and Copeland

The studies in Hudiksvall and Hallstavik were carried out in 2003, but the figures have been updated to 2005 values.



- | | |
|---|--|
| 1. Direct jobs | Employed by Holmen |
| 2. Indirect jobs | Suppliers and contractors |
| 3. Forest-owners | Wood suppliers whose revenue has been converted into years of work |
| 4. Jobs in trade and services | Direct and indirect employees' share of service sectors |
| 5. Municipal/county council jobs | Direct and indirect employees' share of public sector jobs |

Detailed descriptions of Holmen's social impact surveys are provided on:

www.holmen.com/itsworld

- Norrköping
- Hudiksvall
- Hallstavig
- Workington

Holmen's social impact surveys were carried out by Stig Ömalm, Örnsköldsvik, in close cooperation with Holmen and the respective municipality.

HUDIKSVALL. Iggesund Paperboard works closely with the municipality and other companies to develop local industry in Hudiksvall. The company's social fund annually awards some three million kronor to local clubs and associations in and around the town.

Surplus steam from Iggesund's Bruk is delivered to Iggesund's district heating system.

HALLSTAVIK. Holmen is a major property owner and landlord in the town. The company also manages the Port of Hallstavig and takes an active interest in most local issues of importance.

Holmen Paper Hallsta delivers surplus steam to Hallstavig's district heating system.

ÖRNSKÖLDSVIK. Holmen is one of the interested parties in Processum Technology Park, where industries, the municipality and local universities are jointly engaged in R&D relating to renewable raw materials. Holmen is also represented on the Central Sweden Chamber of Commerce.

WORKINGTON. As a large local employer, Iggesund Paperboard supports various organisations and companies involved in business development, including the Confederation of British Industries, West Lakes Renaissance Ltd, Business Focus and Entrepreneurship, and Cumbria Industries Group.

The company also supports GenII Engineering Training Co, which has so far trained more than 500 apprentices.

Other members of the public

CONSULTATION WITH THE SAMI PEOPLE.

Much of Holmen's forestland is located in northern Sweden in areas where sami villages have winter feeding grounds for their reindeer.

Since it was certificated in accordance with FSC in 1998, Holmen has consulted the sami villages on forestlands with a view to arriving at solutions that best satisfy both parties' needs for land. Even before then, there had been consultations on year-round feeding grounds.

Holmen has developed technical equipment for ground preparation that reduces impact on the lichens upon which the reindeer are so dependent.

HUMANE SPONSORING. Holmen supports such organisations as SOS Children's Villages, the Child Diabetes Foundation, Médecins Sans Frontières, The Swedish Lifeboat Service, and the Swedish Brain Foundation. At the beginning of 2005 Holmen contributed funds to the Radiohjälpen for the victims of the tsunami in south Asia.

CULTURAL SPONSORING. Holmen supports the Norrköping Symphony Orchestra and Östgöta-teatern, as well as the Royal Swedish Horse Guard in Stockholm.

SPORT SPONSORING. The Group has sponsored a number of sports clubs for many years, among them Modo Hockey, Örnsköldsvik, the IFK Norrköping football team, and two speedway teams: Rospiggarna in Hallstavig and Vargarna in Norrköping. Holmen also sponsors

Jonas Jacobsson, a disabled athlete, and Anna Carin Olofsson, olympic medal winner in the pentathlon. In 2006 the Group will be supporting the O-ring orienteering competition in Hälsingland. In addition, it provides small-scale support for a number of sports clubs at the local level.

OTHER SPONSORING. Holmen supports the Swedish Young Shareholders' Association, which has around 10,000 members.

Foundations associated with Holmen

KARL ERIK ÖNNESJÖ FOUNDATION.

In November 2005 a professorship in paper electronics was instituted at the University of Linköping's Norrköping Campus. It will receive funding of one million kronor per year for 15 years from the Karl Erik Önnesjö Foundation. This faculty is engaged in groundbreaking research into electronic paper.

KEMPE FOUNDATIONS. The main role of these foundations is to support research and education in the natural sciences in Västernorrland, Västerbotten and Norrbotten.

The Foundations donated 87 million kronor in 2005, most of it to Umeå University, the Luleå Institute of Technology, the National University of Agricultural Sciences, and the University of Central Sweden.

Concern for the environment



Working practices

Holmen's environmental policy lays down how responsibility for the environment is allocated in the Group and how environmental activities are to be carried out. The business is supervised by the environmental authorities and the environmental management systems by accredited auditors.

HOLMEN'S ENVIRONMENTAL POLICY states the principles for environmental activities in the Group and covers the environmental aspects of relevance to Holmen and its stakeholders.

ENVIRONMENTAL RESPONSIBILITY. The Board, the CEO and the business area presidents have overall responsibility for the environment. The mill managers and forest managers have responsibility for day-to-day environmental activities.

The Group's environmental director chairs the Holmen Environmental Committee, coordinates environmental activities, initiates and runs joint action groups within the Group.

SUPERVISION OF ENVIRONMENTAL ACTIVITIES. Production processes are regularly inspected by the environmental authorities, which also monitor compliance with the relevant permits. Inspections are also made by external experts. The forestry operations are under the supervision of the National Board of Forestry.

Environmental management systems and certification of forestry

The environmental management systems at all mills and in forestry were certificated in accordance with ISO 14001 between 1998 and 2003. Even before then, the quality systems at the mills had been certificated in accordance with ISO 9001.

Holmen's forestry is also certificated in accordance with the international FSC (1998) and PEFC (2003) forestry standards.

ENERGY MANAGEMENT SYSTEMS are now being introduced at the mills. Hallsta and Iggesunds Bruk were certificated in 2005. This process is continuing and Braviken, Wargön and the Iggesund Sawmill will also be certificated in 2006.

SUPERVISION OF CERTIFICATION. All certificated systems are regularly inspected by



Certification of forestry in accordance with PEFC and FSC is monitored by independent, accredited environmental auditors. Björn Österlöf, environmental auditor with SCC, together with Maria Björk and Mats Nilsson from Holmen, are inspecting a harvested forest stand.

external environmental auditors, who carry out detailed inspections to ensure compliance with the system criteria.

SUPPLIER APPRAISAL. Steps are currently being taken to develop a Groupwide system for assessing suppliers' quality and environmental activities. The coordination of Holmen's purchasing functions will put the Group in a better position to make unambiguous environmental and quality demands on all suppliers.

Joint action groups

THE HOLMEN ENVIRONMENTAL COMMITTEE takes steps to ensure that the environment policy is applied, deals with business referred to it by the joint action groups, and prepares policy issues.

The Committee consists of the environmental managers at business area and mill level and is chaired by the Group's environmental director.

THE ELECTRICITY COMMITTEE establishes guidelines for trading in and the use of elec-

Environmental activities 2005

tricity; it also deals with matters relating to electricity certificates and trading in carbon dioxide emission rights. The Committee consists of representatives of Group Finance, Holmen Kraft and the major electricity-consuming units.

THE ENERGY AND CLIMATE GROUP evaluates initiatives taken at both international and national level to master the current process of climate change. In 2005, it examined ways in which Holmen could make more efficient use of energy. The Group consists of the mill managers.

Other joint action groups

Besides the above-mentioned groups there are also joint action groups for areas where it is important to coordinate efforts. Typical tasks for the groups include competence development, exchange of experiences between the various mills and monitoring developments within each area of responsibility.

MANAGEMENT SYSTEMS. This group deals with issues relating to the quality, environment and energy management systems.

TRANSPORTATION. This group examines Holmen's transport requirements and investigates opportunities to further reduce their impact on the environment.

CHEMICALS. This group handles product safety and legislation issues.

WATER TREATMENT. This group works to improve the efficiency of the mills' effluent treatment plants.

WASTE MANAGEMENT. This group is involved in improving the efficiency of the mills' waste management.

www.holmen.com/itsworld

- Environmental policy
- Holmen Environmental Committee
- Joint action groups
- Areas of competence
- Environmental management system
- Energy management system
- Forestry certification systems



Holmen has been gradually reducing its impact on the environment by taking numerous measures that interact. In view of the current discussions on the world's climate Holmen is intensifying its efforts to improve energy efficiency.

HOLMEN HAS BEEN TAKING STEPS to reduce the company's environmental impact since the end of the 1960s. This has resulted in a situation where emissions are now just a fraction of what they were then. The water environment around the mills has improved considerably. Environmental activities are now run on a continuous basis with environmental aspects being considered in all projects, and the mills consistently opt for methods and equipment that will have less of an impact on the environment.

By adopting this way of thinking the environment has been transformed from a "special issue" to one that is regarded in the same way as other production factors. The environment has become part of the day-to-day work, fully in harmony with the intentions of the certificated environmental management systems.

ENERGY AND USE OF RESOURCES are factors that are considered in practically all projects in the Group. Holmen has extremely sound underlying conditions when it comes to these globally important environmental issues. Production is based on a renewable raw material, wood, and about half of the thermal energy required is produced using biofuels. There are several reasons for the high proportion of biofuels, partly because of their ready availability at sulphate pulp mills, and partly the persistent efforts over the years to reduce the use of oil and to utilise as much waste heat as possible. Most of the wood-consuming mills now have

biofuel-fired boilers that use both bark and wood waste as well as purchased biofuel.

THE USE OF WOOD, chemicals, input goods and water is also high on the agenda. In all production there is a definite aim to increase the yield from the wood in order to produce as much paper/paperboard out of it as possible. At the same time it is important for reasons of cost and the environment to minimise the use of water, chemicals and other input goods.

THE PAPER MILLS USE large quantities of water, mainly for the internal transportation of dissolved fibres in the systems and on the paper machines. The water is reused several times. Before it is discharged fibre and chemical residues are removed, as are dissolved nutrients in the advanced treatment plants. As the process is both energy intensive and expensive, there are powerful financial incentives for making it as efficient as possible.

ENVIRONMENTAL PERMITS ARE MONITORED by the environmental authorities by means of inspections and by requesting detailed statistics on production and emissions. If any of the conditions are exceeded, comprehensive investigations will follow in order to determine the cause and prevent a recurrence.

MANY OF THE ENVIRONMENTAL activities involve preparing issues connected with the environmental permits. These are complex

Environmental activities 2005, continued

investigations that often also require external expertise. Emissions into water and air are always on the agenda, but issues relating to chemicals, noise and lean use of energy also come up. In recent years fossil fuel and biofuels have been given much attention. Another issue of current interest is how the waste that is produced, including biofuel ash, can be used in ways that are both environmentally beneficial and useful.

IN 2005 NUMEROUS environment-related projects, investigations and measures were carried out. The list below is just a sample.

- Projects to reduce water consumption were carried out at several mills.
- Measures were taken at several mills to improve the efficiency of treatment of emissions into water and air.
- Certificated energy management systems were introduced at two mills.
- A joint project with Vattenfall was launched to explore opportunities to make more efficient use of energy at Holmen's mills.
- Holmen participates in the trade in electricity certificates.
- Holmen participates in the trade in fossil carbon dioxide emission rights.
- Several projects investigated the potential to identify external, environmentally-compatible uses for waste.
- Several studies were carried out in association with the environmental authorities on industrial sites owned by Holmen that have been contaminated by now discontinued activities.
- Several forest projects together with outside forest researchers are underway, aimed at improving the effectiveness of conservation measures in the forest.

More info on Holmen's environmental activities:

■ All the facts, pages 46 and 47

www.holmen.com/itsworld

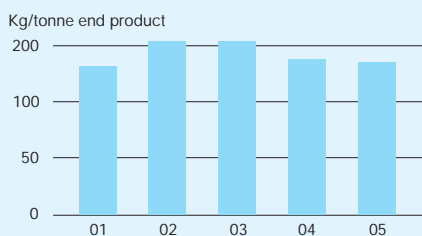
- Holmen Paper Hallsta
- Holmen Paper Braviken
- Holmen Paper Madrid
- Holmen Paper Wargön
- Iggesunds Bruk
- Workington
- Iggesund Sawmill
- Holmen Skog
- Holmen Kraft



Emissions into air and water, and waste

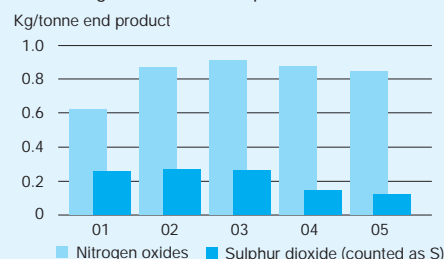
Emissions into air

Fossil carbon dioxide



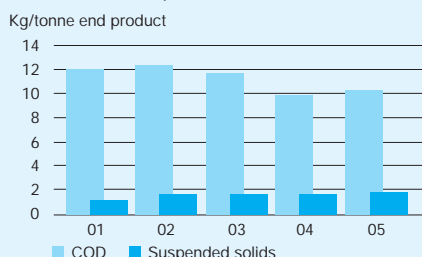
Emissions into air

Nitrogen oxides and sulphur dioxide

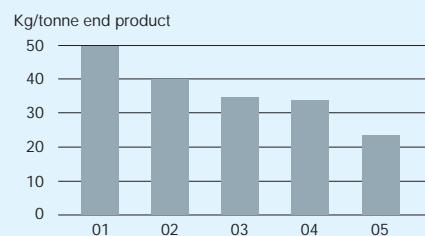


Emissions into water

COD and suspended solids



Waste sent to landfill



EMISSIONS INTO AIR. Compared with 2004 total emissions into air fell in 2005, by as much as 35 per cent in the case of dust and by 20 per cent in the case of sulphur dioxide.

The decline is primarily due to the fact that incineration equipment at several mills was trimmed and a new boiler was installed at Iggesunds Bruk for incineration of malodorous fumes.

Emissions of fossil carbon dioxide remained at the same level as in the previous year.

EMISSIONS INTO WATER. Emissions of suspended solids, nitrogen and phosphorus remained at the same level as in the previous year. However, emissions of COD increased slightly, mainly because of several power cuts at Workington, which reduced the efficiency of the mill's effluent treatment plant.

WASTE. Volumes of waste sent to landfill declined in relation to the previous year. The quantity of waste sent to landfill has been reduced by just over 50 per cent since 2001. Some 80 per cent of the waste that cannot be used for energy production at the mills was utilised in other ways, either internally or externally.

EXCEEDED LIMITS. The limits for emissions into air and water were exceeded at some of the mills. However, the conditions of the environmental permits were still satisfied in all cases. The environmental authorities were informed and measures were taken to prevent the incidents recurring.

A small number of complaints about noise and odours were made by people living in the vicinity of some of the mills.

See also Environmental activities:
www.holmen.com/itsworld

Environmental costs

Holmen reports its environmental costs in accordance with the 2001 guidelines from Statistics Sweden (SCB).

DIRECT ENVIRONMENTAL INVESTMENTS. Costs relating to emission treatment investments (e.g. treatment equipment).

INTEGRATED ENVIRONMENTAL INVESTMENTS. Costs relating to emission prevention investments (e.g. the replacement of old process equipment with new, more environmentally-efficient technology).

INTERNAL AND EXTERNAL COSTS include costs for personnel, operation, maintenance, supervision, environmental administration, training, waste handling, ground decontamination, environmental consultation.

CAPITAL COSTS. Depreciation of treatment equipment, for example.

ENVIRONMENTAL TAXES AND ENVIRONMENTAL CHARGES. For example, tax on landfill, carbon dioxide tax, and charges for emissions of nitrogen dioxide.

FORESTRY'S ENVIRONMENTAL COSTS are estimated as the value of the wood that is not harvested for environmental reasons. Holmen protects just over 5 per cent of the acreage and refrains from harvesting some 10 per cent of the possible volume. This corresponds to an annual loss of income of some MSEK 50.

THE ALLOTTED EMISSION rights for fossil carbon dioxide were largely used for in-company production. The surplus for 2005 generated a profit of MSEK 12.

IN 2005, ELECTRICITY CERTIFICATES for renewable energy were sold at a value of some MSEK 56 (2004: 67).

Environmental investments, MSEK	2005	2004
Direct (emission treatment)	70	46
Integrated (emission prevention)	53	16
Total	123	62

In 2005 environmental investments corresponded to 4 (5) per cent of Holmen's total investments.

Environmental costs, MSEK	2005	2004
Internal and external ¹⁾	170	170
Capital	75	80
Environmental taxes and charges	70	61
Forestry	50	50
Total	365	361

¹⁾ Includes all business areas and the environmental unit of Group Technology

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■ Holmen's views on income from environmental protection

Chemicals

Apart from wood, energy and water, the production of paper and paperboard requires chemicals. The EU plans to introduce its new regulatory system for chemicals (REACH) in 2007. It will apply in all member states.

CHEMICALS ARE NEEDED in the production and to give products specific characteristics. Certain chemicals are used in large quantities, while other are used only in small amounts. At Holmen's nurseries, chemicals are used to protect seedlings against fungal and insect attack. All in all, Holmen uses a couple of hundred different chemicals.

ONLY APPROVED CHEMICALS. There are chemical groups at all of Holmen's paper and board mills to decide which chemicals may be used. The chemicals are assessed on the basis of technical function, product safety, work environment and external environment. Holmen is involved in a project to build up and maintain an industry-wide chemical database

in Sweden. The mills in England and Spain are also involved in these activities.

WHICH CHEMICALS ARE USED? Holmen sends a comprehensive report on its use of chemicals to the supervisory authorities each year.

NEW CHEMICALS LAW. The EU's new regulatory system for chemicals (REACH) will tighten the demands on manufacturers and importers of chemicals to carry out risk assessments. Holmen has begun the job of bringing its use of chemicals into compliance with the new legislation. This process is the responsibility of the Group's joint action group for chemicals.

Noise

More or less all manufacturing produces noise and is therefore included as one factor in the environmental permits at Holmen's Swedish mills. A variety of measures to reduce noise can be used to limit or eliminate disturbances in neighbouring areas.

HOLMEN HAS MEASURED the noise emitted by its mills. All units are below or close to the threshold levels in the environmental

permit. In Sweden, noise as a problem has long attracted attention. One effect of this is that Holmen's Swedish units were able to reduce their noise levels considerably over the past ten years. For example, steps could be taken by bringing noise into the equation when replacing old

equipment, but also by taking noise abatement measures of various kinds.

IN GREAT BRITAIN and Spain noise has also become an environmental factor of increasing importance in recent years. In 2005, the noise situation at Workington and Holmen Paper Madrid was analysed. One result of this is that noise barriers are to be built at the Madrid mill.

Waste

Various kinds of waste are produced in the production of paper and paperboard. Some of it is incinerated, some is recycled into other materials, and some is sent to landfill. Hazardous waste is dealt with by authorised recovery companies.

HOLMEN AIMS TO minimise the amount of waste and to utilise as much of it as possible. Laws, taxes on waste and the cost of sending it to landfill also make it worthwhile to process waste as cost-effectively as possible.

Holmen participates in several industry projects to identify new ways of using waste.

Waste is sorted at source at all of Holmen's units. Employees and contractors receive regularly training in waste procedures. A groupwide team is investigating ways of improving the efficiency of waste management at the units.

Waste is dealt with in various ways

Waste from production can be roughly divided into four categories:

COMBUSTIBLE WASTE THAT IS USED. This is mainly used to produce thermal energy in the mills' solid fuel boilers. After processing, certain kinds of waste can be used as soil improving materials.



The sludge produced at the Madrid mill from the de-inking of recovered paper is used as fuel and as a binding agent in factories that manufacture building blocks.

NON-COMBUSTIBLE WASTE THAT IS USED. In recent years numerous projects have been carried out with the object of finding alternative uses for the non-combustible waste. For example, ash has been tested as a road construction material, for covering landfill sites, as a means of improving the soil and as a replacement for cement.

NON-COMBUSTIBLE WASTE SENT TO LANDFILL. As a result of the successful efforts to find alternative uses the amount of waste sent to landfill has been reduced by just over 50 per cent since 2001.

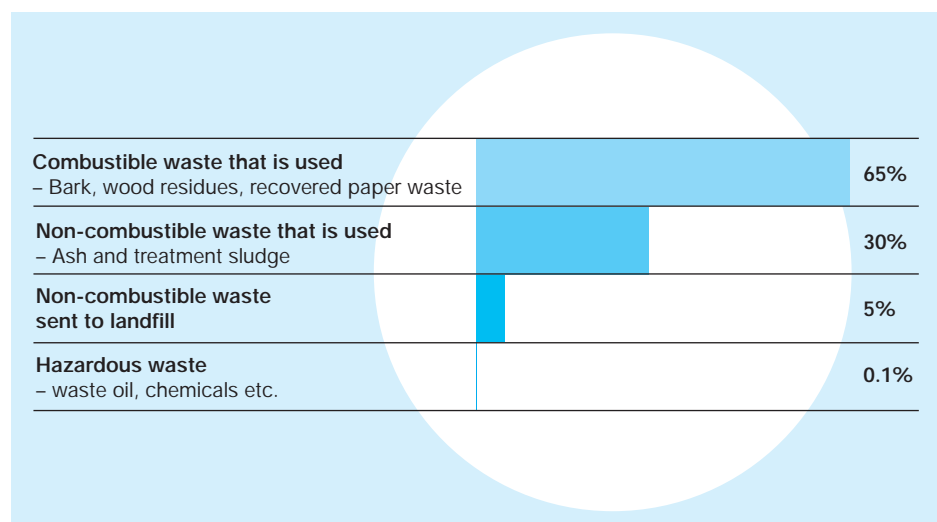
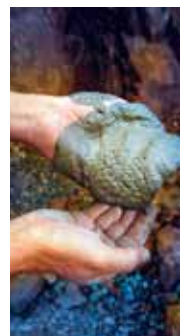
HAZARDOUS WASTE is produced from waste oil, chemical residues, fluorescent lights and such like. The hazardous waste is removed by authorised recovery companies, which destroy it under controlled conditions.

Current waste projects

IGGESUNDS BRUK. Ash, sludge and wood-room grit have been used since 2004 for covering municipal landfills in the Hudiksvall area. These types of waste were previously sent to landfill in the absence of any practical use for it.

HOLMEN PAPER MADRID. Sludge from the deinking of recovered paper is used as a fuel and as a binding agent in the production of building blocks. The sludge is mixed with clay and helps to give the blocks good insulating properties.

HOLMEN PAPER BRAVIKEN. A joint long-term project with a mining company in Zinkgruvan is now starting to produce results. Instead of using cement as a binding agent when disused mine shafts are being sealed over, ash from Braviken's solid fuel boiler is being tested on a large scale as the binding characteristics of the ash are similar to those of cement. In addition to the advantage of making use of ash that was previously sent to landfill, there is the additional environmental benefit of reduced need for cement, the manufacture of which is energy intensive. The raw material needed, limestone, is also a finite resource.



As a result of Holmen's measures to utilise waste the proportion going to landfill has declined to only five per cent. See also pages 46–47.

www.holmen.com/itsworld

- Different kinds of waste
- How Holmen uses waste
- Research on waste

Transportation

Holmen takes regular measures to limit the impact on the environment from the transportation of raw materials and products. Over the past ten years several extensive studies have been carried out that have resulted in more efficient transport arrangements and a lower environmental impact.

THE BUSINESS AREAS in the Holmen Group have responsibility for transporting their products from the mills to the customers. Holmen Skog organises the transportation of wood from Holmen's forests and those of private forest owners to the mills and also of the wood that is imported. In England, Iggesund Paperboard's mill at Workington handles the transportation of wood to the mill. In the case of other raw materials and consumables, the suppliers are responsible for transportation.

SHIPS. 60 per cent of Holmen's transportation (tonneskm) goes by ship. Long-term chartered vessels carry products from the mills to ports on the Continent and in England. Recovered paper is transported to Holmen Paper's mills on the return trip.

RAIL is mainly used for the transport of products to southern Europe and to a certain extent also for incoming raw materials.

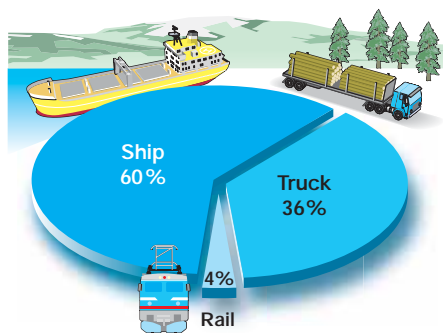
In 2005 Holmen Skog set up a daily rail connection from Nässjö to Hallstavik for storm-felled wood.

TRUCKS are the main form of transport used to get wood from the forest to the mill. Trucks are also often the only option

when transporting products from the terminals on the Continent and in England to the customers. The same applies within Sweden.

Holmen's approach to transportation

Holmen's aim is to improve transport efficiency and to reduce its impact on the environment. The transport environment group compiles data on transport. Energy consumption and emissions are quantified and serve as a basis for proposals for improvements.



Holmen's transport within Europe

The percentage breakdown is based on transport that has taken place (tonneskm), including the transport of wood, recovered paper, chemicals, fuel, waste and finished products.



Holmen opened a daily railway connection for getting storm-felled wood to Hallsta. It is to remain in operation, albeit with less frequent departures.

Since the mid 1990s a number of comprehensive transport studies and life cycle analyses have been carried out. These have resulted in several measures and modifications to transport arrangements.

MEASURES IN 2005. The engines in two of Holmen Paper's six long-term chartered boats were rebuilt, which will reduce fuel consumption as well as emissions of carbon dioxide and nitrogen oxides.

The rail link that was established to take storm-felled wood from Nässjö to Hallstavik will become permanent.

www.holmen.com/itsworld

- Holmen's measures
- Transport studies at Holmen

Discontinued businesses

In Sweden, the Environmental Code applies to all kinds of sites and industrial plants that are so contaminated that they could affect the environment and harm public health.

THERE ARE UNRESOLVED environmental problems, such as ground contamination, at a few discontinued sawmills and production facilities that were previously run by Holmen. These require investigation and, in some cases, action. This process is being carried out in consultation with the environmental authorities.

HÄSTAHOLMEN AND STOCKA. In 2005 the ground was examined at the discontinued sawmills in Hästaholmen and Stocka, which were closed down in 1989 and 1995 respectively. The ground at both sites is contaminated by wood preserving agents. The investigations will continue in 2006, and the need for clean-up measures will be investigated.

STRÖMS BRUK. The ground at the sulphite mill at Ströms Bruk, which was closed down in 1982, has been

investigated. Parts of the site are contaminated with substances that are characteristic of the discontinued business. Further investigations will be made in 2006.

LODDBY. The site of the Loddby sulphite mill outside Norrköping, which was closed down in 1977, will be investigated in 2006.

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- Requirements of the Environmental Code
- Current cases for Holmen

Financial development



Financial development

In accordance with the Group's strategy, Holmen is developing and consolidating its position within its core areas of newsprint and magazine paper as well as paperboard.

THE PAPER AND PAPERBOARD markets in Europe are relatively mature and in the past decade the average growth for Holmen's products has been a few per cent per year.

Holmen's goal is to grow faster than the market. The Group will mainly expand organically by improving its products and raising production. However, selective acquisitions may also be made, of which the purchase of the recovered fibre-based newsprint mill in Madrid in 2000 is a case in point. The mill has now been enlarged by the installation of a second paper machine, which came into test operation at the end of 2005 and which will in the long run increase the annual production capacity by 300,000 tonnes.

THE DECISION ON the expansion was prompted by the fast growing market for newsprint in southern Europe. In Spain, consumption increased by 17 per cent in 2005. Holmen's strategy is to become the leading supplier of newsprint to southern Europe from the mill in Madrid. To an increasing extent, newsprint from Braviken and Hallsta will be used to supply the markets in northwest Europe. Holmen Paper will thus have two hubs, one in northern and one in southern Europe, each of them close to its customers.

INVESTMENTS IN the paperboard business area have been directed towards consolidating Holmen's position as a leading supplier within the highest quality segment. Primarily, this involves raising the quality

of the paperboard by means of continuous product and process development.

IN RECENT YEARS investments to raise quality have been carried out at Iggesund Bruk and at the mill in Workington, England. In 2005, Holmen's Board decided to make investments in Iggesund Bruk over the coming two years in order to further raise the quality of the paperboard.

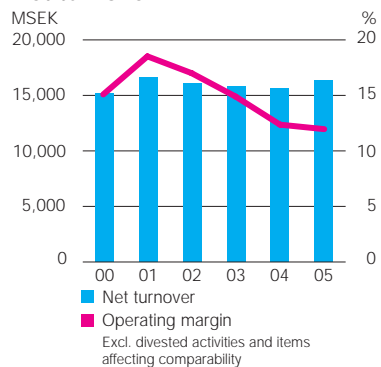
IN THE PAST FIVE YEARS European paper and paperboard producers have encountered declining demand. Prices have been squeezed at a time when the cost of input goods has been rising. The weak exchange rate of the US dollar also deteriorated opportunities to export to markets outside Europe.

NEVERTHELESS, DURING these difficult years Holmen achieved results that were within the limits set by its agreed financial targets. The Group's profitability was good throughout the period. The return has exceeded the market cost of capital by a couple of percentage points.

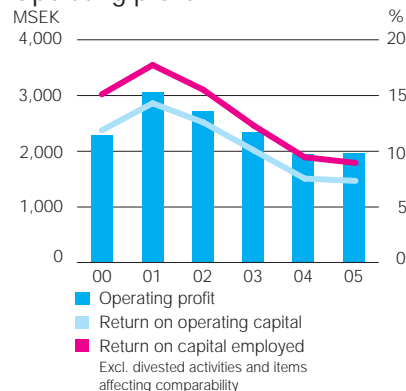
The debt/equity ratio, which, according to the financial guidelines, should be between 0.3 and 0.8, was 0.41 at year-end. This ratio has been running at the lower end of the target range over the past few years.

At the same time, Holmen paid an ordinary dividend that, on average, corresponded to 6 per cent of its equity for the 2001–2005 period. In addition, its financial position was so strong that it was possible to pay extra dividends in 2001 and 2004.

Net turnover



Operating profit



For further information:

- Five-year review, page 49
- Holmen 2005 incl. annual report

www.holmen.com

Holmen 2005

The market situation was strong for all of Holmen's products in 2005.

However, owing to a sharp increase in the cost of energy and other input goods, the result was broadly unchanged in relation to that of the previous year.

HOLMEN PAPER. In Europe demand for newsprint rose by just over one per cent in relation to the previous year. Demand for MF Special (MF Magazine, coloured newsprint and telephone directory paper) was very firm, and the market grew by 4 per cent. In contrast, the market for SC paper declined slightly. Holmen Paper's new coated grades from Wargön and Madrid, which were well received by the market, were an exception.

IGGESUND PAPERBOARD. The market for virgin fibre board in Europe grew by 3 per cent, mainly due to strong growth in Eastern Europe. The dispute on the Finnish labour market meant that the country's paperboard mills, with 40 per cent of Europe's capacity, were standing still for seven weeks. This affected the entire paperboard market, with other producers noting higher demand as a result.

Deliveries from Iggesund Paperboard declined by 2 per cent as a result of low production during the first half of the year.

IGGESUND TIMBER. The balance between supply and demand for sawn timber in Europe improved. The supply of sawn timber, primarily redwood products, declined as an effect of the storm in southern Sweden.

Iggesund Timber's deliveries of sawn redwood timber rose by some 17 per cent.

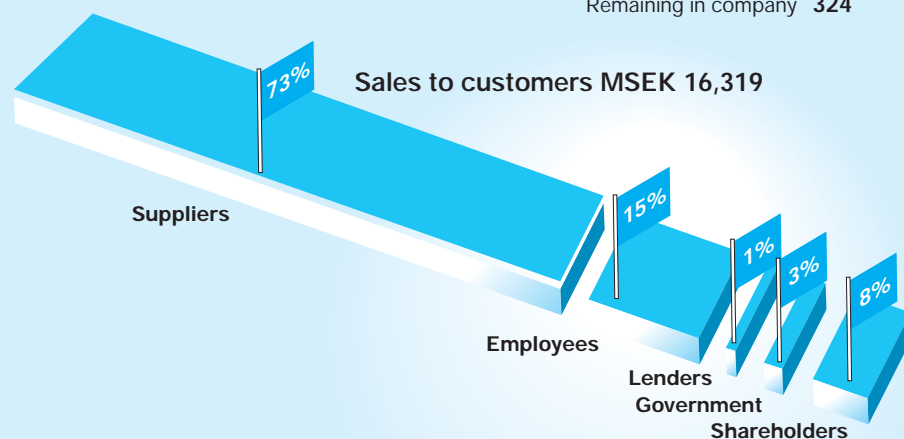
HOLMEN SKOG. Deliveries of pulpwood and saw timber to the Group's units amounted to 4.5 (4.4) million cubic metres. Harvesting in Holmen's own forests declined to 2.3 (2.6) million cubic metres, mainly because considerable resources were redeployed to southern Sweden to deal with the storm-felled trees on land belonging to the Group's wood suppliers. Holmen Skog procured just over ten million cubic metres of wood, of which 55 per cent was sold externally.

Holmen's earnings 2005, by stakeholder

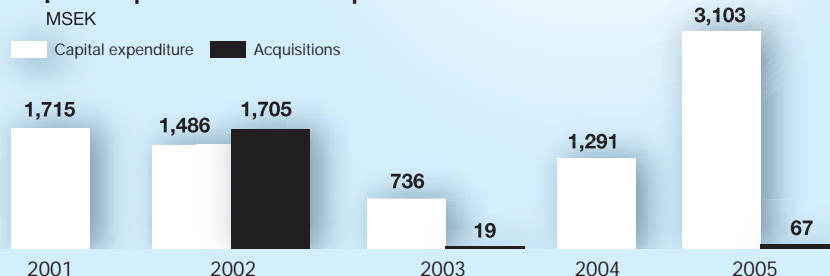
		MSEK
Customers	Sales of paper, paperboard, wood and sawn timber	16,319
Suppliers	Purchases of goods and services, and depreciation, etc	-11,828
Employees	Wages, salaries and social security charges	-2,518
Lenders	Interest	-233
Government	Taxes	-484
Shareholders	Operating net profit	1,256

Of which dividend paid **932**

Remaining in company **324**



Capital expenditure and acquisitions



HOLMEN KRAFT. The energy market was affected by sharp increases in the prices of oil, natural gas and coal. Electricity prices were also affected by increased costs as a

result of the new trade in carbon dioxide emission rights.

Holmen's consumption of electricity in Sweden rose by approximately one per cent.

Net turnover and operating result by business area, MSEK

	Net turnover		Operating profit	
	2005	2004	2005	2004
Holmen Paper	8,442	7,814	637	487
Iggesund Paperboard	4,860	4,877	626	809
Iggesund Timber	460	492	13	5
Holmen Skog	3,858	3,780	537	586
Holmen Kraft	1,480	1,258	301	178
Group central costs and other	-	-	-141	-113
	19,100	18,221	1,973	1,952
Intra-group sales	-2,781	-2,568	-	-
Group	16,319	15,653	1,973	1,952



Facts

The facts presented on this and the following pages are those that Holmen is required, by law, ordinance or agreement, to report to the authorities. Some information has been compiled specifically for this report.

The figures underlying the facts presented under Production and environment on pages 46–47 have been taken from the reports that will be submitted to the environmental supervision authorities in each country. As some of the figures were abstracted at the end of the year they describe, they may differ slightly from the final figures submitted to the authorities.

The five-year review on page 49 is taken from Holmen's annual report for 2005.

Units and abbreviations

Hectare

10,000 m², 100x100 m

m³fub

total volume under bark; true volume (i.e. no space between logs) of entire stem, or stemwood excluding bark and tree top

m³sk

total volume over bark; volume of stems, including bark, from stump to top

MWh

electric energy, megawatt hour,
1 MWh – 1,000 kilowatt hours, 1 MWh – 3.6 GJ

GWh

electric energy, gigawatt hour, 1 GWh –
1 million kilowatt hours, 1GWh – 3.6 TJ

GJ

thermal energy, gigajoule, 1 GJ – 1 billion
Joule, has a thermal value equivalent to
around 26 litres of oil

TJ

thermal energy, terajoule, 1 TJ – 1,000
billion Joule. 1 TJ of energy is equivalent
to either 26 m³ heating oil, 28 m³ diesel oil
or 32 m³ petrol.

Personnel

	Sweden		Group	
	2005	2004	2005	2004
Number of employees				
Average	3,735	3,811	4,868	4,897
Of whom female (%)	17.1	17.2	18.0	17.4
Average age	46.4	46.0	45.4	45.2
Retirement age (average of different types of retirement)	62.2	62.1	-	-
Sick leave, %				
Total	5.5	5.7	5.0	5.2
Of which				
longer than 60 days	3.2	3.6	-	-
employees: 29 years of age and below	2.6	2.5	-	-
30-49 years of age	4.6	4.9	-	-
50 years of age and above	7.2	7.6	-	-
male	5.0	5.4	-	-
female	7.5	7.2	-	-
Health index (number of employees with no days of sick leave in past year)	41.0	44.0	-	-
Equality of opportunity, %				
Female managers as % of total number of managers	9.0	9.2	9.2	8.9
Females in managerial positions	13.6	14.0	-	-
Females joining the company as % of total new employees over past three years	24.7	24.0	23.2	-
Education, %				
Elementary school	24.1	25.4	24.6	24.3
Upper secondary school	62.0	61.3	58.3	58.7
University, at least 2 years	13.9	13.3	17.0	16.8
Graduates as % of new employees over past three years	38.2	33.0	37.8	-
Female graduates as % of all new female employees over past three years	53.4	49.0	-	-
Labour turnover rate, %				
Labour turnover	5.2	4.9	5.7	5.7
Of which				
given notice	0.9	0.7	1.2	-
retirement	2.9	2.9	2.6	-
at own request	1.4	1.3	1.9	-
New employees	2.3	3.5	4.7	5.3
Accidents and incidents, number per 1,000 employees				
Incidents	189	175	236	204
Occupational accidents, less than 8 hours of absence	99	71	117	104
Occupational accidents, more than 8 hours of absence	23.2	23.5	26.1	28.5
Unionisation, %				
Units with independent trade unions	100	100	100	100
Units with safety committee	100	100	100	100
Level of union membership	95	-	85	-

The reporting of key ratios is more comprehensive at Holmen's Swedish units than at non-Swedish. Consequently, not all key ratios are available at Group level.

Production and environment

	Holmen		Holmen Paper							
	Total		Hallsta		Braviken		Wargön		Madrid	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Production, 1,000 tonnes										
Newsprint, standard	890	808	235	229	529	449	-	-	126	130
MF Special	584	651	357	355	212	282	-	-	15	14
SC paper	133	136	133	136	-	-	-	-	-	-
Coated printing paper	166	144	-	-	-	-	142	129	24	15
Paperboard ¹⁾	493	502	-	-	-	-	-	-	-	-
Sulphate pulp, internal, external customers	60	67	-	-	-	-	-	-	-	-
Sawn timber, 1,000 m ³	222	205	-	-	-	-	-	-	-	-
Raw materials, 1,000 tonnes										
Wood, million m ³ sub	4.84	4.77	1.30	1.31	1.00	0.98	0.14	0.11	-	-
Purchased pulp/paperboard	209	202	43.7	42.5	10.5	10.0	41.0	42.1	-	-
Recovered paper	679	658	105	104	353	348	-	-	221	206
Plastic granules	2.9	2.7	-	-	-	-	-	-	-	-
Water consumption, million m ³	93	- ²⁾	16.3	-	23.2	-	7.3	-	2.2	-
Process effluent, million m ³	62	61	8.0	8.6	11.5	11.3	5.3	4.9	1.7	1.6
Chemicals ³⁾	166	171	25.4	24.8	34.2	33.6	17.2	15.9	7.0	6.1
Filler, pigment	253	254	103	102	27.0	26.6	46.1	41.3	10.0	9.9
Thermal energy, TJ										
Biofuels										
Recovered liquor	5,990	6,140	-	-	-	-	-	-	-	-
Bark, wood	4,670	4,510	1,470	1,400	1,235	1,150	380	289	-	-
Recovered in the TMP-process ⁵⁾	3,340	3,380	1,848	1,870	1,495	1,510	-	-	-	-
Fossil fuels										
Oil, LPG ⁶⁾	3,630	3,870	830	1,020	990	1,070	407	349	-	-
Natural gas	2,540	2,330	-	-	-	-	-	-	2,450	2,250
Purchased	2,070	2,050	-	-	-	-	324 ⁷⁾	400 ⁷⁾	-	-
Electric energy, GWh										
Holmen, hydroelectricity	1,236	1,054	-	-	-	-	-	-	-	-
Holmen, back pressure power	557	566	67	76	44	65	17	8	220	190
Purchased	3,100	3,240	1,900	1,870	1,690	1,660	170	167	15 ¹⁰⁾	5.0 ¹⁰⁾
Emissions into air, tonnes										
Sulphur dioxide, (counted as S)	298	385	82	87	16	20	40	37	<1	<1
Nitrogen oxides	1,900	1,980	112	129	187	174	52	59	945	980
Dust	153	244	17	39	4.2	4.3	8.0	8.0	<1	<1
Carbon dioxide, 1,000 tonnes										
Fossil	424	423	67.3	80.0	79.3	79.6	30.3	25.7	136	126
Biogenic	1,180	1,160	155	161	222	214	48.3	35.5	-	-
Emissions into water, tonnes										
COD, 1,000 tonnes	23.8	22.7	2.9	3.0	1.6	1.6	2.1	1.9	0.13	0.09
Suspended solids	3,970	3,930	280	230	295	317	140	168	4.0	1.4
Nitrogen	323	290	33	34	50	47	41	14	18	19
Phosphorous	25.4	24	2.6	2.8	3.0	2.7	1.3	0.5	0.5	0.2
Waste, 1,000 tonnes										
Hazardous ¹¹⁾	0.6	0.5	0.02	0.02	0.21	0.16	0.05	0.10	0.03	0.02
Sent to landfill, wet	54	77	20.1	20.4	14.5	27.4	0.05	2.0	8.2	6.3
Utilised ¹²⁾	317	300	2.8	4.3	111	105	25.0	26.4	100	88.8
Other deliveries										
Thermal energy, TJ	345	369	61 ¹³⁾	62 ¹³⁾	-	-	-	-	-	-
Crude tall oil ¹⁵⁾ , 1,000 tonnes	10.9	12.5	-	-	-	-	-	-	-	-

1) As there are some internal deliveries within the business area before final delivery to customers, the sum of the mills' production does not equal the Group's total output.

2) No information available.

3) Stated as 100 % active substance.

4) Thermal energy from Iggesund Bruk. Emissions from the production of thermal energy are included in "Emissions into air".

5) Thermal energy is a by-product from the electricity used in the TMP production process. This thermal energy is recovered and used in the production.

6) LPG, liquified petroleum gas.

7) Surplus steam from Vargön Alloys (smelter).

8) Thermal energy and electricity are produced from natural gas by another company (Powergen CHP) in a facility adjacent to the mill.

9) From Nordanstigs Bostäder's district heating plant in Strömsbruk.

10) For delivery outside the mill. Electricity from Peninsular Cogeneration (50 % owned), 143 GWh for 2005 and 167 GWh for 2004. Ancillary gas consumption and emissions into air are not included in the table.

Iggesund Paperboard

Iggesund Timber

Iggesunds Bruk		Workington		Ströms Bruk		Iggesund Sawmill	
2005	2004	2005	2004	2005	2004	2005	2004
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
294	301	233	225	34	31	-	-
60	67	-	-	-	-	-	-
-	-	-	-	-	-	222	205
1.50	1.50	0.40	0.39	-	-	0.50	0.48
-	-	78.0	73.8	35.9	33.6	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2.9	2.7	-	-
35.7	-	7.9	-	-	-	<0.02	<0.02
29.0	27.4	6.7	6.7	-	-	<0.01	<0.01
63.3	64.8	18.6	25.6	0.17	0.17	0.05	0.05
40.1	47.3	27.2	26.5	-	-	-	-
5,990	6,140	-	-	-	-	-	-
1,340	1,360	-	-	-	-	249 ⁴⁾	307 ⁴⁾
-	-	-	-	-	-	-	-
1,380	1,400	-	-	1.7	1.7	23	31
-	-	87	78	-	-	-	-
-	-	1,740 ⁸⁾	1,640 ⁸⁾	6.8 ⁹⁾	6.5 ⁹⁾	-	-
-	-	-	-	-	-	-	-
209	227	-	-	-	-	-	-
209	231	334	338	6.8	9.7	18	18
160	240	<0.05	<0.05	-	-	0.4	0.5
580	620	7.0	6.0	-	-	14	12
120	190	<0.05	<0.05	-	-	3.3	2.7
105	105	4.6	4.1	0.12	0.10	1.7	2.2
731	727	-	-	-	-	19.7	19.8
7.9	8.0	9.2	8.1	-	-	-	-
1,240	1,250	2,010	1,960	-	-	-	-
120	125	61	51	-	-	-	-
12	13	6.0	5.0	-	-	-	-
0.25	0.20	0.01	0.03	<0.01	<0.01	<0.01	0.01
10.6	20.1	0.22	0.26	-	-	-	0.01
34.8	31.9	37.9	38.3	5.5	5.6	-	-
284 ¹⁴⁾	307 ¹⁴⁾	-	-	-	-	-	-
10.9	12.5	-	-	-	-	-	-

- Holmen Paper Braviken, Holmen Paper Wargön and the Skärnäs harbour terminal have an obligation to deal with oil-containing waste from the ships calling at the ports. In 2005 the volume of this type of waste at the tree harbours amounted to 1,330 (883) tonnes.
- Waste can be used as road-building aggregate, as a construction material, or as a soil improving agent.
- Surplus steam for delivery to the district heating system in Hallstavik.
- 272 TJ as surplus steam for delivery to the Iggesund Sawmill. The corresponding fuel energy for production of heat and associated emissions into air are stated under Iggesund Sawmill. 12 TJ as surplus steam for delivery to the district heating system in Iggesund.
- For delivery to the chemical industry.

Holmen Skog

Total land holdings	1,275,000 hectares
Of which	
- productive forestland	1,035,000 hectares
- set aside for nature conservation	65,000 hectares
Timber volume	110 m ³ sk per hectare
Timber volume, total	114,800,000 m ³ sk

Types of tree

Pine 50 %, Spruce 36 %, Hardwood 11 %, Contorta pine 3 %

Age class distribution

0-30 years 38 %, 31-60 years 23 %, 61-90 years 15 %, 91 years- 24 %

Wood procurement, million m³fub 2005 2004

Total, gross	10.1	9.8
Of which from		
- company forests, %	2.3	2.6
- other Swedish forest owners, %	7.2	6.7
- import, %	0.6	0.5

Wood deliveries, million m³fub

To Holmen's mills	4.5	4.4
External sales	5.7	5.4

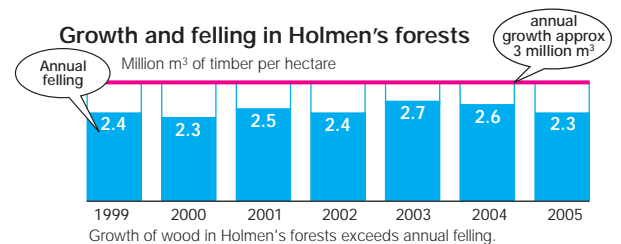
Forest management, hectares

Soil scarification	12,275	11,300
Prescribed burning	244	323
Reforestation	11,500	12,300
Of which, %		
Planting, %	76	75
Seeding, %	17	16
Natural regeneration		
- under seed trees, %	6	8
- under shelter trees, %	1	1

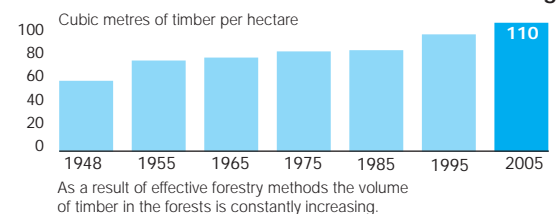
Plant production

Millions of plants	27	27
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Growth and felling in Holmen's forests



Volume of timber in Holmen's forests is increasing



Iggesund Paperboard - sheeting units

Valence, France and Utrecht, the Netherlands. Production in 2005 amounted to 65,000 tonnes (69,800 in 2004). The raw material consisted of 71,100 (76,100) tonnes of paperboard from Iggesunds Bruk and Workington, and 100 (105) tonnes of plastic. Energy consumption amounted to 2.1 (2.5) TJ (natural gas) and 2.3 (2.5) GWh (electricity). Emissions of fossil carbon dioxide into air totalled 118 (139) tonnes. In total 21 (22) tonnes of dry waste was sent for incineration.

Permits and certifications

Holmen's production in each country requires a permit from the environmental authorities there.

THE EU'S IPPC DIRECTIVE is a keystone in its environmental legislation, and is to be fully implemented in the member states by the autumn of 2007 at the latest. In Sweden, the formal requirements of IPPC were satisfied by the introduction of the Environmental Code of Statutes in 1999. The permits for the mills in Sweden whose permit is based on the Environment Protection Act will be harmonised with IPPC in accordance with guidelines issued in 2004.

CERTIFICATIONS. Holmen applies certificated systems for environmental management and quality as well as for its forestry. All of its systems are integrated into the business and audited annually.

ISO 14001 AND ISO 9001 are international standards for environmental management and quality management.

SS 627750 (Swedish standard) is an energy management system that is being introduced successively at Holmen's energy-intensive mills.

FSC – Forest Stewardship Council – is an international system for certification of forestry that has the support of many environmental organisations.

PEFC – Programme for the Endorsement of Forest Certification schemes – was originally a European system for certification of forestry. However, it is now also coming into more widespread application at a global level.

CERTIFICATION OF FORESTRY IN SWEDEN.

All the country's large forest companies are certificated in accordance with FSC. Holmen is also certificated in accordance with PEFC. Some private forest-owners are certificated in accordance with PEFC, far fewer in accordance with FSC.

CERTIFICATION OF FORESTRY IN GREAT

BRITAIN. All state-owned forests and most of the privately owned ones are certificated in accordance with FSC. Workington sources all of its wood from such forests.

www.holmen.com/itsworld

■ Certificates

Permits from environmental authorities		Year
Holmen Paper Hallsta	Environment Protection Act	2000
Holmen Paper Braviken	Environmental Code of Statutes	2002
Holmen Paper Madrid	IPPC	2006
Holmen Paper Wargön	Environmental Code of Statutes	2002
Iggesunds Bruk	Environment Protection Act	2003
Workington	IPPC	2002
Ströms Bruk	Expected to be classed in 2006 as having a reporting responsibility under municipal supervision	
Sheeting units	Only require a permit for a few parameters	
Skärnäs harbour terminal	Environmental Code of Statutes	1999
Iggesund Sawmill	Environment Protection Act	1994
Holmen Kraft	Permit under Water Act also includes environmental conditions	

Certifications	ISO 14001	SS 627750	ISO 9001
Holmen Paper Hallsta	2001	2005	1993
Holmen Paper Braviken	1999	–	1996
Holmen Paper Madrid	2002	–	2000
Holmen Paper Wargön	1999	–	1995
Iggesunds Bruk	2001	2005	1990
Workington	2003	–	1990
Ströms Bruk	2000	–	1990
Iggesund Sawmill	1999	–	1997
Holmen Skog	1998	–	–

Forestry certification systems	FSC	PEFC
Holmen Skog	1998	2003

Environmentally-certificated forestry in Sweden 2005

The total figure has been adjusted for the wood from forests with double certification

	Acreage, million hectares	Of all forest, per cent	No. of companies/ forest-owners
FSC, forest companies	9.5	42	6
FSC, private forest-owners	0.6	3	400
PEFC, forest companies	2.9	13	2
PEFC, private forest-owners	2.5	11	23,500
Total	13.0	57	

Proportion of certificated wood used by Holmen's mills 2005, %

	Hallsta	Braviken	Wargön	Iggesunds Bruk	Workington	Iggesund Sawmill
FSC	20	10	10	30	100	50
PEFC	30	15	20	25	–	40
Total	20–30	10–20	10–20	20–30	100	40–50
of which from						
Group forests	2	6	0	16	–	35

The underlying figures are based on both verified and estimated volumes.

Finance

MSEK 2005 2004 2003 2002 2001

Profit and loss account

Net turnover	16,319	15,653	15,816	16,081	16,655
Operating costs	-13,205	-12,570	-12,306	-12,205	-12,460
Depreciation according to plan	-1,167	-1,156	-1,166	-1,153	-1,126
Items affecting comparability	-	-	-	-	-620
Interest in earnings of associate companies	26	25	-6	-10	-3
Operating profit	1,973	1,952	2,338	2,713	2,446
Net financial items	-233	-206	-212	-149	-152
Profit after financial items	1,740	1,746	2,126	2,564	2,294
Tax	-484	-471	-675	-605	-108
Profit for the year	1,256	1,275	1,451	1,959	2,186

Operating result

Holmen Paper	637	487	747	1,664	2,410
Iggesund Paperboard	626	809	1,001	818	455
Iggesund Timber	13	5	18	-6	-79
Holmen Skog	537	586	516	450	455
Holmen Kraft	301	178	193	-26	49
Group central costs and other	-141	-113	-137	-187	-224
	1,973	1,952	2,338	2,713	3,066
Items affecting comparability	-	-	-	-	-620
Divested activities	-	-	-	-	-
Operating profit	1,973	1,952	2,338	2,713	2,446

Balance sheet

Fixed assets	23,702	21,354	18,878	19,442	18,661
Deferred tax receivable	321	273	295	194	203
Shares and participations	1,739	1,754	1,767	1,721	286
Current assets	5,709	5,149	4,743	4,922	5,366
Financial receivables	132	92	105	54	33
Liquid funds	580	367	570	634	399
Total assets	32,183	28,989	26,358	26,967	24,948
Equity	16,079	15,635	15,366	15,185	14,072
Deferred tax liability	5,143	5,177	4,557	4,370	4,014
Financial liabilities and interest-bearing provisions	7,248	5,335	4,044	4,496	3,593
Operating liabilities	3,713	2,842	2,391	2,916	3,269
Total equity and liabilities	32,183	29,989	26,358	26,967	24,948

MSEK 2005 2004 2003 2002 2001

Cash flow

Profit after financial items	1,740	1,746	2,126	2,564	2,294
Adjustment items	908	1,031	1,169	1,050	1,679
Tax paid	-516	-378	-727	-472	-248
	2,132	2,399	2,568	3,142	3,725
Cash flow from changes in operating capital	399	-68	-125	356	61
Cash flow from current operations	2,471	2,331	2,443	3,498	3,786
Cash flow from investment activities	-3,029	-1,195	-726	-1,810	-1,669
Change in financial liabilities and receivables	1,613	1,387	-899	-646	1,790
New share issue and share buy-back	-	474	-	-	-
Dividend paid	-848	-3,199	-880	-800	-5,518
Cash flow from financing activities	765	-1,338	-1,779	-1,446	-3,728
Cash flow for the year	207	-202	-62	242	-1,611

Ratios

Operating margin, %	7	6	10	21	28
Holmen Paper	13	17	20	17	10
Iggesund Paperboard	3	1	3	-1	-11
Iggesund Timber	12	12	15	17	18
Group					
Return, %					
Capital employed	9.0	9.5	12.3	15.5	17.7
Equity	8.0	7.9	9.7	13.7	16.0
Debt/equity ratio	0.41	0.31	0.22	0.25	0.22

Deliveries

Newsprint and magazine paper, 1,000 tonnes	1,764	1,731	1,655	1,528	1,525
Paperboard, 1,000 tonnes	492	501	481	453	410
Sawn timber, 1,000 m ³	229	195	189	220	322

As of 2004, calculated in accordance with IFRS.

Glossary

Ash re-feed

The re-feeding into the forest soil, when possible and necessary, of the nutrient-rich ash from the wood incinerated in biofuel boilers. This enables long-term retention of nutrients in the eco-cycle.

Biofuel/bioenergy

Renewable fuel originating from plant life, such as wood (including liquors, bark and crude tall oil). Biogenic – deriving from biofuels.

Biologic diversity

The richness of variety in all living things in all the environments and ecological processes of which they are part. Includes diversity within and between species of ecosystems.

Biological treatment

The cleaning of effluent with the aid of micro-organisms. The principle is the same as that found in nature, but the process of degradation goes much faster.

Black liquor

The organic material released during the production of pulp. After evaporation the black liquor is burned in the soda recovery boiler from which energy is extracted and chemicals recovered.

Carbon dioxide (CO₂)

Carbon is the building block of life and is found in every living thing. Biogenic carbon dioxide is released when biological matter decomposes or when wood is burnt. Fossil carbon dioxide is released when coal, oil or fossil gas is burnt.

Cash flow

The actual payments received or made by the Group in the form, for example, of payments received from customers and to suppliers, creditors and shareholders.

CARPA

Cartón y Papel Reciclado. A recovered paper collection company in Spain.

Certification

An examination carried out by a third party verifying that an identified product or operational procedure satisfies a given standard or other regulatory document. A certificate is a document showing that the conditions for certification have been satisfied.

COD

Chemical oxygen-demanding substance. A measure of the amount of oxygen needed for the complete decomposition of organic material in water.

Crude tall oil

Extracted from black liquor and used as a raw material in the production of soaps and paints. It can also be used in the lime kiln instead of oil.

Debt/equity ratio

The ratio between the Group's net financial liabilities (mainly borrowed capital) and its equity.

DIP

Pulp that has been produced from de-inked recycled paper (De-inked Pulp).

Dust

Ash particles which are formed during the incineration of materials such as bark and liquor.

Environmental audit

An audit evaluating the functioning of a company's environmental protection organisation, management procedures and environmental equipment.

Environmental Management System

A method of organising environmental activities in accordance with established procedures. An environmental management system requires an environmental policy, environmental goals, an action programme, an environmental organisation, and environmental audits to control the results. The aim, based on the company's environmental policy, is to achieve continuous improvements. ISO 14001 is one of the most widely used environmental management systems.

Equity ratio

Equity in relation to the Group's total assets.

European Works Council

EU legislation stipulates that groups with operations in several EU countries shall give their employees the right to set up an international joint body.

External treatment

Treatment of effluent away from the actual production process. There are three main types: mechanical treatment, biological treatment and chemical treatment.

FBB

Multi-layered paperboard made from mechanical and chemical pulp (FBB, Folding Box Board).

FCO paper

Lightly coated magazine paper in grammages between 55 and 60 g/m² (FCO, Film Coated Offset).

Filler

Filler is used to add bulk to paper and to make it more uniform in structure and brighter. Various types of pigment are used, including ground marble and china clay (kaolin).

Folding

To make it easier to fold thick paper and paperboard, it is normal practice to first make a crease – a stamped line where the fold is to be.

Fossil fuels

Fuels based on carbon and hydrogen compounds from sediment and sedimentary rock – mainly coal, oil and fossil gas.

FSC

FSC – Forest Stewardship Council – seeks to promote use of the world's forests in ways that are acceptable according to three sets of criteria: environmental, social and financial. Companies

that receive FSC certification undertake to use their forests in accordance with the national FSC standard in their country.

Global Compact

The object of the UN's Global Compact is to encourage and support companies in the application to their business activities of ten fundamental principles relating to human rights, working conditions, the environment and corruption. www.unglobalcompact.org

GRI

GRI (Global Reporting Initiative) is an independent organisation whose aim is to create globally accepted guidelines for the reporting by companies of relevant and reliable information on the environmental, financial and social aspect of their business. www.globalreporting.org

Groundwood pulp

Pulp produced by a mechanical process in which the cellulose fibres are released by pressing debarked logs against a rotating cylindrical grindstone in a grinding mill. Temperatures become elevated owing to the friction between the wood and the grindstone. Water is sprayed onto the grindstone to cool and clean it.

Higher education

At least two years of post-upper secondary school education.

HR

Human Resources (HR) highlights the direct connection between the activities of the personnel and the company's business strategy.

Human rights

On 10 December 1948 the General Assembly of the United Nations adopted and promulgated a global declaration on human rights. www.un.org/rights

Incident

An unforeseen, hazardous event that does not cause personal injury. When an event causes personal injury, it is referred to as an occupational accident.

ILO

ILO (International Labour Organisation) is the UN organ for employment and labour rights. www.ilo.org

IPPC

(Integrated Pollution Prevention and Control)

EU directive to integrated, application procedures and supervision of major industrial companies. www.europa.eu.int/comm/environment/ippc

ISO 14001

International environmental management standard that has been drawn up by the International Organisation for Standardisation (ISO). Two important principles laid down by ISO 14001 stress the need for regular environmental audits and that the requirements intended to result in continuous improvements should be gradually raised.

MF paper

Includes standard and coloured newsprint (MF, Machine Finished).

MWC paper

Coated, wood-containing paper in grammages between 80 and 110 g/m² (MWC= Medium Weight Coated).

Net financial items

Largely, the difference between the Group's interest income on placements with banks and other credit institutions and its interest costs on loans raised from such institutions.

Net turnover

Invoiced sales of products, wood and energy after deduction of value added tax (VAT, "moms") and customer rebates.

Nitrogen (N)

A chemical element found in wood. Emissions of nitrogen into water can cause eutrophication. Excess nitrogen in water can cause algal bloom and oxygen deficiency.

Nitrogen oxides (NO_x)

Gases composed of nitrogen and oxygen that are produced during combustion. In moist air, nitrogen oxides can form nitric acid, which is then precipitated as acid rain. Since the gas contains nitrogen, the emission of nitrogen oxides can also have a fertilising effect.

Occupational accidents

Registered in two groups: less than 8 hrs absence from work and more than 8 hrs absence.

OECD

OECD (Organisation for Economic Co-operation and Development) draws up principles and standards, which 38 governments apply to multinational enterprises to enable them to engage in business on a responsible and sustainable basis. www.oecd.org

Operating profit/loss

The Group's income from the sale of products, wood and energy, less
- cost of production (raw materials, wages and salaries, etc); cost of delivery to customers;
depreciation in value of machinery, buildings etc.

Overmanning

Overmanning is the situation that arises when a company's organisation is far larger than what needed to run the business in accordance with the agreed strategy.

PEFC

PEFC – Programme for the Endorsement of Forest Certification schemes – originally a European forest certification, is now gaining greater global acceptance. PEFC promotes forestry that is sustainable in all respects. In Sweden the PEFC and FSC standards are broadly identical.

Phosphorus (P)

A chemical element found in wood. Excess phosphorus in water can cause eutrophication and oxygen deficiency.

Productive forestland

Forestland that is able to produce an average of at least 1 m³ of wood total volume over bark per hectare per year over the lifetime of the stand.

PÅAB

Pappersätverning AB. Holmen, Munksjö and Metsä Tissue each have a one-third interest in this company, which procures recovered paper for their mills in Sweden. About one-third is purchased in Sweden, and the rest is imported from nearby countries.

REACH

Registration, Evaluation and Authorisation of Chemicals. A chemicals law that will require many of the chemicals that are available on the market in the EU to undergo tests in order to assess their effects on health and the environment. www.kemi.se

Recycled fibre

Wood fibres from recovered paper.

Refiner

Equipment for the production of mechanical pulp by grinding wood chips, most often after they have been heated.

RMP Refiner Mechanical Pulp

Pulp produced by refining wood chips, with or without chemical or heat treatment. Umbrella name for all types of pulp produced in refiners.

SBB

Multi-layered board made of bleached chemical pulp (SBB, Solid Bleached Board)

SC paper

Super-calendered paper. Uncoated, glazed magazine paper in grammages between 50 and 65 g/m² (SC=Super Calender).

SDC

SDC (data centre for the forest industry). Cooperative with responsibility for all reporting on wood in Sweden. Develops information systems for reporting and handling of wood. www.sdc.se

Softwood

Pine or spruce wood. Has longer and stronger fibres than hardwood.

Suspended solids (SS)

Water-borne substances comprising fibres and particles, most of which can be separated out using a fine mesh filter.

Sulphate pulp

A chemical pulp that is made by cooking wood at high temperature with white liquor (sodium hydroxide and sodium sulphide). The liquor dissolves the binding agent (lignin) in the wood to release the cellulose fibres. See also Black liquor.

Sulphur (S)

A chemical element found in sulphur dioxide, hydrogen sulphide and other malodorous gases. The sulphur in emissions from the pulp industry mainly derives from cooking and bleaching chemicals and from oil.

Sulphur dioxide (SO₂)

A gas consisting of sulphur and oxygen that is formed during the combustion of sulphur-containing fuels such as black liquor and oil. On contact with moist air, sulphur dioxide forms sulphuric acid, which contributes to the acidification of rain and other forms of precipitation.

Tax cost

Computed tax on the year's result. The Group's normal tax rate is approximately 29 per cent.

TMP

Thermo-mechanical pulp. A high-yield pulp (94–96 per cent yield from the wood) which is obtained by heating spruce chips and then grinding them in refiners.

Transportation (tonnekm)

Describe extent of transport and logistics activities. Defined in terms of tonnekm, which is obtained by multiplying the weight of the goods (in tonnes) by the distance covered (kilometres).

Union negotiations

Local negotiations take place between the company and the local union organisations. Central negotiations take place between union and employer representatives at national level.

Value-creation index

A weighted average (mean) of all the questions in the Holmen Inblick employee survey (scale of 0-1,000).

Virgin fibre

Wood fibre made directly from harvested trees. Also known as "fresh fibre" (Cf. Recycled fibre).

Board

Fredrik Lundberg

Chairman. Djursholm.
1951/1988*

Carl Kempe

Deputy Chairman. Örnsköldsvik.
1939/1983

Steewe Björklundh

Hudiksvall. 1958/1998
Representative of the employees, LO

Lilian Fossum

Lidingö. 1962/2004

Magnus Hall

President and CEO
Stockholm. 1959/2004

Torgny Hammar

Hallstavig. 1943/2003
Representative of the employees, PTK

Kenneth Johansson

Söderköping. 1958/2004
Representative of the employees, LO

* Year of birth/Board member since

Hans Larsson

Stockholm. 1942/1990

Ulf Lundahl

Lidingö. 1952/2004

Göran Lundin

Norrköping. 1940/2001

Arne Mårtensson

Djursholm. 1951/1991

Bengt Pettersson

Stockholm. 1938/1994

Deputy members

Christer Alenius

Vännäs. 1945/2003
Representative of the employees, PTK

Stig Jacobsson

Iggesund. 1948/2004
Representative of the employees, LO

Karin Norin

Forsa. 1950/1999
Representative of the employees, PTK

Senior management

Magnus Hall

President and CEO
1959/1985*

Anders Almgren

Executive Vice President
CFO
1965/1990

Lars Ericson

Head of Group Legal Affairs
Company secretary
1959/1988

Thommy Haglund

Head of Group Human
Resources. 1950/2001

Christer Lewell

Head of Group Public
Relations. 1948/1987

Sven Wird

Head of Group Technology
1951/1995

* Year of birth/Senior management member since

Björn André

Head of Holmen Skog
1946/1971

Åke Eklöf

Head of Holmen Kraft
1945/1974

Björn Kvick

Head of Iggesund Paperboard
1950/1983

Håkan Lindh

Head of Iggesund Timber
1964/1994

Arne Wallin

Head of Holmen Paper
1954/1988

Addresses and contacts

Holmen AB**Head office**

(Strandvägen 1)
P.O. Box 5407
SE-114 84 Stockholm
Sweden
Tel +46 8 666 21 00
Fax +46 8 666 21 30
E-mail info@holmen.com
www.holmen.com

Contacts:**Concern for
the environment/
Sustainability issues**

Lars Strömberg
Director of
Environmental Affairs

Social responsibility

Thommy Haglund
Head of Group Human
Resources

Financial development

Anders Almgren
CFO

Holmen Paper AB

(Vattengränden 2)
SE-601 88 Norrköping, Sweden
Tel +46 11 23 50 00
Fax +46 11 23 63 04
E-mail info@holmenpaper.com
www.holmenpaper.com

Holmen Paper Hallsta

SE-763 81 Hallstavig, Sweden
Tel +46 175 260 00
Fax +46 175 264 01
E-mail info@holmenpaper.com

Holmen Paper Braviken

SE-601 88 Norrköping, Sweden
Tel +46 11 23 50 00
Fax +46 11 23 66 30
E-mail info@holmenpaper.com

Holmen Paper Madrid

Parque Industrial La Cantueña
C/del Papel 1
ES-28947 Fuenlabrada, Madrid
Spain
Tel +34 91 642 0603
Fax +34 91 642 2470
E-mail info@holmenpaper.com

Holmen Paper Wargön

SE-468 81 Vargön, Sweden
Tel +46 521 27 75 00
Fax +46 521 27 75 80
E-mail info@holmenpaper.com

Iggesund Paperboard AB

SE-825 80 Iggesund, Sweden
Tel +46 650 280 00
Fax +46 650 288 00
E-mail info@iggesundpaperboard.com
www.iggesundpaperboard.com

Iggesunds Bruk

SE-825 80 Iggesund, Sweden
Tel +46 650 280 00
Fax +46 650 285 32
E-mail info@iggesundpaperboard.com

Workington Mill

Workington Cumbria
CA14 1JX
Great Britain
Tel +44 1900 601 000
Fax +44 1900 605 000
E-mail info@iggesundpaperboard.com

Ströms Bruk

P.O. Box 67
SE-820 72 Strömsbruk, Sweden
Tel +46 650 289 00
Fax +46 650 289 30
E-mail info@iggesundpaperboard.com

Iggesund Timber AB

P.O. Box 45
SE-825 21 Iggesund, Sweden
Tel +46 650 280 00
Fax +46 650 280 57
E-mail info@iggesundtimber.com
www.iggesundtimber.com

Iggesund Sawmill

P.O. Box 45
SE-825 21 Iggesund, Sweden
Tel +46 650 280 00
Fax +46 650 284 88
E-mail info@iggesundtimber.com

Holmen Skog AB

(Hörneborgsvägen 6)
SE-891 80 Örnsköldsvik, Sweden
Tel +46 660 754 00
Fax +46 660 759 85
E-mail info@holmenskog.com
www.holmenkog.com

Holmen Kraft AB

(Hörneborgsvägen 6)
SE-891 80 Örnsköldsvik, Sweden
Tel +46 660 754 00
Fax +46 660 759 85
E-mail info@holmenkraft.com
www.holmenkraft.com

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

HOLMEN

Holmen AB (publ)
P.O. Box 5407
SE-114 84 STOCKHOLM
SWEDEN

Tel +46 8 666 2100
Fax +46 8 666 21 30
E-mail info@holmen.com
www.holmen.com