

Address to AGM, 2 April 2008 by Magnus Hall, President and CEO

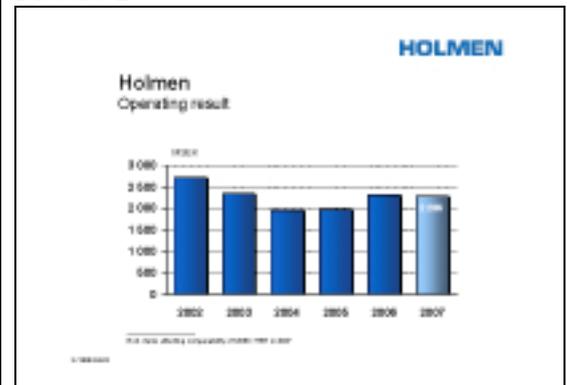
Mr Chairman, dear shareholders, ladies and gentlemen.

Picture 1



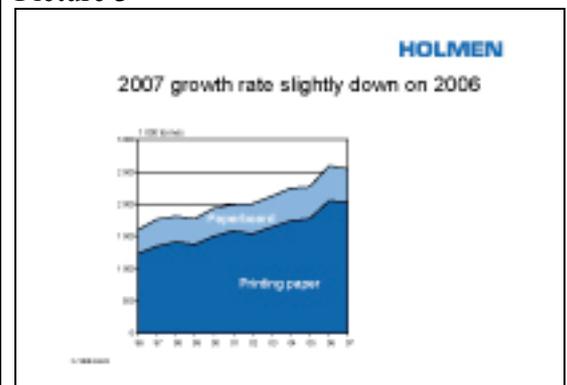
We have put behind us the year 2007, which did not turn out quite like we expected. Starting with an increase in the price of newsprint, strong demand for paperboard, and more buoyant conditions on the sawn timber market indicated that there was a fair chance of earning a higher profit. Net sales did in fact rise from 18.6 billion kronor to 19.2 billion.

Picture 2



But unfortunately costs rose far more than foreseen during the year and the operating result before items affecting comparability remained broadly unchanged at around 2.3 billion kronor. The weakness of the US dollar was another reason why the result was no better than it was.

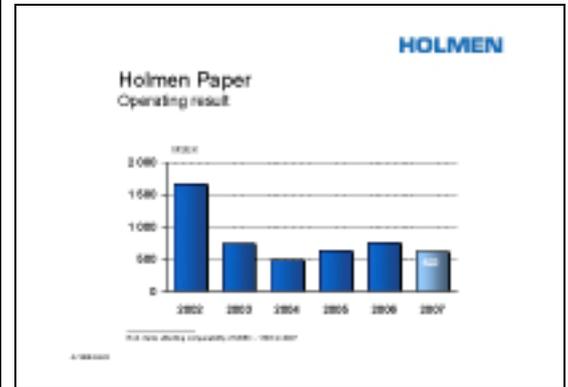
Picture 3



Holmen's volumes declined slightly in the printing paper and paperboard product areas. In the newsprint segment we were affected by sharply rising imports into Europe from North American suppliers. The declining market in the USA and the weak US dollar were powerful forces driving this trend on the market. In the case of paperboard our rebuilding stop at Iggesund Bruk resulted in a reduction in our solid bleached board production and delivery capacity during the year.

Holmen's largest business area, Holmen Paper, noted a decline in operating profit of 130 million kronor to 623 million kronor, even though newsprint prices in Europe had been raised by 4–5% at the beginning of the year. These price increases were not sufficient to offset the large cost increases we experienced, mainly for fibre purchases, and the margin narrowed as a consequence.

Picture 4



The market growth in Europe showed a modest decline at a time when stiffer competition from North American producers had an adverse effect on our delivery capability.

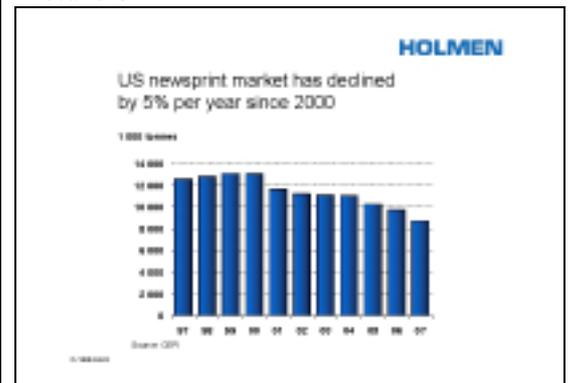
Imports into Europe rose strongly in 2007, after having declined sharply in 2006.

Picture 5



The American market for newsprint has been declining by 5% per year ever since the record year 2000, which has resulted in excess capacity, even though many mills and paper machines were closed down or rebuilt to produce other products during the period. The decline in the size of the market is due to lower advertising sales as a result of competition from other media, but it is also an effect of smaller formats and miscellaneous other cost reduction measures on the part of newspaper publishers. The big question that is rightly being asked, quite naturally, is: “Can this situation arise in Europe?”

Picture 6



Of course, answering this question isn't exactly easy. Free newspapers have been doing very well in Europe, but there is more to it than that, although they make some contribution to growth and, above all, to the circulation levels.

The North European markets, with their high per capita consumption, have probably matured; whereas Mediterranean and East European

Picture 7



markets, where per capita consumption is relatively low, have further growth potential. Given this situation we do not believe the same serious situation as in North America will occur. Nonetheless markets are more likely to be moving sideways, or showing a weak, declining trend over the coming ten years.

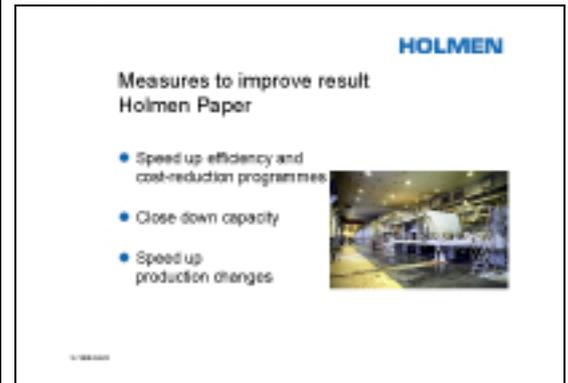
The conclusion is that we can't expect any increase in volumes that will ensure a more favourable market balance.

Given this background, in 2007 we decided to take a number of measures to improve efficiency and earning conditions for our printing paper business.

The first measure is to speed up the ongoing efficiency and cost-reduction programmes. The second is to close down unprofitable and inefficient newsprint capacity. This will leave us with a more efficient structure, as well as enabling us to play our part in improving the market balance. This step is now at the planning stage at the mill in Hallstavik, where our intention is to withdraw PM2, the smallest paper machine, from production; a further intention is to raise productivity at the mill as a whole, which will involve substantial reductions in manning levels. PM2 which has been serving us well since the end of the 50s will represent a capacity reduction of 110,000 tonnes a year. It is currently producing MF Magazine products, and these will be transferred to a modern and larger machine which is currently producing standard newsprint. This type of rationalisation, in which the production of high added value products is transferred from small machines to larger and more efficient ones, is something that Holmen Paper has managed successfully over the years.

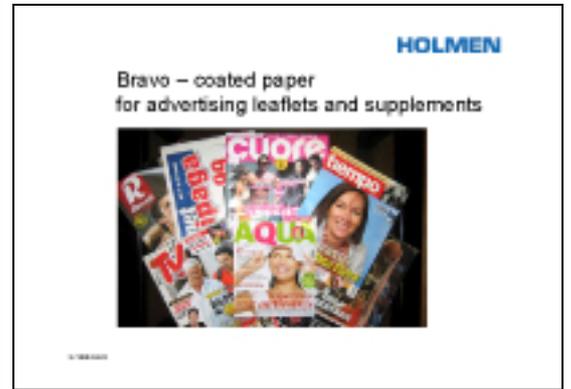
The third measure is to continue the shift away from newsprint toward other products on other paper machines.

Picture 8



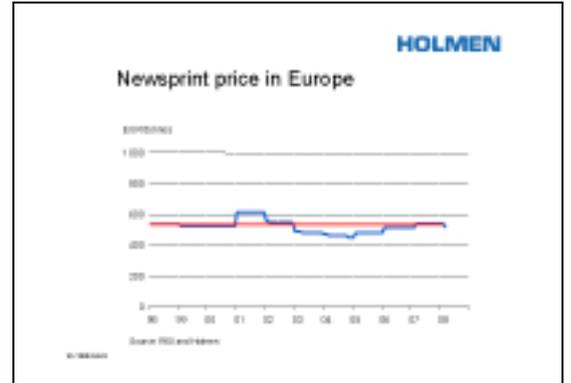
In Spain we are in a position to convert the older machine to coated magazine paper, a process that is going quickly now. Bravo, which is a coated product based solely on de-inked pulp, is used for advertising leaflets and newspaper supplements. Our strategy of growing further in high value added products remains unchanged.

Picture 9



Holmen Paper's profitability is at present totally unacceptable. We will push ahead with the various structuring measures at whatever pace is necessary to restore the situation to normal. The measures planned will involve, as a first step, reducing the total annual volume of newsprint by around 15%. Today's price level is below the average for the past ten years. The average is marked by the red line in this picture. The price we need if our newsprint production is to be profitable at today's cost level, is considerably higher than the prevailing market price.

Picture 10



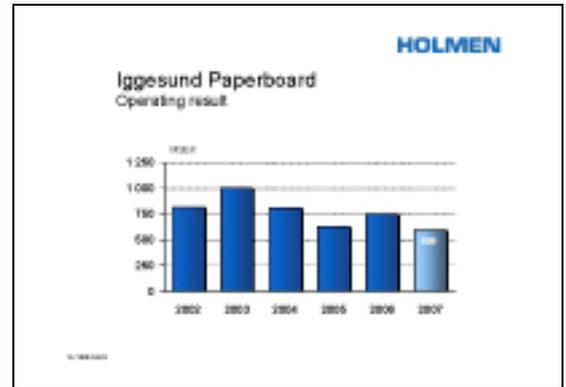
The European market for virgin fibre board developed very strongly in 2007, with a growth rate of more than 5%. The production of packaging is growing fastest in the eastern regions of Europe, which this picture shows very clearly. Higher consumption in the region itself, along with increasing exports to Western Europe, is providing a foundation for this growth.

Picture 11



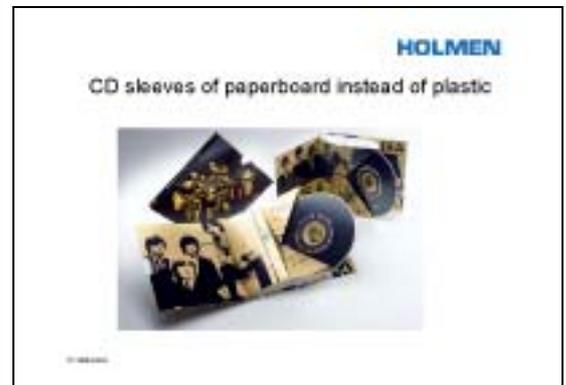
The strong market situation was one factor that allowed us to raise paperboard prices in several segments during the year; and, given the sharp cost increases we have had to absorb over the past few years, this was most welcome. Despite the price increase, Iggesund Paperboard's operating profit for 2007 fell to 599 million kronor, as compared with 752 million kronor for the previous year. Lower volumes, the higher cost of wood, and costs associated with the extensive rebuilding stop, together with low prices on US dollar denominated markets were the main reasons for this decline.

Picture 12



The decline in Iggesund's volume might appear odd on such a fast-growing market. However the decline was due to the extensive rebuilding project at Iggesunds Bruk during the third quarter where we modernised many key sections of the largest board machine. The object of the rebuilding is to enable the mill to deliver higher quality products, which will consolidate our position of market leadership on the solid bleached board market. Invercote, which is our most exclusive board product, has a reputation as the strongest brand on the market and will be relaunched this year with improved characteristics. We can see this in the form of a CD sleeve for a Rolling Stones album. Only Invercote is capable of withstanding such advanced folding and repeated opening and closing.

Picture 13



At Workington, our folding box board mill, we have in recent years been pushing ahead with far-reaching rationalisation measures and continuous product development projects. We are now capable of satisfying the needs of the most demanding customers in various segments of the packaging market, which was one of the main objects of the investments and the development measures. Combine this with the right manning levels in production, and we now have a stable competitive base from which to expand further.

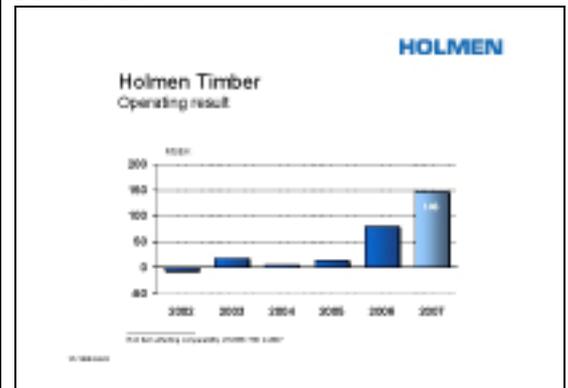
Picture 14



Iggesund Paperboard's strategy is to focus on narrow niches, where the quality requirements are absolutely the most demanding. This will remain the platform for our future growth and profitability. However, further price increases are essential if we are to offset the cost escalation we are experiencing. No major rebuilding stops are planned for 2008.

Picture 15

If we thought that 2006 was an unusually successful year for sawn timber how can we describe 2007, except to say that as far as Holmen Timber is concerned it was formidable. Prices soared to heights we have never seen before, operating margin for the year as a whole was 24%. The year's operating profit almost doubled in relation to 2006 to 146 million kronor, which was good even by comparison with our competitors. Holmen Timber's decision to concentrate on one sawmill and focus on productivity has been highly successful.



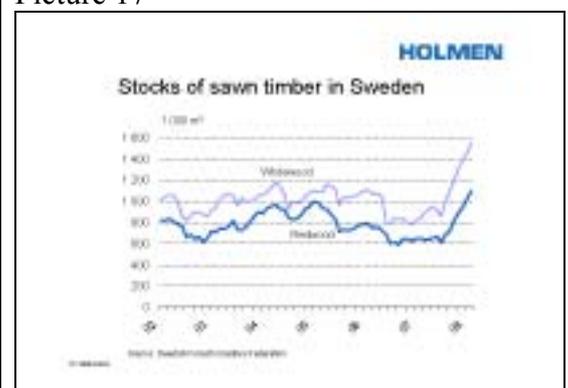
Picture 16

The raw material procurement activities ran well and made it possible to increase production by 10% in 2007.



Picture 17

Export growth slowed down sharply during the second half of the year owing to the downturn in the building economy in the USA and certain technical amendments to Japan's building regulations. A high level of stock building then put pressure on prices and price curves are now pointing sharply downwards.



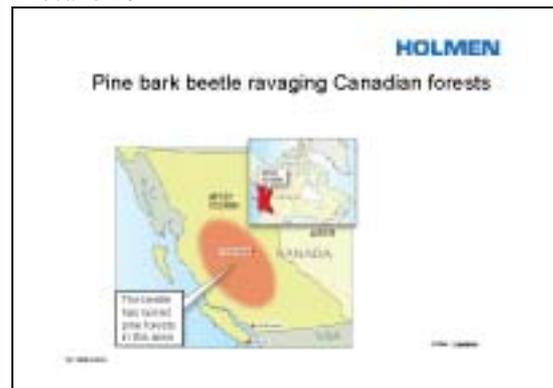
So why build a sawmill when everything looks so unsettled? Well, firstly, we believe that the problems we are now seeing are not likely to be long lasting. The American market will probably revert to a more normal level of building, once the problems on the building and mortgage markets have been overcome.

Picture 18



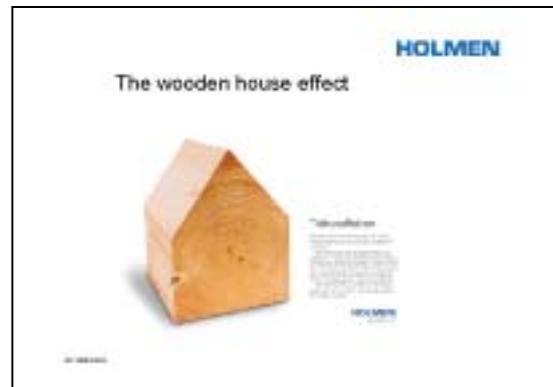
The long-term trend for building in wood in the USA looks bright and in Canada, which has traditionally been the main supplier of sawn timber to the USA, they are facing serious problems due to attack by insects. As can be seen in this picture, a great part of western Canada's forest areas have been attacked and are partly dead. These attacks will reduce the quantity of sawn timber available for many years to come and create a growing need for imports to supply the building market.

Picture 19



At the same time, the new Japanese building regulations will gradually become accepted and it should be possible gradually to restore exports to normal levels. On top of this, it should be added that we believe that building in wood in Europe should show steady growth. The European sawn timber market has grown by some 3% per year during the last 25 years, and this is expected to continue, not least given the background of the discussions on the climate, in which wooden buildings possess a unique capacity to absorb carbon dioxide. In this respect, wood differs from steel and concrete, which cause carbon dioxide emissions when being manufactured. This picture shows a draft of an ad headed "The wooden house effect" that we intend to use in the future.

Picture 20

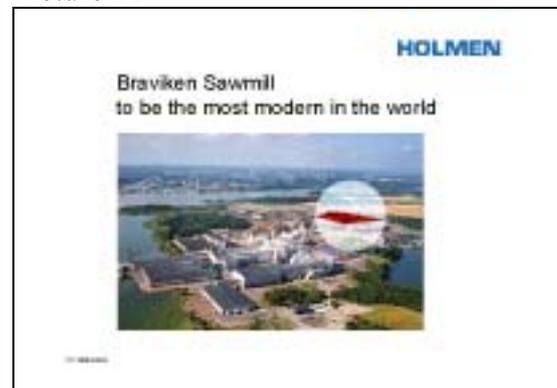


However, this is only half the explanation for why we are building a sawmill. The role of the sawmill as the cog in the raw material machine will become more evident in the future when competition for wood increases. Energy producers will become major buyers of biofuel, which will make them competitors of ours. By concentrating the flow towards a single point – a complex that includes not only the sawmill but also pulp and paper production as well as energy production – we will create unbeatable synergies, above all in transportation and purchasing, and thus ensure we have the best possible access to the raw materials.

Right now we are devoting our attention to planning the new sawmill, which will be located alongside the Braviken paper mill. Production will be focused on structural timber based on spruce to use in the construction of wooden buildings. The sawmill will be one of the largest and the most modern in the world, with a rated capacity of 750 000 cubic metres of sawn timber per year. The investment cost is estimated at around 1.1 billion kronor and it should be in production by the end of 2009.

The next stage is for us to review energy production at Braviken, when the opportunities presented by having access to large quantities of biofuel from the sawmill will be most valuable.

Picture 21



Against the background of our investment in the sawmill, our strategy will develop and it will become evident that the Group has another business of equal weight, namely sawn timber. Given the close connection with the important wood procurement business carried on by Holmen Skog, and the potential to expand Holmen Energi in the biofuel segment, the various parts of the Group will become even more closely integrated than they have been.

Our raw material-oriented business areas will acquire greater weight in view of the fact that they, fibre and energy, are the areas in which

Picture 22



there have been such large cost increases. The ability to raise growth in the forests, to maximise the value of our own biological assets, and to influence in various ways the product flow from forests to users, while also having a responsible and cost-conscious purchasing function, is a significant responsibility for Holmen Skog. I dare claim that we have very high level of competence in all these areas, and that we influence the way things shape up by virtue of our involvement in all stages of the process.

One particularly important task is to orient ourselves in the new situation that has arisen in view of Russia's policy on export duties; it is no easy matter to predict what the long-term consequences of this will be.

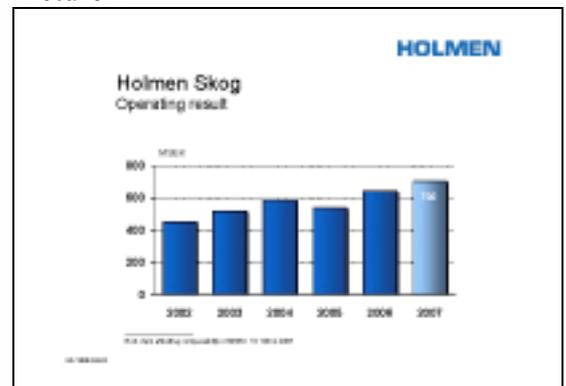
However, what is clear is that the price of wood is hardly likely to return to its historic levels, and that we will have to get used to wood being a relatively expensive material. We tried to take account of this when we revalued our forests; we raised their value from just under 6.5 billion kronor to around 8 billion kronor. Holmen Skog's profit has also increased in recent years, and in 2007 it amounted to 702 million kronor.

Extracting more biofuel from our forests remains a very important development task for Holmen Skog. We would prefer not to see situations like the one in this picture, which shows pulpwood being turned into chips for use as fuel.

Picture 23



Picture 24

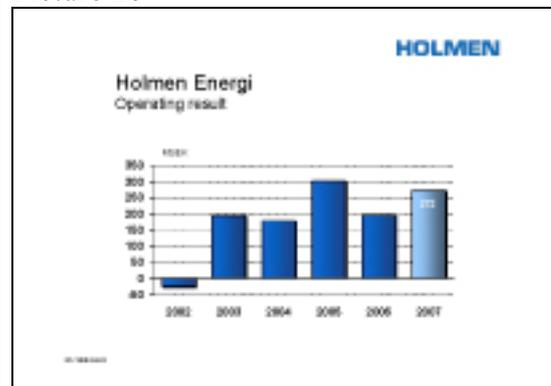


Picture 25



Holmen Energi's profit increased to 272 million kronor in 2007. This was achieved, even though electricity prices fell in relation to 2006; it was mainly due to a substantial increase in production as a result of more abundant flows of water.

Picture 26



Holmen Energi has two main tactics to deploy for the development of its energy business. We are moving ahead along several different paths in wind power. Production of wind power is being developed by VindIn, a consortium involving Holmen and several other large electricity users, at several different locations in Sweden. The first rotor blades are not rotating yet, but in a few years we expect VindIn to be producing almost one TWh of wind power per year.

Picture 27



The expansion of wind power in Sweden is on the point of accelerating substantially. Several major projects have been announced and it may be noted that the interest in wind power generation at sea is declining in line with the rising cost of both construction and maintenance. According to Elforsk's latest estimates energy from sea-based wind power costs about 20 öre more per kWh than the equivalent amount of energy from land-based wind power stations. This is reflected in a growing interest in land-based production, and one can give some thought to the possibility that well located land suitable for wind power stations could well be in short supply fairly soon. As a large landowner we are studying this matter closely. It appears sensible not to be in too much of a hurry to lease our land to outsiders.

Moreover, we have the possibility of developing our own wind power, and we are at present exploring what different methods of approach

are open to us. The ability to coordinate our wind power with our hydropower looks like a promising combination.

The other main approach for Holmen Energi is to develop its business on the biofuel side. In the first instance, we are looking at an investment in a pellets plant in Iggesund, but in addition we are exploring the possibility of building a pellets plant that could be integrated with the new sawmill in Norrköping. Pellets are an excellent means of storing biofuel, and they can be produced effectively alongside a mill with surplus heat.

Apart from that, the main question plaguing our world is the climate, naturally. We have an obligation to do all we can, using all the commercially viable means at our disposal. The fact is that we are particularly well placed, given our raw material, which is a sustainable product, absorbs carbon dioxide, and stores carbon, especially when the forests are managed. The situation when it comes to making even more efficient use of bioenergy in our own production processes is even better, not least when realising that we have been major users of biofuel for years.

At Holmen we have set ourselves the target of reducing our use of fossil fuels at our Swedish mills by as much as 90% by no later than 2020. We will take our share of the responsibility for the climate. At present, we are also investing 450 million kronor in a new pulp production line at the Braviken paper mill, a project that will not only result in lower specific electricity consumption per tonne but also put us in a better position of recover energy from the process.

Picture 28



Picture 29



Picture 30



When it comes to our prospects for 2008, we have already completed the first quarter, and we can see that the negotiations on newsprint prices did not turn out well. The impact of imports from Canada and the weakness of the dollar resulted in prices being reduced by 4-5% in Europe. The demand for magazine paper has been stronger, and their prices are firming up.

Iggesund announced an increase in the price of folding box board this spring. We produce this type of board at Workington and initially the intention is to raise prices on the British market. In the case of sawn timber, the market situation is difficult in the short perspective, and prices are falling.

At the same time, we are trying to do something about the prices of our input items, which are still high, and the weakness of the US dollar is also troublesome. As a result of these factors, our profitability is coming under pressure from several directions and our utmost priority is to bring our efficiency and cost-reduction measures to completion as soon as possible. In the short term, some of these measures will involve some restructuring costs, particularly at Holmen Paper.

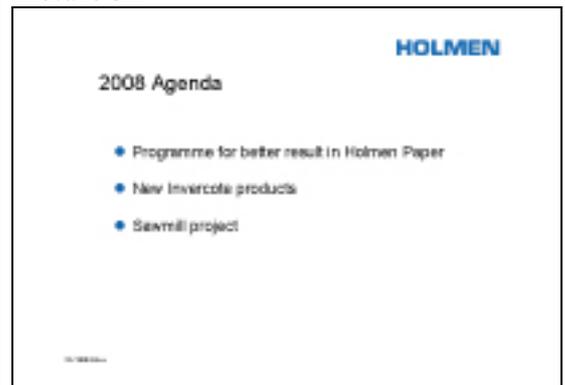
Picture 31



So, dear shareholders, we have quite a few tough challenges ahead of us. The three most important tasks facing us are:

- to push ahead with the efficiency programme at Holmen Paper and create a situation in which it can be restored to an acceptable level of profitability. We won't hesitate on this and the pace will remain high.
- to relaunch our solid board products and put our customers in an even better position to market their products.
- to bring the sawmill project to timely completion so that we are ready when the market turns back up.

Picture 32



Holmen has a strong financial position, and it is encouraging to know that even though our product areas are facing a harsher business climate we are able to go ahead with investments projects that will enable all our business areas to develop. We believe this will strengthen Holmen's competitive position and in the somewhat longer term benefit our shareholders.

With that, ladies and gentlemen, I would like to thank you and hand over to the chairman.

Picture 33



Picture 34

HOLMEN