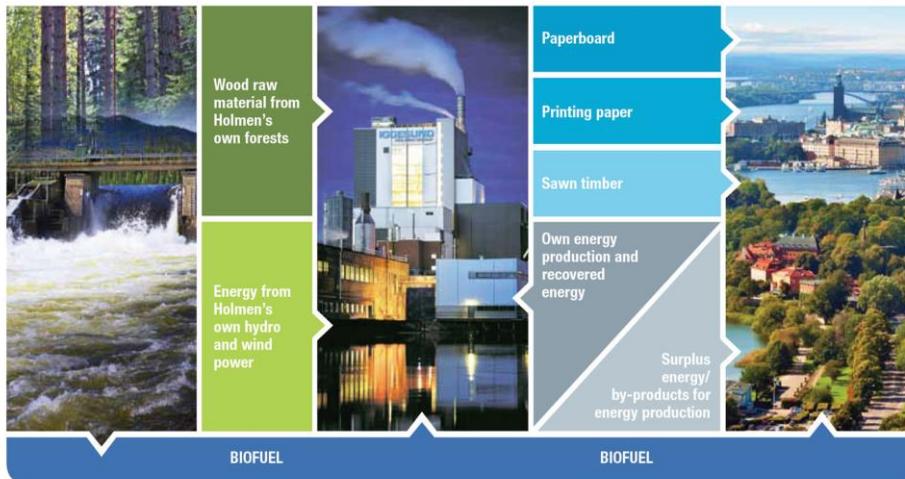




Mr Chairman, esteemed shareholders,

A year passes quickly. It is almost a year to the day since I became President and CEO of Holmen, and it has been an exciting and intense year, working with the company from a whole new perspective. One of my focus areas has been to ensure that the tough restructuring across the Group and the various investments of recent times are having a proper impact. In my report today, I will be presenting the results achieved so far.



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

This is how we describe the foundation on which Holmen's business is built.

Our forest assets provide stable revenue and rising value over time, while also giving us a position in the wood market that contributes to the competitiveness of our industrial operations. Our energy assets meet a significant portion of our energy needs and generate cash flow.

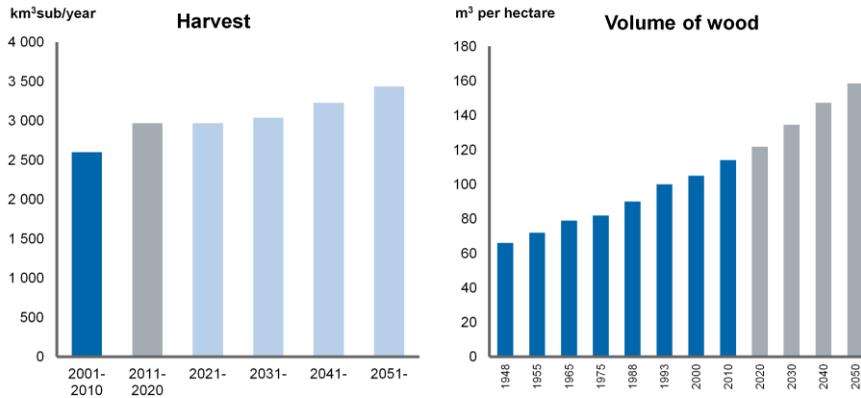


The forest is a fantastic source of raw material, providing resource-efficient and climate-smart products. By managing the forest in a sustainable way, Holmen is creating value for you, our shareholders, and for future generations. But for us to succeed, the conditions must be in place for the forest industry to manage the forest efficiently.

This is the most fundamental issue – the right to manage the forest. Growth and sustainable management are also the key to a future bio-economy, with the forest and its products able to replace fossil-based alternatives.

Although, to a large extent, silviculture operates over a very long time horizon, it is equally important to improve the productivity of the forest here and now. Increasing the productivity of logging and harvesting yields better returns. The key is to fully exploit current methods and technology, but also to develop new ways of working and new machines. One example is pictured here – a new type of vehicle called a harwarder that both harvests the wood and transports it to the road.

Growth and harvest



4

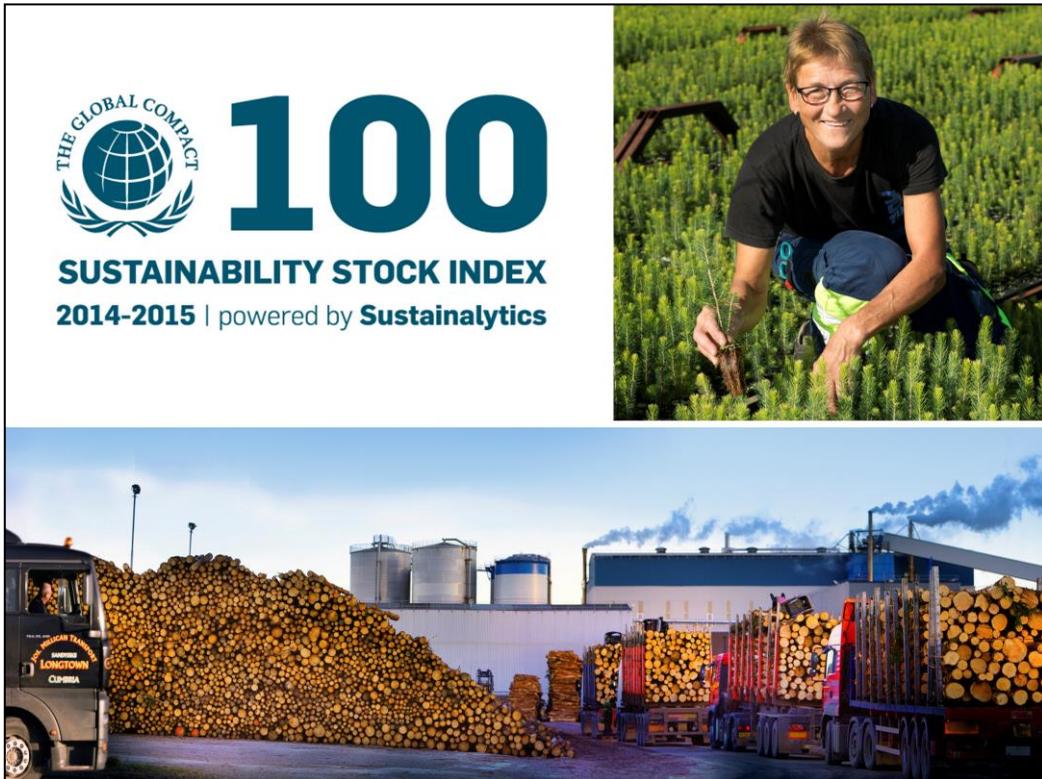
The growth of the forest and its future value depend on how it is managed and cultivated. The volume of wood in Swedish forests has increased by around 80 per cent since the 1920s.

According to the present long-term harvesting plan, around 80 per cent of annual growth is harvested in Holmen's forests (diagram to the left). This means that the volume of wood in our forests is steadily rising. By 2050 it is projected to be 30 per cent larger than today (diagram to the right).

Improvements to forest management and the age structure we have in our forests thus mean that the growth, and the capacity for harvesting from the forests, is set to grow over the long term.



However, increased productivity is not the only key to long-term profitability in forestry. Efficient transport is another essential component, since transport represents a significant cost. On many routes where rail is not an option, wood is transported by truck. With this in mind, the proposal to increase gross weights for trucks is vitally important. It would mean not only more efficient transport, but also a lower environmental impact.

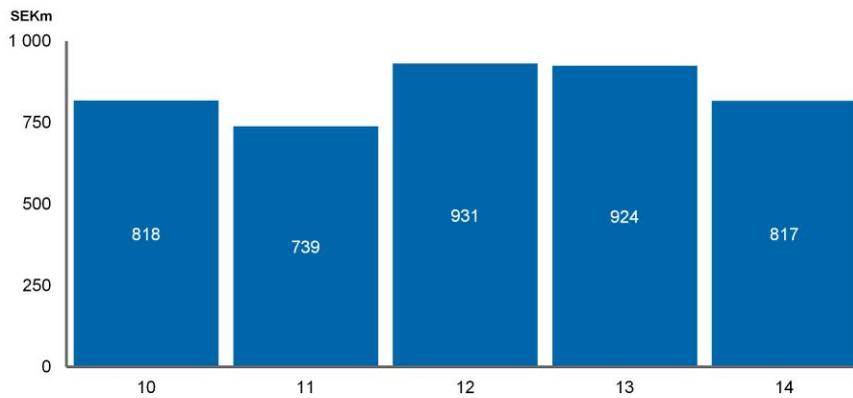


As one of Sweden's largest forest owners, Holmen has a key role to play in the transition to an economy based on renewable raw materials. As far as we are concerned, sustainability underpins our competitiveness and profitability, since more efficient energy use, for example, generates both financial and environmental gains. One aspect of this work is our strategy to invest in fossil free technology at our mills in Sweden and the UK. This has meant that, in 2014 alone, we have managed a 45 per cent reduction in our carbon emissions per tonne of paper and paperboard products, while at the same time cutting our costs.

Over the year, Holmen has been included in several sustainability indexes. Being selected for awards and included in these indexes is proof positive that our work is taking us in the right direction. As an example, Holmen spent a second year listed on the UN's Global Compact 100, a global stock index highlighting the companies that are best at combining sustainable business and good financial performance.

The importance of the forest cannot be overstated, which is why I have chosen to spend so much time on this particular business area in my speech. Before I report on the other business areas, I would also like to briefly comment on the year's results for Holmen Skog.

Operating profit Holmen Skog



7

The Holmen Skog business area achieved earnings from operations of SEK 535 million. Operating profit, which includes a change in value of SEK 282 million, totalled SEK 817 million. The decrease in profit is due to the high cost of handling storm fellings and the fact that harvesting volumes have declined from a high level and returned to normal levels.

And now I will move on to the business area Holmen Energi.



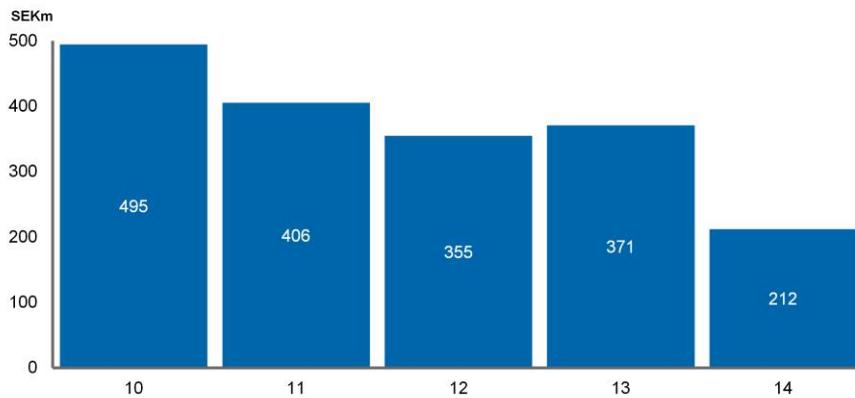
The opening of Varsvik wind farm was an important milestone in 2014. Varsvik, which is situated next to Hallsta Paper Mill in Norrtälje, is Holmen's first wind farm on its own land and the first large-scale wind farm in the county of Stockholm.

The facility was gradually brought into service over autumn 2014. With 17 turbines, the wind farm will be able to produce 165 GWh, enough to power 35 000 apartments for a year, which will contribute to our objective of increased self-sufficiency in electricity.

We are positive about and continue to assess the potential for building additional wind farms on our own land. Although the fundamental conditions at the locations under consideration are judged to be good, the current electricity price and electricity certificate system make it a challenge to justify further investment.

With electricity from 21 wholly and partly owned hydro power stations, four wholly and partly owned wind farms and electricity production at our own mills, Holmen is now almost 50 per cent self-sufficient in electricity.

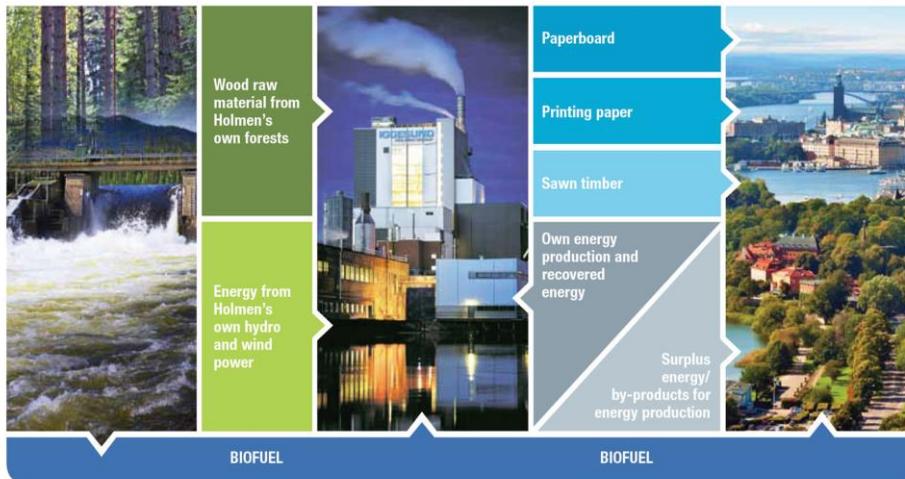
Operating profit Holmen Energi



9

Operating profit for Holmen Energi amounted to SEK 212 million. The decrease in profit is due to lower electricity prices. The previous year's profit also included earnings of just over SEK 100 million from the sale of a stake in the Varsvik wind farm.

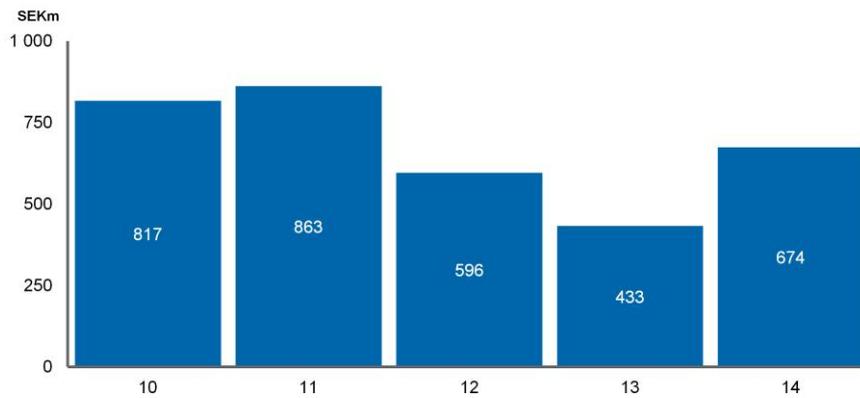
Now let us leave our raw material-based business areas and move on to our industrial operations.



Holmen's strategy is based on large-scale industrial operations at efficient plants that provide good profitability by processing forest raw material into high-performance consumer paperboard, cost-effective printing paper and high-quality sawn timber.

The industrial business performed much better in 2014 and several of our production facilities beat their production records.

Operating profit Iggesund Paperboard



11

Paperboard deliveries from the Iggesund Paperboard business area rose by 5 per cent, amounting to almost 500 000 tonnes in 2014. Operating profit reached SEK 674 million. The improvement was due to lower production costs, higher deliveries and the weak Swedish krona.



The market situation for paperboard is judged to be stable and over the coming year we will be investing in Iggesund Paperboard to increase paperboard and pulp capacity. The investments will also lead to lower production costs, which will boost competitiveness.

Our well invested mills give us several competitive advantages: more efficient production, environmental gains and, not least, world-class products.



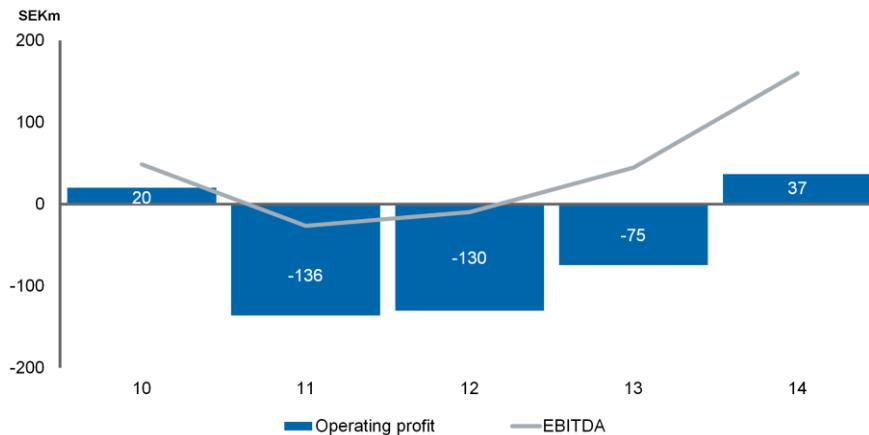
Here you can see boxes made from Invercote, our high-performance consumer paperboard, manufactured at Iggesund Mill. Invercote is a paperboard for customers with exacting demands on quality. Europe is the main market, but we also see good potential for profitable growth in other markets.

We recently launched an upgraded version of Invercote that is able to take double-sided printing and is suitable for digital printing presses. Digital printing is a part of the market that is seeing incredibly rapid growth.

Our folding boxboard, Incada, is manufactured at the mill in Workington, and is in high demand in the European market. Last autumn's investment decision aimed at reducing bottlenecks in production at the mill is a natural step in fully exploiting the market potential.

And so to the business area for sawn timber.

Operating profit Holmen Timber



Excluding items affecting comparability

14

Holmen Timber increased productivity at both sawmills, delivering 725 000 cubic metres of sawn timber over the year, which was just over 5 per cent higher than in 2013.

Operating profit was SEK 37 million, excluding items affecting comparability. The market improved during the first half of the year and prices rose, but the second half of the year saw an increase in supply, leading to downward pressure on prices.

We can also report that the difference in log prices between southern and northern Sweden remains, which makes things challenging for sawmills in the southern part of the country. It also prompted the decision to make an impairment loss of SEK 450 million on the value of Braviken Sawmill.



The co-location of the paperboard mill and sawmill in Iggesund, as shown in this picture, is in good balance with our own position in the wood market, which supports the capacity expansion of around 15 per cent that was announced in the autumn. For reasons of raw material supply and logistics, Braviken Sawmill is also going to switch to sawing both spruce and pine in 2015.

Holmen Timber's strength lies in our bio co-locations, where wood chips from the sawmills serve as raw material in the manufacture of pulp at the paper and paperboard mills, and by-products such as bark and wood shavings become biofuel. Our two modern, efficient sawmills allow for large-scale and cost-effective production.

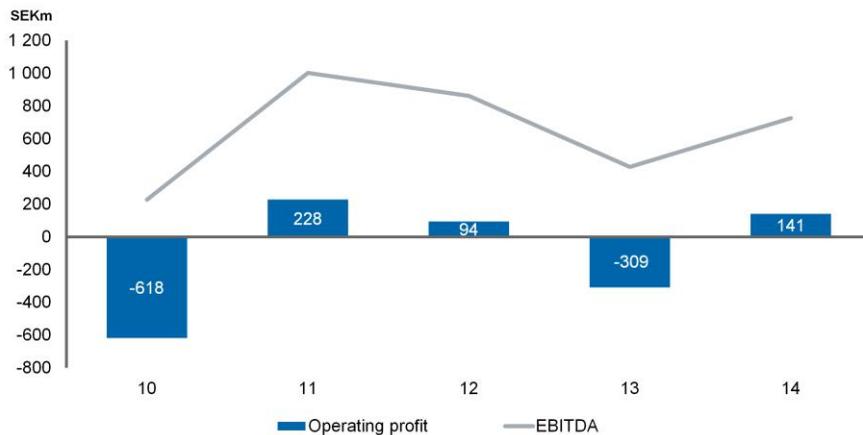


So how does the market look? There is no doubt that wood has great potential, not least in construction. You can see some examples here. The fact that it is renewable, very light in relation to its strength and good value makes wood perfectly placed to capture market share from other materials.

Over 50 per cent of the world's sawn timber production is used to build housing. And now interest in building truly high-rise structures in wood – of 10 storeys or more – is growing. Two eight-storey buildings have already been erected in Sundbyberg and now there are plans for a 65 metre block with 22 floors, built entirely from spruce and pine. We are also seeing similar projects across Europe.

And now we come to the final business area, Holmen Paper.

Operating profit Holmen Paper



Excluding items affecting comparability

17

2014 saw deliveries decrease by around 15 per cent to just over 1.3 million tonnes, due to our closure of two paper machines in autumn 2013. Our strategic product segments of magazine and book paper now account for over half of deliveries.

Operating profit amounted to SEK 141 million. The improvement was due to slightly higher selling prices, a weaker Swedish krona and reduced costs. Depreciation has decreased following the implementation of closures.



The restructuring programme at the paper mill in Hallsta, shown here, remained on schedule in 2014: We closed one paper machine, realigned production, closed the solid fuel boiler and cut energy costs. This restructuring gives us a competitive mill that is one of the most resource-efficient in Europe in its product segment.

Over the year, we implemented measures at Braviken Paper Mill to increase productivity and support the speciality paper strategy. The recovered paper line will be shut down in May this year, after which the mill will exclusively use virgin fibre in its production.

Following the restructuring, the Swedish units have the capacity to produce over 1.1 million tonnes of printing paper, with magazine and book paper accounting for around 70 per cent of that figure, all based on virgin fibre. The properties of virgin fibre are the key to our focus on speciality paper. It produces a lighter paper that enables customers to cut costs.



The market for printing paper is challenging, with structurally declining demand. Holmen Paper is therefore continuing its strategic switch to a higher proportion of magazine and book paper and less newsprint.

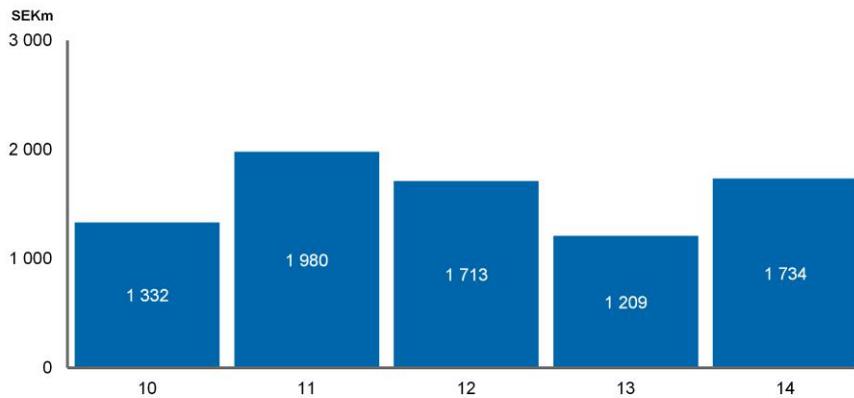
We recently launched our new paper Holmen UNIQ, which we manufacture at Braviken Paper Mill. This is an SC paper with clear cost benefits and potential for rapid volume growth.

With the launch of Holmen UNIQ, Holmen is taking another important step in its strategic transition to a higher proportion of book and magazine paper at its Swedish mills.

As part of the marketing drive for the new paper, we have produced a film aimed at our customers. Hopefully it will clearly illustrate one of the paper's major benefits, namely that you get more square metres for your money... Run the film!

UNIQ film

Operating profit Group



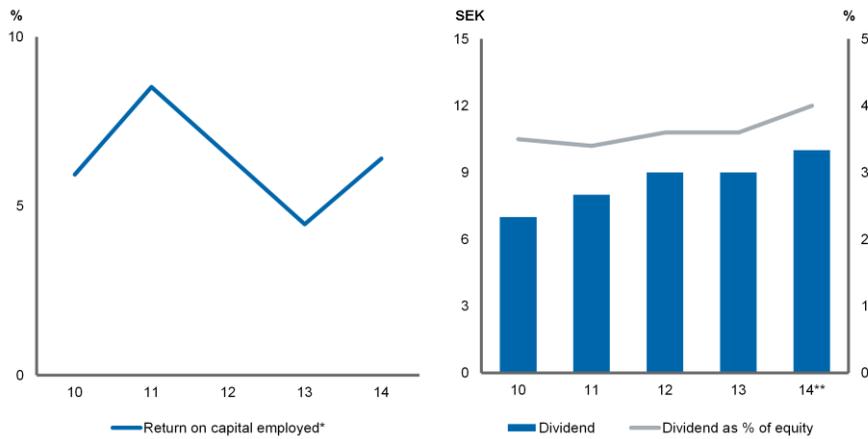
Excluding items affecting comparability

21

As you will understand, we face many external challenges. We operate in a traditional industry that demands constant change in all the business areas. However, with our stable raw material base and efficient industrial operations, we are in a strong position, a fact reflected in the results for 2014.

The Group's operating profit, excluding items affecting comparability, totalled SEK 1 734 million. The improvement in profit is due to slightly higher prices for printing paper and sawn timber, a weaker Swedish krona and reduced production costs.

Profitability and dividend



* Excluding items affecting comparability
 ** Proposed dividend

Holmen’s target is a return that is consistently above the market-based cost of capital. The return increased by two percentage points, thanks to stronger industrial operations. However, profitability remains low in printing paper and sawn timber, as a consequence of a weak market and high raw material costs, respectively.

Net financial debt decreased to almost SEK 6 billion, giving a debt/equity ratio of 0.28. Holmen should have a strong financial position that provides financial stability and enables the company to make wise, long-term business decisions that are not dependent on the state of the economy and external financing possibilities.

Against this background, the Board has resolved to propose a dividend of SEK 10 per share, one krona more than in the previous year. The proposed dividend corresponds to 4.0 per cent of equity.



Ladies and gentlemen,

To conclude, I would like to reiterate the strength of Holmen. We are acting and carrying out major restructuring to adapt to a changing world. We have a solid foundation in forest and energy, and an organisation with the experience and expertise to deal with changes.

A growing forest stand and more efficient methods of silviculture and harvesting are bringing about increased productivity. This forms the basis for our future development. The virgin fibre from our Nordic forests gives us competitive advantages in a global market, where our quality and our professional know-how are and will remain of key importance.

Looking forward, I see great opportunities for organic growth in paperboard, while on the printing paper front we are well placed to successfully reposition ourselves as a profitable producer of speciality paper. And in my view, what the forest has to offer – now and in the future – makes the forest itself an increasingly valuable asset over the longer term.

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

HOLMEN