

Press release

8 December 2011

Holmen revalues its forest holdings

Holmen has conducted a revaluation of its forest holdings, which will positively impact the operating profit in the fourth quarter by SEK 3.6 billion and the profit after tax by SEK 2.6 billion. The revaluation is based on a new harvesting plan and on changed assumptions regarding future price and cost development.

The new harvesting plan is based on a thorough inventory of forest holdings. As a result of active silviculture and a better age structure, harvesting over the next ten years can be increased by almost 20 per cent compared with the past ten years. This is a much larger increase than in previous assessments. Even in the periods after the next ten years, it is estimated that harvesting will be considerably higher than in the old harvesting plan.

“Our active, long-term forest management work means that, despite an increased harvesting rate, we will be in a position to increase the volume of wood in our forests by 40 per cent over the next 40 years,” comments Sören Petersson, head of Holmen Skog.

The new harvesting plan has an impact of SEK 2.4 billion on the valuation of Holmen’s growing forest. In addition to the rate of harvesting, the assumptions regarding future sales prices and costs also play a major role in determining the recognised value of the forest. Over the past few years, both prices and costs have risen more than was previously estimated. In valuing the forest holdings, assumptions about future price and cost inflation have therefore been upgraded, which will have a total impact of SEK 1.2 billion on the value.

“The rapid price rises of recent years have been driven by strong demand from the sawmills plus greater use of wood for energy production. Viewed over a longer timeframe, wood prices have risen in line with inflation. The new valuation is based on the view that the forest is an asset that will increase in value over time,” says Magnus Hall, President and CEO of Holmen.

Holmen has 1.3 million hectares of land, of which 1.0 million hectare is productive forest land.

As a consequence of the above, a press conference will be held in English on Friday 9 December at 10.00. It can be accessed via www.holmen.com and/or by telephone, by calling 08 505 598 53 (within Sweden), +44 (0)203 043 24 36 (from the rest of Europe) or +1 866 458 40 87 (from the US) no later than 09.55. A PowerPoint-presentation will be available at www.holmen.com in connection to the press conference.

About the valuation

Growing forest is recognised at fair value under international accounting standard IAS 41. Holmen performs the valuation by calculating the present value of expected cash flows from the growing forests over the next 100 years. The key assumptions are estimated harvesting, expected price and cost development, and the discount rate. According to the new harvesting plan, harvesting will amount to 3.2 million cubic metres per year, of which 0.2 million cubic metres will be biofuel in the form of branches and treetops. It is believed that this level will remain largely unchanged over the next 30 years. Thereafter, harvesting is expected to step up gradually to over 4 million cubic metres by 2100. The valuation is based on a long-term trend price that is on par with the average price over the past ten years but just over 10 percent lower than current market prices. The trend price is adjusted upwards annually by an inflation rate of 2 per cent. The costs are based on present-day levels and are estimated to increase by just over 2 per cent per year. The cash flows are discounted using an interest rate of 5.5 per cent.

Following the revaluation, Holmen's forest holdings will be reported at SEK 15.8 billion before tax. Based on this value, a deferred tax liability of SEK 4.2 billion is stated, which represents the tax that is expected to be charged against the earnings from harvesting in the future. This means that the growing forest, net after tax, will be included in the Group's equity at SEK 11.6 billion. The revaluation has no effect on the Group's cash flow.

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In its capacity as issuer, Holmen AB is releasing the information in this press release in accordance with Chapter 17 of the Swedish Securities Market Act (2007:528). The information was distributed to the media for publication at 18.10 CET on Thursday 8 December 2011.