

Press release

13 August 2008

Holmen initiates negotiations to close down business at Wargön Mill

Holmen's Board has today decided to initiate negotiations to close down the business at Holmen Paper Wargön – Wargön Mill. The intention is for production to be totally discontinued in December 2008.

The profitability of Wargön Mill has long been unsatisfactory. It has not been possible to obtain compensation on the market for steep increases in the cost of wood, energy and other input goods by raising selling prices. An upgrading of the mill requires considerable investments, but would still not be sufficient to reach an acceptable level of competitiveness and profitability.

“Unfortunately, we have not succeeded in breaking this trend despite the dedicated efforts of all the personnel and various measures in the form of investments, production increases, and product development in recent years. Closing down Wargön Mill is the only rational decision and we regret that we have arrived at this conclusion,” says Magnus Hall, Holmen's President and CEO. “The market for coated printing paper is highly competitive and Wargön Mill is one of the smallest mills in Europe manufacturing equivalent grades of paper.”

Wargön Mill is a member of the Holmen Paper business area and has an annual output of 145,000 tonnes of coated magazine paper for magazines and advertising print. Turnover in 2007 amounted to just under MSEK 900, and the fixed assets in the business amounts to around MSEK 100. The mill has some 340 employees. This change will also affect parts of Holmen Paper's central organisation and sales companies, but not the other mills.

Holmen Paper is one of Europe's leading producers of newsprint and magazine paper with an annual output of some two million tonnes. Three paper mills in Sweden – Braviken, Hallsta and Wargön – and one in Madrid have a total of some 2,700 employees. Turnover in 2007 amounted to just over SEK 10 billion.

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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 law (2007:528) regarding the securities market. The information was distributed to the media for publication at 11.58 a.m. CEST on Wednesday 13 August 2008.