HOLMEN

PRESS RELEASE

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Per Ericson

Holmen's goal is to grow organically at a faster rate than the market growth

"Within our priority product areas - newsprint and magazine paper as well as paperboard - Holmen's goal is to grow organically, during an economic cycle, at a faster rate than the west European market growth. This is to be done by raising the added value of our products and by increasing our sales volumes. In addition to this, we will grow by making bolt-on acquisitions. The agreement in principle to acquire Papelera Peninsular in Spain, which was announced last week, is a case in point."

These comments were made by Holmen's President and CEO, Per Ericson, in his address in connection with the Annual General Meeting held in Stockholm on Wednesday.

"Holmen is in a good position to pursue an aggressive niche strategy for organic growth in its main product areas. A focus on key customers is a main element in such a strategy. Holmen Paper and Iggesund Paperboard have long-standing and close relationships with their customers. By strengthening resources for product development in close co-operation with these customers, we can further improve the quality of our existing products and develop new and even better ones," observed Per Ericson.

The West European market for newsprint and magazine paper is expected to grow at an annual rate of three per cent, and the paperboard market at a rate of 2.5 per cent, during the next few years.

In his address, Per Ericson also commented on the changing conditions in the forest products industry.

"Yesterday's diversified product portfolio intended for one regional market is now being replaced by a focused range of specialty products designed for regional or global markets.

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“More and more,” he continued, “customer orientation involves the ability to provide increasingly differentiated product offerings, typically involving products with a higher level of value added designed for selected market segments.”

“This is the environment in which Holmen now has to conduct its business,” emphasised Per Ericson.

In the light of these new conditions, Per Ericson also touched on the Group’s goals when it comes to overall productivity.

“Its increase will be achieved by means of a continuous process of day-to-day improvements and changes, all with the aid of the organic growth. This will require continuous attention to the efficiency of our machines, and tight control over our costs. It will also depend on our ability to develop new competences to enable us to make the Group’s collective knowledge readily available to be shared by all employees by adopting an internal information strategy. Moreover, IT and the Internet will be developed to make it easier for our customers to do business with us.”

In his address, the Holmen CEO also referred to comments on the Group’s strategy – mainly to the effect that the Group is too small.

“It is true that during the 1990s the Group grew more slowly than many of its competitors. But there is no point in rapid growth as such if expansion does not at the same time lead to higher profitability,” said Per Ericson. Judging from the results reported for 1999, there is little to suggest there is a connection between profitability and the level of invoicing.

Per Ericson considers that the accelerating process of consolidation in the industry in recent months nonetheless benefits Holmen. The structural changes will probably gradually bring about better balance between additions to capacity and growth in demand. They will also improve predictability; in other words, cyclical fluctuations in the industry will be less.

“But with the niche strategy we have adopted, our own competence, flexibility and local market position will have a greater effect on our profitability that any economies of scale that a global production structure might lead to. We shall be the leader in our priority segments, not in terms of size, but in terms of profitability, standard of service and product development,” concluded Per Ericson.