

# HOLMEN

# PRESS RELEASE

## INTERIM REPORT JANUARY – MARCH 2003

MSEK	Quarter			Full year 2002
	1-03	4-02	1-02	
Net turnover	<b>4,001</b>	4,120	3,938	16,081
Operating profit	<b>635</b>	638	743	2,713
Profit after financial items	<b>581</b>	611	705	2,564
Profit after tax	<b>389</b>	436	499	1,959
Earnings per share (before dilution), SEK	<b>4.86</b>	5.46	6.20	24.50
Earnings per share (after dilution), SEK	<b>4.69</b>	5.25	6.00	23.58
Return on equity, %	<b>10.3</b>	11.7	14.4	13.7

- The Group's profit after financial items for January-March was MSEK 581 (January-March 2002: 705). Holmen Paper's operating profit declined by MSEK 284, while Iggesund Paperboard's operating profit increased by MSEK 88.

In relation to the fourth quarter of 2002 the result declined by MSEK 30. Holmen Paper's result declined by MSEK 151, while the results of Iggesund Paperboard and Holmen Kraft rose by MSEK 64 and MSEK 110 respectively.

- The profit after tax amounted to MSEK 389 (499), which corresponds to earnings per share of SEK 4.86 (6.20). The return on equity was 10.3 per cent (14.4).
- Market conditions for newsprint and magazine paper were weak during the first quarter, but have stabilised. Holmen Paper's production has continued to be restricted. Prices declined on average by some 10 per cent in relation to the previous quarter.

Market conditions for paperboard were stable during the quarter, with sustained firm demand outside Western Europe. Iggesund Paperboard's deliveries rose and capacity utilisation was high. Prices were stable following the increases implemented during the fourth quarter.

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### BUSINESS AREAS

<b>Holmen Paper</b>	<b>1-03</b>	<b>Quarter 4-02</b>	<b>1-02</b>	<b>Full year 2002</b>
Net turnover, MSEK	<b>1,828</b>	2,119	1,894	8,164
Operating profit, MSEK	<b>186</b>	337	470	1,664
Operating margin, %	<b>10</b>	17	25	21
Return on operating capital, %	<b>8</b>	14	20	17
Production, 1,000 tonnes	<b>394</b>	400	362	1,541
Deliveries, 1,000 tonnes	<b>379</b>	404	345	1,528

Market conditions for newsprint and magazine paper were weak during the first quarter, but have stabilised. Deliveries from west European producers rose by some 8 per cent in relation to the first quarter of 2002 due to higher exports outside Western Europe while deliveries within Western Europe remained unchanged. There is still excess capacity. Deliveries of SC paper to Western Europe declined by 3 per cent, while deliveries of coated printing paper rose by 4 per cent. There is considerable excess capacity in both these segments.

Holmen Paper's deliveries showed a seasonal decline in relation to the previous quarter. In relation to the first quarter of 2002 deliveries rose by 10 per cent, which is due partly to higher exports outside Western Europe, partly to a production stop during the first quarter of 2002 in connection with the replacement of newsprint machine. Production capacity has not been utilised to the full due to lack of order. Prices declined on average by some 10 per cent in relation to the previous quarter.

The operating profit for January-March was MSEK 186 (470). The figures for the first quarter of 2002 included a MSEK 110 profit on the sale of the replaced newsprint machine. The decline is due to lower prices. Higher delivery volumes had a positive effect on the result.

In comparison with the fourth quarter of 2002, the result deteriorated by MSEK 151, mainly due to lower prices. Seasonally lower volumes had an adverse effect on the result at the same time as costs declined from the high level of the fourth quarter.

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<b>Iggesund Paperboard</b>	<b>Quarter</b>			<b>Full year 2002</b>
	<b>1-03</b>	<b>4-02</b>	<b>1-02</b>	
Net turnover, MSEK	<b>1,289</b>	1,166	1,205	4,850
Operating profit, MSEK	<b>274</b>	210	186	818
Operating margin, %	<b>21</b>	18	15	17
Return on operating capital, %	<b>28</b>	21	17	20
Production, paperboard, 1,000 tonnes	<b>122</b>	120	106	458
Deliveries, paperboard, 1,000 tonnes	<b>123</b>	112	110	453

Market conditions for virgin fibre-based paperboard remained stable during the first quarter. In relation to the fourth quarter of 2002, West European producers' deliveries to Western Europe were seasonally higher, and exports to non-European countries showed a further increase. In relation to the first quarter of 2002, these exports meant that total deliveries rose by four per cent, while deliveries to Western Europe remained unchanged.

Iggesund Paperboard's deliveries rose by 10 per cent on the previous quarter due to higher exports outside Western Europe and a seasonal rise in Western Europe. Compared with the first quarter of 2002, deliveries were 12 per cent higher. Prices were stable following the increases implemented during the fourth quarter of 2002.

The operating profit for January-March amounted to MSEK 274 (186). The improvement is mainly due to higher deliveries and to the fact that production at the English paperboard mill has been improved.

Compared with the fourth quarter the profit rose by MSEK 64, mainly due to higher deliveries.

<b>Iggesund Timber</b>	<b>Quarter</b>			<b>Full year 2002</b>
	<b>1-03</b>	<b>4-02</b>	<b>1-02</b>	
Net turnover, MSEK	<b>128</b>	133	157	572
Operating profit/loss, MSEK	<b>5</b>	3	-6	-6
Production, 1,000 m <sup>3</sup>	<b>49</b>	49	58	195
Deliveries own sawmill, 1,000 m <sup>3</sup>	<b>45</b>	52	63	220

Market conditions for sawn redwood timber were stable during the first quarter. The operating profit for January-March amounted to MSEK 5 (loss 6). The improvement is mainly attributable to higher prices and lower costs. In relation to the fourth quarter of 2002, the result showed an improvement of MSEK 2.

<b>Holmen Skog</b>	<b>Quarter</b>			<b>Full year 2002</b>
	<b>1-03</b>	<b>4-02</b>	<b>1-02</b>	
Net turnover, MSEK	<b>976</b>	922	948	3,538
of which external customers	<b>567</b>	556	564	2,085
Operating profit, MSEK	<b>119</b>	155	128	450
Wood consumption at Group's Swedish mills, 1,000 m <sup>3</sup>	<b>1,036</b>	1,040	945	3,908
Harvesting in company forests, 1,000 m <sup>3</sup>	<b>562</b>	766	530	2,510

The operating profit for January-March was MSEK 119 (128). The result deteriorated by MSEK 36 in relation to the fourth quarter of 2002, mainly due to lower harvesting in company forests.

Holmen Skog's earnings are largely generated by the sale of wood harvested in company forests.

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Holmen Kraft	Quarter			Full year
	1-03	4-02	1-02	2002
Net turnover, MSEK	381	331	295	1,120
of which external customers	193	150	123	430
Operating profit/loss, MSEK	93	-17	18	-26
Electric power consumption at Group's Swedish mills, GWh	999	1,013	882	3,903
Group production of electric power, GWh	358	307	459	1,320

The operating profit for January-March amounted to MSEK 93 (Q1-02: 18; Q4-02: loss 17). The improvement in the result is due to higher selling prices for company-generated electricity and the effects of the repurchase and consolidation of hydroelectric power assets that were made on 31 December 2002.

Holmen Kraft's earnings are largely generated by the production of electricity in wholly and partly owned hydroelectric power stations. With effect from 31 December 2002, partner-financed hydroelectric power assets with a normal annual production of 711 GWh were repurchased and consolidated. The costs of financing these assets amounted to MSEK 164 in 2002, which were included in Holmen Kraft's result. As of 2003, the financing costs are stated under net financial items.

Holmen's mills have, due to fixed-price contracts and hedging of electricity prices, not been significantly affected by the very high prices of electricity on the open market during the past six months. The greater part of the estimated net consumption in 2003 and 2004 has been hedged. Half of the consumption in 2005 has been hedged and around one-third of the estimated consumption during the 2006-2011 period.

### FINANCING

The cash flow from current operations amounted to MSEK 401 and net capital expenditure to MSEK 149.

The Group's net financial debt amounted to MSEK 3,987 (31 December 2002: 3,808). Changes in the accounting treatment of pension liability and accrued interests had the effect of raising the net debt by MSEK 439. The debt/equity ratio was 0.26 (0.26). The equity ratio was 56.3 per cent (53.8).

Holmen's sales consist mainly of exports from Sweden. The Group has hedged the major part of the currency exposure for 2003. For 2004, some 70 per cent of the estimated flows in euro, and 50 per cent of the flows in sterling are hedged. For 2005, some 50 per cent of the flows in euro are hedged. The average hedged exchange rates are 9.39 for the euro, 14.81 for sterling and 10.25 for the dollar.

### CAPITAL EXPENDITURE

The Group's capital expenditure during January-March amounted to MSEK 152 (892). Depreciation according to plan amounted to MSEK 292 (279).

### EMPLOYEES

The average number of employees in the Group was 4,928 (full year 2002: 5,075).

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### NEW ACCOUNTING PRINCIPLES

As of 1 January 2003, The Swedish Financial Accounting Standards Council's recommendation RR 29 Employee Benefits is implemented in the Group's financial statements. The change to the implementation of RR 29 means that the Group's pension liabilities, which are regarded as a financial liability in the calculation of financial ratios, were increased by MSEK 392 as of 1 January. This increase is taken direct against equity. Net after deduction of deferred tax, the Group's equity is decreased by MSEK 274.

### SHARE BUYBACK

At the Annual General Meeting held on 26 March 2003 the Board was authorised to decide to buy back shares in the company. The mandate applies to both Series "A" and Series "B" shares and up to a maximum of 10 per cent of the total number of shares in issue. The primary purpose of the mandate is to enable the Board to adapt the company's capital structure into line with its financial targets.

At today's meeting the Board decided to exercise its mandate. This means that up to 7,997,245 shares may be purchased on the stock market between now and the Annual General Meeting in 2004. The price will for each transaction be the listed price on the stock market with a deviation not exceeding the registered bid and offer prices at the time of the transaction.

Stockholm 7 May 2003

Göran Lundin  
President and CEO

The report has not been subject to examination by the company's auditors.  
The interim report for January-June will be released on 20 August.

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**Holmen** is a forest products industry group with the capacity to produce 2.3 million tonnes of paper and paperboard per year. The EU countries, which account for some 85 per cent of the Group's turnover, are by far the largest market. **Holmen Paper** produces paper for daily newspapers, magazines, directories and advertising matter at three Swedish mills and one Spanish mill. **Iggesund Paperboard** produces paperboard for packaging and graphic purposes at two Swedish mills and one English mill. **Iggesund Timber** produces sawn timber at one Swedish sawmill. **Holmen Skog** manages the Group's one million hectares of forests and the annual volume harvested from company forests is some 2.5 million m<sup>3</sup>. **Holmen Kraft** produces some 1,100 GWh of electricity at wholly and partly owned hydroelectric power stations in Sweden.

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### ACCOUNTING PRINCIPLES

This interim report is made up in accordance with all of the Swedish Financial Accounting Standards Council's recommendations that are in effect in 2003. Moreover, the Council's recommendation RR 29 "Employee Benefits" has been implemented in advance with effect from 1 January 2003. Apart from this, there have been no changes in principles having an effect on the result and financial position in relation to the principles applied in the most recently published annual report.

PROFIT AND LOSS ACCOUNT, MSEK	Quarter			Full year
	1-03	4-02	1-02	2002
Net turnover	<b>4,001</b>	4,120	3,938	16,081
Operating costs	<b>-3,075</b>	-3,179	-2,916	-12,205
Depreciation according to plan	<b>-292</b>	-290	-279	-1,153
Interest in earnings of associate companies	<b>1</b>	-13	-	-10
<b>Operating profit</b>	<b>635</b>	638	743	2,713
Net financial items	<b>-54</b>	-27	-38	-149
<b>Profit after financial items</b>	<b>581</b>	611	705	2,564
Tax	<b>-192</b>	-175	-206	-605
<b>Profit for the period</b>	<b>389</b>	436	499	1,959
Operating margin, %	<b>15.8</b>	15.8	18.9	16.9
Return on capital employed*, %	<b>13.3</b>	14.1	17.3	15.5
Return on equity, %	<b>10.3</b>	11.7	14.4	13.7
Earnings per share (before dilution), SEK	<b>4.86</b>	5.46	6.20	24.50
Earnings per share (after dilution), SEK	<b>4.69</b>	5.25	6.00	23.58
<b>Information for calculation of earnings per share</b>				
Profit for the period, MSEK	<b>589</b>	436	499	1,959
Interest convertible loan, MSEK	<b>3</b>	3	3	14
Adjusted profit, MSEK	<b>592</b>	439	502	1,973
Average number of shares (million)				
Before dilution	<b>80.0</b>	80.0	80.0	80.0
After dilution	<b>83.7</b>	83.7	83.6	83.7

MSEK	NET TURNOVER			OPERATING PROFIT/LOSS		
	Quarter			Quarter		
	1-03	4-02	1-02	1-03	4-02	1-02
Holmen Paper	<b>1,828</b>	2,119	1,894	<b>186</b>	337	470
Iggesund Paperboard	<b>1,289</b>	1,166	1,205	<b>274</b>	210	186
Iggesund Timber	<b>128</b>	133	157	<b>5</b>	3	-6
Holmen Skog	<b>976</b>	922	948	<b>119</b>	155	128
Holmen Kraft	<b>381</b>	331	295	<b>93</b>	-17	18
Group adjustments and other	-	-	-	<b>-42</b>	-50	-53
	<b>4,602</b>	4,671	4,499	<b>635</b>	638	743
Intra-group sales	<b>-601</b>	-551	-561	-	-	-
	<b>4,001</b>	4,120	3,938	<b>635</b>	638	743

\* In the calculation of capital employed, deductions have been made for deferred tax.

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BALANCE SHEET, MSEK	2003	2002	
	31 March	31 March	31 Dec
<b>ASSETS</b>			
Fixed assets			
Intangible			
Goodwill	562	592	564
Other	12	10	12
Tangible	18,659	18,463	18,812
Financial			
Shares and participations	1,725	277	1,721
Other	353	244	248
Current assets			
Inventories	2,276	2,337	2,244
Current receivables	2,701	3,030	2,678
Financial receivables	100	84	54
Liquid funds	737	293	634
	<b>27,125</b>	<b>25,330</b>	<b>26,967</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	15,161	13,639	15,073
Minority interest	112	–	112
Deferred tax liability	4,408	4,071	4,370
Financial liabilities	4,824	3,896	4,496
Operating liabilities	2,620	3,724	2,916
	<b>27,125</b>	<b>25,330</b>	<b>26,967</b>
Debt/equity ratio	0.26	0.26	0.25
Equity ratio, %	56.3	53.8	56.3
Pledged assets	1,619	50	1,617
Contingent liabilities	913	442	1,320

CHANGE IN EQUITY, MSEK	2003	2002	
	Jan-March	Jan-March	Jan-Dec
Opening equity	15,073	14,072	14,072
Effect of implementation of new accounting principle regarding employee benefits	–274	–	–
Dividend paid	–	–800	–800
Currency differences foreign group and associate companies	–27	–132	–158
Profit for the period	389	499	1,959
Closing equity	<b>15,161</b>	<b>13,639</b>	<b>15,073</b>

<b>SHARE STRUCTURE</b>			
Share	Votes	No. of shares	No. of votes
A	10	22,623,234	226,232,340
B	1	57,349,217	57,349,217
Shares in total		79,972,451	283,581,557
Convertibles, B*	1	3,201,419	3,201,419
Warrants, B*	1	1,014,000	1,014,000
Total number of shares*		84,187,870	287,796,976

\* After full conversion and subscription. The conversion and subscription period is 1 February - 31 March 2004. The conversion and subscription price is SEK 112.70.

2003

2002\*

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CASH FLOW ANALYSIS, MSEK	2003	2002*	
	Jan-March	Jan-March	Full year
<b>Current operations</b>			
<b>CASH FLOW ANALYSIS, MSEK</b>			
Profit after financial items	581	705	2,564
Adjustments for items not included in cash flow etc**	282	172	1,050
	863	877	3,614
Paid tax	-154	-250	-472
<b>Cash flow from current operations before changes in working capital</b>	<b>709</b>	627	3,142
Cash flow from changes in working capital			
Change in inventories	-32	42	138
Change in operating receivables	-53	-56	141
Change in operating liabilities	-223	556	77
<b>Cash flow from current operations</b>	<b>401</b>	1,169	3,498
<b>Investment activities</b>			
Acquisition of subsidiaries	-	-	-518
Acquisition of fixed assets	-152	-892	-1,486
Sale of fixed assets	3	158	194
<b>Cash flow from investment activities</b>	<b>-149</b>	-734	-1,810
<b>Financing activities</b>			
Change in financial liabilities and receivables	-149	266	-646
Dividend paid	-	-800	-800
<b>Cash flow from financing activities</b>	<b>-149</b>	-534	-1,446
<b>Cash flow for the period</b>	<b>103</b>	-99	242
Opening liquid funds	634	399	399
Currency effects	-	-7	-7
<b>Closing liquid funds</b>	<b>737</b>	293	634

\* As of 2003, Holmen's cash flow analysis has a new structure. To facilitate comparisons the figures for 2002 have been adjusted accordingly.

\*\* The adjustments consist primarily of depreciation according to plan, capital gains/losses on sales of fixed assets, interest in earnings of associate companies and certain items affecting comparability.

	2003	2002	
	Jan-March	Jan-March	Jan-Dec
Opening balance	-3,808	-3,161	-3,161
Cash flow			
Current operations	401	1,169	3,498
Investment activities	-149	-734	-1,810
Dividend paid	-	-800	-800
Effect of change in accounting principles*	-439	-	-
Acquisitions and consolidation of partner-financed companies	-	-	-1,525
Currency effects	8	7	-10
Closing balance	-3,987	-3,519	-3,808

\* Change in implementation of RR 29, Employee Benefits, MSEK 392 and change in definition of net debt MSEK 47. As of 1 January 2003, the Group has introduced a new definition of net financial debt, whereby it also includes accrued interest costs and income, which was previously included in capital employed.



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QUARTERLY FIGURES	2003			2002		
	Q1	Q4	Q3	Q2	Q1	Full year
<b>Profit and loss account, MSEK</b>						
Net turnover	4,001	4,120	3,996	4,027	3,938	16,081
Operating costs	-3,075	-3,179	-2,983	-3,127	-2,916	-12,205
Depreciation according to plan	-292	-290	-297	-287	-279	-1,153
Interest in earnings of associate companies	1	-13	-	3	-	-10
<b>Operating profit</b>	<b>635</b>	<b>638</b>	<b>716</b>	<b>616</b>	<b>743</b>	<b>2,713</b>
Net financial items	-54	-27	-40	-44	-38	-149
<b>Profit after financial items</b>	<b>581</b>	<b>611</b>	<b>676</b>	<b>572</b>	<b>705</b>	<b>2,564</b>
Tax	-192	-175	-166	-58	-206	-605
<b>Profit for the period</b>	<b>389</b>	<b>436</b>	<b>510</b>	<b>514</b>	<b>499</b>	<b>1,959</b>
<b>Key figures</b>						
Operating margin, %	15.8	15.8	17.9	15.2	18.9	16.9
Return on capital employed, %	13.3	14.1	16.5	14.3	17.3	15.5
Return on equity, %	10.3	11.7	14.2	14.8	14.4	13.7
Earnings per share (before dilution), SEK	4.86	5.46	6.37	6.43	6.24	24.50
Earnings per share (after dilution), SEK	4.69	5.25	6.13	6.19	6.00	23.58
<b>Net turnover, MSEK</b>						
Holmen Paper	1,828	2,119	2,122	2,029	1,894	8,164
Iggesund Paperboard	1,289	1,166	1,270	1,209	1,205	4,850
Iggesund Timber	128	133	134	148	157	572
Holmen Skog	976	922	739	929	948	3,538
Holmen Kraft	381	331	247	247	295	1,120
	4,602	4,671	4,512	4,562	4,499	18,244
Intra-group sales	-601	-551	-516	-535	-561	-2,163
	4,001	4,120	3,996	4,027	3,938	16,081
<b>Profit/loss, MSEK</b>						
Holmen Paper	186	337	493	364	470	1,664
Iggesund Paperboard	274	210	232	190	186	818
Iggesund Timber	5	3	-1	-2	-6	-6
Holmen Skog	119	155	62	105	128	450
Holmen Kraft	93	-17	-25	-2	18	-26
Group adjustments and other	-42	-50	-45	-39	-53	-187
<b>Operating profit</b>	<b>635</b>	<b>638</b>	<b>716</b>	<b>616</b>	<b>743</b>	<b>2,713</b>
<b>Operating margin, %</b>						
Holmen Paper	10	17	23	18	25	21
Iggesund Paperboard	21	18	18	16	15	17
Iggesund Timber	4	2	-1	-2	-4	-1
Group	16	16	18	15	19	16
<b>Deliveries</b>						
Newsprint and magazine paper, 1,000 tonnes	379	404	396	383	345	1,528
Paperboard, 1,000 tonnes	123	112	121	110	110	453
Sawn timber, 1,000 m <sup>3</sup>	45	52	51	54	63	220