

PRESS RELEASE

YEAR-END REPORT FOR 2003

MSEK	Quarter		Full year	
	4-03	3-03	2003	2002
Net turnover	3,940	3,865	15,816	16,081
Operating profit	507	587	2,338	2,713
Profit after financial items	462	532	2,126	2,564
Profit after tax	295	375	1,451	1,959
Earnings per share (before dilution), SEK	3.69	4.68	18.14	24.50
Earnings per share (after dilution), SEK	3.55	4.52	17.48	23.58
Return on equity, %	7.8	10.1	9.7	13.7

- The Group's net turnover amounted to MSEK 15,816 (2002: 16,081).
- The profit after tax was MSEK 1,451 (1,959).
- Earnings per share amounted to SEK 18.14 (24.50). The return on equity was 9.7 per cent (13.7).
- The operating profit amounted to MSEK 2,338 (2,713). Holmen Paper's operating profit declined by MSEK 917 as a result of lower prices. Iggesund Paperboard's result increased by MSEK 183, mainly as a consequence of higher volumes.

Compared with the third quarter, the result declined by MSEK 80 to MSEK 507.

- The Board proposes payment of an ordinary dividend of SEK 10 (11) per share, together with an extra dividend of SEK 30 (0) per share.
- The market situation for newsprint and magazine paper remained weak. Holmen Paper's deliveries were unchanged during the fourth quarter. Price negotiations in Europe indicate that prices will decline slightly in 2004.

The market situation for paperboard remained stable during the fourth quarter. Iggesund Paperboard's capacity utilisation remained high and prices were stable.

- The Board of Directors has decided to go ahead with the previously announced project to build a paper machine in Spain.
- Göran Lundin steps down as President and CEO on 31 March 2004, and will be succeeded by Magnus Hall.

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BUSINESS AREAS

Holmen Paper	Quarter				Full year	
	4-03	3-03	2-03	1-03	2003	2002
Net turnover, MSEK	1,954	2,010	1,996	1,828	7,788	8,164
Operating profit, MSEK	109	255	197	186	747	1,664
Operating margin, %	6	13	10	10	10	21
Return on operating capital, %	5	11	8	8	8	17
Production, 1,000 tonnes	413	426	412	394	1,645	1,541
Deliveries, 1,000 tonnes	421	427	428	379	1,655	1,528

The market situation for newsprint and magazine paper remained weak, but deliveries improved slightly towards the end of the year. For the year as a whole, deliveries of newsprint to Western Europe rose by one per cent compared with 2002, and exports were significantly higher. Capacity utilisation improved, but there is still excess capacity. Deliveries of SC paper to Western Europe increased by two per cent and of coated printing paper by three per cent.

Holmen Paper's deliveries in 2003 increased by 8 per cent compared with the previous year as a result of exports to markets outside Western Europe and higher deliveries of improved newsprint. Fourth quarter deliveries were the same as in the third quarter, but with a higher proportion of deliveries within Europe. Prices remained unchanged during the quarter, but were some 10 per cent lower on average than in 2002. Price negotiations in Europe indicate that prices will decline slightly in 2004.

The operating profit for 2003 amounted to MSEK 747 (1,664). The decline in the result is due to lower prices. The result was also adversely affected by the weakening of the US dollar and sterling during the past year and by higher energy costs, while higher delivery volumes had a favourable effect on the result.

Compared with the third quarter, the result deteriorated by MSEK 146 to MSEK 109. This deterioration is explained by negative currency effects, seasonally higher costs and costs associated with the restructuring of Wargön Mill.

Iggesund Paperboard	Quarter				Full year	
	4-03	3-03	2-03	1-03	2003	2002
Net turnover, MSEK	1,164	1,239	1,228	1,289	4,920	4,850
Operating profit, MSEK	234	244	249	274	1,001	818
Operating margin, %	20	20	20	21	20	17
Return on operating capital, %	24	25	25	28	25	20
Production, paperboard, 1,000 tonnes	119	117	121	122	479	458
Deliveries, paperboard, 1,000 tonnes	115	123	120	123	481	453

The market situation for paperboard was stable during the fourth quarter. Deliveries of virgin fibre-based paperboard by West European producers in 2003 were around two per cent higher than in 2002 as a result of higher exports. Fourth quarter deliveries declined by some five per cent in relation to the third quarter, due to seasonal factors.

Iggesund Paperboard's deliveries in 2003 rose by 6 per cent compared with 2002 as a result of higher sales, mainly outside Europe. Fourth quarter deliveries showed a decline of 6 per cent on the previous quarter for seasonal reasons. Capacity utilisation remained high and prices were stable.

The operating profit for the year as a whole was MSEK 1,001 (818). The improvement is mainly due to higher deliveries. The operating profit declined by MSEK 10 to MSEK 234 in relation to the third quarter.

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Iggesund Timber	Quarter				Full year	
	4-03	3-03	2-03	1-03	2003	2002
Net turnover, MSEK	128	113	141	128	510	572
Operating profit/loss, MSEK	5	3	5	5	18	-6
Production, 1,000 m ³	52	43	47	49	191	195
Deliveries own sawmill, 1,000 m ³	49	42	53	45	189	220

Demand for sawn redwood timber was good during the fourth quarter, but there is still excess supply. The operating result for the year was a profit of MSEK 18 (loss 6). The improvement is mainly due to decreased costs as a consequence of the completed restructuring. The fourth quarter result improved by MSEK 2 to MSEK 5 in relation to the third quarter.

Holmen Skog	Quarter				Full year	
	4-03	3-03	2-03	1-03	2003	2002
Net turnover, MSEK	947	757	933	976	3,613	3,538
of which external customers	563	404	543	567	2,077	2,085
Operating profit, MSEK	146	88	163	119	516	450
Wood consumption at Group's Swedish mills, 1,000 m ³	1,064	1,052	1,020	1,036	4,172	3,908
Harvesting in company forests, 1,000 m ³	803	627	733	562	2,725	2,510

The operating profit for 2003 was MSEK 516 (450). The improvement is due to increased harvesting in company forests, higher wood revenues and lower harvesting costs. In relation to the third quarter, the profit increased by MSEK 58 to MSEK 146, mainly as a result of a higher volume of harvesting in company forests.

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

Holmen Kraft	Quarter				Full year	
	4-03	3-03	2-03	1-03	2003	2002
Net turnover, MSEK	347	308	300	381	1,336	1,120
of which external customers	134	103	106	193	536	430
Operating profit/loss, MSEK	42	22	36	93	193	-26
Electric power consumption at Group's Swedish mills, GWh	1,044	1,075	1,036	999	4,154	3,903
Group production of electric power, GWh	348	252	281	358	1,239	1,320

The operating result for the year was a profit of MSEK 193 (loss 26). The improvement in the result is due to higher selling prices for hydroelectric power generated in the company's power stations and to the effects of the buyback and consolidation of hydroelectric power assets completed on 31 December 2002. In relation to the third quarter the result increased by MSEK 20 to MSEK 42 as a result of seasonally higher volumes.

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

NET FINANCIAL ITEMS AND FINANCING

Net financial costs for 2003 amounted to MSEK 212 (cost 149). The increase is due to higher indebtedness due to the buyback and consolidation of partner-financed power assets with effect from 31 December 2002.

The cash flow from current operations amounted to MSEK 2,443, and the cash absorbed by investment activities amounted to MSEK 726. A dividend of MSEK 880 was paid during the second quarter.

The Group's net financial debt amounted to MSEK 3,369 (31 December 2002: 3,808). The debt/equity ratio was 0.22 (0.25). The equity ratio was 58.3 per cent (56.3). The Group has an unutilised committed credit facility for some MSEK 4,500 with a remaining tenor of 3.4 years.

In 1998 Holmen issued a convertible loan and warrants to employees at market prices. Conversion into and subscription to Holmen Series "B" shares can be made between 1 February and 31 March 2004 at a price of SEK 112.70. The shares acquired by this means are not entitled to the dividend that will be paid in 2004. Should the Annual General Meeting decide in favour of the Board's proposal to pay a total dividend of SEK 40 per share, the conversion/subscription price will, in accordance with the agreements, be adjusted to compensate for the part of the dividend that is to be regarded as extra dividend.

TAX

The Group's tax charge amounted to MSEK 675 (cost 605), which corresponds to 32 per cent of the pre-tax profit. The Group's tax charge for 2002 included MSEK 130 from a tax case settled in the company's favour.

The Swedish tax authority has decided to raise the taxable profit of Holmen AB by around MSEK 2,600, which would correspond to a tax cost of more than MSEK 700. The decision is based on the company's capital reduction and dividend from the Group's French operations that were stated in the income tax return for 2001. The company does not share the tax authority's opinion and has appealed to the County Administrative Court. No provision has been made.

HEDGING OF CURRENCIES AND ELECTRICITY PRICES

The result of currency hedging amounted to MSEK 460 for 2003. This has limited the effect on the Group's result from the recent years' strengthening of the Swedish krona against primarily the US dollar and sterling. For 2004, approximately 90 per cent of the estimated flows denominated in euro, and 50 per cent of the flows in sterling have been hedged at exchange rates 9.40 and 14.00 respectively. For 2005, approximately 65 per cent of the cash flow in euro has been hedged at an exchange rate of 9.40.

As a consequence of fixed price contracts and hedging of electricity prices, Holmen's mills have only to a limited extent been affected by last year's high market prices for electricity. The greater part of the Group's estimated net consumption in Sweden in 2004 has been hedged. More than half has been hedged for 2005, and for the period 2006-2011 around one-third. The hedging price is 5-10 per cent higher than the price paid by the mills in 2003.

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CAPITAL EXPENDITURE

The Group's capital expenditure amounted to MSEK 755 (3,191), which related mainly to improvements to existing facilities. Depreciation according to plan amounted to MSEK 1,166 (1,153).

EMPLOYEES

The average number of employees in the Group was 4,927 (full year 2002: 5,075).

PARENT COMPANY

The net turnover of the parent company (Holmen AB) amounted to MSEK 12,816 (13,015). The profit after net financial items was MSEK 1,828 (1,995), including dividends of MSEK 218 (2) paid by subsidiary companies. Liquid funds amounted to MSEK 441 (31 December 2002: 534). The parent company's fixed capital expenditure (excluding shares) was MSEK 31 (32).

DIVIDEND

The Board proposes that the Annual General Meeting on 30 March 2004 resolve in favour of paying an ordinary dividend of SEK 10 (11) per share and an extra dividend of SEK 30 (0) per share, totalling SEK 40 per share. The total dividend will amount to some MSEK 3,200. The date of record for entitlement to dividend is 2 April 2004.

SHARE BUYBACK

The Annual General Meeting held on 26 March 2003 mandated the Board to decide to purchase up to 10 per cent of the company's shares. No shares have been bought back. The Board proposes that the Annual General Meeting 2004 mandates the Board, as it did last year, to buy back and transfer company shares.

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 RR 29 meant that the Group's pension liabilities, which are regarded as a financial liability in the calculation of key 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.

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IMPORTANT EVENTS

- Holmen's Board of Directors has today decided to go ahead with the previously announced project to build a new recycled fibre-based newsprint machine at Papelera Peninsular in Spain. The machine will have a capacity of 300,000 tonnes a year, and the cost amounts to approximately MEUR 295 (some MSEK 2,700). It is planned to bring the machine into production at the beginning of 2006.

The investment will enable Holmen to increase production of higher added-value products on other machines, particularly lightly coated magazine paper on the existing Spanish machine. This means that an estimated half of the total increase in capacity will be newsprint, while the rest of the growth will be in other, higher added-value products within Holmen Paper.

- Göran Lundin has informed the Board of his wish to step down as President and CEO on 31 March 2004. Magnus Hall has been appointed by the Board as Holmen's new President and CEO with effect from 1 April. Magnus Hall has an MSc. (Industrial Engineering) and is President of the Holmen Paper business area. He joined Holmen in 1985.

Stockholm, 3 February 2004

Göran Lundin
President and CEO

The report has not been subject to examination by the company's auditors.
The 2003 annual report will be published at the beginning of March and will be distributed to the shareholders by post.
The Annual General Meeting will be held in Stockholm on 30 March at 16.00 hrs CET.
The interim report for January-March will be released on 29 April.

For further information please contact:

Göran Lundin, President and CEO, tel +46 8 666 21 33

Anders Almgren, CFO, tel +46 8 666 21 16

Christer Lewell, Public Relations Director, tel +46 8 666 21 15.

Holmen is a forest products industry group with the capacity to produce 2.4 million tonnes of paper and paperboard per year. The EU countries, which account for some 90 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 m³. **Holmen Kraft** produces in a normal year some 1,100 GWh of electricity at wholly and partly owned hydroelectric power stations in Sweden.

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ACCOUNTING PRINCIPLES

This year-end 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	
	4-03	3-03	2003	2002
Net turnover	3,940	3,865	15,816	16,081
Operating costs	-3,136	-2,984	-12,306	-12,205
Depreciation according to plan	-293	-290	-1,166	-1,153
Interest in earnings of associate companies	-4	-4	-6	-10
Operating profit	507	587	2,338	2,713
Net financial items	-45	-55	-212	-149
Profit after financial items	462	532	2,126	2,564
Tax	-167	-157	-675	-605
Profit for the period	295	375	1,451	1,959
Operating margin, %	13.0	15.3	14.8	16.9
Return on capital employed, %	10.7	12.3	12.3	15.5
Return on equity, %	7.8	10.1	9.7	13.7
Earnings per share (before dilution), SEK	3.69	4.68	18.14	24.50
Earnings per share (after dilution), SEK	3.55	4.52	17.48	23.58
Information for calculation of earnings per share				
Profit for the period, MSEK	295	375	1,451	1,959
Interest convertible loan, MSEK	3	3	12	14
Adjusted profit, MSEK	298	378	1,463	1,973
Average number of shares (million)				
Before dilution	80.0	80.0	80.0	80.0
After dilution	83.8	83.7	83.7	83.7

MSEK	NET TURNOVER				OPERATING PROFIT/LOSS			
	Quarter		Full year		Quarter		Full year	
	4-03	3-03	2003	2002	4-03	3-03	2003	2002
Holmen Paper	1,954	2,010	7,788	8,164	109	255	747	1,664
Iggesund Paperboard	1,164	1,239	4,920	4,850	234	244	1,001	818
Iggesund Timber	128	113	510	572	5	3	18	-6
Holmen Skog	947	757	3,613	3,538	146	88	516	450
Holmen Kraft	348	308	1,337	1,120	42	22	193	-26
Group adjustments and other	-	-	-	-	-29	-25	-137	-187
	4,541	4,427	18,168	18,244	507	587	2,338	2,713
Intra-group sales	-601	-562	-2,352	-2,163	-	-	-	-
	3,940	3,865	15,816	16,081	507	587	2,338	2,713

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BALANCE SHEET, MSEK	2003 31 Dec	2002 31 Dec
ASSETS		
Intangible fixed assets		
Goodwill	528	564
Other	28	12
Tangible fixed assets	18,278	18,812
Financial fixed assets		
Shares and participations	1,767	1,721
Other	339	248
Current assets		
Inventories	2,204	2,244
Current receivables	2,539	2,678
Financial receivables	105	54
Liquid funds	570	634
	26,358	26,967
EQUITY AND LIABILITIES		
Equity	15,254	15,073
Minority interest	112	112
Deferred tax liability	4,557	4,370
Financial liabilities		
Long-term	1,914	2,444
Short-term	2,130	2,052
Operating liabilities	2,391	2,916
	26,358	26,967
Debt/equity ratio	0.22	0.25
Equity ratio, %	58.3	56.3
Pledged assets	1,642	1,617
Contingent liabilities	1,674	1 320

CHANGE IN EQUITY, MSEK	Full year	
	2003	2002
Opening equity	15,073	14,072
Effect of implementation of new accounting principle regarding employee benefits	-274	-
Dividend paid	-880	-800
Currency differences foreign group and associate companies	-116	-158
Profit for the period	1,451	1,959
Closing equity	15,254	15,073

SHARE STRUCTURE			
Share	Votes	Number of shares	Number 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. The shares acquired by this means are not entitled to the dividend that will be paid in 2004. Should the Annual General Meeting decide in favour of the Board's proposal to pay a total dividend of SEK 40 per share, the conversion/subscription price will, in accordance with the agreements, be adjusted to compensate for the part of the dividend that is to be regarded as extra dividend.

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CASH FLOW ANALYSIS, MSEK	Full year	
	2003	2002
CURRENT OPERATIONS		
Profit after financial items	2,126	2,564
Adjustments for items not included in cash flow etc**	1,169	1,050
	3,295	3,614
Tax paid	-727	-472
Cash flow from current operations before changes in working capital	2,568	3,142
Cash flow from changes in working capital		
Change in inventories	42	138
Change in operating receivables	106	141
Change in operating liabilities	-273	77
Cash flow from current operations	2,443	3,498
INVESTMENT ACITIVITIES		
Acquisition of subsidiaries	-19	-518
Acquisition of fixed assets	-736	-1,486
Sale of fixed assets	29	194
Cash flow from investment activities	-726	-1,810
FINANCING ACTIVITIES		
Change in financial liabilities and receivables	-899	-646
Dividend paid	-880	-800
Cash flow from financing activities	-1,779	-1,446
Cash flow for the period	-62	242
Opening liquid funds	634	399
Currency differences liquid funds	-2	-7
Closing liquid funds	570	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.

CHANGE IN NET FINANCIAL DEBT, MSEK	Full year	
	2003	2002
Opening net financial debt	-3,808	-3,161
Cash flow		
Current operations	2,443	3,498
Investment activities	-726	-1,810
Dividend paid	-880	-800
Effect of change in accounting principles*	-439	-
Acquisitions and consolidation of partner-financed power assets	-	-1,525
Currency differences net financial debt	41	-10
Opening net financial debt	-3,369	-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 were previously included in capital employed.

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QUARTERLY FIGURES	2003					2002				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profit and loss account, MSEK										
Net turnover	15,816	3,940	3,865	4,010	4,001	16,081	4,120	3,996	4,027	3,938
Operating costs	-12,306	-3,136	-2,984	-3,111	-3,075	-12,205	-3,179	-2,983	-3,127	-2,916
Depreciation according to plan	-1,166	-293	-290	-291	-292	-1,153	-290	-297	-287	-279
Interest in earnings of associate companies	-6	-4	-4	1	1	-10	-13	-	3	-
Operating profit	2,338	507	587	609	635	2,713	638	716	616	743
Net financial items	-212	-45	-55	-58	-54	-149	-27	-40	-44	-38
Profit after financial items	2,126	462	532	551	581	2,564	611	676	572	705
Tax	-675	-167	-157	-159	-192	-605	-175	-166	-58	-206
Profit for the period	1,451	295	375	392	389	1,959	436	510	514	499
Key figures										
Operating margin, %	14.8	13.0	15.3	15.2	15.8	16.9	15.8	17.9	15.2	18.9
Return on capital employed, %	12.3	10.7	12.3	12.7	13.3	15.5	14.1	16.5	14.3	17.3
Return on equity, %	9.7	7.8	10.1	10.5	10.3	13.7	11.7	14.2	14.8	14.4
Earnings per share (before dilution), SEK	18.14	3.69	4.68	4.91	4.86	24.50	5.46	6.37	6.43	6.24
Earnings per share (after dilution), SEK	17.48	3.55	4.52	4.72	4.69	23.58	5.25	6.13	6.19	6.00
Net turnover, MSEK										
Holmen Paper	7,788	1,954	2,010	1,996	1,828	8,164	2,119	2,122	2,029	1,894
Iggesund Paperboard	4,920	1,164	1,239	1,228	1,289	4,850	1,166	1,270	1,209	1,205
Iggesund Timber	510	128	113	141	128	572	133	134	148	157
Holmen Skog	3,613	947	757	933	976	3,538	922	739	929	948
Holmen Kraft	1,337	348	308	300	381	1,120	331	247	247	295
	18,168	4,541	4,427	4,598	4,602	18,244	4,671	4,512	4,562	4,499
Intra-group sales	-2,352	-601	-562	-588	-601	-2,163	-551	-516	-535	-561
Net turnover, MSEK	15,816	3,940	3,865	4,010	4,001	16,081	4,120	3,996	4,027	3,938
Profit/loss, MSEK										
Holmen Paper	747	109	255	197	186	1,664	337	493	364	470
Iggesund Paperboard	1,001	234	244	249	274	818	210	232	190	186
Iggesund Timber	18	5	3	5	5	-6	3	-1	-2	-6
Holmen Skog	516	146	88	163	119	450	155	62	105	128
Holmen Kraft	193	42	22	36	93	-26	-17	-25	-2	18
Group adjustments and other	-137	-29	-25	-41	-42	-187	-50	-45	-39	-53
Operating profit	2,338	507	587	609	635	2,713	638	716	616	743
Operating margin, %										
Holmen Paper	10	6	13	10	10	21	17	23	18	25
Iggesund Paperboard	20	20	20	20	21	17	18	18	16	15
Iggesund Timber	3	4	2	3	4	-1	2	-1	-2	-4
Group	15	13	15	15	16	17	16	18	15	19
Deliveries										
Newsprint and magazine paper, 1,000 tonnes	1,655	421	427	428	379	1,528	404	396	383	345
Paperboard, 1,000 tonnes	481	115	123	120	123	453	112	121	110	110
Sawn timber, 1,000 m ³	189	49	42	53	45	220	52	51	54	63