



# Lundbergs

## Interim report January – September 2004

*Lundbergs is reported from a cash flow and net asset value perspective on pages 2-5 (see accounting principles, page 3) and in accordance with the Annual Accounts Act (AAA) on pages 7-11. Since the cash flow and net asset value perspective provides a more accurate impression of Lundbergs' development, this perspective is reported first in this interim report in terms of both the introductory bullets and other aspects of the report.*

- On September 30, 2004, net asset value after deferred tax amounted to SEK 19.0 billion (SEK 306 per share), compared with SEK 18.0 billion (SEK 290 per share) at December 31, 2003. The corresponding values on November 19, 2004 were SEK 20.4 billion (SEK 329 per share).
- Net sales amounted to SEK 2,603 m. (2,095). Profit after taxes amounted to SEK 1,648 m. (759), corresponding to SEK 26.57 (12.23) per share.

### **Report in accordance with AAA**

- Net sales amounted to SEK 14,112 m. (14,196). Profit after taxes amounted to SEK 838 m. (770), corresponding to SEK 13.51 (12.40) per share.

**NET ASSET VALUE**

On September 30, 2004, net asset value after deferred tax amounted to SEK 18,952 m. (SEK 306 per share), compared with SEK 18,024 m. (SEK 290 per share) at December 31, 2003. Reported shareholders' equity accounted for SEK 184 (Dec. 31 2003: 165) of net asset value per share.

On November 19, 2004, estimated net asset value per share after deferred tax was SEK 20 374 m. (SEK 329 per share).

**SALES AND PROFIT**

The net sales amounted to SEK 2,603 m. (2,095), of which equity management accounted for SEK 1,232 m. (1,048) and operating companies for SEK 1,371 m. (1,047). Operating profit amounted to SEK 1,779 m. (894), of which equity management accounted for SEK 1,471 m. (566) and operating companies for SEK 326 m. (336), while central administrative costs amounted to SEK 19 m. (8).

Financial items amounted to an expense of SEK 34 m. (expense: 71) of which net interest items accounted for an expense of SEK 70 m. (expense: 73). Net interest items during the third quarter amounted to an expense of SEK 22 m. (expense: 24).

Profit after financial items amounted to SEK 1,745 m. (822). Profit after tax was SEK 1,648 m. (759), which corresponds to SEK 26.57 (12.23) per share.

**Asset Management**

Earnings amounted to SEK 1,471 m. (566), which includes dividends of SEK 1,221 m. (859) for the first nine months. The increase was mainly attributable to an extraordinary dividend from Holmen and dividend from the expanded Industrivärden holding. SEK 253 m. of the previous write-down of the NCC shareholding was reversed and the shares in Cardo were written down by SEK 1 m.

Earnings amounted to SEK 36 m. (9) for the third quarter. SEK 38 m. of the previous write-downs of the NCC shareholdings was reversed during the third quarter. The Cardo shares were written down by SEK 1 m.

**Major shareholdings in publicly traded companies**

The tables on page 6 show the voting rights, percentage holding, book value and market value of the Group's shareholdings. Purchases between January 1 and November 19, 2004, comprised Industrivärden shares (Series A) for SEK 701 m. and Holmen shares (Series B) for SEK 344 m. The Industrivärden shares were acquired during the first two quarters and the Holmen shares during the third quarter of 2004. The portions of Holmen's share capital and voting rights were affected by the new issue and the acquisition of shares. The portion of NCC's voting rights was affected by the restamping of shares. Within Ramirent, the portion of share capital and voting rights was affected by the new issue of shares.

**Estimate of net asset value**

	<b>September 30, 2004</b>		<b>December 31, 2003</b>	
	<b>SEK m.</b>	<b>SEK/share</b>	<b>SEK m.</b>	<b>SEK/share</b>
Altima <sup>1)</sup>	-	-	98	2
Cardo <sup>1)</sup>	<b>2,020</b>	<b>33</b>	2,155	35
Fastighets AB L E Lundberg <sup>2)</sup>	<b>4,666</b>	<b>75</b>	4,666	75
Holmen <sup>1)</sup>	<b>5,224</b>	<b>84</b>	5,709	92
Hufvudstaden <sup>1)</sup>	<b>3,789</b>	<b>61</b>	3,264	53
Industrivärden <sup>1)</sup>	<b>2,855</b>	<b>46</b>	1,815	29
NCC <sup>1)</sup>	<b>1,092</b>	<b>18</b>	764	12
Ramirent <sup>1)</sup>	<b>128</b>	<b>2</b>	-	-
Stadium <sup>3)</sup>	<b>250</b>	<b>4</b>	250	4
Other publicly traded shares <sup>1)</sup>	<b>254</b>	<b>4</b>	272	4
Total publicly traded and unlisted shares	<b>20,279</b>	<b>327</b>	18,992	306
Other assets, provisions and liabilities <sup>4)</sup>	<b>-1,127</b>	<b>-18</b>	-806	-13
Net asset value before deferred tax	<b>19,152</b>	<b>309</b>	18,186	293
Deferred tax, etc. <sup>5)</sup>	<b>-200</b>	<b>-3</b>	-162	-3
<b>NET ASSET VALUE AFTER DEFERRED TAX</b>	<b>18,952</b>	<b>306</b>	18,024	290
Market value	<b>15,872</b>	<b>256</b>	14,432	233
Price/NAV, %		<b>84</b>		80

1) Publicly traded assets are entered at current market price or at the exercise price for written options in the event that the latter price is lower.

2) The valuation of shares in Fastighets AB L E Lundberg is based on the sum of shareholders' equity and the difference between the market and book value of properties included in the company less tax computed at a standard rate of 10%. The market value of properties is based on internal and external valuations (by Svefa and Forum Fastighetsekonomi). Investment properties were valued individually. In cases where external valuations have been conducted, these values have been used. Externally valued properties account for approximately 38% of the total market value. All properties were subject to similar valuations based on both the location-price method and the yield method. No new valuation of the real estate portfolio at an individual property level has been conducted during 2004. The estimated market value at December 31, 2003 has only been adjusted to account for investments and divestments implemented the first three quarter of 2004. Subsequently, the estimated fair value of the properties at September 30, 2004 was SEK 6,992 m. (Dec 31, 2003: 6,911). A new valuation will be conducted when the annual accounts for 2004 are prepared.

3) The Stadium shares, which are unlisted, are entered at book value.

4) Other assets, provisions (excl. deferred tax) and liabilities are entered at book value at September 30, 2004 and December 31, 2003.

5) Deferred tax, etc. has been computed on the basis of the difference between the market value and tax-assessment value of properties. Due to new legislation that became effective on July 1, 2003, deferred tax on business-related participations was not computed on the basis of the difference between the market value and the tax-assessment value.

#### Other shareholdings

The Other securities item includes Stadium shares in an amount of SEK 250 m. (250).

#### Operating companies

##### L E Lundberg Kapitalförvaltning AB

Reported profit before financial items amounted to SEK 15 m. (10) for the first nine months and a loss before financial items of SEK 3 m. (7) for the third quarter. Profit after financial items amounted to SEK 8 m. (8).

On September 30, 2004, the company held securities with a book value of SEK 221 m. (Dec 31, 2003: 254) and a market value of SEK 231 m. (Dec 31, 2003: 272). The corresponding amounts on November 19, 2004 were SEK 291 m. and SEK 316 m., respectively.

##### Fastighets AB L E Lundberg (the Group)

Reported profit before financial items amounted to SEK 311 m. (326).

Rental revenues increased by 1.8% to SEK 635 m. (624), with housing revenues rising by 3.1% to SEK 313 m. (303) and revenues from commercial premises, etc. by 0.6% to SEK 323 m. (321).

The average vacancy rate for the period was 2.8% (average 2003: 2.7), of which the vacancy rate for housing was 0.8% (average 2003: 0.6) and the rate for commercial premises was 4.7% (average 2003: 4.7). The overall vacancy rate in November 2004 was 2.9%, whereby the rate for housing was 1.0% and that for commercial premises etc. was 4.8%.

Property costs rose to SEK 314 m. (293). Costs for maintenance and tenant-oriented property improvement account for SEK 13 m. of the increase and heating costs for SEK 3 m., due to a colder winter and increases in heating rates.

The operating net amounted to SEK 383 m. (388).

As of March 1, 2004 a retail property in central Norrköping was acquired for SEK 73 m. As a result of this acquisition, the company now owns the Linden Shopping Mall in its entirety. In addition to the above acquisitions, SEK 19 m. (24) was invested in wholly and jointly owned properties during the period.

In April 2004, a property in Falköping was sold, which had a pretax effect on earnings of SEK 7 m.

Interest-bearing net debt amounted to SEK 1,648 m. (Dec 31, 2003 1,573).

Excluding the properties acquired during the period, the investment properties in the L E Lundberg-företagen Group had a book value of SEK 2,594 m. (2,601). These properties generated an annualized yield (operating net in relation to book value) of 19.6% (19.8). The book value of development properties was SEK 122 m. (127), see summary on page 6.

#### Current report period July - September 2004

Rental revenues increased by 1.5% to SEK 212 m. (209), with housing revenues rising by 3.0% to SEK 104 m. (101) and revenues from commercial premises, etc. 0.03% to SEK 108 m. (107).

The average vacancy rate during the third quarter was 2.7% (2.8) of which the vacancy rate for housing was 0.5% (0.7) and the rate for commercial premises was 4.7% (4.7), see summary on page 6.

Property costs increased by SEK 3 m. to SEK 97 m. (94).

#### FINANCING

Liquid assets (excluding credit facilities) increased by SEK 30 m. to SEK 47 m. (Dec 31, 2003: 17). Interest-bearing liabilities increased to SEK 2,448 m. (Dec 31, 2003: 2,324). On September 30, 2004, the average period of fixed interest was approximately 19 months and the average interest rate was 3.8% (4.2).

The Group's interest-bearing net debt increased to SEK 2,393 m. (Dec 31, 2003: 2,296) and the debt/equity ratio decreased to 0.21 (Dec 31, 2003: 0.22). The Group's reported shareholders' equity on September 30, 2004 was SEK 11,435 m. (Dec 31, 2003: 10,212). The equity/assets ratio was 78% (Dec 31, 2003: 77).

#### REPURCHASE OF OWN SHARES

Information on repurchases of the company's own shares is provided on page 7.

#### ACCOUNTING PRINCIPLES

The report on net asset value and results has been compiled in accordance with generally acceptable accounting practices for publicly traded companies, whereby the wholly owned subsidiaries and, in applicable cases, their subgroups have been consolidated in accordance with the AAA, while other holdings (associated companies and publicly traded subsidiaries) have been reported in accordance with the acquisition value method.

The Financial Accounting Standards Council's recommendation RR 29 is applied as of January 1, 2004. The introduction of this recommendation required a recalculation of pension obligations at the beginning of 2004. As a result, the pension liability rose by SEK 5 m. The change has been reported against shareholders' equity. Application of the new recommendation had no impact on pension costs during the quarter. Pension insurance issued by Alecta is still reported according to a defined-contribution plan, since Alecta is still not able to provide the information required in accordance with RR 29.

Unless indicated otherwise, the figures presented within parentheses pertain to comparative results for the corresponding period in the preceding year. Since the figures have been rounded off in certain cases, the amounts in tables and calculations do not always tally.

**RESULT REPORT**

SEK m.	January - September		Quarter III		Full year
	2004	2003	2004	2003	2003
<b>ASSET MANAGEMENT</b>					
Dividends	1,221	859	-	-	952
Write-downs of Cardo shares	-1	-322	-1	-	-
Reversal/write-downs of NCC shares	253	-	38	-	-311
Profit/loss on securities	-1	37	-0	12	37
Operating expenses	-	-8	-	-3	-10
<b>PROFIT</b>	<b>1,471</b>	<b>566</b>	<b>36</b>	<b>9</b>	<b>667</b>
<b>OPERATING COMPANIES</b>					
<b>L E Lundberg Kapitalförvaltning AB</b>					
Profit/loss on securities	25	19	-1	10	22
Operating expenses	-10	-9	-2	-3	-14
<b>PROFIT/LOSS</b>	<b>15</b>	<b>10</b>	<b>-3</b>	<b>7</b>	<b>8</b>
<b>Fastighets AB L E Lundberg</b>					
Operating revenues					
Rental revenues, etc.	635	624	212	209	831
Sales of properties	2	10	2	10	10
Other revenues, net	2	2	-0	3	3
	<b>640</b>	<b>637</b>	<b>213</b>	<b>222</b>	<b>845</b>
Property expenses					
Operating expenses	-133	-128	-35	-34	-175
Property tax	-26	-28	-7	-10	-38
Maintenance and tenant-oriented property improvements	-93	-80	-32	-31	-118
Direct sales and administrative costs, etc.	-33	-31	-13	-10	-42
Depreciation <sup>1)</sup>	-28	-25	-10	-9	-34
Write-downs/reversals	-	-0	-	-0	1
	<b>-314</b>	<b>-293</b>	<b>-97</b>	<b>-94</b>	<b>-405</b>
Sales of properties classed as fixed assets	7	8	-	4	8
Central administrative costs, etc.	-22	-26	-7	-8	-33
<b>PROFIT</b>	<b>311</b>	<b>326</b>	<b>109</b>	<b>124</b>	<b>414</b>
Central administrative costs, etc.	-19	-8	-6	-3	-11
<b>OPERATING PROFIT</b>	<b>1,779</b>	<b>894</b>	<b>137</b>	<b>137</b>	<b>1,078</b>
Financial items	-34	-71	-7	-23	-94
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>1,745</b>	<b>822</b>	<b>131</b>	<b>114</b>	<b>984</b>
Taxes <sup>2)</sup>	-97	-63	-24	-19	-74
Minority interest	-0	-0	-0	0	-0
<b>NET PROFIT</b>	<b>1,648</b>	<b>759</b>	<b>107</b>	<b>95</b>	<b>910</b>

1) Amount includes amortization of surplus value in L E Lundberg Group amounting to SEK 3 m. (3) for the first nine months and SEK 1 m (1) for the second quarter. In 2003, the amortization of surplus value amounted to SEK 4 m.

2) Dividends from Cardo, Holmen, Hufvudstaden, NCC and Ramirent are tax-exempt.

**Earnings per share after taxes, SEK**

(there is no dilution effect)	26.57	12.23	1.73	1.53	14.65
Average number of shares outstanding	62,017,474	62,075,083	62,000,000	62,075,083	62,075,083

**BALANCE REPORT**

SEK m.	September 30 2004	September 30 2003	December 31 2003
<b>ASSETS</b>			
Fixed assets			
Tangible fixed assets	2,685	2,637	2,634
Financial fixed assets	11,459	9,977	10,221
	<b>14,145</b>	12,614	12,855
Current assets			
Properties classified as current assets	122	127	124
Other current assets	348	265	361
	<b>470</b>	392	485
<b>TOTAL ASSETS</b>	<b>14,614</b>	13,006	13,339
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	11,435	10,062	10,212
Provisions	448	429	426
Long-term liabilities	1,310	1,313	1,315
Current liabilities	1,422	1,202	1,385
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>14,614</b>	13,006	13,339

**CASH FLOW REPORT**

SEK m.	January - September 2004	September 30 2003	Full year 2003
Cash flow from operations	1,482	679	1,285
Cash flow from investment activities	-1,158	-557	-684
Cash flow from financing activities	-293	-120	-628
Change in cash and bank balances	30	2	-26
Cash and bank balances, January 1	17	43	43
Cash and bank balances, period end	47	45	17

**SHAREHOLDERS' EQUITY**

SEK m.	September 30 2004	September 30 2003	December 31 2003
January 1	10,212	9,675	9,675
Effect of new accounting principle	-5	-	-
Adjusted amount at January 1	10,207	9,675	9,675
Dividend	-403	-372	-372
Repurchase of Parent company shares	-17	-	-
Net profit for the period	1,648	759	910
<b>BALANCE, PERIOD END</b>	<b>11,435</b>	10,062	10,212

**KEY FIGURES**

	September 30 2004	September 30 2003	December 31 2003
Number of shares outstanding	62,000,000	62,075,083	62,075,083
Reported shareholders' equity per share, SEK	184	162	165
Debt/equity ratio, multiple	0.21	0.22	0.22
Equity/assets ratio, %	78	77	77

**Proportion of voting rights, share capital and book value, and the market value of shareholdings**

%	November 19, 2004 Voting rights	Share- holding	September 30, 2004 Voting rights	Share- holding	December 31, 2003 Voting rights	Share- holding
Altima <sup>1)</sup>	-	-	-	-	13.6	13.6
Cardo	36.0	36.0	36.0	36.0	36.0	36.0
Holmen	51.9	27.9	51.9	27.9	52.2	27.5
Hufvudstaden	88.0	45.2	88.0	45.2	88.0	45.2
Industrivärden	14.4	10.5	14.4	10.5	10.7	7.8
NCC	18.5	13.6	18.4	13.6	17.7	13.6
Ramirent <sup>1)</sup>	6.5	6.5	6.5	6.5	-	-

SEK m.	November 19, 2004 Book value	Market value <sup>2)</sup>	September 30, 2004 Book value	Market value <sup>2)</sup>	December 31, 2003 Book value	Market value <sup>2)</sup>
Altima <sup>1)</sup>	-	-	-	-	94	98
Cardo	2,020	1,955	2,020	2,020	2,021	2,155
Holmen	2,941	5,649	2,941	5,224	2,597	5,709
Hufvudstaden	2,828	4,350	2,828	3,789	2,828	3,264
Industrivärden	2,280	3,240	2,280	2,855	1,579	1,815
NCC	1,017	1,157	1,017	1,092	764	764
Ramirent <sup>1)</sup>	94	141	94	128	-	-
<b>TOTAL</b>	<b>11,180</b>	<b>16,492</b>	<b>11,180</b>	<b>15,109</b>	<b>9,882</b>	<b>13,805</b>

1) In January 2004, a public offer for Ramirent shares in return for Altima shares was accepted. The Ramirent shares were received on January 30.

2) Publicly traded assets are entered at current market price or, for written options, at the exercise price if that the latter price is lower.

**Summary of properties (Net asset value and result report)**

SEK m.	Floor space thousand m <sup>2</sup>	Rental revenues	Operating net	Book value, September 30, 2004	Operating net as a % of book value (annualized yield)
Investment properties	1,004	631	381	2,594	19.6
Properties held for future development	7	3	1	122	
Properties acquired	10	2	1	73	
Properties sold	3	-	-		
<b>TOTAL</b>		<b>635</b>	<b>383</b>	<b>2,789</b>	
Properties sold 2004 (Jan-Sept 2003)	3	2	1		
Properties sold 2004 (full year 2003)	3	2	1		

**Result per quarter, real estate management (Net asset value and result report)**

Quarter	I	II	III	IV	Full year
Rental revenues etc, SEK m.					
2004	210	211	210		
2003	207	207	208	207	829
2002	201	203	202	202	807
2001	192	192	195	196	775
2000	181	181	185	186	733
Operating net, SEK m.					
2004	115	129	137		
2003	118	135	135	112	499
2002	107	124	137	117	484
2001	109	121	129	114	473
2000	83	87	93	86	348
Vacancy rate, %					
2004	2.8	2.9	2.6		
2003	2.5	2.7	2.8	2.8	2.7
2002	2.5	2.3	2.9	2.8	2.6
2001	2.7	2.7	1.9	2.1	2.3
2000	4.7	4.3	3.4	3.1	3.9

The figures have been adjusted for the effects of rental revenues and operating net from sold and acquired properties.

## THE GROUP

The Group's operations consist of real estate management activities, the manufacture and sale of newsprint, magazine paper, paperboard and sawn wood products, as well as forest and power operations and equity management (including securities trading).

The Group's total operations are described below. More detailed information about the Group's business sectors (Lundbergs, Hufvudstaden and Holmen) is presented on pages 7-9. The Parent Company is described on page 9.

### *Sales and profit*

The Group's net sales amounted to SEK 14,112 m. (14,196), of which Lundbergs accounted for SEK 1,482 m. (1,307), Hufvudstaden for SEK 1,019 m. (1,013) and Holmen for SEK 11,611 m. (11,876). Operating profit totaled SEK 2,784 m. (2,801). The corresponding operating profit for the business sectors was SEK 540 m. (523) for Lundbergs, SEK 756 m. (466) for Hufvudstaden and SEK 1,508 m. (1,820) for Holmen.

Financial items amounted to an expense of SEK 317 m. (expense: 379), of which net interest expense accounted for SEK 353 m. (expense: 380). Profit after financial items totaled SEK 2,467 m. (2,422). After minority interest, net profit after taxes amounted to SEK 838 m. (770), which corresponds to earnings of SEK 13.51 (12.40) per share.

### *Investments*

Investments are reported below, under the various business sectors and the Parent Company.

### *Financing*

Interest-bearing net debt increased by SEK 1,536 m. to SEK 10,789 m. (Dec 31, 2003: 9,253), due mainly to an extraordinary dividend paid by Holmen to minority shareholders. Interest-bearing liabilities amounted to SEK 11,493 m. (Dec 31, 2003: 10,119) and interest-bearing assets to SEK 704 m. (Dec 31, 2003: 866). The equity/assets ratio was 54% (Dec 31, 2003: 56). The debt/equity ratio was 0.46 (Dec 31, 2003: 0.39). The Group's shareholders' equity was SEK 12,452 m. (Dec 31, 2003: 12,054) and the minority interest amounted to SEK 12,700 m. (Dec 31, 2003: 13,790).

### *Repurchase of own shares*

The Annual General Meeting on April 1, 2004 renewed the Board's authorization to repurchase Series B Lundbergs shares during the period up to the next Annual General Meeting 2005. At its statutory meeting, the Board decided to utilize the renewed authorization, which enables the repurchase of not more than 10% of the total number of issued shares if and when this is deemed appropriate. As at September 30, 2004, 145,483 Series B Lundbergs shares had been repurchased for a total of SEK 30 m., or an average of SEK 205.09 per share. The repurchased shares correspond to 0.23% of the share capital and 0.05% of

the voting rights. During the first quarter of 2004, 75,083 shares were repurchased. No additional shares were repurchased during the period up to November 19, 2004. The average number of shares outstanding during the period covered by this interim report was 62,017,474. The number of shares outstanding on September 30, 2004 was 62,000,000.

Share buyback programs have also been decided within Cardo, Hufvudstaden, Holmen, NCC and Ramirent.

### *Accounting principles*

This report has been compiled in accordance with the Annual Accounts Act (AAA), the Financial Accounting Standards Council's recommendations and the pronouncements of the Financial Accounting Standards Council's Emerging Issues Task Force. The accounting principles applied in this interim report are identical to those applied for the 2003 Annual Report. The Financial Accounting Standards Council's recommendation RR 29 – Employee Benefits became effective on January 1, 2004. As a result, the pension liability rose by SEK 33 m. The change has been reported against shareholders' equity. Application of the new recommendation had no impact on pension costs during the period. Within Holmen, the Financial Accounting Standards Council's recommendation RR 29 had been applied in advance. The Group's pension liability at December 31, 2003 was increased by SEK 75 m., after tax considerations, an amount that was reported directly against shareholders' equity. In addition to the defined-benefit obligations described above, the Group has obligations under the ITP plan via insurance policies with Alecta, which are classified as defined-benefit plans that cover several employers. This entails that the Group must report its proportional share of the defined-benefit obligations, as well as of the investment assets and costs associated with the plan. According to information received from Alecta, such details cannot be provided at present and, accordingly, the plan is reported as a defined-contribution plan until further notice.

Unless indicated otherwise, the figures presented within parentheses pertain to comparative results for the corresponding period in the preceding year. Since the figures have been rounded off in certain cases, the amounts in tables and calculations do not always tally.

### *Transition to IFRS*

As of January 1, 2005 Lundbergs will apply International Financial Reporting Standards (IFRS) in its consolidated accounts. These standards are the result of an EU ordinance that applies to all exchange-listed companies in the EU. A report on the transition to IFRS was presented on page 30 of the 2003 Annual Report. At a Board meeting held on November 23, 2004, Lundbergs decided that its investment properties would be reported at fair value, which differs from the account made in the annual report. Apart from this information, no further changes of material importance have been identified, compared with the current accounting principles.

## REPORTING BY BUSINESS SECTOR

### *Lundbergs*

In this context, Lundbergs is defined as the Parent Company L E Lundbergföretagen AB and its wholly owned subsidiaries and, in certain cases, the subsidiaries' groups of companies active within real estate management and equity management operations (including securities trading), plus associated companies. Hufvudstaden and Holmen are presented below as separate business sectors.

#### **Sales and earnings**

Net sales totaled SEK 1,482 m. (1,307), of which real estate management accounted for SEK 663 m. (651) and equity management for SEK 819 m. (656). The increased sales and operating profit were attributable to equity management. Operating profit amounted to SEK 540 m. (523).

#### **Real estate management**

Operating profit amounted to SEK 311 m. (326)

In April 2004, a property in Falköping was sold, which had a pretax effect on earnings of SEK 7 m.

#### *Investments*

As of March 1, 2004 a retail property in central Norrköping was acquired for SEK 73 m. As a result of this acquisition, the company now owns the Linden Shopping Mall in its entirety. In addition to the above acquisitions, SEK 19 m. (24) was invested in wholly and jointly owned properties during the period. The properties have a book value of SEK 2,594 m. (2,601). The market value on September 30, 2004 has been estimated at SEK 6,992 m. (Dec 31, 2003: 6,911).

#### **Equity management**

Operating profit amounted to SEK 228 m. (198).

In 1998, Holmen issued a convertible debenture loan and subscription warrants to its employees at market price. During the first quarter of 2004, 4.8 million shares were converted and/or subscribed for, which had a negative impact of SEK 64 m. on earnings.

Results from participations in associated companies amounted to profit of SEK 197 m. (87), of which Cardo accounted for loss of SEK 9 m. (39), NCC for profit of SEK 186 m. (42), Ramirent for profit of SEK 8 m. (-) and Stadium for profit of SEK 11 m. (6). These results include a reversal of SEK 80 m. of a previous write-down of the share in NCC's equity.

#### *Major shareholdings in publicly traded companies*

Acquisitions and percentage holdings of voting rights and share capital are presented on page 6.

#### *Other publicly traded shareholdings*

Holdings of other publicly traded securities had a book value of SEK 234 m. (Dec 31, 2003: 254) and a market value of SEK 254 m. (Dec 31, 2003: 272). The corresponding amounts on November 19, 2004 were SEK 304 m. and SEK 339 m., respectively.

#### *Unlisted shareholdings*

The Other securities item includes Stadium shares with a book value of SEK 250 m. (250).

#### **Financing**

Net interest-bearing debt increased to SEK 2,393 m. (Dec 31, 2003: 2,296). Interest-bearing liabilities amounted to SEK 2,448 m. (Dec 31, 2003: 2,324) and interest-bearing assets to SEK 55 m. (Dec 31, 2003: 28).

#### **Current report period July - September 2004**

#### *Real estate management*

Net sales totaled SEK 220 m. (225) and operating profit SEK 109 m. (125).

#### *Equity management*

Operating profit amounted to SEK 37 m. (105) during the third quarter. During the third quarter of 2004, shares in Holmen were acquired for SEK 344 m.

### *Hufvudstaden*

Hufvudstaden's operations involve the ownership and management of commercial office and retail properties in central Stockholm and central Gothenburg.

#### **Sales and earnings**

Net sales totaled SEK 1,019 m. (1,013). Operating profit amounted to SEK 756 m. (466).

#### **Real estate management**

Two office and residential properties in Stockholm were sold during the second quarter, which had a pretax effect of SEK 215 m. on earnings.

#### *Investments*

Investments amounted to SEK 42 m. (100). The properties had a book value of SEK 11,322 m. (11,620). The estimated fair value of the real estate portfolio on December 31, 2003 was SEK 14,700 m., following an adjustment for divested properties. It is estimated that no major changes in market value occurred during the period.

#### **Financing**

Net interest-bearing debt amounted to SEK 3,093 m. (Dec 31, 2003: 3,588). Interest-bearing liabilities amounted to SEK 3,110 m. (Dec 31, 2003: 3,751) and interest-bearing assets to SEK 17 m. (Dec 31, 2003: 163).

#### **Current report period July - September 2004**

Net sales totaled SEK 331 m. (334) and operating profit SEK 178 m. (148).

### *Holmen*

Holmen's operations consist of the manufacture and sale of newsprint and magazine paper (Holmen Paper), paperboard (Iggesund Paperboard) and sawn wood products, as well as forest and power operations.

### Sales and earnings

Net sales amounted to SEK 11,611 m. (11,876). Demand for newsprint and magazine paper continued to increase. Holmen Paper's deliveries rose by 3% compared with the year-earlier period. Iggesund Paperboards' capacity utilization was high and its deliveries rose by 4% compared with the year-earlier period.

Operating profit amounted to SEK 1,508 m. (1,820). The decrease in earnings was due to reduced newsprint prices and negative exchange-rate effects, which was partly offset by higher delivery volumes

### Investments

Investments totaled SEK 754 m. (518) and related mainly to improvements to existing facilities and to the ongoing investment in a new paper machine in Madrid.

### Financing

Net interest-bearing debt amounted to SEK 5,303 m. (Dec 31, 2003: 3,369). In addition to the positive cash flow (SEK 791 m.), net indebtedness was affected by the payment of dividends (neg: SEK 3,199 m.) and the conversion of the debenture loan and subscription of shares (SEK 474 m.). Interest-bearing liabilities totaled SEK 5,935 m. (Dec 31, 2003: 4,044), of which current liabilities accounted for SEK 3,413 m. (Dec 31, 2003: 2,130). Interest-bearing assets amounted to SEK 632 m. (675).

### Hedging of exchange rates and electricity prices

The result of currency hedging for January-September 2004 was SEK 120 m. Holmen's currency flows are hedged for the remainder of 2004. For 2005, approximately 90% of flows in EUR have been hedged at an exchange rate of SEK 9.40.

The predominant part of the Group's estimated net consumption of electricity in Sweden during 2004 has been hedged. Approximately 75% of consumption in 2005, approximately 40% in 2006 and approximately one third of consumption in the period 2007-2011 has been hedged.

### Current report period July - September 2004

Net sales amounted to SEK 3,824 m. (3,865). Operating profit declined by SEK 53 m. to SEK 528 m. (581).

### PARENT COMPANY

L E Lundbergföretagen AB (publ) reported net sales of SEK 1,109 m. (927) and profit of SEK 1,401 m. (430) after net financial items. The main reasons for the higher sales and earnings were an extraordinary dividend of SEK 661 m. from Holmen and dividend from the expanded Industrivärden holding. In addition, a reversal of a previous write-down of the NCC holding had a positive effect of SEK 253 m. The Parent Company's liquidity is satisfactory. Investments amounted to SEK 1,059 m. (688).

### Investments in shares

Purchases between January 1 and November 19, 2004, comprised Industrivärden shares (Series A) for SEK 701 m. and Holmen shares (Series B) for SEK 344 m. The Industrivärden shares were acquired during the first two quarters and the Holmen shares during the third quarter of 2004. The portions of Holmen's share capital and voting rights were affected by the new issue and the acquisition of shares. The portion of NCC's voting rights was affected by the restamping of shares. Within Ramirent, the portion of share capital and voting rights was affected by the new issue of shares. The tables on page 6 show the voting rights, percentage holding, book value and market value of the Group's shareholdings.

Stockholm, November 23, 2004



FREDRIK LUNDBERG  
President

*This report has not been subject to specific examination by the auditors of L E Lundbergföretagen AB (publ).*

### Forthcoming financial information

Report on net asset value and results and Year-end report 2004	February, 2005
Annual report 2004	March, 2005
Annual General Meeting	April 7, 2005

**CONSOLIDATED INCOME STATEMENTS**

SEK m.	January - September		Quarter III		Full year
	2004	2003	2004	2003	2003
<b>LUNDBERGS</b>					
Real estate management					
Operating revenues, etc.	640	636	213	221	845
Operating expenses	-286	-266	-87	-83	-373
Depreciation	-28	-25	-10	-9	-34
Write-downs/reversals of write-downs	-	-0	-	-0	1
Gross profit	326	344	116	128	439
Central administrative costs, etc.	-22	-26	-7	-8	-33
Gain on sales of fixed assets	7	8	-0	5	8
<b>Operating profit</b>	<b>311</b>	<b>326</b>	<b>109</b>	<b>125</b>	<b>414</b>
Asset management					
Dividends	100	72	-	-	72
Gain/loss on securities	-59	56	-19	18	58
Operating expenses	-10	-17	-2	-7	-24
Result from participations in associated companies	197	87	59	94	-6
<b>Operating profit</b>	<b>228</b>	<b>198</b>	<b>37</b>	<b>105</b>	<b>100</b>
<b>OPERATING PROFIT, LUNDBERGS</b>	<b>540</b>	<b>523</b>	<b>147</b>	<b>230</b>	<b>514</b>
<b>HUFVUDSTADEN</b>					
Operating revenues	1,019	1,013	331	334	1,369
Operating expenses	-377	-450	-121	-154	-621
Depreciation	-83	-79	-27	-27	-106
Gross profit	559	483	183	153	642
Central administrative costs, etc.	-18	-18	-5	-5	-29
Gain on sales of fixed assets	215	-	-	-	-
<b>OPERATING PROFIT, HUFVUDSTADEN</b>	<b>756</b>	<b>466</b>	<b>178</b>	<b>148</b>	<b>613</b>
<b>HOLMEN</b>					
Net sales	11,611	11,876	3,824	3,865	15,816
Operating expenses	-9,207	-9,170	-2,992	-2,984	-12,306
Depreciation	-912	-884	-303	-296	-1,182
Result from participations in associated companies	16	-2	-1	-4	-6
<b>OPERATING PROFIT, HOLMEN</b>	<b>1,508</b>	<b>1,820</b>	<b>528</b>	<b>581</b>	<b>2,322</b>
Central administrative costs, etc.	-19	-8	-6	-3	-11
<b>OPERATING PROFIT</b>	<b>2,784</b>	<b>2,801</b>	<b>847</b>	<b>956</b>	<b>3,438</b>
<b>RESULTS FROM FINANCIAL ITEMS</b>					
Result from other securities and receivables classified as fixed assets	36	2	15	0	2
Interest income and similar income statement items	23	24	7	8	35
Interest expense and similar income statement items	-376	-405	-125	-131	-532
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>2,467</b>	<b>2,422</b>	<b>743</b>	<b>834</b>	<b>2,944</b>
Taxes	-593	-654	-218	-178	-867
Minority share	-1,037	-999	-286	-344	-1,254
<b>NET PROFIT</b>	<b>838</b>	<b>770</b>	<b>239</b>	<b>312</b>	<b>822</b>
<b>Earnings per share after taxes, SEK</b>					
(there is no dilution effect)	13.51	12.40	3.85	5.02	13.25
Average number of shares outstanding	62,017,474	62,075,083	62,000,000	62,075,083	62,075,083

**CONSOLIDATED BALANCE SHEETS**

SEK m.	September 30 2004	September 30 2003	December 31 2003
<b>ASSETS</b>			
Fixed assets			
Intangible fixed assets	636	562	584
Tangible fixed assets	32,175	32,597	32,555
Financial fixed assets	7,675	6,605	7,059
	<b>40,486</b>	39,763	40,199
Current assets			
Properties classified as current assets	122	127	124
Other current assets	6,239	6,090	5,957
	<b>6,361</b>	6,217	6,081
<b>TOTAL ASSETS</b>	<b>46,847</b>	45,980	46,280
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	12,452	12,002	12,054
Minority interest	12,700	13,530	13,790
Provisions	7,659	7,181	7,726
Long-term liabilities	5,641	6,358	5,526
Current liabilities	8,396	6,908	7,184
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>46,847</b>	45,980	46,280

**CONSOLIDATED CASH FLOW STATEMENTS**

SEK m.	January - September 2004	September 30 2003	Full year 2003
Cash flow from operations	1,537	2,784	4,560
Cash flow from investment activities	-1,065	-1,007	-1,909
Cash flow from financing activities	-703	-1,676	-2,386
Change in cash and bank balances	-231	101	266
Cash and bank balances, January 1	794	528	528
Cash and bank balances, period end	563	629	794

**SHAREHOLDERS' EQUITY, GROUP**

SEK m.	September 30 2004	September 30 2003	December 31 2003
January 1	12,054	11,780	11,780
Effect of new accounting principle	-33	-	-75
Adjusted amount at January 1	12,020	11,780	11,705
Dividend	-403	-372	-372
Repurchase of Parent company shares	-17	-	-
Translation differences, etc.	14	-176	-101
Net profit for the period	838	770	822
<b>BALANCE, PERIOD END</b>	<b>12,452</b>	12,002	12,054

**KEY FIGURES, GROUP**

	September 30 2004	September 30 2003	December 31 2003
Number of shares outstanding	62,000,000	62,075,083	62,075,083
Reported shareholders' equity per share, SEK	201	193	194
Debt/equity ratio, multiple	0.46	0.40	0.39
Equity/assets ratio, %	54	56	56

