

PRESS RELEASE**INTERIM REPORT JANUARY-SEPTEMBER 2005**

MSEK	Quarter			Jan-Sept		Full year
	3-05	2-05	3-04	2005	2004	2004
Net turnover	4,082	4,201	3,824	12,084	11,611	15,653
Operating profit	590	449	568	1,403	1,600	1,952
Profit after financial items	530	387	511	1,224	1,448	1,746
Profit after tax	371	271	362	859	1,026	1,275
Earnings per share (after dilution), SEK	4.4	3.2	4.3	10.1	12.2	15.1
Return on equity, %	9.6	7.0	9.6	7.4	8.4	7.9

- The Group's net turnover for January-September amounted to MSEK 12,084 (January-September 2004: 11,611).
- The profit after tax amounted to MSEK 859 (1,026).
- Earnings per share after dilution amounted to SEK 10.1 (12.2). Return on equity was 7.4 % (8.4).
- The operating profit amounted to MSEK 1,403 (1,600). The decline is mainly due to significant cost increases for energy and other input goods, and unfavourable currency effects. Higher prices for newsprint and magazine paper have at the same time had a positive effect on the result.

In relation to the second quarter, the profit for the third quarter rose by MSEK 141 to MSEK 590, mainly owing to seasonally lower costs.

- The market situation for newsprint in Europe remained good during the third quarter. Holmen Paper's deliveries rose by 3 % in relation to January-September 2004. Prices were stable following the increases made at the beginning of the year.

The market situation for virgin fibre-based paperboard in Europe was good during the third quarter. Iggesund Paperboard's deliveries were 3 % lower than in January-September 2004, owing to lower production. Iggesund Paperboard has announced some price increases.

PRESS RELEASE**Business areas**

Holmen Paper		Quarter		Jan-Sept		Full year
	3-05	2-05	3-04	2005	2004	2004
Net turnover, MSEK	2,197	2,180	2,005	6,207	5,738	7,814
Operating profit, MSEK	259	180	178	500	418	487
Operating margin, %	12	8	9	8	7	6
Return on operating capital, %	10	7	5	6	3	5
Production, 1,000 tonnes	447	445	435	1,309	1,290	1,739
Deliveries, 1,000 tonnes	452	454	439	1,299	1,266	1,731

The market situation for newsprint in Europe remained good during the third quarter. Total deliveries to Europe in January-September were 2 % higher than for the corresponding period last year. Demand for coated printing paper rose by 2 %, while deliveries of SC paper declined by 3 %.

Holmen Paper's deliveries rose by 3 % in relation to January-September 2004. Deliveries to Europe rose, while exports to non-European markets declined. Deliveries during the third quarter were running at the same level as in the second quarter. Prices, including currency effects, were on average 5 % higher than for January-September 2004.

Holmen Paper's operating profit for January-September amounted to MSEK 500 (418). Price increases and higher deliveries improved the result. At the same time, the result was affected by unfavourable currency effects and significant cost increases for energy and other input goods.

In relation to the second quarter the result rose by MSEK 79 to MSEK 259, mainly an effect of seasonally lower costs.

Iggesund Paperboard		Quarter		Jan-Sept		Full year
	3-05	2-05	3-04	2005	2004	2004
Net turnover, MSEK	1,238	1,237	1,228	3,634	3,713	4,877
Operating profit, MSEK	181	124	249	457	699	809
Operating margin, %	15	10	20	13	19	17
Return on operating capital, %	18	12	25	15	23	20
Production, paperboard, 1,000 tonnes	124	112	128	357	386	502
Deliveries, paperboard, 1,000 tonnes	123	127	127	369	379	501

The market situation for virgin fibre-based paperboard in Europe was good during the third quarter and total deliveries to Europe increased by 2 % in relation to the second quarter. Deliveries for January-September 2005 were also slightly higher (up 1 %) than for the same period in 2004. Exports to non-European markets have continued at a significantly lower level also after the Finnish labour dispute.

Iggesund Paperboard's deliveries were 3 % lower than in January-September 2004, owing to lower production. Deliveries during the third quarter were slightly lower than in the previous quarter. It is mainly deliveries outside Europe that have declined. Iggesund Paperboard has announced some price increases.

Iggesund Paperboard's operating profit for January-September amounted to MSEK 457 (699). The decline in the result is due to lower production and significant cost increases for wood, energy and chemicals.

In relation to the second quarter, the result increased by MSEK 57 to MSEK 181, mainly owing to higher production and seasonally lower costs.

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Iggesund Timber		Quarter		Jan-Sept		Full year
	3-05	2-05	3-04	2005	2004	2004
Net turnover, MSEK	98	123	109	337	375	492
Operating profit/loss, MSEK	-2	3	1	1	10	5
Operating margin, %	-3	3	1	-	2	1
Return on operating capital, %	-4	6	2	-	5	2
Production, 1,000 m ³	39	63	48	158	149	205
Deliveries own sawmill, 1,000 m ³	49	62	44	168	143	195

The market situation for sawn timber have improved gradually during the year, but prices are low. Iggesund Timber's operating profit for January-September was MSEK 1 (10). The decline in the result is due to lower prices, which were partly offset by higher deliveries and lower raw material price. In relation to the second quarter the result weakened by MSEK 5, mainly owing to seasonally lower production.

Holmen Skog		Quarter		Jan-Sept		Full year
	3-05	2-05	3-04	2005	2004	2004
Net turnover, MSEK	820	1,042	799	2,885	2,766	3,780
of which external customers	444	584	414	1,619	1,555	2,141
Operating profit, MSEK	115	140	127	372	449	586
Return on operating capital, %	5	6	6	6	7	7
Harvesting in company forests, 1,000 m ³	578	568	632	1,632	1,896	2,608

Holmen Skog's operating profit for January-September amounted to MSEK 372 (449). Lower prices and slightly higher costs owing to the storm in Southern Sweden in January affected the profit negatively by some MSEK 40 through the revaluation of company-owned forests. Revenue from property sales was some MSEK 30 lower than for the corresponding period last year. In relation to the second quarter the result deteriorated by MSEK 25 to MSEK 115, partly owing to higher costs during the third quarter.

Holmen Skog reports its result in accordance with new principles (IAS 41).

Holmen Kraft		Quarter		Jan-Sept		Full year
	3-05	2-05	3-04	2005	2004	2004
Net turnover, MSEK	358	333	291	1,068	914	1,258
of which external customers	111	82	72	301	242	344
Operating profit, MSEK	70	39	41	180	119	178
Return on operating capital, %	10	5	6	8	5	6
Production of hydroelectric power, GWh	336	234	310	925	733	1,054

Holmen Kraft's operating profit for January-September was MSEK 180 (119). The increase is due to higher production and a higher price. In relation to the second quarter, the result rose by MSEK 31 to MSEK 70 as a consequence of high water flows that enabled a significantly higher production than normal.

PRESS RELEASE**Net financial items and financing**

Net financial costs for January-September amounted to MSEK 179 (costs: 152). The increase is due to higher indebtedness.

The Group's net financial debt increased by MSEK 1,814 to MSEK 6,690. The increase is explained by the investment in a new newsprint machine in Madrid.

The debt/equity ratio was 0.43 (31 December 2004: 0.31). The equity ratio was 49.7 (53.9).

Financial liabilities amounted to MSEK 7,276 (5,335), of which MSEK 3,374 was short term. Cash and bank, and financial receivables amounted to MSEK 586. The Group has committed unutilised long-term credit facilities of approximately MSEK 6,300.

Tax

The Group's tax charge for January-September amounted to MSEK 365 (charge: 422), which corresponds to 30 % of the pre-tax profit.

Hedging of exchange rates and electricity prices

The result from currency hedging for January-September was a loss of MSEK 60 (profit 120), which is stated within the operating result. Most of the Group's currency flows are hedged for the remainder of 2005. For 2006, 85 % of the Group's estimated net flows in euro are hedged and 40 % in sterling at average exchange rates of 9.25 and 13.60 respectively. For 2007, 10 % of the flows in euro are hedged at an average exchange rate of 9.40.

The price of some 85 % of the Group's estimated net consumption of electricity in Sweden for the remainder of 2005 and 2006 has been hedged. For the 2007–2015 period, 70–75 % of the price for the Group's estimated net consumption has been hedged.

Capital expenditure

The Group's capital expenditure in January-September amounted to MSEK 2,431 (754), of which MSEK 1,836 related to the ongoing investment in the new newsprint machine in Madrid. The Madrid project is running according to plan and production is expected to start at the turn of the year. Depreciation according to plan amounted to MSEK 875 (871).

Employees

The average number of employees in the Group was 4,870 (full year 2004: 4,897).

Parent company

The parent company's (Holmen AB) net turnover amounted to MSEK 9,864 (9,425). The profit after net financial items was MSEK 748 (1,119). Cash and bank amounted to MSEK 85 (31 December 2004: 223). The parent company's fixed capital expenditure (excluding investments in shares) amounted to MSEK 34 (4).

Share buyback

The Annual General Meeting held on 5 April 2005 renewed the Board's mandate to make decisions to buy back up to 10 % of the company's shares. The mandate has not been exercised.

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Adoption of IFRS

As of 2005, Holmen applies the International Financial Reporting Standards (IFRS) to its consolidated financial statements. Comparative year figures (2004) have been adjusted into line with the new principles, except for IAS 32 and 39. Information concerning the adoption of IFRS is provided on pages 10–13.

Stockholm 27 October 2005

Magnus Hall
President and CEO

The report has not been subject to examination by the company's auditors.

Year-end report for 2005 will be published on 2 February 2006.

The 2006 Annual General Meeting will be held in Stockholm on 28 March at 16.00 hrs CET.

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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 % 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 cubic metres. Holmen's annual wood consumption is some 4.5 million cubic metres. **Holmen Kraft** produces in a normal year some 1,100 GWh of electric power at wholly and partly owned hydroelectric power stations in Sweden. Holmen's annual power consumption is some 4,200 GWh.

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Accounting principles

This interim report is made up in accordance with IAS 34 Interim Financial Reporting. The accounting principles, in contrast to the latest published annual report, have been harmonised with IAS/IFRS. The effects of this change are described on pages 10-13. Otherwise, the accounting principles for this interim report are unchanged in relation to the latest published annual report.

Profit and loss account, MSEK	3-05	Quarter 2-05	3-04	Jan-Sept 2005	2004	Full year 2004
Net turnover	4,082	4,201	3,824	12,084	11,611	15,653
Operating costs	-3,209	-3,464	-2,967	-9,824	-9,156	-12,570
Depreciation according to plan	-287	-295	-288	-875	-871	-1,156
Interest in earnings of associate companies	4	7	-1	18	16	25
Operating profit	590	449	568	1,403	1,600	1,952
Net financial items	-60	-62	-57	-179	-152	-206
Profit after financial items	530	387	511	1,224	1,448	1,746
Tax	-159	-116	-149	-365	-422	-471
Profit for the period	371	271	362	859	1,026	1,275
Operating margin, %	14.4	10.5	14.9	11.5	13.6	12.3
Return on capital employed, %	10.7	8.3	11.0	8.7	10.4	9.5
Return on equity, %	9.6	7.0	9.6	7.4	8.4	7.9
Earnings per share (before dilution), SEK	4.4	3.2	4.3	10.1	12.3	15.3
Earnings per share (after dilution), SEK	4.4	3.2	4.3	10.1	12.2	15.1
Information for calculation of earnings per share						
Profit for the period	371	271	362	859	1,026	1,275
Interest convertible loan	-	-	-	-	2	2
Adjusted profit	371	271	362	859	1,028	1,277
Average number of shares (million)						
Before dilution*	84.8	84.8	84.8	84.8	83.2	83.6
After dilution*	84.8	84.8	84.8	84.8	84.4	84.5

* Relates to a convertible loan and warrants that were converted into and subscribed to shares during the first quarter of 2004.

MSEK	Net turnover				Operating profit/loss			
	Quarter 3-05	2-05	2005	2004	Quarter 3-05	2-05	2005	2004
Holmen Paper	2,197	2,180	6,207	5,738	259	180	500	418
Iggesund Paperboard	1,238	1,237	3,634	3,713	181	124	457	699
Iggesund Timber	98	123	337	375	-2	3	1	10
Holmen Skog	820	1,042	2,885	2,766	115	140	372	449
Holmen Kraft	358	333	1,068	914	70	39	180	119
Group central costs and other	-	-	-	-	-33	-37	-107	-95
	4,711	4,915	14,131	13,506	590	449	1,403	1,600
Intra-group sales	-629	-714	-2,047	-1,895	-	-	-	-
	4,082	4,201	12,084	11,611	590	449	1,403	1,600

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Balance sheet, MSEK	2005 30 Sept	2004 30 Sept	2004 31 Dec
Assets			
Intangible fixed assets			
Goodwill	542	527	523
Other	73	30	36
Tangible fixed assets	22,494	20,579	20,775
Financial fixed assets			
Shares and participations	1,781	1,752	1,754
Other	20	44	20
Deferred tax receivable	298	257	273
Current assets			
Inventories	2,424	2,343	2,399
Current receivables	3,246	2,886	2,750
Financial receivables	154	168	92
Cash and bank	432	464	367
	31,464	29,050	28,989
Equity and liabilities			
Equity	15,623	15,313	15,523
Minority interest	-	112	112
Deferred tax liability	5,233	5,342	5,177
Financial liabilities			
Long-term	3,902	2,455	2,927
Short-term	3,374	3,413	2,408
Operating liabilities	3,332	2,415	2,842
	31,464	29,050	28,989
Debt/equity ratio	0.43	0.34	0.31
Equity ratio, %	49.7	53.1	53.9

Change in equity, MSEK	2005 30 Sept	2004 30 Sept	2004 Full year
Opening equity	15,523	16,977	16,977
Effect on equity of adoption of IAS 39	34	-	-
New share issue through conversion and subscription	-	474	474
Dividend paid	-848	-3,199	-3,199
Currency differences foreign group and associate companies	121	35	-4
Change in market value of hedge-accounted items, IAS 39	-66	-	-
Profit for the period	859	1,026	1,275
Closing equity	15,623	15,313	15,523

Pledged assets and contingent liabilities, MSEK	2005 30 Sept	2004 30 Sept	2004 Full year
Pledged assets	99	1,666	1,661
Contingent liabilities	1,274	1,644	1,258

Share structure			
Share	Votes	Number of shares	Number of votes
A	10	22,623,234	226,232,340
B	1	62,132,928	62,132,928
Total number of shares		84,756,162	288,365,268

Cash flow analysis, MSEK	2005 Jan-Sept	2004 Jan-Sept	2004 Full year
Current operations			
Profit after financial items	1,224	1,448	1,746
Adjustments for items not included in cash flow etc*	703	751	1,031
	1,927	2,199	2,777
Tax paid	-475	-387	-378
Cash flow from current operations before changes in working capital	1,452	1,812	2,399
Cash flow from changes in working capital			
Change in inventories	-59	-142	-193
Change in operating receivables	-341	-263	-198
Change in operating liabilities	616	47	323
Cash flow from current operations	1,668	1,454	2,331
Investment activities			
Acquisition of minority interest in subsidiary	-41	-	-
Acquisition of fixed assets	-2,390	-754	-1,291
Sale of fixed assets	44	77	96
Cash flow from investment activities	-2,387	-677	-1,195
Financing activities			
Change in financial liabilities and receivables	1,626	1,842	1,387
New share issue through conversion and subscription	-	474	474
Dividend paid	-848	-3,199	-3,199
Cash flow from financing activities	778	-883	-1,338
Cash flow for the period	59	-106	-202
Opening cash and bank	367	570	570
Currency differences cash and bank	6	-	-1
Closing cash and bank	432	464	367

* 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	2005 Jan-Sept	2004 Jan-Sept	2004 Full year
Opening net financial debt	-4,876	-3,304	-3,304
Effect on net financial debt of adoption of IAS 39	-60	-	-
Cash flow			
Current operations	1,668	1,454	2,331
Investment activities	-2,387	-677	-1,195
New share issue through conversion and subscription	-	474	474
Dividend paid	-848	-3,199	-3,199
Acquisition of minority interest in subsidiary	-112	-	-
Currency differences net financial debt	-75	16	17
Closing net financial debt	-6,690	-5,236	-4,876

Quarterly figures	2005			2004				
	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profit and loss account, MSEK								
Net turnover	4,082	4,201	3,801	15,653	4,042	3,824	3,884	3,903
Operating costs	-3,209	-3,464	-3,151	-12,570	-3,414	-2,967	-3,146	-3,043
Depreciation according to plan	-287	-295	-293	-1,156	-285	-288	-291	-292
Interest in earnings of associate companies	4	7	7	25	9	-1	13	4
Operating profit	590	449	364	1,952	352	568	460	572
Net financial items	-60	-62	-57	-206	-54	-57	-53	-42
Profit after financial items	530	387	307	1,746	298	511	407	530
Tax	-159	-116	-90	-471	-49	-149	-119	-154
Profit for the period	371	271	217	1,275	249	362	288	376
Earnings per share (before dilution), SEK	4.38	3.20	2.56	15.26	2.94	4.27	3.40	4.70
Earnings per share (after dilution), SEK	4.38	3.20	2.56	14.12	2.94	4.27	3.40	4.52
Key figures								
Operating margin, %	14.4	10.5	9.4	12.3	8.5	14.9	11.5	14.6
Return on capital employed, %	10.7	8.3	6.9	9.5	6.8	11.0	8.9	11.2
Return on equity, %	9.6	7.0	5.5	7.9	6.5	9.6	7.0	8.6
Net turnover, MSEK								
Holmen Paper	2,197	2,180	1,830	7,814	2,076	2,005	1,941	1,792
Iggesund Paperboard	1,238	1,237	1,159	4,877	1,164	1,228	1,212	1,273
Iggesund Timber	98	123	116	492	117	109	132	134
Holmen Skog	820	1,042	1,023	3,780	1,014	799	953	1,014
Holmen Kraft	358	333	377	1,258	344	291	272	351
	4,711	4,915	4,505	18,221	4,715	4,432	4,510	4,564
Intra-group sales	-629	-714	-704	-2,568	-673	-608	-626	-661
	4,082	4,201	3,801	15,653	4,042	3,824	3,884	3,903
Operating profit, MSEK								
Holmen Paper	259	180	61	487	69	178	121	119
Iggesund Paperboard	181	124	152	809	110	249	205	245
Iggesund Timber	-2	3	0	5	-5	1	3	6
Holmen Skog	115	140	117	586	137	127	144	178
Holmen Kraft	70	39	71	178	59	41	19	59
Group central costs and other	-33	-37	-37	-113	-18	-28	-32	-35
	590	449	364	1,952	352	568	460	572
Operating margin, %								
Holmen Paper	12	8	3	6	3	9	6	7
Iggesund Paperboard	15	10	13	17	9	20	17	19
Iggesund Timber	-3	3	0	1	-5	1	1	4
Group	14	11	9	12	9	15	12	15
Operating capital, MSEK								
Holmen Paper	11,142	10,688	10,062	9,659	9,659	9,704	9,526	9,520
Iggesund Paperboard	3,916	4,089	3,987	3,871	3,871	3,964	4,053	4,055
Iggesund Timber	228	231	236	231	231	243	256	285
Holmen Skog	8,947	8,886	8,838	8,842	8,842	8,850	8,831	8,806
Holmen Kraft	2,930	2,928	2,928	2,930	2,930	2,923	2,916	2,917
Group central costs and other	85	55	211	-118	-118	62	64	43
	27,248	26,877	26,262	25,415	25,415	25,746	25,646	25,626
Deliveries								
Newsprint and magazine paper, 1,000 tonnes	452	454	393	1 731	465	439	429	398
Paperboard, 1,000 tonnes	123	127	119	501	122	127	123	129
Sawn timber, 1,000 m ³	49	62	57	195	52	44	49	50

Adoption of IFRS

As of 1 January 2005, Holmen applies the International Financial Reporting Standards (IFRS) to its consolidated financial statements. This is a consequence of an EU directive that applies to all listed companies in the EU.

The adoption of IFRS means that the comparative figures for 2004 have been adjusted, except for IAS 32 and IAS 39 Financial Instruments. The rules for the adoption of IFRS and recomputation of figures can be found in IFRS 1 First-time Adoption of IFRS.

The Swedish Financial Accounting Standards Council's recommendations have been harmonised with the IFRS rules in many areas. As far as Holmen is concerned, the adoption of IFRS has mainly involved the below commented changes and adjustments. The effects on the profit and loss account and the balance sheet are presented on pages 11-13.

IAS 19 Employee Benefits

Holmen has been applying IAS 19 since 2003. The adoption of IFRS involves the zeroing as of 1 January 2004 of unrecognised actuarial gains and losses in respect of defined benefit pension plans. This has resulted in a reduction of MSEK 65 in the pension deficit (difference between pension assets and commitments under defined benefit pension plans), which reduced net financial liabilities by the same amount. After deduction of deferred tax, equity has increased by MSEK 47.

IAS 1 Presentation of Financial Statements

According to IAS 1, minority interests in the balance sheet are to be stated as a separate item within equity. However, Holmen has opted not to reclassify these, as the outstanding minority interests were acquired in March 2005.

IAS 39 Financial Instruments, Recognition and Measurement

According to IAS 39, all financial assets and liabilities, including derivatives, shall be stated at either fair value or acquisition cost, depending on how they are classified. In the case of assets and liabilities that are stated at fair value, the revaluation result arising shall be stated in the income statement or taken against equity in the balance sheet, depending on whether or not hedge accounting is used.

In Holmen's case, the primary change is that the fair value of financial assets and liabilities that are hedge accounted are stated in the balance sheet. Holmen uses hedge accounting in accordance with IAS 39 in respect of currency hedging of transaction and translation exposures, hedging of interest rate risk, and hedging of electricity price risk. Holmen makes use of the opportunity to value liabilities at actual value that the European Commission is expected to approve for a loan raised in 2005 that satisfies the relevant criteria. This loan had a market value of MSEK 472 on 30 September and an acquisition value of MSEK 452.

The introduction of IAS 39 means that working capital as at 1 January 2005 increased by MSEK 107, net financial debt by MSEK 60, deferred tax by MSEK 13 and equity by MSEK 34. The result stated in Holmen's accounts is largely unchanged in relation to past practice. The introduction of IAS 39 has therefore had an insignificant effect on the consolidated result for January-September 2005.

IAS 41 Agriculture

Holmen's forest holdings have earlier been stated at acquisition cost after adjustment for revaluations. According to IFRS, forest assets are to be divided into growing forests, which are stated in accordance with IAS 41, and land, which is stated in accordance with IAS 16.

According to IAS 41, growing forest shall be valued and stated at fair value at the end of each accounting period. In the absence of market prices or other comparable valuation, biological assets shall be valued at the discounted value of the future cash flow from the assets. Changes in fair value are stated in the income statement.

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Holmen's view is that there are no relevant market prices that can be used to value forest holdings as large as Holmen's. The forests are therefore valued by calculating the discounted value of expected future cash flows from the growing forests. Cash flow is calculated for the coming 100 years, which is judged to be the harvesting cycle of a forest. The cash flow is calculated on the basis of harvesting volumes in accordance with Holmen's latest harvesting plan and estimates of future price and cost development. The cost of replanting has been taken into account as replanting after harvesting is a statutory obligation. The cash flow before tax is discounted using an interest rate of 6.25 %, which is estimated to be a long-term cost of capital in the forestry. Deferred tax has been calculated on the total value of the growing forests.

The land on which the forest is growing is valued at acquisition cost in accordance with IAS 16.

The adoption of IFRS means that the book value of Holmen's forest assets on 1 January 2004 increases from MSEK 6,301 to MSEK 8,661, of which growing forest represents MSEK 8,561. The deferred tax liability on forest assets at the same time rises from MSEK 1,715 to MSEK 2,397. Equity increases by MSEK 1,678.

At the end of 2004, the value of growing forest was MSEK 8,622. The change in the value of the growing forest is taken into the income statement, where it has increased the operating profit for 2004 by MSEK 60, in relation to the previous accounting principles. The tax charge has at the same time increased by MSEK 17, which corresponds to the change in deferred tax on the growing forest.

IFRS 3 Business Combinations

IFRS 3 means that goodwill is not subject to systematic depreciation. In Holmen's case, this means that the goodwill arising on the acquisition of Holmen Paper Madrid in 2000 will no longer be depreciated according to plan. Instead, this goodwill will be reviewed each year to determine the need, if any, for depreciation. This means that the goodwill on Holmen's balance sheet at 1 January 2004 will amount to MSEK 528, and that the operating profit for 2004 has improved by MSEK 32.

Holmen has not recalculated acquisitions made before 1 January 2004. There were no acquisitions in 2004.

IFRS adjustments

Profit and loss account, MSEK	2004 July-Sept	IFRS 3	IAS 41	2004 July-Sept IFRS
Net turnover	3,824			3,824
Operating costs	-2,992		25	-2,967
Depreciation according to plan	-296	8		-288
Interest in earnings of associate companies	-1			-1
Operating profit	535	8	25	568
Net financial items	-57			-57
Profit after financial items	478	8	25	511
Tax	-140	-2	-7	-149
Profit for the period	338	6	18	362

Profit and loss account, MSEK	2004 Jan-Sept	IFRS 3	IAS 41	2004 Jan-Sept IFRS
Net turnover	11,611			11,611
Operating costs	-9,207		51	-9,156
Depreciation according to plan	-895	24		-871
Interest in earnings of associate companies	16			16
Operating profit	1,525	24	51	1,600
Net financial items	-152			-152
Profit after financial items	1,373	24	51	1,448
Tax	-400	-8	-14	-422
Profit for the period	973	16	37	1,026

Profit and loss account, MSEK	2004 Jan-Dec	IFRS 3	IAS 41	2004 Jan-Dec IFRS
Net turnover	15,653			15,653
Operating costs	-12,630		60	-12,570
Depreciation according to plan	-1,188	32		-1,156
Interest in earnings of associate companies	25			25
Operating profit	1,860	32	60	1,952
Net financial items	-206			-206
Profit after financial items	1,654	32	60	1,746
Tax	-443	-11	-17	-471
Profit for the period	1,211	21	43	1,275

Balance sheet, MSEK	2003 31 Dec	IFRS 3	IAS 19	IAS 41	2004 1 Jan IFRS
Assets					
Intangible fixed assets					
Goodwill	528				528
Other	28				28
Tangible fixed assets	18,278			2,360	20,638
Financial fixed assets					
Shares and participations	1,767				1,767
Other	44				44
Deferred tax receivable	295		-20		275
Current assets					
Inventories	2,204				2,204
Current receivables	2,539				2,539
Financial receivables	105				105
Cash and bank	570				570
	26,358	0	-20	2,360	28,698
Equity and liabilities					
Equity	15,254		45	1,678	16,977
Minority interest	112				112
Deferred tax liability	4,557			682	5,239
Financial liabilities					
Long-term	1,914		-65		1,849
Short-term	2,130				2,130
Operating liabilities	2,391				2,391
	26,358	0	-20	2,360	28,698
Debt/equity ratio	0.22				0.19
Equity ratio, %	58.3				59.5

Balance sheet, MSEK	2004 30 Sept	IFRS 3	IAS 19	IAS 41	2004 30 Sept IFRS
Assets					
Intangible fixed assets					
Goodwill	503	24			527
Other	30				30
Tangible fixed assets	18,166			2,413	20,579
Financial fixed assets					
Shares and participations	1,752				1,752
Other	44				44
Deferred tax receivable	285	-8	-20		257
Current assets					
Inventories	2,343				2,343
Current receivables	2,886				2,886
Financial receivables	168				168
Cash and bank	464				464
	26,641	16	-20	2,413	29,050
Equity and liabilities					
Equity	13,533	16	47	1,717	15,313
Minority interest	112				112
Deferred tax liability	4,646			696	5,342
Financial liabilities					
Long-term	2,522		-67		2,455
Short-term	3,413				3,413
Operating liabilities	2,415				2,415
	26,641	16	-20	2,413	29,050
Debt/equity ratio	0.39				0.34
Equity ratio, %	51.2				53.1

Balance sheet, MSEK	2004 31 Dec	IFRS 3	IAS 19	IAS 41	2004 31 Dec IFRS	2005 1 Jan IFRS
Assets						
Intangible fixed assets						
Goodwill	491	32			523	523
Other	36				36	36
Tangible fixed assets	18,354			2,421	20,775	20,775
Financial fixed assets						
Shares and participations	1,754				1,754	1,754
Other	20				20	20
Deferred tax receivable	304	-11	-20		273	273
Current assets						
Inventories	2,399				2,399	2,399
Current receivables	2,750				2,750	2,895
Financial receivables	92				92	105
Cash and bank	367				367	367
	26,567	21	-20	2,421	28,989	29,147
Equity and liabilities						
Equity	13,737	21	45	1,720	15,523	15,557
Minority interest	112				112	112
Deferred tax liability	4,476			701	5,177	5,190
Financial liabilities						
Long-term	2,992		-65		2,927	2,927
Short-term	2,408				2,408	2,481
Operating liabilities	2,842				2,842	2,880
	26,567	21	-20	2,421	28,989	29,147
Debt/equity ratio	0.36				0.31	0.31
Equity ratio, %	52.1				53.9	53.8