

## PRESS RELEASE

### INTERIM REPORT JANUARY – JUNE 2000

#### Highlights

- \* Profit after financial items amounted to MSEK 1,809 (corresponding period in 1999: 1,158). The second quarter profit amounted to MSEK 986 compared with MSEK 823 for the first quarter. The second quarter figure includes the refund of surplus funds of MSEK 175 from the SPP pension insurance company.
- \* Profit after tax for the period amounted to MSEK 1,332 (786), which corresponds to earnings per share of SEK 15.00 (8.80). The return on equity was 16.6 per cent (9.4).
- \* Net turnover amounted to MSEK 7,365 (7,257 excluding divested activities).
- \* Demand for newsprint and magazine paper remained very good. Holmen Paper's capacity utilisation was high and the order situation was strong. Prices remained stable in relation to the previous quarter.

Demand for paperboard showed continued strength. Iggesund Paperboard raised its prices by 2 - 6 per cent and further price increases might be made later during the year. The order intake at the Workington mill rose but it is still less than the increased production capacity.

- \* The sale of Holmen's shares in Modo Paper AB was completed on August 9. The transaction has generated a capital gain of some MSEK 1,850, which will be stated in the third quarter accounts.
- \* On July 12, Holmen acquired Papelera Peninsular from Unipapel, a Spanish company, for some MSEK 2,000 on a debt-free basis. The company will be consolidated in Holmen's accounts with effect from the third quarter.

**Net turnover and result**

Net turnover amounted to MSEK 7,365 (corresponding period in 1999, 11,131). Turnover during the January-June 1999 period amounted to MSEK 7,257 excluding divested activities. Second quarter turnover amounted to MSEK 3,680.

The operating profit increased to MSEK 1,885 (1,269). The improvement in the result is largely due to higher earnings at Iggesund Paperboard, the interest in the earnings of Modo Paper, and refunded surplus funds of MSEK 175 from the SPP pension insurance company. The operating margin excluding the SPP refund was 15.9 per cent (15.8 excluding and 11.4 including divested activities).

The operating profit for the second quarter was MSEK 1,026, which may be compared with MSEK 859 for the first quarter. The improvement in the result during the second quarter is mainly attributable to the inclusion of the surplus funds received from SPP.

The return on operating capital was 18.0 per cent (10.4). The return on operating capital excluding the interest in Modo Paper's earnings, was 16.5 per cent. The return on equity was 16.6 per cent (9.4).

***Holmen Paper***

Demand for newsprint and magazine paper remained very good. During the first half of 2000, deliveries of newsprint to Western Europe rose by 5 per cent, of SC paper by 9 per cent and of coated paper by 12 per cent, all in relation to the corresponding period in 1999.

Holmen Paper's total deliveries were 6 per cent higher during the second quarter than in the first quarter. Deliveries within the priority product area - improved newsprint - were 15 per cent higher during the January-June period than in the corresponding period in 1999. Production capacity was utilised to the full, the order situation remained strong and prices were stable. As prices of newsprint are largely based on annual contracts, more or less unchanged prices can be expected for the remainder of the year.

Holmen Paper's operating profit for the January-June period amounted to MSEK 640 (674). Higher deliveries made a positive contribution to the result, although this was offset by slightly lower prices, mainly due to currency movements and higher costs of recovered paper and pulp. The result for the second quarter improved by MSEK 52 to MSEK 346, partly owing to seasonally lower electricity costs.

<b>Holmen Paper</b>	<b>Quarter</b>		<b>January – June</b>	
	<b>2-00</b>	<b>1-00</b>	<b>2000</b>	<b>1999</b>
Net turnover, MSEK	<b>1,804</b>	1,699	<b>3,503</b>	3,346
Operating profit, MSEK	<b>346</b>	294	<b>640</b>	674
Operating margin, %	<b>19</b>	17	<b>18</b>	20
Return on operating capital, %	<b>21</b>	18	<b>20</b>	21
Production, 1,000 tonnes	<b>358</b>	362	<b>720</b>	692
Deliveries, 1,000 tonnes	<b>371</b>	349	<b>720</b>	674

***Iggesund Paperboard***

Demand for paperboard remained strong. During the second quarter, the order intake at West European mills increased by 5 per cent in relation to the previous quarter. During the first half year deliveries were 10 per cent higher than during the corresponding period in 1999.

Iggesund Paperboard's deliveries rose by 6 per cent during the second quarter in relation to the first quarter, mainly due to higher deliveries of folding boxboard from Workington. Capacity utilisation was high at Iggesunds Bruk although at Workington it was held down by market conditions. The prices of folding boxboard as well as of solid bleached board were raised by 2 - 6 per cent and further price increases might be made later this year.

Iggesund Paperboard's operating profit for the January-June period amounted to MSEK 311 (194). Higher sales of solid bleached board and the effect on the profit of changes in stocks during the first quarter, improved the result. Second quarter earnings declined by MSEK 37 in relation to the previous quarter, mainly due to adjustments to the value of stocks. The result was favourably affected by higher prices.

<b>Iggesund Paperboard</b>	<b>Quarter</b>		<b>January – June</b>	
	<b>2-00</b>	<b>1-00</b>	<b>2000</b>	<b>1999</b>
Net turnover, MSEK	<b>1,036</b>	991	<b>2,027</b>	1,945
Operating profit, MSEK	<b>137</b>	174	<b>311</b>	194
Operating margin, %	<b>13</b>	18	<b>15</b>	10
Return on operating capital, %	<b>11</b>	15	<b>13</b>	9
Production, paperboard, 1,000 tonnes	<b>106</b>	115	<b>221</b>	205
Deliveries, paperboard, 1,000 tonnes	<b>103</b>	97	<b>200</b>	198

***Iggesund Timber***

As sawn timber remained in ample supply in Europe, prices continued at low levels, despite the firm demand.

For the January-June period Iggesund Timber incurred an operating loss of MSEK 24 (loss 36). Capacity utilisation was high.

<b>Iggesund Timber</b>	<b>Quarter</b>		<b>January – June</b>	
	<b>2-00</b>	<b>1-00</b>	<b>2000</b>	<b>1999</b>
Net turnover, MSEK	<b>200</b>	193	<b>393</b>	401
Operating loss, MSEK	<b>- 12</b>	-12	<b>- 24</b>	-36
Operating margin, %	<b>- 6</b>	-6	<b>- 6</b>	-9
Return on operating capital, %	<b>- 10</b>	-11	<b>- 11</b>	-17
Production, 1,000 m <sup>3</sup>	<b>93</b>	95	<b>188</b>	178
Deliveries own sawmills, 1,000 m <sup>3</sup>	<b>95</b>	89	<b>184</b>	186

***Holmen Skog***

The Group's wood consumption was running at a high level, although during the second quarter it declined by 2 per cent in relation to the first quarter. The cost to the mills of pulpwood was more or less unchanged during the second quarter, whereas the cost of saw logs rose by 4 per cent.

Holmen Skog's operating profit for the January-June period amounted to MSEK 261 (236). The result declined by MSEK 11 in relation to the first quarter, due to seasonally higher silviculture costs.

Holmen Skog	Quarter		January – June	
	2-00	1-00	2000	1999
Net turnover, MSEK	1,064	1,191	2,255	2,304
Operating loss, MSEK	125	136	261	236

***Holmen Kraft***

The Group's consumption of electric power increased by 2 per cent during the second quarter. The price of electricity at the mills was 45 per cent lower than during the first quarter for seasonal reasons.

Holmen Kraft's operating profit for the January-June period amounted to MSEK 59 (68). The result for the second quarter was low on account of a seasonal reduction in company production and lower prices. The company's own production of hydroelectric power is highest during the November-March period when prices are higher. Most of the year's profit is therefore earned during that period.

Holmen Kraft	Quarter		January – June	
	2-00	1-00	2000	1999
Net turnover, MSEK	195	351	546	521
Operating loss, MSEK	- 22	81	59	68

***Associate company Modo Paper AB***

The Group's interest in the earnings of Modo Paper for the January-June period amounted to MSEK 524 (first quarter of 2000: 218).

**Financing**

The cash flow for the January-June period was a negative MSEK 939. Cash flow includes dividends paid amounting to MSEK 977. The Group's net financial liability at the end of June amounted to MSEK 2,929 (December 31, 1999: 2,054).

The debt/equity ratio was 0.18 (December 31, 1999: 0.13). The equity ratio was 64.9 per cent (December 31, 1999: 54.4).

**Capital expenditure**

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The Group's capital expenditure amounted to MSEK 606 (835). Depreciation according to plan amounted to MSEK 496 (764).

**Employees**

The average number of employees in the Group was 5,210 (1999 as a whole: 5,336 excluding employees of divested activities).

**Important events during the April-August period**

- On July 12, Holmen acquired Papelera Peninsular from Unipapel, a Spanish company, for some MSEK 2,000 on a debt-free basis. The company will be consolidated in Holmen's accounts with effect from the third quarter.
- On August 9, Holmen finalised the sale to Metsä-Serla of its 50 per cent holding in associate company Modo Paper AB for MSEK 6,500. The book value was approximately MSEK 4,600. The sale generated a net capital gain of some MSEK 1,850, or some SEK 21 per share. Modo Paper is stated as an associate company until and including the second quarter.
- Holmen's Board decided on June 15, to convene an Extraordinary General Meeting on August 15. The Board proposes that the Extraordinary General Meeting shall authorise the Board to buy back up to 10 per cent of the company's shares.

Stockholm, August 15, 2000

Per Ericson  
President and CEO

*This interim report has not been subject to a general examination by the company's auditors.*

*The interim report for the January-September 2000 period will be published on October 27.*

**PROFIT AND LOSS ACCOUNT, MSEK**

	<b>January - June</b>		<b>Full Year</b>
	<b>2000</b>	<b>1999</b>	
Net turnover	<b>7,365</b>	11,131	20,508
Operating costs	<b>-5,696</b>	-9,100	-16,669
Depreciation according to plan	<b>-496</b>	-764	-1,387
Item affecting comparability	<b>175</b>	-	-
Interest in earnings of associate companies	<b>537</b>	2	163
<b>Operating profit</b>	<b>1,885</b>	1,269	2,615
Net financial items	<b>-76</b>	-111	-206
<b>Profit after financial items</b>	<b>1,809</b>	1,158	2,409
Tax	<b>-477</b>	-372	-595
<b>Profit for the period</b>	<b>1,332</b>	786	1,814
Operating margin	%	<b>15.9</b>	11.4
Return on operating capital	%	<b>18.0</b>	10.4
Return on equity	%	<b>16.6</b>	9.4
Earnings per share after tax*	SEK	<b>15.00</b>	8.80

\* Calculated before dilution as a result of outstanding convertibles and warrants.

**NET TURNOVER AND OPERATING PROFIT, MSEK**

	<b>Net turnover</b>		<b>Operating profit/loss</b>	
	<b>January - June</b>		<b>January - June</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
Holmen Paper	<b>3,503</b>	3,346	<b>640</b>	674
Iggesund Paperboard	<b>2,027</b>	1,945	<b>311</b>	194
Iggesund Timber	<b>393</b>	401	<b>-24</b>	-36
Holmen Skog	<b>2,255</b>	2,304	<b>261</b>	236
Holmen Kraft	<b>546</b>	521	<b>59</b>	68
Group adjustments and other	-	-	<b>-61</b>	16
	<b>8,724</b>	8,517	<b>1,186</b>	1,152
Item affecting comparability	-	-	<b>175</b>	-
Share in earnings MODO Paper	-	-	<b>524</b>	-
Divested activities	-	5,539	-	117
Intra-group sales	<b>-1,359</b>	-2,925	-	-
	<b>7,365</b>	11,131	<b>1,885</b>	1,269

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**BALANCE SHEET, MSEK**

	<b>2000</b> <b>June 30</b>	1999 Dec 31
<b>ASSETS</b>		
Fixed assets	<b>15,049</b>	14,996
Shares in Modo Paper	<b>4,608</b>	4,257
Current assets	<b>5,120</b>	5,068
Financial receivables	<b>15</b>	3,395
Liquid funds	<b>183</b>	1,456
	<b>24,975</b>	29,172
<b>EQUITY AND LIABILITIES</b>		
Equity	<b>16,199</b>	15,883
Deferred tax liability	<b>2,472</b>	2,408
Financial liabilities	<b>3,127</b>	6,905
Operating liabilities	<b>3,177</b>	3,976
	<b>24,975</b>	29,172
Debt/equity ratio	<b>0.18</b>	0.13
Equity ratio %	<b>64.9</b>	54.4

**CASH FLOW ANALYSIS, MSEK**

	<b>2000</b> <b>Jan-June</b>	1999 Full year
Operating profit	<b>1,885</b>	2,615
Adjustments for items not included in cash flow*	<b>-40</b>	1,551
Change in working capital	<b>-563</b>	-3
Net financial items	<b>-76</b>	-206
Paid tax	<b>-562</b>	-122
<b>Cash flow before capital expenditure</b>	<b>644</b>	3,835
Capital expenditure	<b>-606</b>	-1,988
<b>Cash flow after capital expenditure</b>	<b>38</b>	1,847
Effects from divested activities	-	3,258
<b>Cash flow before dividend</b>	<b>38</b>	5,105
Ordinary dividend	<b>-977</b>	-889
Extra dividend	-	-3,110
<b>Cash flow</b>	<b>-939</b>	1,106
Currency effects	<b>64</b>	-17
<b>Change in net financial liability</b>	<b>-875</b>	1,089
Liquid funds	<b>183</b>	1,456
Financial receivables	<b>15</b>	3,395
Financial liabilities	<b>-3,127</b>	-6,905
<b>Net financial liability</b>	<b>-2,929</b>	-2,054

  

Opening liquid funds	<b>1,456</b>	1,241
Change in liquid funds	<b>-1,270</b>	235
Currency effects	<b>-3</b>	-20
<b>Closing liquid funds</b>	<b>183</b>	1,456

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- \* The adjustments consist primarily of depreciation according to plan and the interest of the earnings of associate companies.

**QUARTERLY FIGURES, MSEK**

	2000		1999 Full year	1999			
	II	I		IV	III	II	I
<b>Net turnover</b>							
Holmen Paper	1,804	1,699	6,944	1,855	1,743	1,644	1,702
Iggesund Paperboard	1,036	991	3,913	963	1,005	972	973
Iggesund Timber	200	193	767	198	168	200	201
Holmen Skog	1,064	1,191	4,397	1,128	965	1,119	1,185
Holmen Kraft	195	351	1,019	313	185	181	340
	4,299	4,425	17,040	4,457	4,066	4,116	4,401
Divested activities	–	–	8,345	276	2,530	2,739	2,800
	4,299	4,425	25,385	4,733	6,596	6,855	7,201
Intra-group sales	–619	–740	–4,877	–759	–1,193	–1,377	–1,548
	3,680	3,685	20,508	3,974	5,403	5,478	5,653
<b>Profit/loss</b>							
Holmen Paper	346	294	1,418	310	434	367	307
Iggesund Paperboard	137	174	318	–14	138	106	88
Iggesund Timber	–12	–12	–66	–13	–17	–24	–12
Holmen Skog	125	136	521	176	109	124	112
Holmen Kraft	–22	81	76	38	–30	–14	82
Group adjustments and other	–29	–32	–20	–22	–14	–44	60
	545	641	2,247	475	620	515	637
Item affecting comparability	175	–	–	–	–	–	–
Share in earnings Modo Paper	306	218	136	136	–	–	–
Divested activities	–	–	232	43	72	106	11
<b>Operating profit</b>	1,026	859	2,615	654	692	621	648
Net financial items	–40	–36	–206	–23	–72	–78	–33
<b>Profit after financial items</b>	986	823	2,409	631	620	543	615
Tax	–261	–216	–595	–22	–201	–175	–197
<b>Profit for the period</b>	725	607	1,814	609	419	368	418

<b>Operating margin, %</b>							
Holmen Paper	19	17	20	17	25	22	18
Iggesund Paperboard	13	18	8	–1	14	11	9
Iggesund Timber	–6	–6	–9	–6	–11	–12	–6
Group	15	17	12	12	13	11	11

<b>Deliveries</b>							
Newsprint and magazine paper, 1,000 tonnes	371	349	1,413	380	359	335	339
Paperboard, 1,000 tonnes	103	97	403	100	105	101	97
Sawn timber, 1,000 m <sup>3</sup>	95	89	366	99	80	94	93

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### SHARE STRUCTURE

Share	Votes	No. of shares	No. of votes
A	10	22,623,234	226,232,340
B	1	66,235,044	66,235,044
Shares in total		88,858,278	292,467,384
Convertibles, B*	1	2,436,191	2,436,191
Warrants, B*	1	773,500	773,500
Total number of shares after dilution		92,067,969	295,677,075

\* After full conversion and subscription.