

INTERIM REPORT JANUARY – MARCH 2001**HIGHLIGHTS**

- * The operating profit amounted to MSEK 703, which may be compared with MSEK 641 for the first quarter of 2000, excluding divested activities. The fourth quarter operating profit was MSEK 438.

Profit after financial items amounted to MSEK 699 compared with MSEK 605 for the first quarter of 2000 excluding divested activities (first quarter of 2000 including divested activities: MSEK 823). The fourth quarter profit in 2000 amounted to MSEK 424.

The profit for the period after tax amounted to MSEK 490 (607), which corresponds to earnings per share of SEK 6.10 (6.80). The return on equity was 13.4 per cent (15.0).

- * The market conditions for newsprint and magazine paper were still good, and Holmen Paper's order situation remained strong. Prices were raised at the beginning of the year.

The market conditions for paperboard were weaker during the first quarter of 2001 than in the corresponding period of last year. Iggesund Paperboard raised the prices of solid bleached board and folding boxboard.

- * Holmen's Board has made a decision in principle on an investment in a new paper machine for production of wood-containing printing paper. Production start is planned for the end of 2003/beginning of 2004.

NET TURNOVER AND RESULTS

Net turnover amounted to MSEK 4,116 (first quarter of 2000: 3,685). Fourth quarter turnover amounted to MSEK 4,048.

The operating profit amounted to MSEK 703 (641, excluding divested activities) and the operating margin was 17.1 per cent (17.2). The improvement in the result was due to higher selling prices.

The operating profit increased by MSEK 265 in relation to the fourth quarter of 2000, mainly due to higher selling prices and lower costs.

The return on operating capital was 13.5 per cent (15.6 excluding divested activities). The return on equity was 13.4 per cent (15.0).

Earnings per share amounted to SEK 6.10 (6.80).

Holmen Paper

The market conditions for newsprint and magazine paper are still good, but deliveries are growing at a slacker rate. First quarter deliveries of newsprint to Western Europe were 1 per cent lower than in the first quarter of 2000 while MF Journal deliveries were up by 3 per cent, SC paper by 2 per cent and coated printing paper by 3 per cent.

Holmen Paper's first quarter deliveries declined in relation to the fourth quarter, when delivery volumes were very high. Production capacity was utilised to the full, except for a planned production stop for rebuilding. Stocks rose from a very low level at the start of the year, but they are still low for the time of year. The order situation remained strong. Prices were raised at the beginning of the year.

The operating profit for the January-March period amounted to MSEK 495 (294). The improvement was largely due to the effects of higher prices and to a positive contribution from Papelera Peninsular.

Higher prices were also the main reason behind the MSEK 190 improvement in the result in relation to the fourth quarter of 2000. Lower delivery volumes had an adverse effect on the result. High maintenance costs were charged during the previous quarter.

Holmen Paper	Quarter			Full year 2000
	1-01	4-00	1-00	
Net turnover, MSEK	2,041	2,137	1,699	7,618
of which external customers	2,041	2,137	1,699	7,618
Operating profit, MSEK	495	305	294	1,389
Operating margin, %	24	14	17	18
Return on operating capital, %	23	14	18	17
Production, 1,000 tonnes	394	402	362	1,535
Deliveries, 1,000 tonnes	369	434	349	1,560

PRESS RELEASE**Iggesund Paperboard**

Deliveries of virgin fibre-based paperboard from West European producers remained largely unchanged in relation to the previous quarter. The order intake showed a seasonal increase, but was lower than during the corresponding period in 2000.

Iggesund Paperboard's deliveries declined by 3 per cent in relation to the fourth quarter, and market related production stops were made. The prices of folding boxboard and solid bleached board were raised at the beginning of the year.

Iggesund Paperboard's operating profit for the January-March period amounted to MSEK 142 (174). Higher selling prices had a favourable effect on the result, while variable costs, including the cost of chemicals, rose. The figures for the first quarter of 2000 included the positive effect of restocking on the result. Workington's profitability is still unsatisfactory.

The result improved by MSEK 50 in relation to the fourth quarter of 2000, mainly due to higher paperboard prices.

A production stop for an investment project to raise quality will decrease production of solid bleached board and profit for the second quarter.

Iggesund Paperboard	Quarter			Full year 2000
	1-01	4-00	1-00	
Net turnover, MSEK	1,102	1,076	991	4,186
of which external customers	1,094	1,070	985	4,162
Operating profit, MSEK	142	92	174	569
Operating margin, %	13	9	18	14
Return on operating capital, %	11	8	15	12
Production, paperboard, 1,000 tonnes	106	107	115	442
Deliveries, paperboard, 1,000 tonnes	104	107	97	415

Iggesund Timber

The sawn timber market is still experiencing excess supply and prices decreased during the quarter.

The operating result for the January-March period was a loss of MSEK 16 (loss 12). The deterioration in the result is mainly due to higher variable costs as well as lower prices and lower delivery volumes for whitewood.

The result was MSEK 4 better than in the fourth quarter of 2000 (excl. structuring costs).

Iggesund Timber	Quarter			Full year 2000
	1-01	4-00	1-00	
Net turnover, MSEK	180	202	193	762
of which external customers	180	202	193	762
Operating loss, MSEK	-16	-84	-12	-116
Operating margin, %	-9	-11	-6	-7
Return on operating capital, %	-15	-74	-11	-28
Production, 1,000 m ³	87	99	95	374
Deliveries, own sawmills, 1,000 m ³	85	96	89	360

Holmen Skog

The cost of pulpwood at Holmen's mills rose by 5 per cent in relation to the first quarter of 2000 as a result of increases in market prices in the autumn of 2000.

The operating profit for the January-March period was MSEK 100 (136). The deterioration is largely due to the lower volume harvested in the company forests. In relation to the fourth quarter of 2000 – which included negative periodisation items – the result declined by MSEK 8.

Holmen Skog's result comes largely from sales of wood harvested in company forests. This volume represents some 50 per cent of the Group's demand for wood in Sweden.

Holmen Skog	Quarter			Full year 2000
	1-01	4-00	1-00	
Net turnover, MSEK	1,172	979	1,191	4,117
of which external customers	672	526	689	2,257
Operating profit, MSEK	100	108	136	466
Holmen's wood consumption, 1,000 m ³	1,115	1,163	1,158	4,546
Harvesting in company forests, 1,000 m ³	390	620	479	2,338

Holmen Kraft

Holmen Kraft's operating profit for the January-March period amounted to MSEK 36 compared with MSEK 41 for the fourth quarter. In relation to the first quarter of 2000, the result has declined by MSEK 45, largely due to lower prices for electric energy in the new contracts.

Holmen Kraft's result is largely earned on the production of electric energy at wholly or part-owned hydro-electric power stations, which meet some 35-40 per cent of the Group's electricity requirements in Sweden.

Holmen Kraft	Quarter			Full year 2000
	1-01	4-00	1-00	
Net turnover, MSEK	308	347	351	1,110
of which external customers	129	113	119	356
Operating profit, MSEK	36	41	81	99
Holmen's electricity consumption, GWh	1,004	1,051	1,016	4,171
Holmen's production of electricity, GWh	465	365	506	1,552

FINANCING

The cash flow before payment of dividend amounted to MSEK 662. The ordinary dividend, amounting to MSEK 720, and the extra dividend of MSEK 4,798 were disbursed during the quarter.

The Group's net financial liability increased to MSEK 4,603 (December 31, 2000: asset +294). The debt-equity ratio was 0.38 (negative 0.02). The equity ratio was 49.0 per cent (64.7).

CAPITAL EXPENDITURE

The Group's capital expenditure amounted to MSEK 319 (231). Depreciation according to plan amounted to MSEK 281 (248).

EMPLOYEES

The average number of employees in the Group was 5,211 (full year 2000: 5,275).

DECISION IN PRINCIPLE ON INVESTMENT

Within the framework of the Group's strategic direction, Holmen's Board decided at its meeting on April 26, 2001 on the principles of an investment in a new machine for the production of wood-containing printing paper. The location – which may be at the Braviken Paper Mill in Norrköping, Sweden, or at Papelera Peninsular in Madrid, Spain – will be determined before the Board makes its final decision, which will also depend on for instance the question of permits being clarified with the relevant authorities. The intention is to bring the new machine into production at the end of 2003 or in the beginning of 2004.

(This decision in principle is covered in more detail in a separate press release.)

ACCOUNTING PRINCIPLES

This interim report has been made up in compliance with the Swedish Financial Accounting Standards Council's Recommendation RR 20 Interim Reports.

In compliance with the Swedish Financial Accounting Standards Council's Recommendation RR 9 Income Taxes, deferred tax liability in respect of the Group's forest holdings and deferred tax receivables are stated gross in the consolidated balance sheet. As a result of this change, the value of fixed assets has increased by MSEK 1,715, deferred tax liability has increased by MSEK 1,906, and deferred tax receivable by MSEK 191 as of December 31, 2000.

In other respects, the same accounting principles and calculation methods have been applied as for the prior year's final accounts.

Stockholm April 26, 2001

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 January-June will be published on August 15, 2001.

PRESS RELEASE
PROFIT AND LOSS ACCOUNT, MSEK

	Quarter			Moving 12 months	Full year 2000
	1-01	4-00	1-00		
Net turnover	4,116	4,048	3,685	15,586	15,155
Operating costs	-3,133	-3,332	-2,803	-12,173	-11,843
Depreciation according to plan	-281	-284	-248	-1,078	-1,045
Items affecting comparability	—	—	—	2,023	2,023
Interest in earnings of associate companies	1	6	225	328	552
Operating profit	703	438	859	4,686	4,842
Net financial items	-4	-14	-36	-69	-101
Profit after financial items	699	424	823	4,617	4,741
Tax	-209	-108	-216	-762	-769
Profit for the period	490	316	607	3,855	3,972
Operating margin %	17.1	10.7	17.2	15.0	15.0
Return on operating capital %					
Incl. divested activities	13.5	9.3	16.6	22.7	24.6
Excl. divested activities	13.5	9.3	15.6	12.8	13.1
Return on equity %	13.4	7.5	15.0	26.9	24.1

EARNINGS PER SHARE

		Quarter			Moving 12 months	Full year 2000
		1-01	4-00	1-00		
Profit for the period	MSEK	490	316	607	3,855	3,972
Interest convertible loan	MSEK	3	4	4	14	14
Adjusted profit	MSEK	493	320	611	3,869	3,986
Average number of shares (million)						
Before dilution		80.0	80.1	88.9	84.3	86.5
After dilution		82.6	82.8	91.5	87.0	89.2
Earnings per share						
Before dilution	SEK	6.10	3.90	6.80	45.70	45.90
After dilution	SEK	6.00	3.90	6.70	44.50	44.70

NET TURNOVER AND OPERATING PROFIT, MSEK

	Net turnover			Operating profit/loss		
	Quarter			Quarter		
	1-01	4-00	1-00	1-01	4-00	1-00
Holmen Paper	2,041	2,137	1,699	495	305	294
Iggesund Paperboard	1,102	1,076	991	142	92	174
Iggesund Timber	180	202	193	-16	-84	-12
Holmen Skog	1,172	979	1,191	100	108	136
Holmen Kraft	308	347	351	36	41	81
Group adjustments and other	—	—	—	-54	-24	-32
	4,803	4,741	4,425	703	438	641
Divested activities	—	—	—	—	—	218
Intra-group sales	-687	-693	-740	—	—	—
	4,116	4,048	3,685	703	438	859

PRESS RELEASE**BALANCE SHEET, MSEK**

	2001 March 31	2000 Dec 31
ASSETS		
Fixed assets		
Intangible	644	636
Tangible	17,997	17,844
Financial	425	475
Current assets		
Inventories	2,396	2,298
Current receivables	2,959	3,032
Financial receivables	29	15
Liquid funds	505	2,000
	24,955	26,300
EQUITY AND LIABILITIES		
Equity	12,217	17,014
Deferred tax liability	4,231	4,264
Financial liabilities	5,137	1,721
Operating liabilities	3,370	3,301
	24,955	26,300
Debt/equity ratio	0.38	-0.02
Equity ratio, %	49.0	64.7
Pledged assets	10	20
Contingent liabilities	493	484

CHANGE IN EQUITY, MSEK

	2001 Jan-March	2000 Jan-March
Opening equity	17,014	15,883
Dividend paid to shareholders	-5,518	-
Translation differences of foreign subsidiaries and associate companies	231	-84
Profit for the period	490	607
Closing equity	12,217	16,406

SHARE STRUCTURE AT APRIL 26, 2001

Share	Votes	No. of shares	No. of votes
A	10	22,623,234	226,232,340
B	1	57,349,217	57,349,217
Shares in total		79,972,451	283,581,557
Convertibles, B*	1	2,436,191	2,436,191
Warrants, B*	1	773,500	773,500
Total number of shares		83,182,142	286,791,248

* After full conversion and subscription.

The Annual General Meeting held on March 20, 2001 decided that the share capital should be reduced by MSEK 444 by withdrawal without repayment of the 8,885,827 Series "B" shares bought back in 2000, which has been put into effect.

CASH FLOW ANALYSIS, MSEK

	2001 Jan-March	2000 Jan-March	2000 Full year
Operating profit	703	859	4,842
Adjustments for items not included in cash flow*	283	23	-1,446
Change in working capital	58	-289	-388
Net financial items	-4	-36	-101
Paid tax	-59	-541	-942
Cash flow before capital expenditure	981	16	1,965
Capital expenditure	-	-	-2,053
Company acquisition	-	-	-
Other	-319	-231	-1,115
Cash flow after capital expenditure	662	-215	-1,203
Effects from divested activities	-	-	6,456
Cash flow before dividend	662	-215	5,253
Share buy-back	-	-	-2,025
Ordinary dividend	-720	-	-977
Extra dividend	-4,798	-	-
Cash flow	-4,856	-215	2,251
Currency effects	-41	-2	97
Change in net financial liability	-4,897	-217	2,348
Liquid funds	505	561	2,000
Financial receivables	29	115	15
Financial liabilities	-5,137	-2,947	-1,721
Net financial liability/asset	-4,603	-2,271	294

Opening liquid funds	2,000	1,456	1,456
Change in liquid funds	-1,501	-894	540
Currency effects	6	-1	4
Closing liquid funds	505	561	2,000

* The adjustments consist primarily of certain items affecting comparability, depreciation according to plan and interest in earnings of associate companies.

PRESS RELEASE
QUARTERLY FIGURES, MSEK

	2001 Q 1	2000				
		Full year	Q4	Q3	Q2	Q1
Net turnover						
Holmen Paper	2,041	7,618	2,137	1,978	1,804	1,699
Iggesund Paperboard	1,102	4,186	1,076	1,083	1,036	991
Iggesund Timber	180	762	202	167	200	193
Holmen Skog	1,172	4,117	979	883	1,064	1,191
Holmen Kraft	308	1,110	347	217	195	351
	4,803	17,793	4,741	4,328	4,299	4,425
Intra-group sales	-687	-2,638	-693	-586	-619	-740
	4,116	15,155	4,048	3,742	3,680	3,685
Profit/loss						
Holmen Paper	495	1,389	305	444	346	294
Iggesund Paperboard	142	569	92	166	137	174
Iggesund Timber	-16	-116	-84	-8	-12	-12
Holmen Skog	100	466	108	97	125	136
Holmen Kraft	36	99	41	-1	-22	81
Group adjustments and other	-54	-112	-24	-27	-29	-32
	703	2,295	438	671	545	641
Items affecting comparability	-	2,023	-	1,848	175	-
Divested activities	-	524	-	-	306	218
	703	4,842	438	2,519	1,026	859
Operating profit						
Net financial items	-4	-101	-14	-11	-40	-36
	699	4,741	424	2,508	986	823
Profit after financial items						
Tax	-209	-769	-108	-184	-261	-216
Profit for the period	490	3,972	316	2,324	725	607

Earnings per share (before dilution), SEK	6.10	45.90	3.90	26.30	8.20	6.80
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Operating margin, %						
Holmen Paper	24	18	14	22	19	17
Iggesund Paperboard	13	14	9	15	13	18
Iggesund Timber	-9	-7	-11	-5	-6	-6
Group	17	15	11	17	15	17

Deliveries						
Newsprint and magazine paper, 1,000 tonnes	369	1,560	434	406	371	349
Paperboard, 1,000 tonnes	104	415	107	108	103	97
Sawn timber, 1,000 m ³	85	360	96	80	95	89