

HOLMEN

PRESS RELEASE

INTERIM REPORT JANUARY – JUNE 2003

MSEK	Quarter		January-June		Full year
	2-03	1-03	2003	2002	2002
Net turnover	4,010	4,001	8,011	7,965	16,081
Operating profit	609	635	1,244	1,359	2,713
Profit after financial items	551	581	1,132	1,277	2,564
Profit after tax	392	389	781	1,013	1,959
Earnings per share (before dilution), SEK	4.91	4.86	9.77	12.67	24.50
Earnings per share (after dilution), SEK	4.72	4.69	9.41	12.20	23.58
Return on equity, %	10.5	10.3	10.4	14.6	13.7

- The Group's net turnover for January-June amounted to MSEK 8,011 (January-June 2002: 7,965).
- Profit after tax was MSEK 781 (1,013).
- Earnings per share amounted to SEK 9.77 (12.67). The return on equity was 10.4 per cent (14.6).
- The operating profit was MSEK 1,244 (1,359). Holmen Paper's operating profit declined by MSEK 451 as a result of lower prices. Iggesund Paperboard's result increased by MSEK 147 primarily as a result of higher volumes.

Compared with the first quarter the result declined by MSEK 26 to MSEK 609.

- The market conditions for newsprint and magazine paper were weak during the second quarter. Holmen Paper's production has continued to be restricted. Prices were stable during the quarter but they were lower than in the previous year.

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

PRESS RELEASE**BUSINESS AREAS**

Holmen Paper	Quarter		January-June		Full year
	2-03	1-03	2003	2002	2002
Net turnover, MSEK	1,996	1,828	3,824	3,923	8,164
Operating profit, MSEK	197	186	383	834	1,664
Operating margin, %	10	10	10	21	21
Return on operating capital, %	8	8	8	17	17
Production, 1,000 tonnes	412	394	806	738	1,541
Deliveries, 1,000 tonnes	428	379	807	728	1,528

The market conditions for newsprint and magazine paper remained weak during the second quarter. Deliveries of newsprint to Western Europe were approximately one per cent lower than in the first half of 2002, while exports to markets outside Western Europe rose significantly. There is still excess capacity. Deliveries of SC paper to Western Europe declined by around one per cent, whilst deliveries of coated paper rose by some 3 per cent. In both product areas, exports have risen markedly, but capacity utilisation was still low.

Holmen Paper's deliveries increased in relation to the first quarter, partly for seasonal reasons. Compared with the first half of 2002 deliveries were 9 per cent higher as a consequence of higher exports to markets outside Western Europe and the effect on last year's deliveries of the replacement of a paper machine at Hallsta Paper Mill. Production capacity was not utilised to the full due to market conditions. Prices remained unchanged during the quarter. Compared with the first half of 2002 prices were on average some 10 per cent lower due to the price reduction at the beginning of the year.

The operating profit for January-June was MSEK 383 (834). The decline was largely caused by lower prices. Higher delivery volumes had a favourable effect on the result.

Compared with the first quarter of 2003, the result improved by MSEK 11 to MSEK 197.

Iggesund Paperboard	Quarter		January-June		Full year
	2-03	1-03	2003	2002	2002
Net turnover, MSEK	1,228	1,289	2,517	2,414	4,850
Operating profit, MSEK	249	274	523	376	818
Operating margin, %	20	21	21	16	17
Return on operating capital, %	25	28	26	18	20
Production, paperboard, 1,000 tonnes	121	122	243	221	458
Deliveries, paperboard, 1,000 tonnes	120	123	243	220	453

The market conditions for paperboard were stable during the second quarter although they were slightly weaker for recycled fibre-based paperboard and the lower quality segments of virgin fibre-based paperboard. Deliveries from West European producers of virgin fibre-based paperboard were unchanged compared with the first quarter. Deliveries were around 3 per cent up on January-June 2002 as a result of higher exports.

Iggesund Paperboard's deliveries declined slightly in relation to the first quarter. Compared with the first half of 2002 deliveries increased by 10 per cent as a consequence of higher sales to markets within and outside Western Europe. Capacity utilisation remained high and prices were stable.

The operating profit for January-June amounted to MSEK 523 (376). The improvement was mainly due to higher deliveries and lower production costs.

The result declined by MSEK 25 to MSEK 249 compared with the first quarter of 2003.

Iggesund Timber	Quarter		January-June		Full year
	2-03	1-03	2003	2002	2002
Net turnover, MSEK	141	128	269	305	572
Operating profit/loss, MSEK	5	5	10	-8	-6
Production, 1,000 m ³	47	49	96	111	195
Deliveries own sawmill, 1,000 m ³	53	45	98	117	220

The market for redwood sawn timber was stable during the second quarter. The operating profit for January-June was MSEK 10 (loss 8). The improvement in the result is mainly due to higher prices and lower costs. Compared with the first quarter of 2003 the result was unchanged.

Holmen Skog	Quarter		January-June		Full year
	2-03	1-03	2003	2002	2002
Net turnover, MSEK	933	976	1,909	1,877	3,538
of which external customers	543	567	1,110	1,125	2,085
Operating profit, MSEK	163	119	282	233	450
Wood consumption at Group's Swedish mills, 1,000 m ³	1,020	1,036	2,056	1,891	3,908
Harvesting in company forests, 1,000 m ³	733	562	1,295	1,169	2,510

The operating profit for January-June was MSEK 282 (233). A higher level of harvesting in company forests, higher prices and lower harvesting costs are the main factors behind the improvement in the result. Compared with the first quarter of 2003 the result improved by MSEK 44, mainly due to a seasonally higher level of harvesting in company forests.

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

Holmen Kraft	Quarter		January-June		Full year
	2-03	1-03	2003	2002	2002
Net turnover, MSEK	300	381	681	542	1,120
of which external customers	106	193	299	208	430
Operating profit/loss, MSEK	36	93	129	16	-26
Electric power consumption at Group's Swedish mills, GWh	1,036	999	2,035	1,853	3,903
Group production of electric power, GWh	281	358	639	792	1,320

The operating profit for January-June amounted to MSEK 129 (16). The improvement is due to higher selling prices for company-generated electricity and the effects of the repurchase and consolidation of hydroelectric power assets, which was completed as of 31 December 2002. Compared with the first quarter of 2003 the result declined by MSEK 57 to MSEK 36, mainly owing to lower prices but also to lower volume.

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

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NET FINANCIAL COST AND FINANCING

Net financial costs for January-June amounted to MSEK 112 (82). The increase is due to a higher level of debt.

The cash flow from current operations amounted to MSEK 1,148 and net capital expenditure to MSEK 341. A dividend of MSEK 880 was paid during the second quarter.

The Group's net financial debt amounted to MSEK 4,300 (31 December 2002: 3,808). Changes in the accounting treatment of pension liability and accrued interests had the effect of increasing the net debt by MSEK 439. The debt/equity ratio was 0.29 (0.25). The equity ratio was 55.2 per cent (56.3). The Group has an unutilised committed credit facility amounting to some MSEK 4,600 with a remaining tenor of approximately four years.

TAX

The Group's tax cost amounted to MSEK 351 (264). The figure for 2002 includes a refund of MSEK 102 resulting from the settlement of a tax case in the company's favour.

HEDGING OF CURRENCIES AND ELECTRICITY PRICES

The Group's hedging of foreign currency has meant that the weakening of the US dollar and sterling during the last year only had a limited impact on the consolidated result compared with previous year. Most of Holmen's currency exposure in the second half of 2003 has been hedged. In the case of 2004, some 90 per cent of the estimated flows in euro and some 40 per cent of flows in sterling have been hedged at exchange rates of 9.40 and 14.80 respectively. For 2005 just under 50 per cent of the flows in euro have been hedged at a rate of 9.40.

Holmen's mills were only affected to a limited extent by the high market price of electricity during the past half-year due to their use of fixed price contracts and hedging of electricity prices. The Group's estimated net consumption in Sweden in 2003 and 2004 has mostly been hedged. For 2005 half has been hedged and for the 2006–2011 period around a third. The hedging price for 2004 is about the same as the 2003 price paid by the industry, while the hedging level from 2005 and thereafter is 5–10 per cent higher.

CAPITAL EXPENDITURE

The Group's capital expenditure during January-June amounted to MSEK 352 (1,065) and related largely to improvements at existing facilities. Depreciation according to plan amounted to MSEK 583 (566).

EMPLOYEES

The average number of employees in the Group was 4,946 (full-year 2002: 5,075)

PARENT COMPANY

The net turnover of the parent company (Holmen AB) amounted to MSEK 6,466 (6,441). The profit after net financial items amounted to MSEK 1,021 (882) including dividends of MSEK 209 (2) paid by subsidiaries. Liquid funds amounted to MSEK 415 (31 December 2002: 534). The parent company's fixed capital expenditure (excluding shares) amounted to MSEK 5 (10).

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SHARE BUYBACK

The Annual General Meeting held on 26 March 2003 mandated the Board to make decisions to acquire up to 10 per cent of the company's shares. The Board has decided to exercise this mandate. No shares have been repurchased.

NEW ACCOUNTING PRINCIPLES

As of 1 January 2003, The Swedish Financial Accounting Standards Council's recommendation RR 29 Employee Benefits is implemented in the Group's financial statements. The change to the implementation of RR 29 means that the Group's pension liabilities, which are regarded as a financial liability in the calculation of financial ratios, were increased by MSEK 392 as of 1 January. This increase is taken direct against equity. Net after deduction of deferred tax, the Group's equity is decreased by MSEK 274.

IMPORTANT EVENTS

- During the second quarter, 38 per cent of the shares were acquired in Llau Redmat, a recovered paper company active in the south of France. The purchase price was MSEK 28. The acquisition strengthens the sourcing of raw materials for Papelera Peninsular, Holmen Paper's Spanish newsprint mill, whose production is based on recovered paper.
- As a consequence of the weak market for coated magazine paper, the profitability of the Wargön Mill, which is part of Holmen Paper, is unsatisfactory. The previously approved closure of the sulphite pulp mill will be carried out in the autumn and some investments will be made to improve the product quality of the finished products. Over and above this an action plan has been decided on, whereby some 50 positions in addition to the 25 announced in connection with the closure of the sulphite mill will become redundant. A programme of measures to improve profitability is also being carried out at the Hallsta Paper Mill.

Stockholm 20 August 2003

Göran Lundin
President and CEO

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

The interim report for January-September will be released on 30 October.

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Holmen is a forest products industry group with the capacity to produce 2.3 million tonnes of paper and paperboard per year. The EU countries, which account for some 85 per cent of the Group's turnover, are by far the largest market.

Holmen Paper produces paper for daily newspapers, magazines, directories and advertising matter at three Swedish mills and one Spanish mill. **Iggesund Paperboard** produces paperboard for packaging and graphic purposes at two Swedish mills and one English mill. **Iggesund Timber** produces sawn timber at one Swedish sawmill. **Holmen Skog** manages the Group's one million hectares of forests and the annual volume harvested from company forests is some 2.5 million m³. **Holmen Kraft** produces in a normal year some 1,100 GWh of electricity at wholly and partly owned hydroelectric power stations in Sweden.

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ACCOUNTING PRINCIPLES

This interim report is made up in accordance with all of the Swedish Financial Accounting Standards Council's recommendations that are in effect in 2003. Moreover, the Council's recommendation RR 29 "Employee Benefits" has been implemented in advance with effect from 1 January 2003. Apart from this, there have been no changes in principles having an effect on the result and financial position in relation to the principles applied in the most recently published annual report.

PROFIT AND LOSS ACCOUNT, MSEK	Quarter		January-June		Full year
	2-03	1-03	2003	2002	2002
Net turnover	4,010	4,001	8,011	7,965	16,081
Operating costs	-3,111	-3,075	-6,186	-6,043	-12,205
Depreciation according to plan	-291	-292	-583	-566	-1,153
Interest in earnings of associate companies	1	1	2	3	-10
Operating profit	609	635	1,244	1,359	2,713
Net financial items	-58	-54	-112	-82	-149
Profit after financial items	551	581	1,132	1,277	2,564
Tax	-159	-192	-351	-264	-605
Profit for the period	392	389	781	1,013	1,959
Operating margin, %	15.2	15.8	15.5	17.0	16.9
Return on capital employed, %	12.7	13.3	13.0	15.8	15.5
Return on equity, %	10.5	10.3	10.4	14.6	13.7
Earnings per share (before dilution), SEK	4.91	4.86	9.77	12.67	24.50
Earnings per share (after dilution), SEK	4.72	4.69	9.41	12.20	23.58
Information for calculation of earnings per share					
Profit for the period, MSEK	392	389	781	1,013	1,959
Interest convertible loan, MSEK	3	3	6	7	14
Adjusted profit, MSEK	395	392	787	1,020	1,973
Average number of shares (million)					
Before dilution	80.0	80.0	80.0	80.0	80.0
After dilution	83.7	83.7	83.7	83.6	83.7

MSEK	NET TURNOVER				OPERATING PROFIT/LOSS			
	Quarter		January-June		Quarter		January-June	
	2-03	1-03	2003	2002	2-03	1-03	2003	2002
Holmen Paper	1,996	1,828	3,824	3,923	197	186	383	834
Iggesund Paperboard	1,228	1,289	2,517	2,414	249	274	523	376
Iggesund Timber	141	128	269	305	5	5	10	-8
Holmen Skog	933	976	1,909	1,877	163	119	282	233
Holmen Kraft	300	381	681	542	36	93	129	16
Group adjustments and other	-	-	-	-	-41	-42	-83	-92
	4,598	4,602	9,200	9,061	609	635	1,244	1,359
Intra-group sales	-588	-601	-1,189	-1,096	-	-	-	-
	4,010	4,001	8,011	7,965	609	635	1,244	1,359

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BALANCE SHEET, MSEK	2003	2002	
	30 June	30 June	31 Dec
ASSETS			
Intangible fixed assets			
Goodwill	550	578	564
Other	12	9	12
Tangible fixed assets	18,509	18,352	18,812
Financial fixed assets			
Shares and participations	1,771	281	1,721
Other	337	234	248
Current assets			
Inventories	2,183	2,185	2,244
Current receivables	2,694	3,037	2,678
Financial receivables	146	54	54
Liquid funds	523	294	634
	26,725	25,024	26,967
EQUITY AND LIABILITIES			
Equity	14,652	14,133	15,073
Minority interest	112	–	112
Deferred tax liability	4,441	4,113	4,370
Financial liabilities			
Long-term	2,464	1,019	2,444
Short-term	2,505	2,613	2,052
Operating liabilities	2,551	3,146	2,916
	26,725	25,024	26,967
Debt/equity ratio	0.29	0.23	0.25
Equity ratio, %	55.2	56.5	56.3
Pledged assets	1,637	51	1,617
Contingent liabilities	899	405	1,320

CHANGE IN EQUITY, MSEK	2003	2002	
	Jan-June	Jan-June	Jan-Dec
Opening equity	15,073	14,072	14,072
Effect of implementation of new accounting principle regarding employee benefits	-274	–	–
Dividend paid	-880	-800	-800
Currency differences foreign group and associate companies	-48	-152	-158
Profit for the period	781	1,013	1,959
Closing equity	14,652	14,133	15,073

SHARE STRUCTURE			
Share	Votes	Number of shares	Number of votes
A	10	22,623,234	226,232,340
B	1	57,349,217	57,349,217
Shares in total		79,972,451	283,581,557
Convertibles, B*	1	3,201,419	3,201,419
Warrants, B*	1	1,014,000	1,014,000
Total number of shares*		84,187,870	287,796,976

* After full conversion and subscription. The conversion and subscription period is 1 February - 31 March 2004. The conversion and subscription price is SEK 112.70.

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CASH FLOW ANALYSIS, MSEK	2003	2002*	
	Jan-June	Jan-June	Full year
CURRENT OPERATIONS			
Profit after financial items	1,132	1,277	2,564
Adjustments for items not included in cash flow etc**	570	450	1,050
	1,702	1,727	3,614
Tax paid	-329	-390	-472
Cash flow from current operations before changes in working capital	1,373	1,337	3,142
Cash flow from changes in working capital			
Change in inventories	62	195	138
Change in operating receivables	-73	-68	141
Change in operating liabilities	-214	92	77
Cash flow from current operations	1,148	1,556	3,498
INVESTMENT ACITIVITIES			
Acquisition of subsidiaries	-19	-	-518
Acquisition of fixed assets	-333	-1,065	-1,486
Sale of fixed assets	11	172	194
Cash flow from investment activities	-341	-893	-1,810
FINANCING ACTIVITIES			
Change in financial liabilities and receivables	-37	39	-646
Dividend paid	-880	-800	-800
Cash flow from financing activities	-917	-761	-1,446
Cash flow for the period	-110	-98	242
Opening liquid funds	634	399	399
Currency effects liquid funds	-1	-7	-7
Closing liquid funds	523	294	634

* As of 2003, Holmen's cash flow analysis has a new structure. To facilitate comparisons the figures for 2002 have been adjusted accordingly.

** The adjustments consist primarily of depreciation according to plan, capital gains/losses on sales of fixed assets, interest in earnings of associate companies and certain items affecting comparability.

CHANGE IN NET FINANCIAL DEBT, MSEK	2003	2002	
	Jan-June	Jan-June	Jan-Dec
Opening net financial debt	-3,808	-3,161	-3,161
Cash flow			
Current operations	1,148	1,556	3,498
Investment activities	-341	-893	-1,810
Dividend paid	-880	-800	-800
Effect of change in accounting principles*	-439	-	-
Acquisitions and consolidation of partner-financed power assets	-	-	-1,525
Currency effects net financial debt	20	14	-10
Closing net financial debt	-4,300	-3,284	-3,808

* Change in implementation of RR 29, Employee Benefits, MSEK 392 and change in definition of net debt MSEK 47. As of 1 January 2003, the Group has introduced a new definition of net financial debt, whereby it also includes accrued interest costs and income, which was previously included in capital employed.

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