

# HOLMEN

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## INTERIM REPORT JANUARY – MARCH 2002

		Quarter			Full year 2001
		1-02	4-01	1-01	
Net turnover	MSEK	<b>3,938</b>	4,343	4,116	16,655
Operating profit excl. items affecting comparability	MSEK	<b>743</b>	791	703	3,066
Operating profit	MSEK	<b>743</b>	171	703	2,446
Profit after financial items	MSEK	<b>705</b>	128	699	2,294
Earnings per share	SEK	<b>6.20</b>	2.80	6.10	27.30
Return on equity	%	<b>14.4</b>	6.5	13.4	16.0

- The profit after financial items amounted to MSEK 705 (2001 Q1: 699). The first quarter of this year includes a profit of MSEK 110 on the sale of the paper machine that has been replaced at the Hallsta Paper Mill. The profit for the fourth quarter of 2001 was MSEK 748 (excluding items affecting comparability).
- Net turnover amounted to MSEK 3,938 (4,116). Net turnover for the fourth quarter was MSEK 4,343.
- The operating profit amounted to MSEK 743 compared with MSEK 703 for the first quarter of 2001.
- The profit after tax was MSEK 499 (490), which corresponds to earnings per share of SEK 6.20 (6.10). The return on equity was 14.4 per cent (13.4).
- The market for newsprint and magazine paper remained weak. The prices of Holmen Paper's products were lower than in the fourth quarter of 2001. Production was restricted due to replacement of the paper machine at the Hallsta Paper Mill and lower demand.

The market for paperboard remained weak and Iggesund Paperboard's production was restricted. Prices were stable.

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### BUSINESS AREAS

#### Holmen Paper

The market for newsprint and magazine paper remained weak during the first quarter. Deliveries of standard newsprint to Western Europe were 11 per cent lower than in the corresponding period last year.

Holmen Paper's deliveries declined by 12 per cent in relation to the fourth quarter. Production was restricted due to the replacement of the paper machine and lower demand. The prices of Holmen Paper's products, which are largely based on annual contracts, were lower than in the fourth quarter of 2001.

The operating profit for the January-March period was MSEK 470 (495). The result was adversely affected by lower prices and lower volumes, which was partly offset by positive currency effects. The first quarter includes a profit of MSEK 110 on the dismantling and sale of the old machine in connection with the installation of the new paper machine at the Hallsta Paper Mill.

The profit declined by MSEK 98 in relation to the fourth quarter of 2001. Apart from the effects of changing paper machine, lower prices and lower delivery volumes had an effect on the result.

Holmen Paper		Quarter			Full year 2001
		1-02	4-01	1-01	
Net turnover	MSEK	<b>1,894</b>	2,283	2,041	8,757
Operating profit	MSEK	<b>470</b>	568	495	2,410
Operating margin	%	<b>25</b>	25	24	28
Return on operating capital	%	<b>20</b>	24	23	26
Production	1,000 tonnes	<b>362</b>	387	394	1,586
Deliveries	1,000 tonnes	<b>345</b>	394	369	1,525

#### Iggesund Paperboard

The market for paperboard remained weak during the first quarter. West European producers' deliveries of virgin fibre-based paperboard were 1 per cent lower than in the first quarter of 2001. In relation to the fourth quarter of 2001, deliveries rose by 7 per cent, mainly due to normal seasonal variations.

Iggesund Paperboard's deliveries increased in relation to the fourth quarter but production restrictions were continued. Prices were stable.

The operating profit for the January-March period amounted to MSEK 186 (142). The improvement in the result was due to higher delivery volumes and lower costs.

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The profit increased by MSEK 76 in relation to the fourth quarter of 2001 due to slightly higher delivery volumes in the first quarter and relatively high costs in the fourth quarter.

Iggesund Paperboard		Quarter			Full year 2001
		1-02	4-01	1-01	
Net turnover	MSEK	<b>1,205</b>	1,181	1,102	4,467
Operating profit	MSEK	<b>186</b>	110	142	455
Operating margin	%	<b>15</b>	9	13	10
Return on operating capital	%	<b>17</b>	9	11	9
Production, paperboard	1,000 tonnes	<b>106</b>	106	106	403
Deliveries, paperboard	1,000 tonnes	<b>110</b>	106	104	410

### Iggesund Timber

The market for sawn timber remained weak. The operating result for January-March was a loss of MSEK 6 (loss 16). The result was MSEK 18 better than in the fourth quarter of 2001. The improvement is mainly due to lower costs.

Iggesund Timber		Quarter			Full year 2001
		1-02	4-01	1-01	
Net turnover	MSEK	<b>157</b>	161	180	712
Operating loss	MSEK	<b>-6</b>	-24	-16	-79
Production	1,000 m <sup>3</sup>	<b>56</b>	63	87	299
Deliveries own sawmill	1,000 m <sup>3</sup>	<b>63</b>	71	85	322

### Holmen Skog

The operating profit for the January-March period was MSEK 128 (100). The change in the result was mainly the effect of a higher level of harvesting in company forests, which compensated the effect of lower wood prices. In comparison with the fourth quarter of 2001, the result deteriorated by MSEK 65, mainly due to a lower volume of harvesting in company forests.

Holmen Skog's profit is mainly generated by the sale of wood harvested from company forests. This volume corresponds to some 50 per cent of the Group's wood requirements.

Holmen Skog		Quarter			Full year 2001
		1-02	4-01	1-01	
Net turnover	MSEK	<b>948</b>	997	1,172	3,982
of which external customers		<b>564</b>	610	672	2,306
Operating profit	MSEK	<b>128</b>	193	100	455
Wood consumption at Group's Swedish mills	1,000 m <sup>3</sup>	<b>945</b>	1,004	1,115	4,144
Harvesting in company forests	1,000 m <sup>3</sup>	<b>530</b>	933	390	2,394

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### Holmen Kraft

The operating profit for the January-March period was MSEK 18 (36). The decline in the result was mainly due to lower prices. The profit increased by MSEK 25 in relation to the fourth quarter of 2001, largely due to higher volumes and prices.

Holmen Kraft's result is primarily generated by the production of electricity at wholly owned and associated hydroelectric power stations. This output, combined with the electricity generated by the mills during a normal year, corresponds to some 35 per cent of the electricity requirements of the Group's Swedish units.

Holmen Kraft		Quarter			Full year 2001
		1-02	4-01	1-01	
Net turnover	MSEK	<b>295</b>	286	308	1,108
of which external customers		<b>123</b>	113	129	439
Operating profit/loss	MSEK	<b>18</b>	-7	36	49
Electric power consumption at Group's Swedish mills	GWh	<b>882</b>	989	1,004	3,998
Group production of electric power	GWh	<b>459</b>	397	465	1,578

### FINANCING

The Group's net debt amounted to MSEK 3,519 (31 December 2001: 3,161). The change is mainly due to the payment of MSEK 800 in dividend and a positive cash flow from operations of MSEK 435.

The debt/equity ratio was 0.26 (0.22). The equity ratio was 53.8 per cent (56.4).

Holmen's sales largely consist of exports from Sweden. Currency exposure has been hedged for the greater part of 2002 and approximately 75 per cent have been hedged for 2003. Currency fluctuations during the period will therefore have a limited effect on the consolidated result.

### CAPITAL EXPENDITURE

The Group's fixed capital expenditure amounted to MSEK 892 (319), of which MSEK 732 relates to the new paper machine at Hallsta Paper Mill. Depreciation according to plan amounted to MSEK 279 (281).

### EMPLOYEES

The average number of employees in the Group was 5,045 (2001: 5,238).

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### **IMPORTANT EVENTS**

- The new paper machine at Hallsta Paper Mill has been brought into production and trimming of production began at the beginning of April.
- Holmen's Board made a decision in March to complete the Iggesund Sawmill by investing MSEK 75 in a new wood-sorting unit.

### **CHANGE OF REPORTING DATE**

The interim report for the January-June period will be released on 13 August and not on 15 August as previously announced.

Stockholm, 29 April 2002

Göran Lundin  
President and CEO

The interim report has not been subject to general examination by the company's auditors. The interim report for January-June will be released on 13 August and for January-September on 29 October.

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### ACCOUNTING PRINCIPLES

The accounts are made up in accordance with the Swedish Financial Accounting Standards Council's recommendations. No accounting principles that have an effect on this report have been changed from the principles that were applied in the last annual report. The interim report has been made up in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR 20 Interim Reports.

### PROFIT AND LOSS ACCOUNT, MSEK

	Quarter			Full year 2001
	1-02	4-01	1-01	
Net turnover	<b>3,938</b>	4,343	4,116	16,655
Operating costs	<b>-2,916</b>	-3,263	-3,133	-12,460
Depreciation according to plan	<b>-279</b>	-284	-281	-1,126
Items affecting comparability	-	-620	-	-620
Interest in earnings of associate companies	-	-5	1	-3
<b>Operating profit</b>	<b>743</b>	171	703	2,446
Net financial items	<b>-38</b>	-43	-4	-152
<b>Profit after financial items</b>	<b>705</b>	128	699	2,294
Tax	<b>-206</b>	100	-209	-108
<b>Profit for the period</b>	<b>499</b>	228	490	2,186
Operating margin, %	<b>18.9</b>	18.3	17.1	18.4
Return on capital employed*, %	<b>17.3</b>	17.6	16.8	17.7
Return on equity, %	<b>14.4</b>	6.5	13.4	16.0
Earnings per share, SEK				
Before dilution	<b>6.20</b>	2.80	6.10	27.30
After dilution	<b>6.00</b>	2.80	6.10	26.40
<b>Information for calculation of earnings per share</b>				
Profit for the period, MSEK	<b>499</b>	228	490	2,186
Interest convertible loan, MSEK	<b>3</b>	3	3	13
Adjusted profit, MSEK	<b>502</b>	231	493	2,199
Average number of shares (million)				
Before dilution	<b>80.0</b>	80.0	80.0	80.0
After dilution	<b>83.6</b>	83.5	82.6	83.3

### NET TURNOVER AND OPERATING PROFIT, MSEK

	Net turnover			Operating profit/loss		
	Quarter			Quarter		
	1-02	4-01	1-01	1-02	4-01	1-01
Holmen Paper	<b>1,894</b>	2,283	2,041	<b>470</b>	568	495
Iggesund Paperboard	<b>1,205</b>	1,181	1,102	<b>186</b>	110	142
Iggesund Timber	<b>157</b>	161	180	<b>-6</b>	-24	-16
Holmen Skog	<b>948</b>	997	1,172	<b>128</b>	193	100
Holmen Kraft	<b>295</b>	286	308	<b>18</b>	-7	36
Group adjustments and other	-	-	-	<b>-53</b>	-49	-54
	<b>4,499</b>	4,908	4,803	<b>743</b>	791	703
Items affecting comparability	-	-	-	-	-620	-
Intra-group sales	<b>-561</b>	-565	-687	-	-	-
	<b>3,938</b>	4,343	4,116	<b>743</b>	171	703

\* In the calculation of capital employed, deductions have been made for deferred tax.

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### BALANCE SHEET, MSEK

	2002	2001	
	31 March	31 March	31 Dec
<b>ASSETS</b>			
Fixed assets			
Intangible	602	644	634
Tangible	18,463	17,997	17,972
Financial	521	425	544
Current assets			
Inventories	2,337	2,396	2,380
Current receivables	3,030	2,959	2,986
Financial receivables	84	29	33
Liquid funds	293	505	399
	<b>25,330</b>	24,955	24,948
<b>EQUITY AND LIABILITIES</b>			
Equity	13,639	12,217	14,072
Deferred tax liability	4,071	4,231	4,014
Financial liabilities	3,896	5,137	3,593
Operating liabilities	3,724	3,370	3,269
	<b>25,330</b>	24,955	24,948
Debt/equity ratio	0.26	0.38	0.22
Equity ratio, %	53.8	49.0	56.4
Pledged assets	50	10	52
Contingent liabilities	442	493	467

### CHANGE IN EQUITY, MSEK

	2002	2001	
	Jan-March	Jan-March	Jan-Dec
Opening equity	14,072	17,014	17,014
Dividend paid to shareholders	-800	-5,518	-5,518
Translation differences of foreign Group and associate companies	-132	231	390
Profit for the period	499	490	2,186
Closing equity	<b>13,639</b>	12,217	14,072

### SHARE STRUCTURE

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	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.

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### CASH FLOW ANALYSIS, MSEK

	2002 Jan- March	2001	
		Jan-March	Full year
Operating profit	743	703	2,446
Adjustments for items not included in cash flow*	330	283	1,725
Change in working capital	542	58	61
Net financial items	-38	-4	-152
Paid tax	-250	-59	-248
<b>Cash flow before capital expenditure</b>	<b>1,327</b>	<b>981</b>	<b>3,832</b>
Capital expenditure	-892	-319	-1,715
<b>Cash flow before dividend</b>	<b>435</b>	<b>662</b>	<b>2,117</b>
Ordinary dividend	-800	-720	-720
Extra dividend	-	-4,798	-4,798
<b>Cash flow</b>	<b>-365</b>	<b>-4,856</b>	<b>-3,401</b>
Currency effects	7	-41	-54
<b>Change in net financial liability</b>	<b>-358</b>	<b>-4,897</b>	<b>-3,455</b>
Liquid funds	293	505	399
Financial receivables	84	29	33
Financial liabilities	-3,896	-5,137	-3,593
<b>Net financial liability</b>	<b>-3,519</b>	<b>-4,603</b>	<b>-3,161</b>
Opening liquid funds	399	2,000	2,000
Change in liquid funds	-99	-1,501	-1,611
Currency effects	-7	6	10
<b>Closing liquid funds</b>	<b>293</b>	<b>505</b>	<b>399</b>

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



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### QUARTERLY FIGURES, MSEK

	2002 Q1	2001				
		Full year	Q4	Q3	Q2	Q1
<b>Profit and loss account</b>						
Net turnover	3,938	16,655	4,343	4,099	4,097	4,116
Operating costs	-2,916	-12,460	-3,263	-2,908	-3,156	-3,133
Depreciation according to plan	-279	-1,126	-284	-280	-281	-281
Items affecting comparability	-	-620	-620	-	-	-
Interest in earnings of associate companies	-	-3	-5	-2	3	1
<b>Operating profit</b>	<b>743</b>	<b>2,446</b>	<b>171</b>	<b>909</b>	<b>663</b>	<b>703</b>
Net financial items	-38	-152	-43	-52	-53	-4
<b>Profit after financial items</b>	<b>705</b>	<b>2,294</b>	<b>128</b>	<b>857</b>	<b>610</b>	<b>699</b>
Tax	-206	-108	100	184	-183	-209
<b>Profit for the period</b>	<b>499</b>	<b>2,186</b>	<b>228</b>	<b>1,041</b>	<b>427</b>	<b>490</b>
<b>Key figures</b>						
Operating margin, %	18.9	18.4	18.3	22.2	16.1	17.1
Return on capital employed, %	17.3	17.7	17.6	20.7	15.7	16.8
Return on equity, %	14.4	16.0	6.5	31.1	13.7	13.4
Earnings per share (before dilution), SEK	6.20	27.30	2.80	13.00	5.40	6.10
<b>Net turnover</b>						
Holmen Paper	1,894	8,757	2,283	2,260	2,173	2,041
Iggesund Paperboard	1,205	4,467	1,181	1,131	1,053	1,102
Iggesund Timber	157	712	161	175	196	180
Holmen Skog	948	3,982	997	808	1,005	1,172
Holmen Kraft	295	1,108	286	263	251	308
	<b>4,499</b>	<b>19,026</b>	<b>4,908</b>	<b>4,637</b>	<b>4,678</b>	<b>4,803</b>
Intra-group sales	-561	-2,371	-565	-538	-581	-687
	<b>3,938</b>	<b>16,655</b>	<b>4,343</b>	<b>4,099</b>	<b>4,097</b>	<b>4,116</b>
<b>Profit/loss</b>						
Holmen Paper	470	2,410	568	750	597	495
Iggesund Paperboard	186	455	110	150	53	142
Iggesund Timber	-6	-79	-24	-19	-20	-16
Holmen Skog	128	455	193	83	79	100
Holmen Kraft	18	49	-7	15	5	36
Group adjustments and other	-53	-224	-49	-70	-51	-54
	<b>743</b>	<b>3,066</b>	<b>791</b>	<b>909</b>	<b>663</b>	<b>703</b>
Items affecting comparability	-	-620	-620	-	-	-
<b>Operating profit</b>	<b>743</b>	<b>2,446</b>	<b>171</b>	<b>909</b>	<b>663</b>	<b>703</b>
<b>Operating margin, %</b>						
Holmen Paper	25	28	25	33	27	24
Iggesund Paperboard	15	10	9	13	5	13
Iggesund Timber	-4	-11	-16	-11	-11	-9
Group	19	18	18	22	16	17
<b>Deliveries</b>						
Newsprint and magazine paper, 1,000 tonnes	345	1,525	394	388	374	369
Paperboard, 1,000 tonnes	110	410	106	103	97	104
Sawn timber, 1,000 m <sup>3</sup>	63	322	71	74	92	85