

**PRESS RELEASE****INTERIM REPORT JANUARY-MARCH 2006**

<b>MSEK</b>	<b>Quarter</b>			<b>Full year</b>
	<b>1-06</b>	<b>4-05</b>	<b>1-05</b>	<b>2005</b>
Net turnover	<b>4 579</b>	4 235	3 801	16 319
Operating profit	<b>619</b>	570	364	1 973
Profit after tax	<b>406</b>	397	217	1 256
Earnings per share, SEK	<b>4.8</b>	4.7	2.6	14.8
Return on equity, %	<b>10.0</b>	10.0	5.5	8.0

- The Group's net turnover for January-March amounted to MSEK 4 579 (January-March 2005: 3 801).
- Profit after tax was MSEK 406 (217).
- Earnings per share amounted to SEK 4.8 (2.6). Return on equity was 10.0 % (5.5).
- The operating profit amounted to MSEK 619 (364). The improvement is due to higher volumes and higher prices for newsprint and magazine paper.

The result improved by MSEK 49 in relation to the fourth quarter of 2005. The fourth quarter result included income from the sale of power grid assets and forest properties amounting in total to MSEK 97.

- Market conditions for newsprint remained strong in Europe during the first quarter. Holmen Paper's deliveries were 20 % higher than in the first quarter of 2005, mainly as a result of the new paper machine in Madrid. On average, prices for Holmen Paper's products were some 5 % higher.

The market situation for virgin fibre board in Europe remained good in the first quarter. Iggesund Paperboard's deliveries were 15 % higher than in the first quarter of 2005. Prices were stable.

**PRESS RELEASE**

## Business areas

<b>Holmen Paper</b>	Quarter			Full year
	<b>1-06</b>	4-05	1-05	2005
Net turnover, MSEK	<b>2 364</b>	2 235	1 830	8 442
Operating profit, MSEK	<b>229</b>	137	61	637
Operating margin, %	<b>9</b>	6	3	7
Return on operating capital, %	<b>8</b>	5	2	6
Production, 1 000 tonnes	<b>513</b>	464	417	1 773
Deliveries, 1 000 tonnes	<b>472</b>	465	393	1 764

Market conditions for newsprint in Europe remained strong during the first quarter, with high capacity utilisation. Total deliveries to Europe during the first quarter of 2006 were 4 % higher than in the corresponding period of the previous year. Demand for SC paper rose by 9 % and for coated printing paper by 5 %.

Holmen Paper's deliveries rose by 20 % in relation to the first quarter of 2005, mainly as a result of the production on the new paper machine in Madrid. Deliveries from other mills also rose. The start-up of the new machine is running according to plan. Deliveries were broadly unchanged in relation to the seasonally strong fourth quarter, whereas production rose by

49 000 tonnes, with most of it coming from the new paper machine. On average, prices for Holmen Paper's products were some 5 % higher than in the previous year.

Holmen Paper's operating profit for January-March amounted to MSEK 229 (61). The improvement is mainly due to higher prices and increased deliveries. The result was adversely affected by higher energy costs and the start-up in Madrid.

The result improved by MSEK 92 in relation to the fourth quarter of 2005 as a result of higher prices, although energy costs increased.

<b>Iggesund Paperboard</b>	Quarter			Full year
	<b>1-06</b>	4-05	1-05	2005
Net turnover, MSEK	<b>1 339</b>	1 226	1 159	4 860
Operating profit, MSEK	<b>176</b>	169	152	626
Operating margin, %	<b>13</b>	14	13	13
Return on operating capital, %	<b>18</b>	17	15	16
Production, paperboard, 1 000 tonnes	<b>132</b>	136	121	493
Deliveries, paperboard, 1 000 tonnes	<b>137</b>	123	119	492

The market situation for virgin fibre board in Europe remained good during the first quarter. Deliveries from European producers to Europe were 9 % higher than in the corresponding period of 2005 with growth in most countries. Capacity utilisation was high.

Iggesund Paperboard's deliveries were 15 % higher than in the first quarter of 2005 and 11 % higher than in the fourth quarter. Production continued at a high level. Prices were stable.

Iggesund Paperboard's operating profit for January-March was MSEK 176 (152). The improvement in the result is explained by higher volumes, which was partly offset by higher costs.

The profit increased by MSEK 7 in relation to the fourth quarter of 2005 due to increased deliveries.

# HOLMEN

## PRESS RELEASE

<b>Iggesund Timber</b>	Quarter			Full year
	1-06	4-05	1-05	2005
Net turnover, MSEK	112	123	116	460
Operating profit, MSEK	16	12	0	13
Operating margin, %	14	10	0	3
Return on operating capital, %	29	22	-1	6
Production, 1 000 m <sup>3</sup>	63	64	56	222
Deliveries own sawmill, 1 000 m <sup>3</sup>	62	61	57	229

The market situation for sawn timber is strong. Prices have continued to increase. Iggesund Timber's operating profit for January-March amounted to MSEK 16 (0). The improvement in the result is mainly due to higher prices and increased deliveries.

In relation to the fourth quarter of 2005 the result improved by MSEK 4 mainly due to higher prices.

<b>Holmen Skog</b>	Quarter			Full year
	1-06	4-05	1-05	2005
Net turnover, MSEK	1 076	973	1 023	3 858
of which external customers	596	538	591	2157
Operating profit, MSEK	151	165	117	537
Return on operating capital, %	7	7	5	6
Harvesting in company forests, 1 000 m <sup>3</sup>	500	702	486	2 334

Holmen Skog's operating profit for January-March amounted to MSEK 151 (117). The improvement in the result is largely due to the fact that the result for the first quarter 2005 was affected by a negative revaluation of the company's forests after the storm in southern Sweden at the beginning of 2005.

The result declined by MSEK 14 in relation to the fourth quarter of 2005. The previous quarter's result included income of MSEK 39 from forest property sales.

<b>Holmen Kraft</b>	Quarter			Full year
	1-06	4-05	1-05	2005
Net turnover, MSEK	491	412	377	1 480
of which external customers	172	118	108	419
Operating profit, MSEK	87	121	71	301
Return on operating capital, %	12	17	10	10
Production of hydroelectric power, GWh	336	311	355	1 236

Holmen Kraft's operating profit for January-March was MSEK 87 (71). The improvement is due to higher electricity price while the production of power was lower. Costs increased due to higher property tax on hydroelectric power assets.

Compared with the fourth quarter of 2005 the result declined by MSEK 34. It was favourably affected by higher electricity price and slightly higher production. The fourth quarter figures included income of MSEK 58 on the sale of power grid assets.

### Group

---

#### Net financial items and financing

Net financial costs for January-March amounted to MSEK 57 (cost 57). The indebtedness was higher, while the borrowing interest rate declined.

The Group's net financial debt has increased by MSEK 215 since the beginning of the year to MSEK 6 854 as a consequence of an increase in working capital and disbursements related to the investment in the new paper machine in Madrid. The debt/equity ratio was 0.42. The equity ratio was 50.3 %.

Financial liabilities amounted to MSEK 7 485, of which MSEK 4 539 were short term. Liquid funds and financial receivables amounted to MSEK 631. The Group has unutilised committed long-term credit facilities of some MSEK 6 400.

#### Tax

The Group's tax charge for January-March amounted to MSEK 156 (charge 90), which corresponds to 28 % of the pre-tax profit.

#### Hedging of exchange rates and electricity prices

The result of currency hedging was a loss of MSEK 3 (loss 7), which is stated in the operating result. For the remainder of 2006 some 90 % of the Group's estimated net flows in euro and some 75 % of its flows in sterling are hedged at average exchange rates of 9.25 and 13.65 respectively. For 2007 some 55 % of the flows in euro are hedged at an average rate of 9.47.

The price of some 80 % of the Group's estimated net consumption of electricity in Sweden for the remainder of 2006 is hedged. For the 2007-2015 period the price of 70-75 % of the net consumption has been hedged.

#### Capital expenditure

The Group's capital expenditure in January-March amounted to MSEK 364 (462). Depreciation according to plan amounted to MSEK 336 (293).

#### Employees

The average number of employees in the Group was 4 939 (full-year 2005: 4 868).

#### Share buy-back

At the AGM on 28 March 2006, the shareholders renewed the Board's mandate to make decisions to buy back up to 10 % of the company's shares. This mandate has not been utilised.

#### Parent company

The parent company's (Holmen AB) net turnover amounted to MSEK 3 497 (3 081). The profit after net financial items amounted to MSEK 387 (166). Liquid funds amounted to MSEK 350 (31 December 2005: 318). The parent company's capital expenditure (excluding shares) amounted to MSEK 6 (8).

Stockholm 27 April 2006

Magnus Hall  
President and CEO

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

Interim report for January-June will be published on 15 August.

---

For further information please contact:  
Magnus Hall, President and CEO, tel +46 8 666 21 33  
Anders Almgren, CFO, tel +46 8 666 21 16  
Christer Lewell, Public Relations Director, tel +46 8 666 21 15

---

**Holmen** is a forest products industry group with the capacity to produce 2.7 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 one Swedish 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 in company forests is some 2.5 million cubic metres. Holmen's annual wood consumption is some 4.9 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. Over and above this back pressure power of some 550 GWh are generated at the mills. Holmen's annual power consumption is some 4 900 GWh.

## PRESS RELEASE

### Accounting principles

This interim report is made up in accordance with IAS 34 Interim Reporting. The Group's accounting principles used in the report are unchanged in relation to the latest published annual report except for how the Group's pension provisions are reported. From 1 January 2006 actuarial profits and losses are stated direct against equity. This is considered to provide a fairer view of the Group's financial position. The comparative figures for 2005 have been adjusted into line with the new principles, as a result of which pension provisions as of 31 December 2005 increased by MSEK 103, deferred tax receivable increased by MSEK 31 and equity declined by MSEK 72. The parent company's accounting principles have been changed from 1 January 2006 through the application of the rules of the Swedish Annual Accounts Act, chapter 4, paragraph 14 a-e. The primary change is that derivatives are stated at fair value. The comparative figures for 2005 have been adjusted in line with the new principles, which have had a marginal impact on the parent company's result.

Profit and loss account, MSEK	Quarter			Full year 2005
	1-06	4-05	1-05	
Net turnover	4 579	4 235	3 801	16 319
Other income	342	303	263	730
Operating costs	-3 976	-3 684	-3 414	-13 935
Depreciation according to plan	-336	-292	-293	-1 167
Interest in earnings of associate companies	10	8	7	26
<b>Operating profit</b>	<b>619</b>	<b>570</b>	<b>364</b>	<b>1 973</b>
Financial income	3	4	2	11
Financial costs	-60	-58	-59	-244
<b>Profit after financial items</b>	<b>562</b>	<b>516</b>	<b>307</b>	<b>1 740</b>
Tax	-156	-119	- 90	- 484
<b>Profit for the period</b>	<b>406</b>	<b>397</b>	<b>217</b>	<b>1 256</b>
Earnings per share, SEK	4.8	4.7	2.6	14.8
Average number of shares (million)	84.8	84.8	84.8	84.8
Operating margin, %	13.3	13.3	9.4	11.9
Return on capital employed, %	10.8	10.1	6.9	9.0
Return on equity, %	10.0	10.0	5.5	8.0

Earnings per share before and after dilution are the same since there are no outstanding warrants or convertibles that can cause dilution.

MSEK	Net turnover			Operating profit		
	Quarter			Quarter		
	1-06	4-05	1-05	1-06	4-05	1-05
Holmen Paper	2 364	2 235	1 830	229	137	61
Iggesund Paperboard	1 339	1 226	1 159	176	169	152
Iggesund Timber	112	123	116	16	12	-
Holmen Skog	1 076	973	1 023	151	165	117
Holmen Kraft	491	412	377	87	121	71
Group central costs and other	-	-	-	- 40	-34	-37
	<b>5 382</b>	<b>4 969</b>	<b>4 505</b>	<b>619</b>	<b>570</b>	<b>364</b>
Intra-group sales	- 803	- 734	- 704	-	-	-
	<b>4 579</b>	<b>4 235</b>	<b>3 801</b>	<b>619</b>	<b>570</b>	<b>364</b>

## PRESS RELEASE

<b>Balance sheet, MSEK</b>	<b>2006</b>	2005
	<b>31 Mar</b>	31 Dec
<b>ASSETS</b>		
<b>Fixed assets</b>		
Goodwill	586	586
Other intangible fixed assets	158	72
Tangible fixed assets	14 335	14 321
Biological assets	8 753	8 704
Shares and participations	1 747	1 739
Long-term financial receivables	88	74
Other long-term receivables	19	19
Deferred tax receivable	354	352
	<b>26 040</b>	<b>25 867</b>
<b>Current assets</b>		
Inventories	2 636	2 518
Short-term receivables	3 532	3 191
Short-term financial receivables	24	58
Liquid funds	519	580
	<b>6 711</b>	<b>6 347</b>
	<b>32 751</b>	<b>32 214</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>16 466</b>	16 007
<b>Long-term liabilities</b>		
Financial liabilities	2 946	3 002
Deferred tax liability	5 203	5 143
Other long-term liabilities	257	225
	<b>8 406</b>	<b>8 370</b>
<b>Short-term liabilities</b>		
Financial liabilities	4 539	4 349
Operating liabilities	3 340	3 488
	<b>7 879</b>	<b>7 837</b>
	<b>32 751</b>	<b>32 214</b>
Debt/equity ratio	0.42	0.41
Equity ratio, %	50.3	49.7
Operating capital, MSEK	28 169	27 437
Capital employed, MSEK	23 320	22 646
Net financial debt, MSEK	6 854	6 639
Pledged assets	104	99
Contingent liabilities	1 314	1 314

<b>Account of stated income and costs, MSEK</b>	Quarter	Full year	
	<b>1-06</b>	1-05	2005
<b>Income and costs stated direct in equity</b>			
Adoption of IAS 39 as of 1 January 2005	-	34	34
Cash flow hedges			
Revaluation of derivatives stated in equity	65	-25	-137
Brought forward to the profit and loss account for the period	-3	7	90
Actuarial revaluation of pension liability	32	-7	-66
Translation difference on foreign operation	-18	92	198
Hedge of net investment in foreign operation	4	-28	-72
Tax on items stated direct in / brought forward from equity	-27	15	53
Total stated direct in equity	<b>53</b>	<b>88</b>	<b>100</b>
<b>Profit for the period stated in the profit and loss account</b>	<b>406</b>	<b>217</b>	<b>1 256</b>
<b>Total stated income and costs</b>	<b>459</b>	<b>305</b>	<b>1 356</b>
Other change in equity			
Dividend paid to the parent company's shareholders	-	-	-848

## PRESS RELEASE

Cash flow analysis, MSEK	Quarter		Full year
	1-06	1-05	2005
<b>Current operations</b>			
Profit after financial items	562	307	1 740
Adjustments for items not included in cash flow etc*	334	242	908
	<b>896</b>	<b>549</b>	<b>2 648</b>
Tax paid	- 239	- 298	- 516
<b>Cash flow from current operations before changes in working capital</b>	<b>657</b>	<b>251</b>	<b>2 132</b>
Cash flow from changes in working capital etc			
Change in inventories	- 118	- 163	- 85
Change in operating receivables	- 338	23	- 333
Change in operating liabilities	- 75	- 119	757
<b>Cash flow from current operations</b>	<b>126</b>	<b>- 8</b>	<b>2 471</b>
<b>Investment activities</b>			
Acquisition of subsidiaries	-	- 41	- 67
Acquisition of fixed assets	- 364	- 421	-3 102
Sale of fixed assets	7	14	140
<b>Cash flow from investment activities</b>	<b>- 357</b>	<b>- 448</b>	<b>-3 029</b>
<b>Financing activities</b>			
Change in financial liabilities and receivables	170	430	1 613
Dividend paid	-	-	- 848
<b>Cash flow from financing activities</b>	<b>170</b>	<b>430</b>	<b>765</b>
<b>Cash flow for the period</b>	<b>- 61</b>	<b>- 26</b>	<b>207</b>
Opening liquid funds	580	367	367
Currency effects	0	2	6
<b>Closing liquid funds</b>	<b>519</b>	<b>343</b>	<b>580</b>

\* The adjustments consist primarily of depreciation according to plan, capital gains/losses on sales of fixed assets, interest in earnings of associate companies and effects of adjustments to IAS 41 and IAS 39.

Change in net financial debt, MSEK	Quarter		Full year
	1-06	1-05	2005
Opening net financial debt	-6 639	-4 910	-4 910
Effect opening net financial debt on adoption of IAS 39	-	- 60	- 60
Cash flow			
Current operations	126	-8	2 471
Investment activities	-357	-448	-3 029
Dividend paid	-	-	- 848
Reclassification of minority item when acquiring Iggesund Kraft AB	-	- 112	- 112
Actuarial revaluation of pension provision	32	- 7	- 66
Currency effects	- 16	- 37	- 85
<b>Closing net financial debt</b>	<b>-6 854</b>	<b>-5 582</b>	<b>-6 639</b>

Share structure	Share	Votes	Number of	
			shares	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

## PRESS RELEASE

Quarterly figures, MSEK	2006	2005				
	Q1	Full year	Q4	Q3	Q2	Q1
<b>Profit and loss account</b>						
Net turnover	4 579	16 319	4 235	4 082	4 201	3 801
Operating costs	-3 634	-13 205	-3 381	-3 209	-3 464	-3 151
Depreciation according to plan	-336	-1 167	-292	-287	-295	-293
Interest in earnings of associate companies	10	26	8	4	7	7
<b>Operating profit</b>	<b>619</b>	<b>1 973</b>	<b>570</b>	<b>590</b>	<b>449</b>	<b>364</b>
Net financial items	-57	-233	-54	-60	-62	-57
<b>Profit after financial items</b>	<b>562</b>	<b>1 740</b>	<b>516</b>	<b>530</b>	<b>387</b>	<b>307</b>
Tax	-156	-484	-119	-159	-116	-90
<b>Profit for the period</b>	<b>406</b>	<b>1 256</b>	<b>397</b>	<b>371</b>	<b>271</b>	<b>217</b>
<b>Key figures</b>						
Operating margin, %	13.3	11.9	13.3	14.4	10.5	9.4
Return, %						
Operating capital	8.9	7.4	8.3	8.7	6.8	5.6
Capital employed	10.8	9.0	10.1	10.6	8.3	6.9
Equity	10.0	8.0	10.0	9.6	7.0	5.5
Earnings per share, SEK	4.8	14.8	4.7	4.4	3.2	2.6
<b>Net turnover</b>						
Holmen Paper	2 364	8 442	2 235	2 197	2 180	1 830
Iggesund Paperboard	1 339	4 860	1 226	1 238	1 237	1 159
Iggesund Timber	112	460	123	98	123	116
Holmen Skog	1 076	3 858	973	820	1 042	1 023
Holmen Kraft	491	1 480	412	358	333	377
	<b>5 382</b>	<b>19 100</b>	<b>4 969</b>	<b>4 711</b>	<b>4 915</b>	<b>4 505</b>
Intra-group sales	-803	-2 781	-734	-629	-714	-704
	<b>4 579</b>	<b>16 319</b>	<b>4 235</b>	<b>4 082</b>	<b>4 201</b>	<b>3 801</b>
<b>Operating profit</b>						
Holmen Paper	229	637	137	259	180	61
Iggesund Paperboard	176	626	169	181	124	152
Iggesund Timber	16	13	12	-2	3	0
Holmen Skog	151	537	165	115	140	117
Holmen Kraft	87	301	121	70	39	71
Group central costs and other	-40	-141	-34	-33	-37	-37
	<b>619</b>	<b>1 973</b>	<b>570</b>	<b>590</b>	<b>449</b>	<b>364</b>
<b>Operating margin, %</b>						
Holmen Paper	9.2	7.4	6.3	11.7	7.9	3.0
Iggesund Paperboard	13.1	12.9	13.8	14.6	10.1	13.1
Iggesund Timber	14.2	2.7	10.0	-2.5	2.6	-0.4
Group	13.3	11.9	13.3	14.4	10.5	9.4
<b>Operating capital, MSEK</b>						
Holmen Paper	12 161	11 452	11 452	11 142	10 688	10 062
Iggesund Paperboard	4 043	3 965	3 965	3 916	4 089	3 987
Iggesund Timber	208	230	230	228	231	236
Holmen Skog	8 898	8 919	8 919	8 947	8 886	8 838
Holmen Kraft	2 972	2 958	2 958	2 930	2 928	2 928
Group central costs and other	-113	-87	-87	85	55	211
	<b>28 169</b>	<b>27 437</b>	<b>27 437</b>	<b>27 248</b>	<b>26 877</b>	<b>26 262</b>
<b>Deliveries</b>						
Newsprint and magazine paper, 1 000 tonnes	472	1 764	465	452	454	393
Paperboard, 1 000 tonnes	137	492	123	123	127	119
Sawn timber, 1 000 m <sup>3</sup>	62	229	61	49	62	57