

HOLMEN

PRESS RELEASE

YEAR END REPORT FOR 2002

MSEK	Quarter		Full year	
	4-02	3-02	2002	2001
Net turnover	4,120	3,996	16,081	16,655
Operating profit	638	716	2,713	2,446
Profit after financial items	611	676	2,564	2,294
Profit after tax	436	510	1,959	2,186
Earnings per share (before dilution), SEK	5.46	6.37	24.50	27.33
Return on equity, %	11.7	14.2	13.7	16.0

- The Group's profit after financial items was MSEK 2,564 (2001: 2,294). Holmen Paper's operating profit declined by MSEK 746, while Iggesund Paperboard's increased by MSEK 363. The figure for 2001 included negative items affecting comparability of MSEK 620.

The Group's profit for the fourth quarter amounted to MSEK 611 (Q3, 2002: 676). The fourth quarter operating profits for Holmen Paper and Iggesund Paperboard were MSEK 156 and MSEK 22 lower respectively than for the third quarter, whilst Holmen Skog's operating profit was MSEK 93 higher.

- The profit after tax was MSEK 1,959 (2,186). The return on equity was 13.7 per cent (16.0).
- The Board proposes payment of a dividend of SEK 11 (10) per share.
- The market situation for newsprint and magazine paper remained weak during the fourth quarter. Holmen Paper's deliveries increased slightly, but production continued to be restricted. Prices were unchanged for the fourth quarter. Prices will be lower in 2003, but the negotiations have not been finalised.

The market situation for paperboard was stable during the fourth quarter. Iggesund Paperboard's deliveries showed a seasonal decline. Price increases have been implemented.

- The decision to build a new newsprint machine at the Group's Spanish mill has been postponed until further notice.

HOLMEN

PRESS RELEASE

BUSINESS AREAS

Holmen Paper	Quarter		Full year	
	4-02	3-02	2002	2001
Net turnover, MSEK	2,119	2,122	8,164	8,757
Operating profit, MSEK	337	493	1,664	2,410
Operating margin, %	17	23	21	28
Return on operating capital, %	14	20	17	26
Production, 1,000 tonnes	400	403	1,541	1,586
Deliveries, 1,000 tonnes	404	396	1,528	1,525

The market situation for newsprint and magazine paper remained weak during the fourth quarter. The advertising market is still weak and publishers are taking measures to lower costs. Deliveries of newsprint to Western Europe were 6 per cent lower than in 2001. The decline in deliveries from West European producers was 2 per cent thanks to higher exports to markets outside Western Europe. The demand for SC and coated printing paper was more stable, but additions to capacity led to a reduction in capacity utilisation.

Holmen Paper's deliveries remained unchanged in 2002 in relation to 2001. Lower deliveries to Western Europe were offset by an increase in exports to non-European markets. During the fourth quarter deliveries were 2 per cent higher than during the third quarter, but production continued to be restricted. Prices were unchanged for the fourth quarter. Prices will be lower in 2003, but the negotiations have not been finalised.

The operating profit for 2002 amounted to MSEK 1,664 (2,410). The decline in the result is mainly due to lower prices, which were partly offset by favourable currency effects. The figure includes a net amount of some MSEK 60 owing to higher costs associated with the commissioning of the new newsprint machine and the income from the sale of the old machine at the Hallsta Paper Mill.

The fourth quarter operating profit was MSEK 337 (Q3, 2002: 493). The decline is mainly due to seasonally higher costs.

HOLMEN

PRESS RELEASE

Iggesund Paperboard	Quarter		Full year	
	4-02	3-02	2002	2001
Net turnover, MSEK	1,166	1,270	4,850	4,467
Operating profit, MSEK	210	232	818	455
Operating margin, %	18	18	17	10
Return on operating capital, %	21	23	20	9
Production, paperboard, 1,000 tonnes	120	116	458	403
Deliveries, paperboard, 1,000 tonnes	112	121	453	410

The market situation for virgin fibre-based paperboard was stable during the fourth quarter. Deliveries to Western Europe rose by one per cent for 2002 as a whole. However, deliveries by West European producers increased by 4 per cent as a result of higher exports to markets outside Western Europe.

Iggesund Paperboard's deliveries rose by 10 per cent in relation to the previous year. During the fourth quarter, deliveries showed a seasonal decline of 7 per cent. Iggesund Paperboard has implemented price increases in Europe, which has had some effect in the fourth quarter and will show through in full after the turn of the year.

The operating profit for the full year was MSEK 818 (455). The improvement is due to higher deliveries, lower costs and favourable currency effects.

The fourth quarter operating profit amounted to MSEK 210 (Q3, 2002: 232).

Iggesund Timber	Quarter		Full year	
	4-02	3-02	2002	2001
Net turnover, MSEK	133	134	572	712
Operating profit/loss, MSEK	3	-1	-6	-79
Production, 1,000 m ³	50	38	199	299
Deliveries own sawmills, 1,000 m ³	52	51	220	322

The market for sawn redwood products remained unchanged during the fourth quarter. The operating result for the full year was a loss of MSEK 6 (loss: 79). The improvement is mainly due to lower costs. The fourth quarter result was a profit of MSEK 3 (Q3, 2002: loss 1).

HOLMEN

PRESS RELEASE

Holmen Skog	Quarter		Full year	
	4-02	3-02	2002	2001
Net turnover, MSEK	922	739	3,538	3,982
of which external customers	556	404	2,085	2,306
Operating profit, MSEK	155	62	450	455
Wood consumption at Group's Swedish mills, 1,000 m ³	1,040	977	3,908	4,144
Harvesting in company forests, 1,000 m ³	766	575	2,510	2,394

The operating profit for 2002 was MSEK 450 (455). Harvesting in company forests increased, while lower wood prices and higher harvesting costs had a negative effect on the result. The fourth quarter profit increased by MSEK 93 to MSEK 155, mainly an effect of a higher volume harvested in company forests and a seasonal decline in costs.

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

Holmen Kraft	Quarter		Full year	
	4-02	3-02	2002	2001
Net turnover, MSEK	331	247	1,120	1,108
of which external customers	150	72	430	439
Operating profit/loss, MSEK	-17	-25	-26	49
Electric power consumption at Group's Swedish mills, GWh	1,013	1,037	3,903	3,998
Group production of electric power, GWh	307	221	1,320	1,578

The operating result for the year as a whole was a loss of MSEK 26 (profit 49). The deterioration in the result is mainly due to lower production of hydroelectric power at the company's power stations as a result of a reduced inflow of water. The fourth quarter result improved by MSEK 8 as a result of higher production of hydroelectric power at these power stations.

Holmen Kraft's earnings are largely generated by the production of electric power in wholly and partly owned hydroelectric power stations. As a result of the buy-back and the consolidation of hydroelectric power stations the financing costs will be stated under net financial items as of 2003. These costs amounted to MSEK 164 in 2002, and were included in Holmen Kraft's result.

The Group's exposure to changes in electricity prices in the future is reduced by the use of hedging. Almost all the estimated net consumption in Sweden in 2003 and 2004 has been hedged. Half of the estimated consumption in 2005 has been hedged, and around one-third of that for the 2006-2011 period.

HOLMEN

PRESS RELEASE

FINANCING

The cash flow before capital expenditure and dividend amounted to MSEK 3,692. Capital expenditure amounted to MSEK 3,191 and the dividend to MSEK 800. The fourth-quarter cash flow before capital expenditure was MSEK 1,018 and capital expenditure was MSEK 1,944, of which MSEK 1,705 relates to the buy-back of hydroelectric power assets.

The Group's net financial debt amounted to MSEK 3,808 (31 December 2001: 3,161). The debt/equity ratio was 0.25 (0.22). The equity ratio was 56.3 per cent (56.4).

Holmen's sales consist mainly of exports from Sweden. The Group has hedged the major part of the currency exposure for 2003. For 2004, approximately 70 per cent of the estimated flows in euro, and 50 per cent of the flows in sterling are hedged. For 2005, approximately 50 per cent of the cash flow in euro are hedged. The average hedged exchange rate is 9.38, 14.86 and 10.35 for the euro, sterling and the US dollar respectively.

CAPITAL EXPENDITURE

The Group's capital expenditure amounted to MSEK 3,191 (1,715), of which MSEK 774 relates to the new paper machine at the Hallsta Paper Mill and MSEK 1,705 to the buy-back of hydroelectric assets. Depreciation according to plan amounted to MSEK 1,153 (1,126).

EMPLOYEES

The average number of employees in the Group was 5,075 (full year 2001: 5,238).

DIVIDEND AND SHARE BUY-BACK

The Board proposes to the Annual General Meeting to be held on 26 March that a dividend of SEK 11 (10) per share be paid. 31 March is proposed as the date of record for entitlement to the dividend.

The Board also proposes that the Annual General Meeting mandates the Board, as it did last year, to buy back and transfer company shares.

IMPORTANT EVENTS

- The Holmen Board decided at today's meeting to postpone until further notice the decision to build a new newsprint machine at Papelera Peninsular, the Group's Spanish mill. The main reason for this is that the recovery of the newsprint market appears to be taking longer than expected. The pre-project will be completed and it is intended to go ahead with the necessary land purchase.
- Holmen has appealed against a decision handed down by the tax authority in December 2002 concerning the tax surcharge imposed on one of Holmen's subsidiaries. The aggregate amount of taxes and charges is some MSEK 500. The company does not share the tax authority's view on the case, but considers that it has already been subject to legal process and settled. The tax authority investigated the matter back in 1998, at which time it did not allow the deduction. The company appealed against the decision. The county administrative court ruled in the company's favour, and approved the deduction in its decision of May 22, 2001. The decision was not appealed against by the tax authorities, and has thus come into legal effect. The company sees no reason for a surcharge, nor does it agree with the opinion of the tax authority in other respects. In light of this, Holmen has not made any provision for tax in respect of this tax surcharge decision.

HOLMEN

PRESS RELEASE

- Holmen has bought back the partner financed company Junkaravan AB on 31 December 2002, which means that Holmen has acquired hydroelectric power assets corresponding to 541 GWh for MSEK 1,705. Holmen retains the partner financing of Iggesund Kraft, which owns hydroelectric power assets corresponding to 170 GWh. Holmen owns 50 per cent of Iggesund Kraft AB and has consolidated the company as of 31 December 2002.
- Pension funds set up by the Group's English companies showed a deficit of MSEK 391 as of 31 December 2002. The Group has stated this as a contingent liability in the consolidated financial statements.

Stockholm, 5 February 2003

Göran Lundin
President and CEO

The year end report has not been subject to examination by the company's auditors. The 2002 annual report will be published at the beginning of March. The Annual General Meeting will be held in Stockholm on 26 March at 16.00 hrs CET. The interim report for January-March will be released on 7 May.

For further information please contact:
Göran Lundin, President and CEO, tel +46 8 666 21 00
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 2.3 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. The annual volume harvested from company forests is 2.5 million m³. **Holmen Kraft** produces some 1,100 GWh of electricity at wholly and partly owned hydroelectric power stations in Sweden.

HOLMEN

PRESS RELEASE

ACCOUNTING PRINCIPLES

The year end report is made up in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 Interim reporting. In other respects, the accounts are also made up in accordance with the Council's recommendations. No accounting principles have been altered that have an effect on this report, in relation to the principles applied in the latest annual report. However, Holmen has adopted a new position regarding the degree of control exercised over Iggesund Kraft, and has therefore consolidated the company as of 31 December 2002, instead of using the equity interest method. As the change has no significant effect on the consolidated result or on equity, no adjustments have been made to the figures for 2002 or the year in the comparison.

PROFIT AND LOSS ACCOUNT, MSEK	Quarter		Full year					
	4-02	3-02	2002	2001				
Net turnover	4,120	3,996	16,081	16,655				
Operating costs	-3,179	-2,983	-12,205	-12,460				
Depreciation according to plan	-290	-297	-1,153	-1,126				
Items affecting comparability	-	-	-	-620				
Interest in earnings of associate companies	-13	-	-10	-3				
Operating profit	638	716	2,713	2,446				
Net financial items	-27	-40	-149	-152				
Profit after financial items	611	676	2,564	2,294				
Tax	-175	-166	-605	-108				
Profit for the period	436	510	1,959	2,186				
Operating margin, %	15.8	17.9	16.9	18.4				
Return on capital employed*, %	14.1	16.5	15.5	17.7				
Return on equity, %	11.7	14.2	13.7	16.0				
Earnings per share, SEK								
Before dilution	5.46	6.37	24.50	27.33				
After dilution	5.25	6.13	23.58	26.41				
Information for calculation of earnings per share								
Profit for the period, MSEK	436	510	1,959	2,186				
Interest convertible loan, MSEK	3	3	14	13				
Adjusted profit, MSEK	439	513	1,973	2,199				
Average number of shares (million)								
Before dilution	80.0	80.0	80.0	80.0				
After dilution	83.7	83.7	83.7	83.3				
NET TURNOVER								
MSEK	Quarter				Full year			
	4-02	3-02	2002	2001	4-02	3-02	2002	2001
Holmen Paper	2,119	2,122	8,164	8,757	337	493	1,664	2,410
Iggesund Paperboard	1,166	1,270	4,850	4,467	210	232	818	455
Iggesund Timber	133	134	572	712	3	-1	-6	-79
Holmen Skog	922	739	3,538	3,982	155	62	450	455
Holmen Kraft	331	247	1,120	1,108	-17	-25	-26	49
Group adjustments and other	-	-	-	-	-50	-45	-187	-224
	4,671	4,512	18,244	19,026	638	716	2,713	3,066
Items affecting comparability	-	-	-	-	-	-	-	-620
Intra-group sales	-551	-516	-2,163	-2,371	-	-	-	-
	4,120	3,996	16,081	16,655	638	716	2,713	2,446

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

HOLMEN

PRESS RELEASE

BALANCE SHEET, MSEK	2002 31 Dec	2001 31 Dec
ASSETS		
Fixed assets		
Intangible	576	634
Tangible	18,812	17,972
Financial	1,969	544
Current assets		
Inventories	2,244	2,380
Current receivables	2,678	2,986
Financial receivables	54	33
Liquid funds	634	399
	26,967	24,948
EQUITY AND LIABILITIES		
Equity	15,073	14,072
Minority interest	112	–
Deferred tax liability	4,370	4,014
Financial liabilities	4,496	3,593
Operating liabilities	2,916	3,269
	26,967	24,948
Debt/equity ratio	0.25	0.22
Equity ratio, %	56.3	56.4
Pledged assets	1,617	52
Contingent liabilities	1,320	467

The Group's pledged assets increased in 2002, mainly because Junkaravan AB, which was acquired as of 31 December 2002, has financial liabilities that are secured by a lien on its fixed assets. The Group's contingent liabilities have risen, partly due to the tax authority's decision to impose a tax surcharge of MSEK 538 on one of Holmen's subsidiaries, and partly as a consequence of the under-capitalisation by MSEK 391 of the Group's pension funds in England.

CHANGE IN EQUITY, MSEK	Full year	
	2002	2001
Opening equity	14,072	17,014
Dividend paid to shareholders	–800	–5,518
Translation differences of foreign Group and associate companies	–158	390
Profit for the period	1,959	2,186
Closing equity	15,073	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.

HOLMEN

PRESS RELEASE

CASH FLOW ANALYSIS, MSEK	Full year	
	2002	2001
Operating profit	2,713	2,446
Adjustments for items not included in cash flow*	1,244	1,725
Change in working capital	356	61
Net financial items	-149	-152
Paid tax	-472	-248
Cash flow before capital expenditure	3,692	3,832
Capital expenditure	-1,486	-1,715
Repurchase hydroelectric power assets	-1,705	-
Cash flow before dividend	501	2,117
Ordinary dividend	-800	-720
Extra dividend	-	-4,798
Cash flow	-299	-3,401
Consolidation of Iggesund Kraft AB	-338	-
Currency effects	-10	-54
Change in net financial liability	-647	-3,455
Liquid funds	634	399
Financial receivables	54	33
Financial liabilities	-4,496	-3,593
Net financial liability	-3,808	-3,161
Opening liquid funds	399	2,000
Change in liquid funds	242	-1,611
Currency effects	-7	10
Closing liquid funds	634	399

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

HOLMEN

PRESS RELEASE

QUARTERLY FIGURES	2002					2001				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profit and loss account, MSEK										
Net turnover	16,081	4,120	3,996	4,027	3,938	16,655	4,343	4,099	4,097	4,116
Operating costs	-12,205	-3,179	-2,983	-3,127	-2,916	-12,460	-3,263	-2,908	-3,156	-3,133
Depreciation according to plan	-1,153	-290	-297	-287	-279	-1,126	-284	-280	-281	-281
Items affecting comparability	-	-	-	-	-	-620	-620	-	-	-
Interest in earnings of associate companies	-10	-13	-	3	-	-3	-5	-2	3	1
Operating profit	2,713	638	716	616	743	2,446	171	909	663	703
Net financial items	-149	-27	-40	-44	-38	-152	-43	-52	-53	-4
Profit after financial items	2,564	611	676	572	705	2,294	128	857	610	699
Tax	-605	-175	-166	-58	-206	-108	100	184	-183	-209
Profit for the period	1,959	436	510	514	499	2,186	228	1,041	427	490
Key figures										
Operating margin, %	16.9	15.8	17.9	15.2	18.9	18.4	18.3	22.2	16.1	17.1
Return on capital employed, %	15.5	14.1	16.5	14.3	17.3	17.7	17.6	20.7	15.7	16.8
Return on equity, %	13.7	11.7	14.2	14.8	14.4	16.0	6.5	31.1	13.7	13.4
Earnings per share (before dilution), SEK	24.50	5.46	6.37	6.43	6.24	27.33	2.84	13.02	5.34	6.13
Net turnover, MSEK										
Holmen Paper	8,164	2,119	2,122	2,029	1,894	8,757	2,283	2,260	2,173	2,041
Iggesund Paperboard	4,850	1,166	1,270	1,209	1,205	4,467	1,181	1,131	1,053	1,102
Iggesund Timber	572	133	134	148	157	712	161	175	196	180
Holmen Skog	3,538	922	739	929	948	3,982	997	808	1,005	1,172
Holmen Kraft	1,120	331	247	247	295	1,108	286	263	251	308
	18,244	4,671	4,512	4,562	4,499	19,026	4,908	4,637	4,678	4,803
Intra-group sales	-2,163	-551	-516	-535	-561	-2,371	-565	-538	-581	-687
	16,081	4,120	3,996	4,027	3,938	16,655	4,343	4,099	4,097	4,116
Profit/loss, MSEK										
Holmen Paper	1,664	337	493	364	470	2,410	568	750	597	495
Iggesund Paperboard	818	210	232	190	186	455	110	150	53	142
Iggesund Timber	-6	3	-1	-2	-6	-79	-24	-19	-20	-16
Holmen Skog	450	155	62	105	128	455	193	83	79	100
Holmen Kraft	-26	-17	-25	-2	18	49	-7	15	5	36
Group adjustments and other	-187	-50	-45	-39	-53	-224	-49	-70	-51	-54
	2,713	638	716	616	743	3,066	791	909	663	703
Items affecting comparability	-	-	-	-	-	-620	-620	-	-	-
Operating profit	2,713	638	716	616	743	2,446	171	909	663	703
Operating margin, %										
Holmen Paper	21	17	23	18	25	28	25	33	27	24
Iggesund Paperboard	17	18	18	16	15	10	9	13	5	13
Iggesund Timber	-1	2	-1	-2	-4	-11	-16	-11	-11	-9
Group	16	17	18	15	19	18	18	22	16	17
Deliveries										
Newsprint and magazine paper, 1,000 tonnes	1,528	404	396	383	345	1,525	394	388	374	369
Paperboard, 1,000 tonnes	453	112	121	110	110	410	106	103	97	104
Sawn timber, 1,000 m ³	220	52	51	54	63	322	71	74	92	85