

HOLMEN

PRESS RELEASE

INTERIM REPORT JANUARY – JUNE 2004

MSEK	Quarter			January-June	Full year	
	2-04	1-04	2-03	2004	2003	2003
Net turnover	3,884	3,903	4,010	7,787	8,011	15,816
Operating profit	456	534	609	990	1,244	2,338
Profit after financial items	403	492	551	895	1,132	2,126
Profit after tax	286	349	392	635	781	1,451
Earnings per share (before dilution), SEK	3.37	4.36	4.91	7.71	9.77	18.14
Earnings per share (after dilution), SEK	3.37	4.20	4.72	7.57	9.41	17.48
Return on equity, %	7.8	8.9	10.5	8.3	10.4	9.7

- The Group's net turnover for January-June amounted to MSEK 7,787 (January-June 2003: 8,011).
- The profit after tax was MSEK 635 (781).
- Earnings per share after dilution amounted to SEK 7.57 (9.41). The return on equity was 8.3 per cent (10.4).
- The operating profit was MSEK 990 (1,244). The decline in the profit is due to lower newsprint prices and unfavourable currency effects, which were partly offset by higher delivery volumes. Compared with the first quarter, the result declined by MSEK 78 to MSEK 456.
- Demand for newsprint and magazine paper has continued to increase but the price level is low. Holmen Paper's deliveries were higher than in the first half of 2003, and capacity utilisation was high.

The market situation for paperboard remained stable. Iggesund Paperboard's capacity utilisation was high and deliveries rose in relation to the first half of 2003.

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BUSINESS AREAS

Holmen Paper	Quarter		January-June		Full year 2003
	2-04	1-04	2004	2003	
Net turnover, MSEK	1,941	1,792	3,733	3,824	7,788
Operating profit, MSEK	113	111	224	383	747
Operating margin, %	5	6	6	10	10
Return on operating capital, %	5	5	5	8	8
Production, 1,000 tonnes	427	428	855	806	1,645
Deliveries, 1,000 tonnes	429	398	827	807	1,655

The demand for newsprint and magazine paper has continued to increase but the price level is low. Deliveries to Western Europe during the first half-year were higher than in the first half of 2003. Exports from Western Europe continued to rise.

Holmen Paper's deliveries were just over 2 per cent higher than in January-June 2003 as a result of higher deliveries within Europe. Deliveries showed a seasonal increase in relation to the previous quarter. Capacity utilisation was high and prices were stable but lower than last year.

The operating profit for January-June was MSEK 224 (383). The decrease in profit is due to lower prices and unfavourable currency effects. Higher delivery volumes had a positive effect on the result.

In relation to the first quarter, the operating profit improved by MSEK 2 to MSEK 113.

Iggesund Paperboard	Quarter		January-June		Full year 2003
	2-04	1-04	2004	2003	
Net turnover, MSEK	1,212	1,273	2,485	2,517	4,920
Operating profit, MSEK	205	245	450	523	1,001
Operating margin, %	17	19	18	21	20
Return on operating capital, %	20	25	22	26	25
Production, paperboard, 1,000 tonnes	128	130	258	243	479
Deliveries, paperboard, 1,000 tonnes	123	129	252	243	481

The market situation for paperboard remained stable. Deliveries of virgin fibre-based paperboard from European producers were higher in the first half of 2004 than in the corresponding period last year, both within and outside Europe.

Iggesund Paperboard's deliveries were 4 per cent higher than during the first six months of 2003 as a result of higher sales outside Europe. Deliveries declined by 5 per cent in relation to the previous quarter. Capacity utilisation remained high and the price level was stable.

The operating profit for January-June amounted to MSEK 450 (523). Deliveries rose while changes to the product and market mix and currency effects had a negative effect on the result.

In relation to the first quarter, the result declined by MSEK 40 to MSEK 205, mainly due to lower deliveries and changed market mix.

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Iggesund Timber	Quarter		January-June		Full year
	2-04	1-04	2004	2003	2003
Net turnover, MSEK	132	134	266	269	510
Operating profit, MSEK	3	6	9	10	18
Operating margin, %	3	4	3	4	3
Return on operating capital, %	5	8	7	7	7
Production, 1,000 m ³	49	52	101	96	191
Deliveries own sawmill, 1,000 m ³	49	50	99	98	189

Redwood sawn timber was in firm demand during the second quarter but the high level of supplies put pressure on market prices. The operating profit for January-June was MSEK 9 (10). Higher volumes and lower costs offset lower selling prices and higher raw material prices. In relation to the first quarter, the result declined by MSEK 3 to MSEK 3.

Holmen Skog	Quarter		January-June		Full year
	2-04	1-04	2004	2003	2003
Net turnover, MSEK	953	1,014	1,967	1,909	3,613
of which external customers	543	598	1,141	1,110	2,077
Operating profit, MSEK	148	148	296	282	516
Return on operating capital, %	9	9	9	9	8
Harvesting in company forests, 1,000 m ³	717	547	1,264	1,295	2,725

The operating profit for January-June was MSEK 296 (282). The result was positively affected by an increase of some MSEK 30 in income from property sales, mainly intended for conversion into nature reserves. A lower level of harvesting in company forests adversely affected the result.

The result was unchanged in relation to the first quarter. It was favourably affected by a higher level of harvesting in company forests while property sales were lower than in the first quarter.

Holmen Kraft	Quarter		January-June		Full year
	2-04	1-04	2004	2003	2003
Net turnover, MSEK	272	351	623	681	1,337
of which external customers	60	110	170	299	537
Operating profit, MSEK	19	59	78	129	193
Return on operating capital, %	3	8	5	9	7
Group production of electric power, GWh	266	438	704	639	1,239

The operating profit for January-June amounted to MSEK 78 (129). The deterioration is due to lower prices for company-generated power than the exceptionally high price noted in the first half of 2003. In relation to the first quarter, the result declined by MSEK 40 to MSEK 19, mainly due to lower production.

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NET FINANCIAL ITEMS AND FINANCING

The net financial costs for January-June amounted to MSEK 95 (cost 112). The improvement is mainly due to lower market interest rates. In relation to the first quarter, net financial costs deteriorated by MSEK 11 to MSEK 53, an effect of increased indebtedness after payment of dividend.

The cash flow from current operations for January-June amounted to MSEK 942 and the cash flow absorbed by investment activities amounted to MSEK 412.

The Group's net financial debt has risen by MSEK 2,196 to MSEK 5,565 since the start of the year. Over and above a positive cash flow, the indebtedness was affected by the payment of a dividend of MSEK 3,199, and the conversion of convertible debenture loan and subscriptions to shares (MSEK 474).

The debt/equity ratio was 0.42 (31 December 2003: 0.22). The equity ratio was 50.3 per cent (58.3).

Financial liabilities amounted to MSEK 6,105 (31 December 2003: 4,044), of which MSEK 3,854 was short term. Cash and bank and financial receivables amounted to MSEK 540. The Group has unutilised committed credit facilities of some MSEK 5,300.

TAX

The Group's tax charge for January-June was MSEK 260 (cost 351), which corresponds to 29 per cent of the pre-tax profit.

HEDGING OF CURRENCIES AND ELECTRICITY PRICES

The result of currency hedging for January-June 2004 was MSEK 56. Some 95 per cent of the estimated currency flows in euro and some 85 per cent of the flows in sterling have been hedged for the rest of 2004 at exchange rates of 9.40 and 14.25 respectively. For 2005 some 90 per cent of the flows in euro have been hedged at an exchange rate of 9.40.

The price of most of the Group's estimated net consumption of electricity in Sweden has been hedged for 2004. For 2005, some 65 per cent has been hedged, for 2006 approximately 40 per cent, and for 2007-2011 around one-third.

FIXED CAPITAL EXPENDITURE

The Group's fixed capital expenditure amounted to MSEK 480 (352) and related mainly to improvements to existing facilities and to the ongoing investment in a new paper machine in Madrid. Depreciation according to plan amounted to MSEK 599 (583).

EMPLOYEES

The average number of employees in the Group was 4,873 (full-year 2003: 4,927).

PARENT COMPANY (HOLMEN AB)

The parent company's net turnover amounted to MSEK 6,333 (6,466). The profit after net financial items was MSEK 712 (1,021). Cash and bank amounted to MSEK 289 (31 December 2003: 441). The parent company's fixed capital expenditure (excluding shares) amounted to MSEK 3 (5).

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SHARE BUYBACK

At the AGM held on 30 March 2004, Holmen's shareholders authorised the Board to make decisions to buy back up to ten per cent of the company's shares. No such purchases have been made.

INTRODUCTION OF IFRS

As of 1 January 2005, Holmen will apply the International Financial Reporting Standards (IFRS) to its consolidated financial statements. An explanation of the implication of the introduction of IFRS was provided on page 48 of the 2003 annual report. Over and above this, no further difference of major significance in relation to the present accounting principles have been identified.

Stockholm, 18 August 2004

Magnus Hall
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 28 October.

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Holmen is a forest products industry group with the capacity to produce 2.4 million tonnes of paper and paperboard per year. The EU countries, which account for some 90 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's annual wood consumption is some 4.5 million m³. Holmen Skog's earnings are largely generated by the sale of wood harvested in company forests. **Holmen Kraft** produces in a normal year some 1,100 GWh of electric power at wholly and partly owned hydroelectric power stations in Sweden. Holmen's annual power consumption is some 4,200 GWh. Holmen Kraft's earnings are largely generated from the production of electric power by wholly and partly owned hydroelectric power assets.

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ACCOUNTING PRINCIPLES

The accounting principles for the interim report are unchanged in relation to the most recently published annual report and comply with all current (2004) recommendations issued by the Swedish Financial Accounting Standards Council.

PROFIT AND LOSS ACCOUNT, MSEK	Quarter			January-June	Full year	
	2-04	1-04	2-03	2004	2003	2003
Net turnover	3,884	3,903	4,010	7,787	8,011	15,816
Operating costs	-3,142	-3,073	-3,111	-6,215	-6,186	-12,306
Depreciation according to plan	-299	-300	-291	-599	-583	-1,166
Interest in earnings of associate companies	13	4	1	17	2	-6
Operating profit	456	534	609	990	1,244	2,338
Net financial items	-53	-42	-58	-95	-112	-212
Profit after financial items	403	492	551	895	1,132	2,126
Tax	-117	-143	-159	-260	-351	-675
Profit for the period	286	349	392	635	781	1,451
Operating margin, %	11.4	13.6	15.2	12.5	15.5	14.8
Return on capital employed, %	9.6	11.3	12.7	10.5	13.0	12.3
Return on equity, %	7.8	8.9	10.5	8.3	10.4	9.7
Earnings per share (before dilution), SEK	3.37	4.36	4.91	7.71	9.77	18.14
Earnings per share (after dilution), SEK	3.37	4.20	4.72	7.57	9.41	17.48
Information for calculation of earnings per share						
Profit for the period, MSEK	286	349	392	635	781	1,451
Interest convertible loan, MSEK	-	2	3	2	6	12
Adjusted profit, MSEK	286	351	395	637	787	1,463
Average number of shares (million)						
Before dilution	84.8	80.0	80.0	82.4	80.0	80.0
After dilution*	84.8	83.7	83.7	84.3	83.7	83.7

* In 1998, Holmen issued a convertible debenture loan and warrants to the personnel at market prices. Conversion into and subscription to Holmen Series "B" shares took place during the first quarter. Subsequently there are no outstanding convertibles or warrants.

MSEK	NET TURNOVER				OPERATING PROFIT			
	Quarter		January-June		Quarter		January-June	
	2-04	1-04	2004	2003	2-04	1-04	2004	2003
Holmen Paper	1,941	1,792	3,733	3,824	113	111	224	383
Iggesund Paperboard	1,212	1,273	2,485	2,517	205	245	450	523
Iggesund Timber	132	134	266	269	3	6	9	10
Holmen Skog	953	1,014	1,967	1,909	148	148	296	282
Holmen Kraft	272	351	623	681	19	59	78	129
Group central costs and other	-	-	-	-	-32	-35	-67	-83
	4,510	4,564	9,074	9,200	456	534	990	1,244
Intra-group sales	-626	-661	-1,287	-1,189	-	-	-	-
	3,884	3,903	7,787	8,011	456	534	990	1,244

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BALANCE SHEET, MSEK	2004 30 June	2003 30 June	2003 31 Dec
ASSETS			
Intangible fixed assets			
Goodwill	516	550	528
Other	30	12	28
Tangible fixed assets	18,222	18,509	18,278
Financial fixed assets			
Shares and participations	1,753	1,771	1,767
Other	343	337	339
Current assets			
Inventories	2,320	2,183	2,204
Current receivables	2,835	2,694	2,539
Financial receivables	142	146	105
Cash and bank	398	523	570
	26,559	26,725	26,358
EQUITY AND LIABILITIES			
Equity	13,245	14,652	15,254
Minority interest	112	112	112
Deferred tax liability	4,620	4,441	4,557
Financial liabilities			
Long-term	2,251	2,464	1,914
Short-term	3,854	2,505	2,130
Operating liabilities	2,477	2,551	2,391
	26,559	26,725	26,358
Debt/equity ratio	0.42	0.29	0.22
Equity ratio, %	50.3	55.2	58.3
Pledged assets	1,666	1,637	1,642
Contingent liabilities	1,656	899	1,674

CHANGE IN EQUITY, MSEK	2004 30 June	2003 30 June	2003 Full year
Opening equity	15,254	15,073	15,073
Effect of implementation of new accounting principle regarding employee benefits	–	-274	-274
Rights issue through conversion and subscription	474	–	–
Dividend paid	-3,199	-880	-880
Currency differences foreign group and associate companies	81	-48	-116
Profit for the period	635	781	1,451
Closing equity	13,245	14,652	15,254

SHARE STRUCTURE			
Share	Votes	Number of shares	Number of 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

* In 1998, Holmen issued a convertible debenture loan and warrants to the personnel at market prices. As a result of conversions and subscriptions, a total of 4,783,711 Holmen Series "B" shares were issued during the first quarter of 2004.

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CASH FLOW ANALYSIS, MSEK	2004 Jan-June	2003 Jan-June	2003 Full year
CURRENT OPERATIONS			
Profit after financial items	895	1,132	2,126
Adjustments for items not included in cash flow etc*	534	570	1,169
	1,429	1,702	3,295
Tax paid	-267	-329	-727
Cash flow from current operations before changes in working capital	1,162	1,373	2,568
Cash flow from changes in working capital			
Change in inventories	-116	62	42
Change in operating receivables	-209	-73	106
Change in operating liabilities	105	-214	-273
Cash flow from current operations	942	1,148	2,443
INVESTMENT ACITIVITIES			
Acquisition of subsidiaries	–	-19	-19
Acquisition of fixed assets	-480	-333	-736
Sale of fixed assets	68	11	29
Cash flow from investment activities	-412	-341	-726
FINANCING ACTIVITIES			
Change in financial liabilities and receivables	2,022	-37	-899
Rights issue trough conversion and subscription	474	–	–
Dividend paid	-3,199	-880	-880
Cash flow from financing activities	-703	-917	-1,779
Cash flow for the period	-173	-110	-62
Opening cash and bank	570	634	634
Currency differences cash and bank	1	-1	-2
Closing cash and bank	398	523	570

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

CHANGE IN NET FINANCIAL DEBT, MSEK	2004 Jan-June	2003 Jan-June	2003 Jan-Dec
Opening net financial debt	-3,369	-3,808	-3,808
Cash flow			
Current operations	942	1,148	2,443
Investment activities	-412	-341	-726
Rights issue through conversion and subscription	474	–	–
Dividend paid	-3,199	-880	-880
Effect of change in accounting principles*	–	-439	-439
Currency differences net financial debt	-1	20	41
Closing net financial debt	-5,565	-4,300	-3,369

* Change in implementation of RR 29, Employee Benefits, MSEK 392 and change in definition of net debt MSEK 47.

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QUARTERLY FIGURES	2004			2003			
	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profit and loss account, MSEK							
Net turnover	3,884	3,903	15,816	3,940	3,865	4,010	4,001
Operating costs	-3,142	-3,073	-12,306	-3,136	-2,984	-3,111	-3,075
Depreciation according to plan	-299	-300	-1,166	-293	-290	-291	-292
Interest in earnings of associate companies	13	4	-6	-4	-4	1	1
Operating profit	456	534	2,338	507	587	609	635
Net financial items	-53	-42	-212	-45	-55	-58	-54
Profit after financial items	403	492	2,126	462	532	551	581
Tax	-117	-143	-675	-167	-157	-159	-192
Profit for the period	286	349	1,451	295	375	392	389
Key figures							
Operating margin, %	11.4	13.6	14.8	13.0	15.3	15.2	15.8
Return on capital employed, %	9.6	11.3	12.3	10.7	12.3	12.7	13.3
Return on equity, %	7.8	8.9	9.7	7.8	10.1	10.5	10.3
Earnings per share (before dilution), SEK	3.37	4.36	18.14	3.69	4.68	4.91	4.86
Earnings per share (after dilution), SEK	3.37	4.20	17.48	3.55	4.52	4.72	4.69
Net turnover, MSEK							
Holmen Paper	1,941	1,792	7,788	1,954	2,010	1,996	1,828
Iggesund Paperboard	1,212	1,273	4,920	1,164	1,239	1,228	1,289
Iggesund Timber	132	134	510	128	113	141	128
Holmen Skog	953	1,014	3,613	947	757	933	976
Holmen Kraft	272	351	1,337	348	308	300	381
	4,510	4,564	18,168	4,541	4,427	4,598	4,602
Intra-group sales	-626	-661	-2,352	-601	-562	-588	-601
	3,884	3,903	15,816	3,940	3,865	4,010	4,001
Operating profit, MSEK							
Holmen Paper	113	111	747	109	255	197	186
Iggesund Paperboard	205	245	1,001	234	244	249	274
Iggesund Timber	3	6	18	5	3	5	5
Holmen Skog	148	148	516	146	88	163	119
Holmen Kraft	19	59	193	42	22	36	93
Group central costs and other	-32	-35	-137	-29	-25	-41	-42
	456	534	2,338	507	587	609	635
Operating margin, %							
Holmen Paper	5	6	10	6	13	10	10
Iggesund Paperboard	17	19	20	20	20	20	21
Iggesund Timber	3	4	3	4	2	3	4
Group	11	14	15	13	15	15	16
Deliveries							
Newsprint and magazine paper, 1,000 tonnes	429	398	1,655	421	427	428	379
Paperboard, 1,000 tonnes	123	129	481	115	123	120	123
Sawn timber, 1,000 m ³	49	50	189	49	42	53	45