

Press release

Interim Report January-March 2007

MSEK	Quarter			Full year 2006
	1-07	4-06	1-06	
Net turnover	4 787	4 830	4 579	18 592
Operating profit	634	590	619	2 303
Profit after tax	397	369	406	1 459
Earnings per share, SEK	4.7	4.4	4.8	17.2
Return on equity, %	9.7	9.0	10.0	9.0

- The Group's net turnover for January-March 2007 amounted to MSEK 4 787 (January-March 2006: 4 579).
- The profit after tax was MSEK 397 (406).
- Earnings per share amounted to SEK 4.7 (4.8). Return on equity was 9.7% (10.0).
- The operating profit was MSEK 634 (619). The result was favourably affected by higher newsprint prices, while costs increased, mainly for wood and recovered paper.

The operating profit for the first quarter was MSEK 44 higher than that for the fourth quarter.

- The market situation for newsprint in Europe was stable during the first quarter. Holmen Paper's deliveries were 4% higher than in the first quarter of 2006. The prices of Holmen Paper's products were on average some 4% higher than in the corresponding period in the previous year.

The market situation for virgin fibre board in Europe was strong during the first quarter. Iggesund Paperboard's deliveries remained at a high level but were 2% lower than in the first quarter of 2006. Price increases have been announced.

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Business areas

Holmen Paper MSEK	Quarter			Full year
	1-07	4-06	1-06	2006
Net turnover	2 530	2 654	2 364	10 140
Operating costs	-2 139	-2 323	-1 907	-8 472
Depreciation according to plan	-231	-235	-228	-913
Operating profit	160	95	229	754
Capital expenditure	174	283	219	686
Operating capital	11 724	11 541	12 161	11 541
Operating margin, %	6	4	9	7
Return on operating capital, %	6	3	8	6
Production, 1 000 tonnes	514	514	513	2 044
Deliveries, 1 000 tonnes	489	533	472	2 021

The market situation for newsprint in Europe was stable in the first quarter of 2007 with high capacity utilisation. Deliveries of standard newsprint to Europe remained virtually unchanged in relation to the first quarter of 2006. Demand for SC paper in Europe increased by 5% and for coated printing paper by 3%.

Holmen Paper's deliveries rose by 4% in relation to the first quarter of 2006. Deliveries declined owing to seasonal factors in relation to the fourth quarter. The prices of Holmen Paper's products were on average some 4% higher than in the previous year as a result of price increases, above all for newsprint, at the year-end.

Holmen Paper's operating profit for January-March 2007 was MSEK 160 (229). Higher selling prices have had a positive impact on the result, while the cost of mainly wood and recovered paper has increased. A major stop for rebuilding at Braviken had an adverse effect on the result. In the second quarter a major maintenance stop will be made at Hallsta.

By comparison with the fourth quarter of 2006, the result improved by MSEK 65 as a result of higher selling prices.

Iggesund Paperboard MSEK	Quarter			Full year
	1-07	4-06	1-06	2006
Net turnover	1 326	1 316	1 339	5 240
Operating costs	-1 031	-1 017	-1 074	-4 133
Depreciation according to plan	-89	-90	-89	-356
Operating profit	206	209	176	752
Capital expenditure	100	130	137	351
Operating capital	4 062	3 935	4 043	3 935
Operating margin, %	16	16	13	14
Return on operating capital, %	21	21	18	19
Production, paperboard, 1 000 tonnes	135	134	132	542
Deliveries, paperboard, 1 000 tonnes	134	132	137	536

The market situation for virgin fibre board in Europe was strong during the first quarter of 2007. Deliveries from European producers to Europe were 2% higher than during the corresponding period in 2006. Capacity utilisation was high.

Iggesund Paperboard's deliveries remained at a high level, but were 2% lower than for the first quarter of 2006 owing to the build-up of stocks in advance of the stop for rebuilding at Iggesund Bruk in the

autumn of 2007. Prices were stable but price increases have been announced.

Iggesund Paperboard's operating profit for January-March 2007 amounted to MSEK 206 (176). The change is due primarily to better production.

In relation to the fourth quarter of 2006 the result declined by MSEK 3.

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Holmen Timber MSEK	Quarter			Full year
	1-07	4-06	1-06	2006
Net turnover	149	129	112	465
Operating costs	-112	-96	-90	-361
Depreciation according to plan	-6	-6	-6	-24
Operating profit	32	27	16	80
Capital expenditure	6	1	2	5
Operating capital	215	208	208	208
Operating margin, %	21	21	14	17
Return on operating capital, %	60	53	29	38
Production, 1 000 m ³	71	66	63	247
Deliveries own sawmill, 1 000 m ³	72	65	62	248

The market situation for sawn timber was very strong during the first quarter of 2007. Prices have continued to rise.

Holmen Timber's operating profit for January-March 2007 amounted to MSEK 32 (16). The improvement in the result is due to higher prices as well as increased production and deliveries.

In relation to the fourth quarter of 2006, the result improved by MSEK 5. The improvement is due to higher prices and increased deliveries, while the cost of raw materials rose.

Holmen Skog MSEK	Quarter			Full year
	1-07	4-06	1-06	2006
Net turnover	1 165	1 067	1 076	4 042
Operating costs	-1 016	-867	-952	-3 485
Depreciation according to plan	-6	-8	-7	-28
Earnings from operations	143	192	117	528
Change in value of forests	12	16	34	115
Operating profit	155	208	151	643
Capital expenditure	7	11	6	29
Operating capital	9 041	9 001	8 898	9 001
Return on operating capital, %	7	9	7	7
Harvesting company forests, 1 000 m ³	533	766	500	2 618

Holmen Skog's operating profit for January-March 2007 amounted to MSEK 155 (151). Earnings from operations increased by MSEK 26 to MSEK 143 as a result of higher prices and a higher level of harvesting. Biological assets (forests) are valued at fair value, and the change in value, after taking into consideration harvesting during the period, was MSEK 12 (34).

In relation to the fourth quarter of 2006 earnings from operations declined by MSEK 49 as a consequence of a return to a normal level of harvesting after the very high level in the fourth quarter. In the fourth quarter the forests were revalued by some MSEK 50 as a consequence of higher prices, while the value was reduced by the high level of harvesting.

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Holmen Energi	Quarter			Full year
MSEK	1-07	4-06	1-06	2006
Net turnover	433	445	491	1 691
Operating costs	-314	-353	-400	-1 476
Depreciation according to plan	-4	-4	-4	-17
Operating profit	114	87	87	197
Capital expenditure	2	5	-	6
Operating capital	2 936	2 965	2 972	2 965
Return on operating capital, %	16	12	12	7
Production of hydro power, GWh	396	299	336	934

Holmen Energi's operating profit for January-March 2007 amounted to MSEK 114 (87). Water was in good supply, which made possible slightly higher production than is normal for the period. Higher prices for company-generated power also had a favourable impact on the result.

In relation to the fourth quarter of 2006, the result improved by MSEK 27, mainly as a consequence of higher production.

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The Group

Net financial items and financing

Net financial costs for January-March 2007 was MSEK 62 (cost 57).

The cash flow from current operations amounted to MSEK 334. The cash absorbed by investment activities was MSEK 286.

The Group's financial net debt has increased by MSEK 1 064 to MSEK 7 049 since the start of the year, primarily an effect of the decision to pay a dividend of MSEK 1 017. The dividend, which was approved at the AGM on 28 March and paid out on 5 April, has been stated under short-term financial liabilities as of 31 March. The debt/equity ratio was 0.44. The equity ratio was 49%.

Financial liabilities amounted to MSEK 7 788, of which MSEK 4 894 was short term. Liquid funds and financial receivables amounted to MSEK 739. The Group has unutilised long-term committed credit facilities of some MSEK 5 600.

Tax

The Group's tax charge for January-March 2007 was MSEK 174 (charge 156), which corresponds to 30% of the profit before tax.

Hedging of exchange rates and electricity prices

The result of currency hedges was a loss of MSEK 13 (loss 3), which is stated in the operating result. For the remainder of 2007 some 90% of the Group's estimated flows in Euro and sterling have been hedged at average rates of 9.40 and 13.63 respectively. For 2008 around 70% of the flows in Euro have been hedged at an average rate of 9.25.

The price of the Group's estimated net consumption of electricity in Sweden has been hedged in full for the remainder of 2007. For the 2008-2012 period the prices of 85-90% of the net consumption have been hedged and for the 2013-2015 period some 70%.

Capital expenditure

The Group's capital expenditure during January-March amounted to MSEK 290 (364). Depreciation according to plan amounted to MSEK 336 (336).

Employees

The average number of employees in the Group was 4 889 (4 939).

Share buy-back

At the AGM held on 28 March 2007 Holmen's shareholders renewed the mandate for the Board to make decisions to buy back up to 10% of the company's shares. This mandate has not been exercised.

Parent company

The net turnover of the parent company (Holmen AB) amounted to MSEK 3 591 (3 497). The profit after net financial items was MSEK 325 (387). Liquid funds amounted to MSEK 504 (31 December 2006: 380). The parent company's capital expenditure (excluding shares) was MSEK 8 (6).

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Holmen AB (publ)

Magnus Hall
President and CEO

Interim report for January-June 2007 will be published on 15 August.

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Holmen is a forest products industry group with the capacity to produce 2.7 million tonnes of paper and paperboard per year. Europe, which accounts for some 90% of the Group's turnover, is 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 virgin fibre board for packaging and graphic purposes at one Swedish and one English mill. **Holmen 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 Energi** produces in a normal year some 1 100 GWh of electric power at wholly and partly owned hydro 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 5 100 GWh.

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Accounting principles

The 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.

The figures in tables are rounded.

Income statement, MSEK	Quarter			Full year
	1-07	4-06	1-06	2006
Net turnover	4 787	4 830	4 579	18 592
Other operating income	135	111	137	501
Change in value of biological assets	12	16	34	115
Change in inventory of finished products and work in progress	120	-73	169	91
Capitalised work on own account	0	0	2	5
Raw materials, goods for resale and consumables	-2 612	-2 349	-2 510	-9 666
Personnel costs	-663	-634	-659	-2 538
Other operating costs	-810	-964	-807	-3 462
Depreciation according to plan	-336	-344	-336	-1 346
Interest in earnings of associated companies	1	-3	10	11
Operating profit	634	590	619	2 303
Financial income	4	6	3	15
Financial costs	-66	-66	-60	-262
Profit before tax	571	529	562	2 056
Tax	-174	-160	-156	- 597
Profit for the period	397	369	406	1 459
Earnings per share, SEK	4.7	4.4	4.8	17.2
Average number of shares (million)	84.8	84.8	84.8	84.8
Operating margin, %	13.2	12.3	13.3	12.3
Return on capital employed, %	11.1	10.4	10.8	10.0
Return on equity, %	9.7	9.0	10.0	9.0

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

Account of stated income and costs, MSEK	Januari-mars		Full year
	2007	2006	2006
Income and costs stated direct in equity			
Cash flow hedges			
Revaluation of derivatives stated in equity	-161	65	306
Brought forward from equity to the income statement	-2	-3	-142
Brought forward from equity to fixed assets	1	-	1
Actuarial revaluation of pension liability	8	32	47
Translation difference on foreign operation	79	-18	-88
Hedge of currency risk in foreign operation	-46	4	53
Tax attributable to items stated direct in equity	55	-27	-75
Total stated direct in equity	-65	53	102
Profit for the period stated in the income statement	397	406	1 459
Total stated income and costs	332	459	1 561
Other change in equity			
Effect on equity due to change of accounting principle as per 2006-01-01	-	-72	-72
Dividend paid to the parent company's shareholders	-1 017	-	-932

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Balance sheet, MSEK	2007	2006
	31 Mar	31 Dec
ASSETS		
Fixed assets		
Intangible fixed assets	625	627
Tangible fixed assets	13 898	13 782
Biological assets	8 857	8 830
Shares in associated companies	1 736	1 731
Other shares and participations	12	11
Long-term financial receivables	111	110
Other long-term receivables	19	19
Deferred tax receivables	354	354
Total fixed assets	25 612	25 464
Current assets		
Inventories	2 737	2 606
Short-term operating receivables	3 611	3 531
Short-term financial receivables	19	55
Liquid funds	609	484
Total current assets	6 976	6 676
Total assets	32 588	32 141
EQUITY AND LIABILITIES		
Equity	15 951	16 636
Long-term liabilities		
Long-term financial liabilities	2 548	2 503
Pension provisions	346	356
Other provisions	644	626
Deferred tax liabilities	5 011	5 030
Total long-term liabilities	8 549	8 515
Short-term liabilities		
Short-term financial liabilities*	4 894	3 775
Operating liabilities	3 194	3 215
Total short-term liabilities	8 089	6 990
Total liabilities	16 638	15 505
Total equity and liabilities	32 588	32 141
Debt/equity ratio	0.44	0.36
Equity ratio, %	48.9	51.8
Operating capital	27 657	27 297
Capital employed	23 000	22 621
Financial net debt	7 049	5 985

* The amount includes MSEK 1 017 in respect of approved but not yet paid out dividend.

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Cash flow analysis, MSEK	January-March		Full year
	2007	2006	2006
Current operations			
Profit before tax	571	562	2 056
Adjustments for items not included in cash flow*	293	334	1 225
Paid income tax	-155	-239	-664
Cash flow from current operations before changes in working capital	710	657	2 617
Cash flow from changes in working capital			
Change in inventories	-131	-118	-89
Change in operating receivables	-192	-338	-117
Change in operating liabilities	-53	-75	-53
Cash flow from current operations	334	126	2 358
Investment activities			
Acquisition of subsidiaries	-	-	-
Acquisition of fixed assets	-290	-364	-1 079
Sale of fixed assets	4	7	132
Cash flow from investment activities	-286	-357	-947
Financing activities			
Change in financial liabilities and receivables	78	170	-566
Dividend paid to the parent company's shareholders	-	-	-932
Cash flow from financing activities	78	170	-1 498
Cash flow for the period	126	-61	-87
Opening liquid funds	484	580	580
Currency difference in liquid funds	-2	0	-9
Closing liquid funds	609	519	484

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

Change in financial net debt, MSEK	January-March		Full year
	2007	2006	2006
Opening financial net debt	-5 985	-6 639	-6 639
Cash flow			
Current operations	334	126	2 358
Investment activities	-286	-357	-947
Dividend paid	-	-	-932
Actuarial revaluation of pension provision	8	32	47
Dividend approved but not paid out	-1 017	-	-
Currency effects and changes in fair value	-103	-16	128
Closing financial net debt	-7 049	-6 854	-5 985

Share structure		Number of shares	Number of votes
Share	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

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Quarterly figures, MSEK	2007	2006				
	Q1	Q4	Q3	Q2	Q1	Full year
Income statement						
Net turnover	4 787	4 830	4 521	4 661	4 579	18 592
Operating costs	-3 818	-3 894	-3 582	-3 843	-3 634	-14 954
Depreciation according to plan	-336	-344	-330	-336	-336	-1 346
Interest in earnings of associated companies	1	-3	0	3	10	11
Operating profit	634	590	610	485	619	2 303
Net financial items	-62	-60	-66	-63	-57	-247
Profit before tax	571	529	543	422	562	2 056
Tax	-174	-160	-162	-119	-156	-597
Profit for the period	397	369	382	303	406	1 459
Earnings per share, SEK	4.7	4.4	4.5	3.6	4.8	17.2
Net turnover						
Holmen Paper	2 530	2 654	2 547	2 576	2 364	10 140
Iggesund Paperboard	1 326	1 316	1 294	1 291	1 339	5 240
Holmen Timber	149	129	105	119	112	465
Holmen Skog	1 165	1 067	880	1 019	1 076	4 042
Holmen Energi	433	445	395	360	491	1 691
Intra-group sales	-815	-781	-699	-704	-803	-2 986
Group	4 787	4 830	4 521	4 661	4 579	18 592
Operating profit						
Holmen Paper	160	95	245	185	229	754
Iggesund Paperboard	206	209	210	157	176	752
Holmen Timber	32	27	17	20	16	80
Holmen Skog	155	208	156	128	151	643
Holmen Energi	114	87	-10	33	87	197
Group central costs and other	-34	-37	-8	-38	-40	-123
Group	634	590	610	485	619	2 303
Operating margin, %						
Holmen Paper	6.3	3.7	9.6	7.1	9.2	7.3
Iggesund Paperboard	15.6	15.9	16.2	12.1	13.1	14.3
Holmen Timber	20.8	20.8	16.0	16.0	14.2	16.9
Group	13.2	12.3	13.5	10.3	13.3	12.3
Return on operating capital, %						
Holmen Paper	5.5	3.3	8.1	6.1	7.7	6.3
Iggesund Paperboard	20.6	21.1	21.0	15.5	17.6	18.8
Holmen Timber	59.6	53.1	33.2	37.0	29.3	37.9
Holmen Skog	6.9	9.3	7.0	5.8	6.8	7.2
Holmen Energi	15.5	11.8	-1.4	4.5	11.7	6.7
Group	9.4	8.6	8.7	6.9	8.9	8.3
Key figures						
Return on capital employed, %	11.1	10.4	10.6	8.3	10.8	10.0
Return on equity, %	9.7	9.0	9.5	7.5	10.0	9.0
Deliveries						
Newsprint and magazine paper, 1 000 tonnes	489	533	505	511	472	2 021
Paperboard, 1 000 tonnes	134	132	136	131	137	536
Sawn timber, 1 000 m ³	72	65	55	66	62	248

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Full year review, MSEK	2006	2005	2004	2003	2002	2001
Income statement						
Net turnover	18 592	16 319	15 653	15 816	16 081	16 655
Operating costs	-14 954	-13 205	-12 570	-12 306	-12 205	-12 460
Depreciation according to plan	-1 346	-1 167	-1 156	-1 166	-1 153	-1 126
Interest in earnings of associated companies	11	20	25	-6	-10	-3
Items affecting comparability	-	-	-	-	-	-620
Operating profit	2 303	1 967	1 952	2 338	2 713	2 446
Net financial items	-247	-233	-206	-212	-149	-152
Profit before tax	2 056	1 734	1 746	2 126	2 564	2 294
Tax	-597	-478	-471	-675	-605	-108
Profit for the year	1 459	1 256	1 275	1 451	1 959	2 186
Operating profit by business area						
Holmen Paper	754	631	487	747	1 664	2 410
Iggesund Paperboard	752	626	809	1 001	818	455
Holmen Timber	80	13	5	18	-6	-79
Holmen Skog	643	537	586	516	450	455
Holmen Energi	197	301	178	193	-26	49
Group central costs	-123	-141	-113	-137	-187	-224
Items affecting comparability	-	-	-	-	-	-620
Group	2 303	1 967	1 952	2 338	2 713	2 446
Balance sheet						
Fixed assets	25 354	25 793	23 381	20 940	21 357	19 150
Current assets	6 138	5 709	5 149	4 743	4 922	5 366
Financial receivables	649	712	459	675	688	432
Total assets	32 141	32 214	28 989	26 358	26 967	24 948
Equity	16 636	16 007	15 635	15 366	15 185	14 072
Deferred tax liability	5 030	5 143	5 177	4 557	4 370	4 014
Financial liabilities	6 634	7 351	5 335	4 044	4 496	3 593
Operating liabilities	3 841	3 713	2 842	2 391	2 916	3 269
Total equity and liabilities	32 141	32 214	28 989	26 358	26 967	24 948
Cash flow						
Current operations	2 358	2 471	2 331	2 443	3 498	3 786
Investment activities	-947	-3 029	-1 195	-726	-1 810	-1 669
Cash flow after capital expenditure	1 411	-558	1 136	1 717	1 688	2 117
Key ratios						
Return on capital employed, %	10	9	10	12	16	18
Return on equity, %	9	8	8	10	14	16
Debt/equity ratio	0.36	0.41	0.31	0.22	0.25	0.22
Earnings per share, SEK	17.2	14.8	15.1	17.5	23.6	26.4
Ordinary dividend, SEK	12	11	10	10	11	10
Extra dividend, SEK	-	-	-	30	-	-

Reported in accordance with IFRS from 2004.