

Press Release

KLIPPAN is a leading producer of speciality paper for the graphic industry with a total capacity of 200,000 tons per year. Production is carried out at the three mills in Klippan, Lessebo and Mölndal.



Klippan, 21 October 2004

Interim report January-September 2004

- Group turnover amounted to MSEK 1,048.1 (MSEK 1,274.3)
- Result after financial items reported as MSEK -70.5 (-108.1)
- Profit after tax reported as MSEK -49.6 (-87.2).
- Result per share is reported as SEK -6.00 (-10.55)
- Through the programme of measures, fixed costs have fallen by just over MSEK 40 over the period
- The notified price increases have started to come into effect during September

MSEK	Quarter		Jan-Sep		Full year	Full year
	III - 2004	III - 2003	2004	2003	2003	2002
Net turnover	306.2	361.5	1048.1	1274.3	1664.2	1397.1
Operating result	-36.0	-63.4	-54.1	-93.6	-123.0	71
Result after financial items	-41.3	-68.0	-70.5	-108.1	-148.2	50.1
Result after tax	-29.8	-52.3	-49.6	-87.2	-112.6	37.9
Result per share after standard tax	-3.60	-6.32	-6.00	-10.55	-13.62	4.95
Return on capital employed %	negative	negative	negative	negative	negative	13.9

The business in general

KLIPPAN is active within specific niches on the fine paper market. The strategic products are within the segments coloured, exclusive book paper (premium offset), thin printing paper and deep coloured tissue.

The market for fine paper has been weak over the last few years. Over capacity in combination with falling demand has led both to pressure on prices and production stoppages. It now seems as though the trough of the unusually long recession in the industry has been passed. Price increases for both uncoated and coated paper were notified for September, and will reach full effect during the fourth quarter of 2004.

KLIPPAN's program of measures, which started at the end of 2003 and which has been described previously, has reduced the level of costs by some MSEK 40 during the period. In addition, the supply service has been improved, the number of standard articles in stock has been reduced by 23% and a number of key staff has been recruited.

New measures have been started during 2004, such as reducing the staffing at the mills. These measures are expected to reduce costs by a further MSEK 20 with effect from the beginning of the fourth quarter.

Market

The market for fine paper has continued weak over the year. In the latter part of the third quarter, a certain increase in demand could be noted. While the activity on the advertising market has risen, the trend is for reduced editions. This contributes to lower consumption of fine paper.

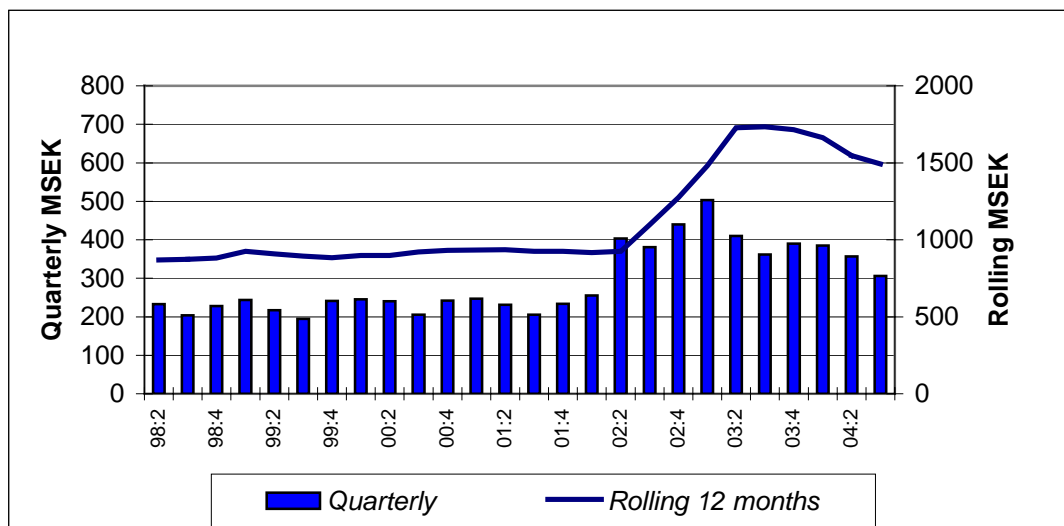
KLIPPAN's sales of strategic products have been stable. The new coated products Swecard and Impuls are being launched.

Average price rose by 3% during the third quarter compared to the same period last year, due to a combination of market and product mix, as well as the price increases in September. This means that the result after net financial items towards the end of the third quarter was approaching break-even per month.

Result

Net turnover for the group amounted to MSEK 1,048.1, which was a reduction of MSEK 226 compared to the same period last year. The reason for the reduction is mainly that the mill Caldwell's has been closed down and lower sales volumes, primarily within coated paper. The operating result amounted to MSEK -54.1 (-93.6) and result after financial items amounted to MSEK -70.5 (-108.1). The average number of employees within the group was 855 (1043). Result per share is reported as SEK -6.00 (-10.55)

Net turnover



Changes to equity (MSEK)

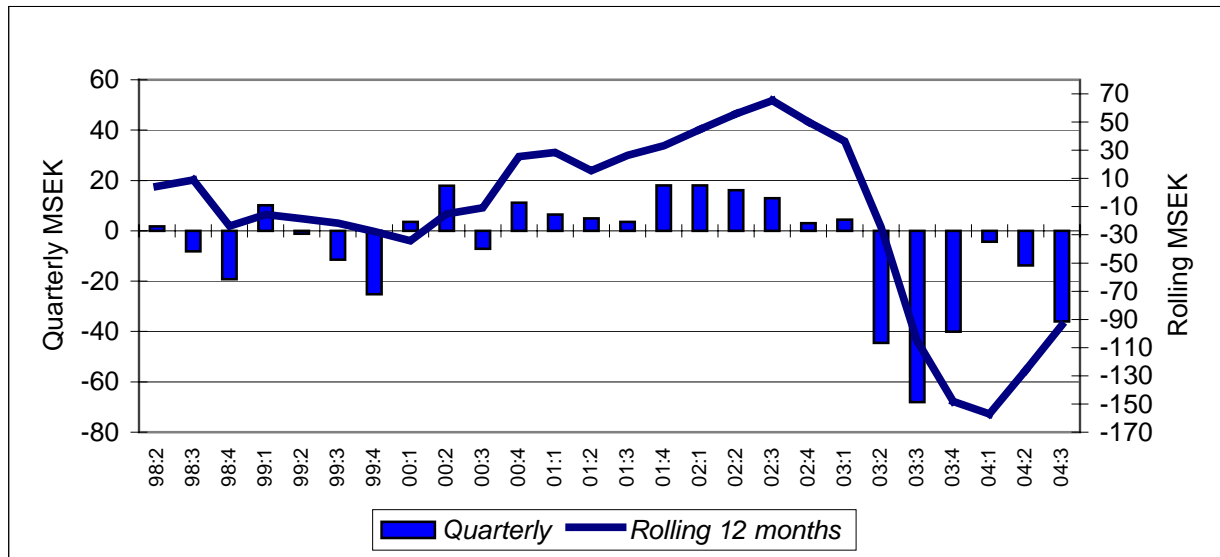
Opening equity 2004-01-01	190.3
Translation difference	-0.1
Effect of pensions according to RR29	3.4
Result for the interim period	-49.6
Closing equity 2004-09-30	144.0

Liquidity

Group disposable liquid assets, including the unused part of the bank overdraft facility, amounted to MSEK 58 at the end of the third quarter 2004, a reduction of MSEK 25 compared to the year end. Solidity amounted to 16.3% (19.5) and the debt/equity ratio to 3.0 times (2.1).

As from 1 September 2004, KLIPPAN AB and Klippan Mölndal AB in conjunction with Nordea Finans have started financial borrowing based on customer accounts receivable. Work has started on releasing surplus values in the company's property portfolio.

Profit after net financial items



Investments and production

Investments during the period January – June 2004 amounted to MSEK 20 (54).

Paper production during the first nine months was 109,000 tons (previous year was 136,000 tons, of which 19,000 tons related to Caldwells). The production capacity has been adjusted selectively to suit the current market situation. Pulp production was unchanged during the first nine months compared to the same period last year.

Cash flow analysis (MSEK)

	Jan-Sep 2004	Jan-Sep 2003
Current operations	-27.5	-71.2
Changes to operating capital	-0.9	92.2
Cash flow from current operations	-28.4	21.0
Cash flow from investment operations	-20.8	-54.4
	-49.2	-33.4
Cash flow from financing operations	5.7	19.8
Changes to liquid assets	-43.5	-13.6
Opening liquid assets	61.8	42.4
Closing liquid assets	18.3	28.8

Accounting principles

The company follows the Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council and the statements made by its Emerging Issues Taskforce.

The group and the parent company have adopted an income statement classified according to type of cost from having previously used an income statement classified according to function. The change is an adjustment in order to match other companies within the same industry.

KLIPPAN has adapted the reporting of pension undertakings for 2004 in accordance with the Swedish Financial Accounting Standards Council's recommendation RR29, remuneration to employees. As at 31 December 2003, the group's reported pension liability amounted to MSEK 134.7. The adoption of the new recommendation RR29 has, over the first nine months of the year, entailed a positive effect on equity of MSEK 3.4 including deferred tax. Group results have not been affected during the first nine months since the adoption of RR29. The effects of adopting RR29 relate to the Swedish operations.

KLIPPAN AB

A handwritten signature in black ink, appearing to read "Ragnar Quarnström".

Ragnar Quarnström
Managing director

The contents of this report have been the subject of examination by the company's auditors.

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Summary income statement and balance sheet

Income statement (MSEK)

	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Net turnover	1 048.1	1 274.3	1 664.2
Other operating income	0.0	0.0	1.7
	1 048.1	1 274.3	1 665.9
Raw materials and consumables	-544.5	-601.7	-860.4
Changes to work in progress and finished goods inventory	-10.5	-45.3	-36.5
Personnel expenses	-295.1	-349.5	-472.6
Other external items	-208.9	-240.9	-370.9
Depreciation	-43.2	-36.9	-47.3
Other operating expenses	0.0	0.0	-1.2
Operating result	-54.1	-93.6	-123.0
Net financial items	-16.4	-14.5	-25.2
Result after financial items	-70.5	-108.1	-148.2
Tax	20.9	20.9	35.6
Result after tax	-49.6	-87.2	-112.6
Profit per share after standard tax	-6.00	-10.55	-13.62
No of shares, thousands	8 267	8 267	8 267

Balance sheet (MSEK)

ASSETS	2004-09-30	2003-09-30	2003-12-31
Fixed assets	445.5	405.8	479.9
Inventory	212.7	261.6	225.4
Other receivables	205.3	242.2	167.5
Cash and bank balances	18.3	28.8	61.8
	881.8	938.4	934.6
EQUITY AND LIABILITIES			
Equity	144.0	182.6	190.3
Interest bearing liabilities	449.6	418.3	447.9
Non-interest bearing liabilities	288.2	337.5	296.4
	881.8	938.4	934.6

Key ratios

		Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Profit margin	%	-6.7%	-6.7%	-8.9%
Capital employed	MSEK	593.6	600.9	638.2
Return on capital employed	%	negative	negative	negative
Return on equity	%	negative	negative	negative
Solidity	%	16.3	19.5	20.4
Debt/equity ratio	times	3.0	2.1	2.0
Equity/share	SEK	17	22	23
Market value/equity*	%	102	100	98

* share price as at 04-09-30 SEK 17.70

* share price as at 03-12-31 SEK 22.80

* share price as at 03-09-30 SEK 22.00

Summary income statement (MSEK)

Quarterly information	2004			2003				2002			
	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	306.2	356.8	385.1	389.8	361.5	409.9	502.9	440.2	380.9	403.5	255.0
Operating result	-36.1	-13.7	-4.4	-29.4	-63.4	-40.0	9.8	8.9	18.3	23.2	20.6
Financial items	-5.2	-5.9	-5.2	-10.7	-4.6	-4.5	-5.4	-5.9	-5.4	-7.1	-2.5
Result after financial items	-41.3	-19.6	-9.6	-40.1	-68.0	-44.5	4.4	3.0	12.9	16.1	18.1
Tax	11.5	6.7	2.7	14.7	15.7	6.4	-1.2	-2.8	-0.3	-4.0	-5.1
Result after tax	-29.8	-12.9	-6.9	-25.4	-52.3	-38.1	3.2	0.2	12.6	12.1	13.0

Net turnover and operating profit per segment (MSEK)

	Net turnover		Operating result	
	2004	2003	2004	2003
	Jan-Sep	Jan-Dec	Jan-Sep	Jan-Dec
Coloured paper	521.3	704.6	16.5	3.5
Uncoated fine paper	143.3	185.9	11.4	8.0
Coated fine paper	244.9	391.7	-66.3	-74.9
Speciality paper	174.7	234.0	-15.7	-33.3
Units being closed down	0.0	200.8	0.0	-26.3
Internal deliveries	-36.1	-52.8	0.0	0.0
	1 048.1	1 664.2	-54.1	-123.0

Net turnover per market (MSEK)

	Jan-Sep 2004	Jan-Dec 2003
Sweden	224.6	350.6
Other Nordic countries	164.0	314.4
Rest of Europe	550.6	923.4
Rest of world	108.9	75.8
	1 048.1	1664.2