



KLIPPAN is a leading producer of speciality graphic papers and operates four paper mills with a combined capacity of 240,000 tons per annum. The mills are located in Klippan, Lessebo and Mölndal, all in the south of Sweden and at Caldwells in Inverkeithing, Scotland.

Klippan, 7 May 2003

ANNUAL GENERAL MEETING FOR KLIPPAN

At KLIPPAN's annual general meeting, Jan Bernander, Bertil Bernadotte, Ulf Ek, Björn Gillberg, Tommy Kullberg, Stefan Lersten and Kjell Svensson were re-elected as members of the Board. Mariana Burenstam Linder was elected a new ordinary member.

Mariana Burenstam Linder, a graduate in business administration, has held a number of managerial positions within SEB, Nordic Management AB, ABB Financial Consulting and Trygg-Hansa/SEB and also been a member of the board of IT Provider and Nära Kroppen AB. Mariana Burenstam Linder is currently a member of the board of TurnIT AB, the Swedish-American Foundation and the Svenska Dagbladets Foundation.

Gunnar Bergstrand and Bengt Östensson were re-elected as deputy members.

The workers' organizations have appointed Ulf Pettersson and Tuve Svensson as ordinary members and Ulf Magnusson and Johan Pettersson as deputy members.

Jan Bernander, Lars-Åke Helgesson and Göran Sundström were re-elected as members of the nomination committee.

Dividend

Dividend of SEK 1.25 per share will be paid to the shareholders. Reconciliation date for dividend is Monday 12 May 2003. Payment via VPC is expected to be made on Thursday 15 May 2003.



Repurchase of shares

The annual general meeting 2002 made a decision to authorize the Board to acquire shares in the company before the annual general meeting 2003. On 2 April 2003 the Board made a decision to exercise the authority to repurchase shares in accordance with applicable rules from the OM Stockholm stock exchange. On 4 April the company acquired a total of 266 shares for a price of SEK 30 per share.

The meeting decided to approve the Board's proposal to let the repurchased shares remain as a holding in the company.

Acquisition of own shares

The meeting decided to authorize the Board to make a decision to acquire own shares before the next annual general meeting to an amount of at most 10 percent of the outstanding shares. Purchases shall be made on the Stockholm stock exchange. The aim of the repurchase is to give the Board increased scope for action in its work of creating value for the company's shareholders.

The Presidents speech to the annual general meeting

In his speech, the President laid emphasis on the current international business climate, the deals carried through by KLIPPAN and the company's future strategy. The speech in its entirety is enclosed.

Suggestion scheme award

Krister Gustavsson, process operator, was awarded SEK 60,000 for a suggestion that has entailed considerable savings in chemicals. The award is one of the highest ever paid by the company.

KLIPPAN AB

Bengt Östensson
President and CEO

For further information, please contact: Bengt Östensson, President and CEO,
tel +46(0)771-11 00 00 or mobile +46(0)70 595 86 27.



KLIPPAN AB – Annual general meeting 7 May 2003

Speech to the annual general meeting by Bengt Östensson, President and CEO

Ladies and gentlemen!

The economic cycle and the business environment are very fragile, with weak finances throughout Europe. The war in Iraq and SARS in Asia has not improved the situation. The demand for fine paper is low in comparison with the supply, and has been so for a long time. There are experts in the industry who consider that the balance between supply and demand has not been as unfavourable for decades. As an example can be mentioned that coated fine paper, which over a number of years has shown the greatest growth and the best profitability, now shows an over-capacity of some 40% in Europe. Of this, industry is standing still for approximately 20% and sells the same amount on far-away markets at low prices. The price relationship between coated and uncoated fine paper has been reversed, and the price for coated paper is today lower than for uncoated.

In this situation, demand for pulp should be weak with concomitant low prices. This has also been the case until a few months ago, when the price started to rise and now has increased by almost 20% this year. This does not correspond to the normal business cycle, when fine paper and pulp follow each other. However, this year the demand for fine paper and pulp has been completely out of phase with each others. The reason for this is that large amounts of rain in North America at the end of 2002 has made the ground difficult to move across and, as a result, lots of timber has remained in the forests of the USA and Canada. This has meant that several integrated paper mills have not got sufficient raw materials, but have been forced to buy surplus pulp on the open market, which in turn has caused a shortage situation.

A situation such as that described is of course hard for all non-integrated paper manufacturers, that is those that do not manufacture their own pulp, but it is luckily unusual. Over the last six months, KLIPPAN has felt the very unfavourable environment. Machines have been shut down in order to reduce inventory, and due to lack of orders on several occasions, and we have thus not utilized the production capacity to the full. We are dependent upon our customers' sales, and in the last resort on printers and orders for printed matter. These markets have been and still are weak.

On the other hand, KLIPPAN has retained or increased its share of the market within the strategic and prioritized segments.



Nobody can today say when the cycle will turn upwards again. Therefore we must now be careful and save, but at the same time make sure we are equipped when the economy gathers speed again. We have started a savings campaign within the company, concentrating on external services and purchasing. The planned personnel reduction which has been negotiated with out trades union organizations will come into force during the year. For instance, manning at Mölndal will reduce by 35 persons after the summer.

What is then the outcome of the purchase of Mölndal? The reception from our customers was very positive. These are mainly paper wholesalers, and in the speech at last years annual general meeting I discussed the role of wholesalers in the trade with fine paper, and how they and we live in a mutual dependency on each other.

Almost 90% of KLIPPAN's sales are made through wholesalers and our products are very important to them. They therefore welcomed a structural deal that meant that KLIPPAN got a stronger grip on the market, especially for coloured paper, and showed with strength that it is a long-term actor within this segment. The result is thus that KLIPPAN has increased its market share within this area. This increased market share meant that we had to have a rethink regarding certain planned changes. The so-called synergy gains, both from being able to manufacture more efficiently in ever-longer series, and by having become a stronger actor on the market mean that we are thus a safer co-operating partner for our customers.

Immediately after the acquisition of Mölndal, the company gained an entirely new organization. The aim was to show our members of staff in the different mills that this was a merger of equal partners more than a take-over. We were going to join together the best strengths, resources, processes and routines from the different units. I dare to claim that we have succeeded well with this, even if it has meant lots of blood, sweat and tears during the process. We are in the process of turning a deeply rooted production orientated culture into a market-led view. I would like to take the opportunity to thank all the loyal members of staff who have worked hard during the year to carry out the changes.

We have started a considerable move of production between mills, in order to co-run products and thus achieve better efficiency, longer series and optimized inventory levels. This was done at the same time as taking on new business within our key areas and starting a new line for A4 paper at Mölndal. Not least important is that all changes are carried out in consultation with our most important clients. These investments have of course cost quite a lot of money.



Let me spend a few minutes in explaining the relationship between KLIPPAN and Inveresk plc, of whom we are a shareholder since a couple of years.

Both companies have known each other for a long time and have had plans to merge at various times over quite a few years. Until just over a year ago, Inveresk had five paper mills, but suffered large losses. In 2002, two of the mills, Kilbagie and Westfield, were closed. As a result, all production of graphic paper was moved to Caldwells. The company remained with three mills, the two profitable ones at Carrongrove (board) and St Cuthberts (technical paper), and the lossmaking mill at Caldwells. There were problems with financing, as the closures had entailed large costs. In October, Inveresk very nearly went into receivership.

In this situation, KLIPPAN chose to take over Caldwells. Why? Well, Caldwells was the part of Inveresk that most resembled KLIPPAN. It manufactures fine paper, coloured and white, office paper based on recycled fibres as well as security paper and other speciality products. However, the product range was far too large, with too many products in too short lines.

KLIPPAN bought the operation at Caldwells by taking over raw materials, semi-finished products, inventory and other current assets at a price of GBP 2 million. Added to this was a symbolic amount for trademarks and business rights. We also rented plant and factory on a long-term contract, and employed 159 of the staff in the newly formed company KLIPPAN International plc.

In the six months we have owned Caldwells, KLIPPAN has moved all production of coloured paper to the Swedish mills and started a thorough clean-up of the operation. The number of products has been sharply reduced and part of the business - security and watermarked paper - has been sold on to Curtis Fine Papers Ltd. The smaller of the two paper machines, PM3, will be mothballed during the summer stoppage and the staff moved to other production lines, which will increase to continuous shift work. The larger paper machine, PM5, is now the largest within the group, but today has much too low capacity. It was built to produce between two and three times as much as it currently does. We have a plan for the products to be manufactured on this machine, and a concept for how to market and sell this volume. We have already gained from the coloured volumes moved to Sweden, producing better utilization of this plant.

The mills at Klippan, Lessebo and Mölndal have seen moves of among other things coloured paper, a co-ordinated colour range, increased length of series and we will optimize conversion and inventory levels. In the long term, this will mean greater productivity and less wastage. The moves between Caldwells



and the Swedish mills means that we are moving the entire product range, selling off non-strategic products and thus refining the operation.

More rational production releases capacity for growth. I mentioned at the beginning that we do not utilize our plant to the full today. This is to a large extent due to the very weak economic situation, but also leaves room for growth within our core areas without needing any investment. We thus have two effects at the same time: increased capacity and a stronger position on the market.

We intend to continue on the road staked out and to look for further companies that suit our structure. This should not be taken that we plan to take over the entire market for coloured paper. On the other hand, we believe that there is room for further growth. KLIPPAN is now the largest on the European market, but our share of coloured market is only some 20%.

But it is not only coloured paper that is the focus for KLIPPAN, instead we also have other areas where KLIPPAN today has market knowledge and a strong position, and where business to a large extent is carried out through our agents. Our aim is to be the first choice of leading wholesalers within our prioritized product areas, and to follow the continuing consolidation of this industry in Europe.

Some other events during the year that merit mentioning are, among other things, that we have increased capacity at Klippan Mill through switching to continuous shift work. We have started our own sales company in the Netherlands, have organized a new department for "Nordic Sales", which now also takes care of sales in Finland, previously carried out via an agent. We have also re-organized sales in the UK, where KLIPPAN and Caldwells form a strong and countrywide unit.

We have introduced some new products, of which I would specially like to mention coated thin paper from PM10 at Klippan Mill. This is a product that we have great hopes for in the future. An important area of use is the growing market for direct advertising. For this market, postage and distribution costs are important and a thin paper gives great advantages. We have also developed a matt fully coated paper from Mölndal, which complements our range within this area. In addition, we have also introduced as so-called Design paper for more exclusive brochures etc in conjunction with one of the leading wholesalers.

In conclusion, we have laid the foundation for a stronger KLIPPAN, by co-ordinating production so that costs are reduced and capacity for growth is released, by increasing the strength on the market through being a key supplier



to leading wholesalers and by continuing the acquisition strategy. This foundation means that we can face a more normal economic situation well armed and thus harvest the fruits of our labour.

KLIPPAN AB

Bengt Östensson
President and CEO