

Press Release



KLIPPAN AB - Interim report January - June 2003

- # Profit after net financial items MSEK -40.1 (34.2)
- # Decision to move the production in Scotland to the Swedish mills and to close down the operation in Caldwells
- # Continued weak market
- # Savings packages approved

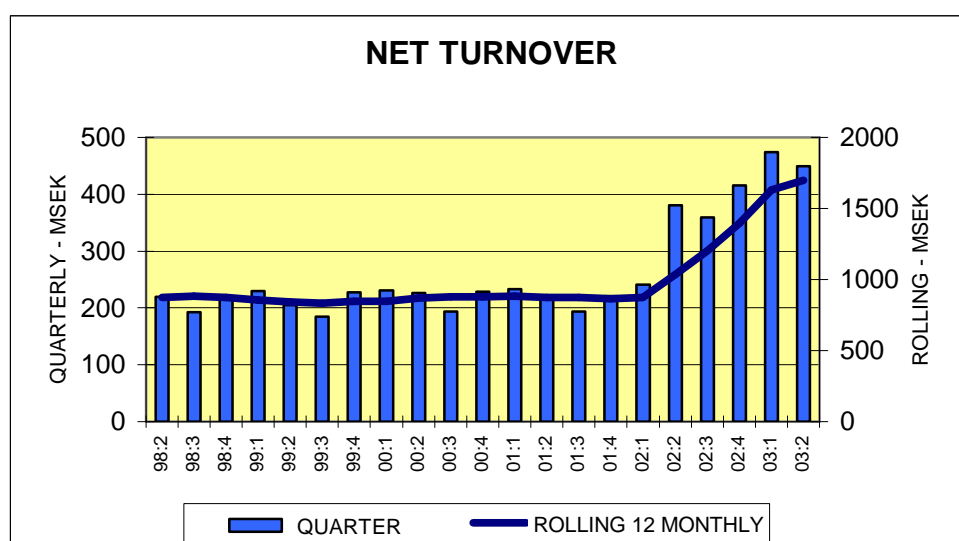
The business in general

KLIPPAN AB bought Stora Enso Mölndal AB as at 2 April 2002, whereupon this company changed its name to KLIPPAN Mölndal AB. On 30 October, KLIPPAN took over the operation at Caldwells Mill in Scotland. These events have made some comparisons between the first six months of 2003 and the same period in 2002 irrelevant.

Sales

During the second quarter, the market for fine paper as a whole still showed weak development, with imbalance between supply and demand and thus pressure on prices. Two important factors contribute to the weak market for fine paper, namely continued weak development of advertising spending and the weak GNP development in Germany. Supplies to the European market during the first six months fell by 4% for uncoated paper compared to the same period last year, while supplies of coated paper increased by 1%. Sales to the so-called overseas markets increased by 12 and 26% respectively, which helped to increase the order books for the industry as a whole. The order stock is now between 2 and 3 weeks.

During the first six months of 2003, KLIPPAN accounted for sales of MSEK 921.6 (621.8). For the reporting period, deliveries amounted to 94,547 tons (64,726), which was 29,821 tons more than last year.



KLIPPAN AB

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Production

Production during the first six months 2003 amounted to 95,994 tons (68,950).

The figure has been reduced because of interruptions to the operation, reorganization of production and stoppages caused by weak inflow of orders.

The pulp production at Lessebo has been utilized to full capacity.

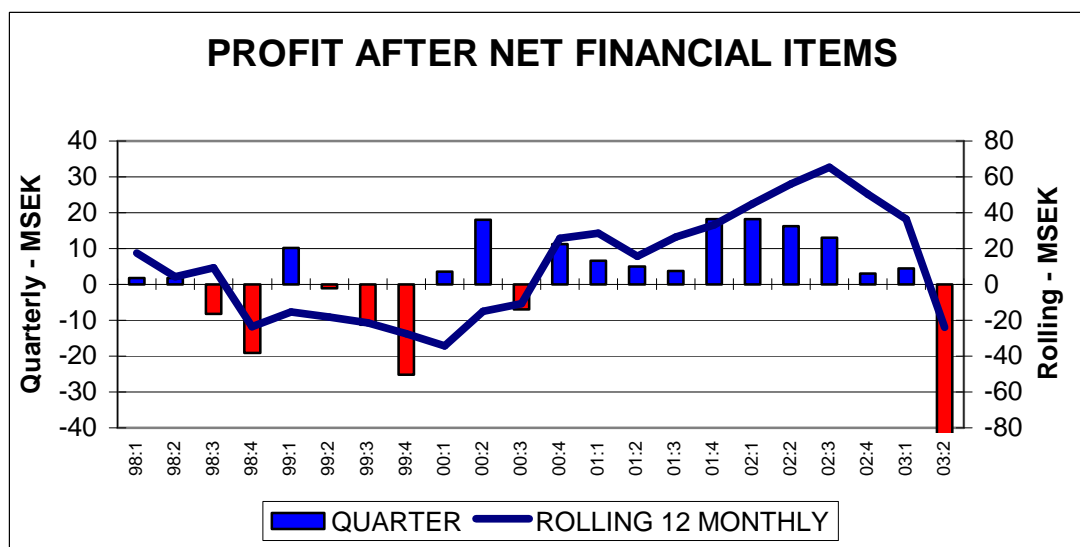
A decision has been taken to move the remaining production at Caldwell's to the Swedish mills and to close down the operation at Caldwell's.

Result

Operating profit for the group amounted to MSEK -30.2 (43.8) and profit after financial items amounted to MSEK -40.1 (34.2). The return on capital employed for the latest 12 month period was -0.5 % (13.9).

The fall in profits was due to the weak market and limits on production.

At the end of the second quarter, the number of employees at work was 1043 (887).



Investments

Investments in tangible fixed assets during the period amounted to MSEK 44.2 (76.4).

Investments in excess of MSEK 1 consisted of a control system for AM 7 at Mölndal MSEK 1.0, a line inspection system for PM 10 at Klippan MSEK 2.5, coating preparation MSEK 3.4, coating kitchen MSEK 3.1 and equipment for plastic wrapping of office paper MSEK 4.4, sludge dewatering MSEK 1.0 and interim sedimentation MSEK 3.3 at Lessebo, and conversion of a loan to Inveresk into shares MSEK 9.1.

Changes to equity

Opening equity 2003-01-01	280.4
Translation difference	0.5
Dividend paid to shareholders	-10.3
Result for the six month	-34.9
Closing equity 2003-06-30	235.7

Liquidity and financing

Group liquid assets, including unused proportion of bank overdraft facility, amounted to MSEK 83.0 (135.8) at the end of the quarter. The interest bearing net liability increased by MSEK 28.7 to MSEK 373.4. Solidity amounted to 23.8 % (24.6) and the debt/equity ratio to 1.6 times (1.5).

Cash flow analysis

MSEK	03-01-01- 03-06-30	02-01-01- 02-06-30
Current operations	-15.5	50.8
Changes to operating capital	40.2	70.6
Cash flow from current operations	24.7	121.4
Cash flow from investment operations	-44.2	-83.3
	-19.5	38.1
Cash flow from financing operations	19.3	-10.5
Changes to liquid assets	-0.2	27.6
Opening liquid assets	42.4	23.6
Closing liquid assets	42.2	51.2

Savings package and action plan

The board and management of KLIPPAN AB has approved a comprehensive savings package, which among other things will lead to considerable reductions in staffing and an action plan to return the company to profitability.

New share issue in INVERESK plc

During the second quarter, KLIPPAN converted a loan to Inveresk plc of MSEK 9.1 into shares, and now owns 7.2 % of the shares in this company, which is listed on the London stock exchange.

Next report

KLIPPAN's interim report for the period January - September will be presented on 23 October 2003.

Lessebo, 28 August 2003



Bengt Östensson
President/CEO

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	Apr-Jun 2003	Apr-Jun 2002	Jan-Jun 2003	Jan-Jun 2002	Jul-Jun 02/03	Jan-Dec 2002
Net sales	447.2	381.0	921.6	621.8	1696.9	1397.1
Cost of goods sold	-437.2	-311.3	-862.2	-508.3	-1552.0	-1198.1
Gross profit	10.0	69.7	59.4	113.5	144.9	199.0
Selling expenses	-22.5	-24.5	-44.1	-35.7	-79.5	-71.1
Administrative expenses	-20.7	-20.4	-40.5	-31.7	-70.3	-61.5
Items affecting comparability	-6.7	0.0	0.0	0.0	4.6	4.6
Other income and expenses	0.0	-1.6	-5.0	-2.3	-2.7	0.0
Operating profit	-39.9	23.2	-30.2	43.8	-3.0	71.0
Net financial items	-4.5	-7.1	-9.9	-9.6	-21.2	-20.9
Profit after financial items	-44.4	16.1	-40.1	34.2	-24.2	50.1
Tax	6.4	-4.0	5.2	-9.1	2.1	-12.2
Profit after tax	-38.0	12.1	-34.9	25.1	-22.1	37.9
Profit per share, SEK	-4.60	1.95	-4.22	4.05	-2.67	4.95
No of shares, thousands	8 267	6 200	8 267	6 200	8 267	8 267

Balance sheet

MSEK	03-06-30	02-12-31	02-06-30
ASSETS			
Fixed assets	406.8	388.3	393.1
Inventory	279.5	293.1	253.3
Other receivables	259.9	242.9	223.8
Cash and bank balances	42.2	42.4	51.3
	988.4	966.7	921.5
EQUITY AND LIABILITIES			
Equity	235.7	280.4	226.7
Interest bearing liabilities	415.6	386.7	390.9
Non-interest bearing liabilities	337.1	299.6	303.9
	988.4	966.7	921.5

Key ratios

		03-01-01- 03-06-30	02-01-01 – 02-06-30	02-07-01 – 03-06-30	02-01-01 – 02-12-31
Gross margin	%	6.4	18.3	8.5	14.2
Profit margin	%	-4.4	5.5	-1.4	3.6
Capital employed	MSEK	651.3	617.6	651.3	667.1
Return on capital employed	%	*	*	-0.5	13.9
Solidity	%	23.8	24.6	23.8	29.0
Debt/equity ratio	times	1.6	1.5	1.6	1.2
Equity/share	SEK	28.51	36.56	28.51	33.92
Share price/equity**	%	105.2	106.7	105.2	101.4

* Reported annually

** Share price as at 03-06-30 SEK 30.00, as at 02-12-31 SEK 34.4, as at 02-03-30 SEK 39.00

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Audit report

We have reviewed the interim report for the period 1 January - 30 June 2003 and thereby followed the recommendations issued by the Swedish Institute of Authorized Public Accountants (FAR).

A review is considerably limited in comparison with an audit.

Nothing has emerged to indicate that the interim report does not fulfil the requirements of the Annual Accounts Act.

Gert Frej
Authorized Public Accountant

Berith Ehrenpohl
Authorized Public Accountant