

# Press Release

KLIPPAN is a leading producer of speciality graphic papers and operates three paper mills with a combined capacity of 200,000 tons per annum. The mills are located in Klippan, Lessebo and Mölndal, all in the south of Sweden.



Klippan, 6 May 2004

## Interim Report January-March 2004

- Group net turnover amounted to MSEK 385.1 (502.9).
- Result after tax was MSEK –6.9 (3.2).
- Operating result was MSEK –4.4 (9.8). The result fell compared to the first quarter last year as a consequence of lower prices and lower volume.
- Result per share amounted to SEK –0.83 (0.39)
- A radical reform programme has been carried out since the end of 2003.

MSEK	Quarter		Full year	
	1 - 2004	4 - 2003	2003	2002
Net turnover	385.1	389.8	1 664.2	1 479.6
Operating result	-4.4	-29.4	-123.0	71.0
Result after financial items	-9.6	-40.1	-148.2	50.1
Result after tax	-6.9	-25.4	-112.6	37.9
Result per share (SEK)	-0.83	-3.07	-13.62	4.95
Return on capital employed (%)	neg	neg	neg	13.9

## General about the business

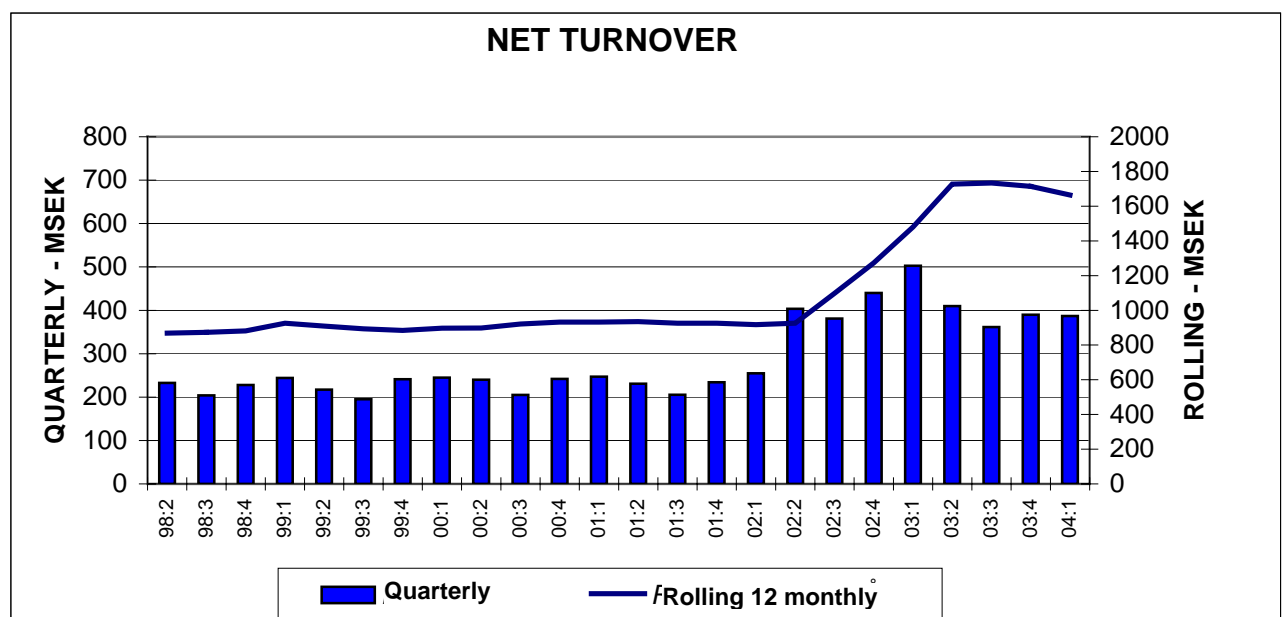
The market for fine paper has been weak over the last few years. Over-capacity in combination with falling demand has lead both the pressure on prices and production stops. We are now seeing a tendency towards improved figures for orders received at the same time as price increases for both uncoated and coated paper are being announced for the second quarter of 2004.

The programme of remedial measures for KLIPPAN, which was started during the last quarter of 2003, is now beginning to have an effect:

- Fixed costs have been reduced by almost MSEK 50 on an annual basis;
- Production capacity has been adapted to suit demand;
- Improved supply service to customers and shorter delivery times;
- A reduction of the number of standard articles in stock through a better range;
- Improved product mix and the launch of new products;
- Improved internal efficiency, where more remains to be done;
- More selective recruitment, giving a broader competence base.

## Result

Net turnover for the group amounted to MSEK 385.1 (502.9), thus a reduction of MSEK 118. The reason for the reduction was mainly the closing down of the mill Caldwell's and lower sales volumes for coated paper. Operating result amounted to MSEK –4.4 (9.8) and result after financial items to MSEK –9.6 (4.4). Return on capital employed was negative (9.1%). The number of employees within the group was on average 864 (1,061). Result per share was SEK –0.83 (0.39).

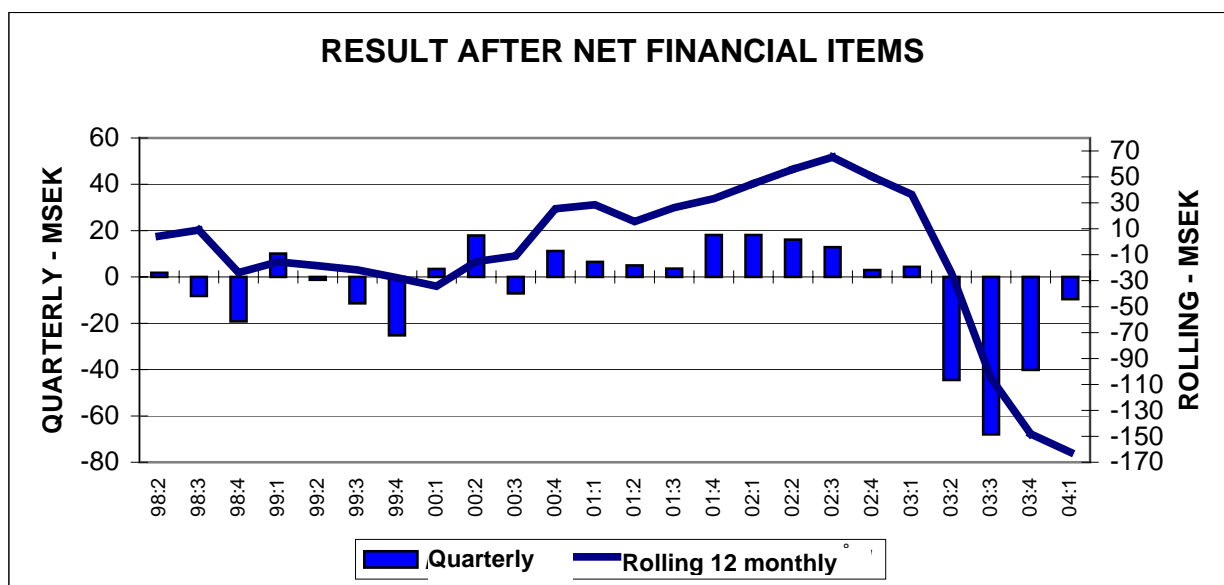


## Changes to equity (MSEK)

<b>Opening equity 2004-01-01</b>	<b>190.3</b>
Translation difference	-0.1
Result for the interim period	-6.9
<b>Closing equity 2004-03-31</b>	<b>183.3</b>

## Liquidity

Group disposable liquid assets, including the unused part of the bank overdraft facility, amounted to MSEK 84 at the end of the first quarter of 2004, i.e. practically unchanged compared to the year end (83). The interest bearing net liability fell during the quarter by MSEK 15.0 to MSEK 432.9 (376.9). Solidity amounted to 20.1% (27.9) and the debt/equity ratio was 2.1 times (1.2).



## Investments and production

Investments during the period January – March 2004 amounted to MSEK 1.9 (11.2).

Production of paper during the first quarter was 40,200 tons (50,400). Due to the weak market, the production capacity was reduced. Production of pulp was practically unchanged during the first quarter, 8,300 tons compared to the same period last year (8,400).

## Cash flow analysis

MSEK

	Jan - Mar 2004	Jan - Mar 2003
Current operations	9.1	15.6
Changes to operating capital	-3.8	15.8
Cash flow from current operations	5.3	31.4
Cash flow from investment operations	-1.9	-20.3
	<b>3.4</b>	<b>11.1</b>
Cash flow from financing operations	-15.9	-9.8
Changes to liquid assets	-12.5	1.3
<b>Opening liquid assets</b>	<b>61.8</b>	<b>42.4</b>
<b>Closing liquid assets</b>	<b>49.3</b>	<b>43.7</b>

## 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 Task Force.

The group and the parent company have started using income statements classified according to type of cost instead of the previously used income statements classified according to function. The change is an adaptation to match other companies in the industry.

Interim reports will be published on 26 August 2004 and 21 October 2004 respectively.

KLIPPAN AB



Ragnar Quarnström  
Managing director

*The contents of this report have not been subject to examination by the company's auditors.*

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## SUMMARY INCOME STATEMENT AND BALANCE SHEET

### Income statement

MSEK	Jan - Mar 2004	Jan - Mar 2003	Jan – Dec 2003
Net turnover	385.1	502.9	1 664.2
Other operating income	1.9	1.7	1.7
	<b>387.0</b>	<b>504.6</b>	<b>1 665.9</b>
Raw materials and supplies	-197.9	-270.3	-860.4
Changes to work in progress and finished goods inventory	-13.4	-1.6	-36.5
Personnel expenses	-97.8	-118.0	-472.6
Other external items	-68.0	-92.6	-370.9
Depreciation	-14.3	-12.3	-47.3
Other operating expenses	0.0	0.0	-1.2
<b>Operating result</b>	<b>-4.4</b>	<b>9.8</b>	<b>-123.0</b>
Net financial items	-5.2	-5.4	-25.2
<b>Result after net financial items</b>	<b>-9.6</b>	<b>4.4</b>	<b>-148.2</b>
Tax	2.7	-1.2	35.6
<b>Net result</b>	<b>-6.9</b>	<b>3.2</b>	<b>-112.6</b>
Result per share after standard tax	-0.83	0.39	-13.62
<b>No of shares, thousands</b>	<b>8 267</b>	<b>8 267</b>	<b>8 267</b>

### Balance sheet

MSEK	2004-03-31	2003-03-31	2003-12-31
<b>ASSETS</b>			
Fixed assets	466.3	396.4	479.9
Inventory	205.6	287.6	225.4
Other receivables	192.6	290.6	167.5
Cash and bank balances	49.3	43.7	61.8
	<b>913.8</b>	<b>1 018.3</b>	<b>934.6</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	183.3	283.9	190.3
Interest bearing liabilities	432.9	376.9	447.9
Non-interest bearing liabilities	297.6	357.5	296.4
	<b>913.8</b>	<b>1 018.3</b>	<b>934.6</b>

## Key ratios

		Jan – Mar 2004	Jan – Mar 2003	Jan – Dec 2003
Profit margin	%	-2.5%	0.9%	-8.9%
Capital employed	MSEK	616.3	660.8	638.2
Return on capital employed	%	neg	13.9	neg
Solidity	%	20.1	27.9	20.4
Debt/equity ratio	times	2.1	1.2	2.0
Equity/share	SEK	22	34	23
Price/equity ratio *	%	95	93	98

\* share price as at 04-03-31 SEK 21.00

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

\* share price as at 03-03-31 SEK 32.00

## SUMMARY INCOME STATEMENT

Quarterly data MSEK	2004 I	IV	2003 III	II	I	IV	2002 III	II
Net turnover	385.1	389.8	361.5	409.9	502.9	440.2	380.9	403.5
Operating result	-4.4	-29.4	-63.4	-40.0	9.8	8.9	18.3	23.2
Financial items	-5.2	-10.7	-4.6	-4.5	-5.4	-5.9	-5.4	-7.1
Result after financial items	-9.6	-40.1	-68.0	-44.5	4.4	3.0	12.9	16.1
Tax	2.7	14.7	15.7	6.4	-1.2	-2.8	-0.3	-4.0
Net result	-6.9	-25.4	-52.3	-38.1	3.2	0.2	12.6	12.1

## Net turnover and operating result per segment

MSEK

	Net turnover		Operating result	
	2004	2003	2004	2003
	Jan - Mar	Jan - Dec	Jan - Mar	Jan - Dec
Coloured paper	180.2	704.6	11.6	3.5
Uncoated graphic paper	55.5	185.9	6.3	8.0
Coated paper	92.8	391.7	-19.5	-74.9
Speciality paper	69.4	234.0	-2.8	-33.3
Units being closed down	0.0	200.8	0.0	-26.3
Internal supplies	-12.8	-52.8	0.0	0.0
	385.1	1 664.2	-4.4	-123.0

## Net turnover per market

	<b>2004</b>	<b>Group</b>
	<b>Jan - Mar</b>	<b>Jan - Dec</b>
Sweden	82.8	350.6
Other Nordic countries	62.3	314.4
Other Europe	217.7	923.4
Other world	22.3	75.8
	385.1	1 1664.2