

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

ANNUAL GENERAL MEETING AT KLIPPAN

Election of board

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

Lars-Åke Helgesson, born 1941, is the ex CEO of STORA. He is chairman of the board of Ballingslöv International AB, Generic Systems AB, StyrelseAkademien i Sverige, Svenska Hus AB and Translink AB and deputy chairman of British-Swedish Chamber of Commerce. Helgesson is a member of the board of LKAB, Crane AB and Axel Christiernsson AB and a member of IVA/Ingenjör- och Vetenskapsakademien. He has been a member of KLIPPAN's nomination committee since 2001.

Gunnar Bergstrand was re-elected as deputy member. Olof Grundberg was elected as new deputy member.

Olof Grundberg, born 1945, leaves his post as deputy MD and marketing/sales manager at KLIPPAN AB. Grundberg was previously the MD of Riaupaper in Indonesia, MD and group CEO for Trebruk and chairman of the board of Rottneros AB. Before this, Grundberg had a number of leading positions with the then MoDo group.

The labour market organizations have appointed Ulf Pettersson and Tuve Svensson as ordinary members and Anders Karlsson and Johan Pettersson as deputy members.



Nomination committee

Jan Bernander and Göran Sundström were re-elected as members of the nomination committee. Robert Stenram was elected as new member.

Robert Stenram, born 1941, London, is an advisor to the board of FöreningsSparbanken in Stockholm, chairman of the board of SNS, London and deputy chairman of Kommuninvest i Sverige AB. He is a member of the board of Sweden-Japan Foundation, Stockholm and of Anglo-Swedish Society in London. Stenram is the former manager of Swedbank in Tokyo and has held a number of leading positions both in Sweden and abroad within FöreningsSparbanken, Skandinaviska Enskilda Banken and Svenska Handelsbanken.

Election of auditors

The authorized public accountants Gert Frej and Berit Ehrenpohl, of Frejs Revisionsbyrå AB were re-elected as auditors for the period until the annual general meeting for 2008 has been held. The authorized public accountants Gunnar Forslund and Stefan Nevby, of Frejs Revisionsbyrå AB were re-elected as deputy auditors for the same period.

MD's speech at the meeting

In his speech, the MD touched particularly on the radical measures being taken to carry out the reform programme which will lead to the company's turn-around. The speech in its entirety is appended to this press release.

KLIPPAN AB

Ragnar Quarnström
Managing director

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Speech at annual general meeting for KLIPPAN AB on 6 May 2004

Ragnar Quarnström MD

2003 was a bad year, burdened by losses. It has been accounted for, analyzed and commented upon in the annual report. Now, in May the following year, I think that an MD is of more use if he tells the shareholders what he is doing about things. And that is what I am planning to do, and also to give an opinion of how good the potential for this company is.

First, a few words about what KLIPPAN is.

In a world of paper – where groups grow to gigantic size and acquire production of practically every type of paper and board.

In a world – where enormous investments are made to build ever larger and faster paper machines.

There, the niche grows for small, specialized paper machines, manufacturing the qualities that the large, volume-orientated machines do not want to bother with. These are products on a relatively small scale, a bit difficult to manufacture and with a fairly large service content.

This is where we find KLIPPAN. We specialize in fine paper and graphic board, and our range contains some strong cards:

- Coloured fine paper, where we are the European market leaders
- Book paper
- High value uncoated offset paper
- Very thin printing paper
- High coloured tissue
- Graphic board

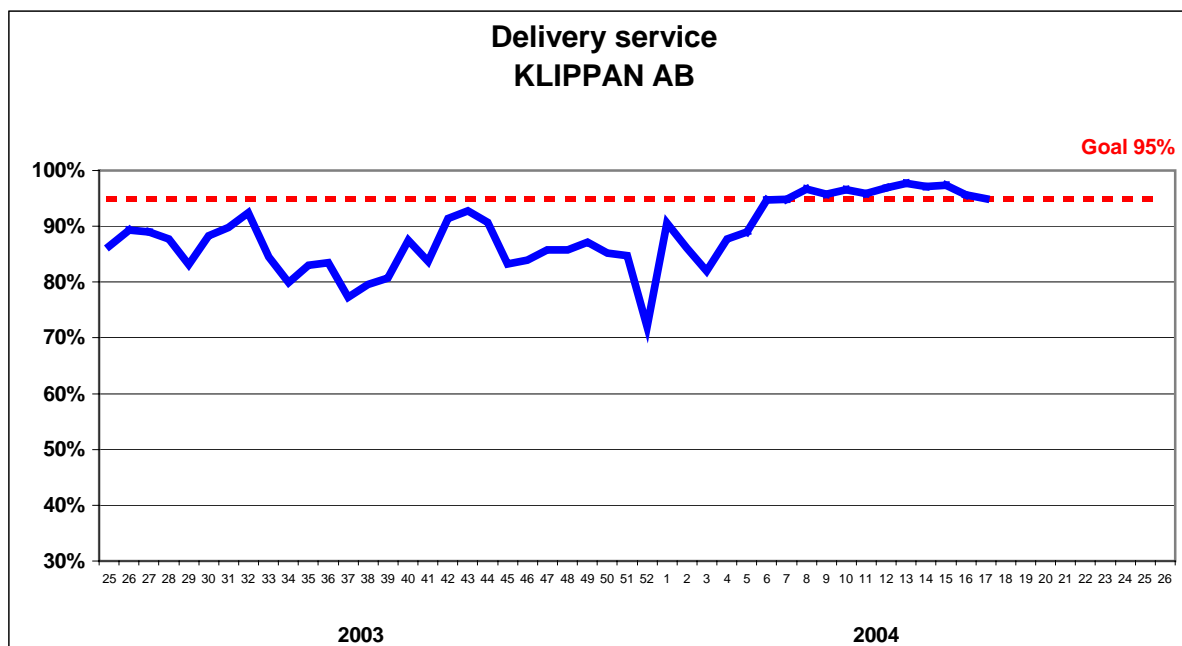
A pre-condition for success is keeping to the sphere where we have a talent and operating within our niches in a disciplined and efficient manner. The company went wrong in both of these areas last year, and that is what we must now correct.

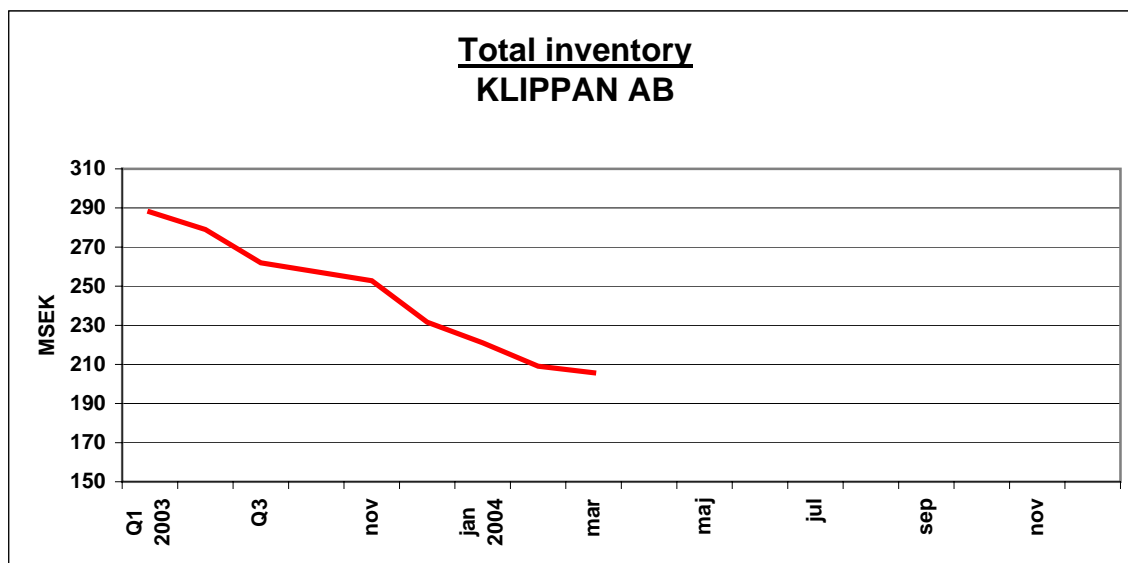
I have written in our reports that KLIPPAN is the subject of a radical reform programme, or turn-around. These are words that can mean all or nothing, and it is the meeting's and the shareholders' right to find out the meaning we put into these words.

The first and most important measures we are taking are to make sure that our customers, who have been complaining bitterly about bad service, become satisfied and completely delighted by KLIPPAN again. For this reason, we have started a number of projects, which address the following problems in a quantifiable and systematic manner:

- A sometimes too long response time to requests;
- Errors in documentation;
- Broken and dirty wrappers. Illegible labels;
- Unfortunate handling of complaints;
- Some sloppy mistakes regarding quality;
- Most important of all: delivery delays.

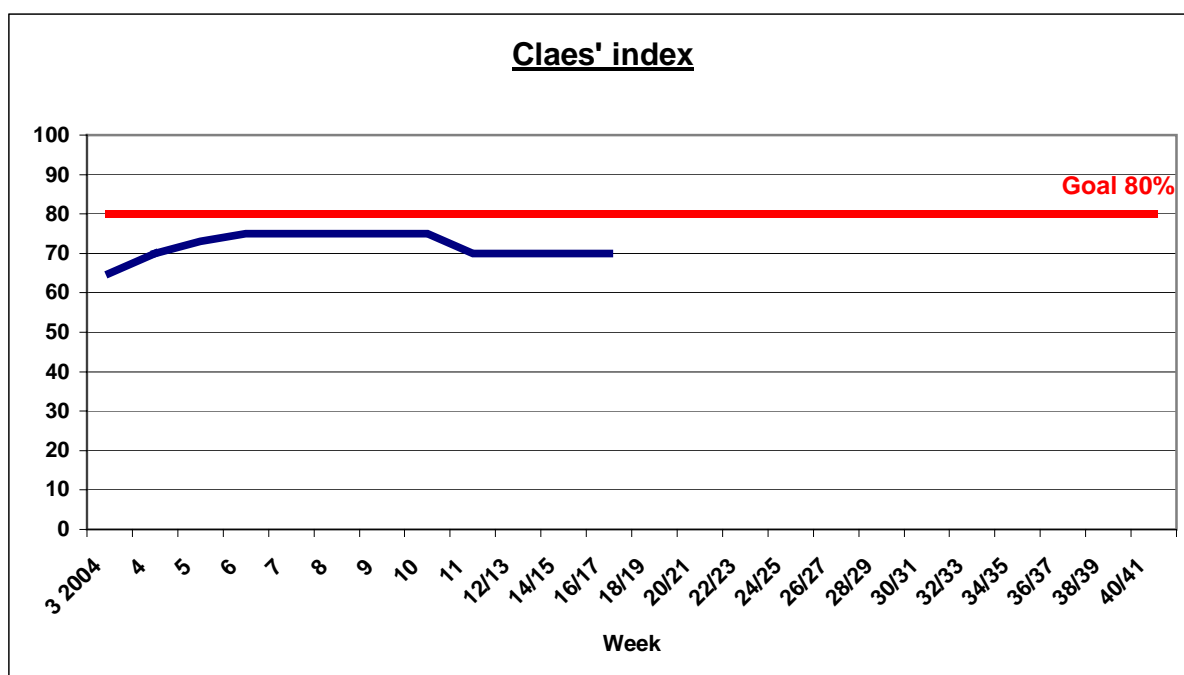
When we do not keep our promised delivery times, unpleasantly expensive consequences can often arise for our customers. Low reliability or service level, as we call it, is a strong reason for changing suppliers. Since November, this has been our most important project and we have succeeded in reaching our goal of 95% of all orders delivered in accordance with our confirmation. This has been done at the same time as our inventory has reduced by MSEK 50.

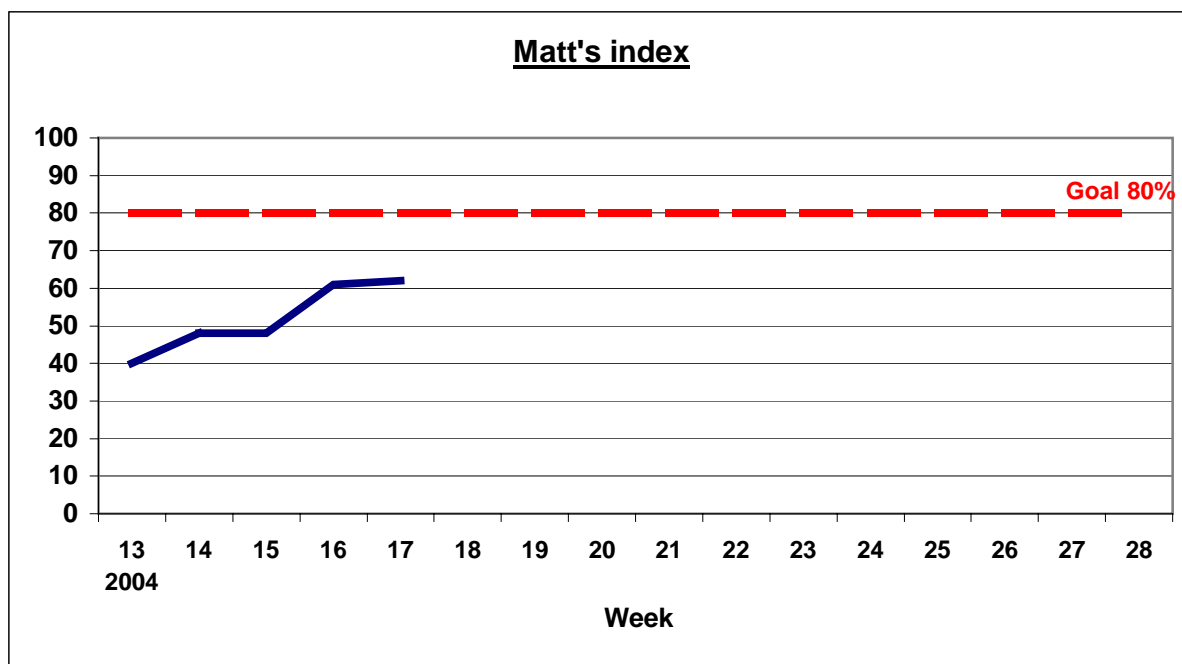




Now we have to continue by reducing delivery times. This is a pleasant task that will continue at least until the end of the year.

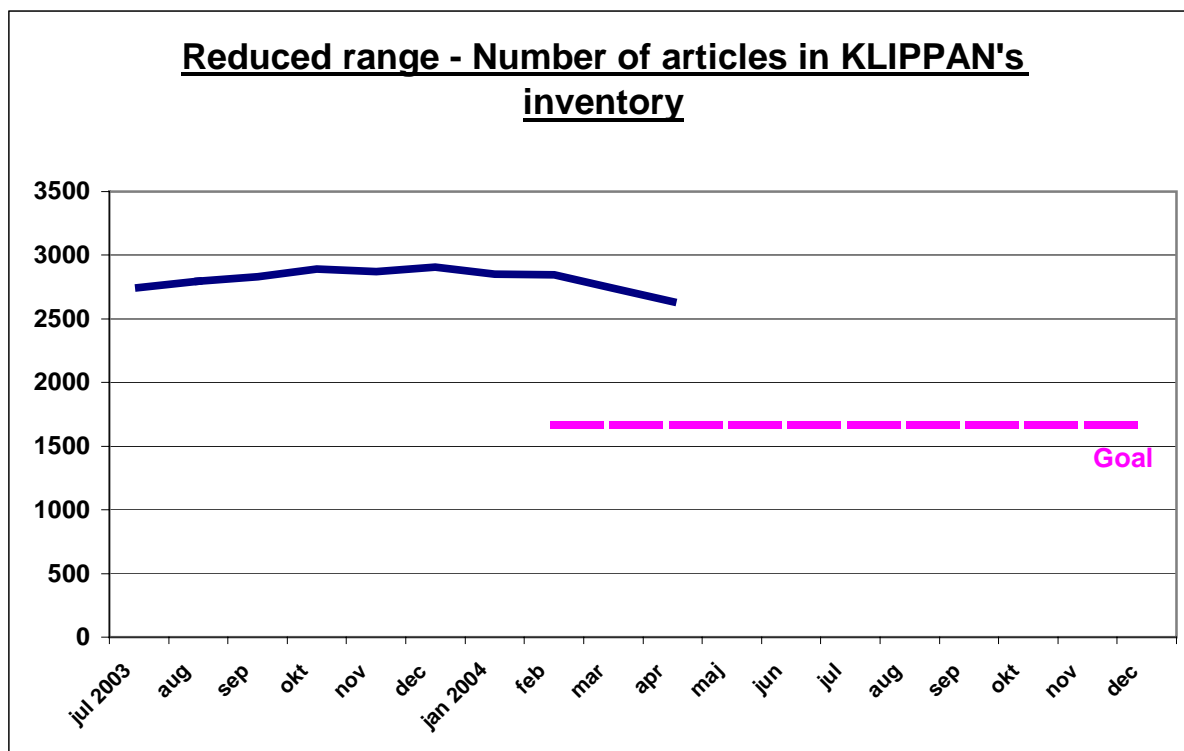
During the work with the above mentioned service issues, we have requested, and been given, the support of two of our largest customers. Each week, they give us points and comments about what they find good and bad about our behaviour. Thank you Svenskt Papper and thank you Robert Horne Group for good support and sparring.





The next important area for improvements is fixed costs, which despite good ambitions and earnest board decisions continued to increase last year. Even before Christmas, mill managements and union representatives had agreed on personnel reductions of a total of 150 persons, and the staff in question had been informed. The fact that it was done so quickly and in such a friendly atmosphere also showed that, under pressure of difficulties, we close our ranks. This is an extra bonus on top of the MSEK 50 we saved with full effect from June this year. After this early work, there still remains the everyday trimming that all companies must engage in, in order not to slip down the slope towards similar nettle patches again.

KLIPPAN is a group making speciality products. We offer a many-faceted range of products specially tailored for our customers. This means a large product flora. Ours had become so over-grown that it is difficult – and, in particular, expensive – to maintain order and service with everything to everybody. Of 3,000 standard articles, only half ever moved in six months. Now that we are trimming, we are doing it by removing entire ranges of products where we are not competitive, but in particular by removing individual products that overlap with better products. The unnecessary ones. I hope that we can manage to reduce the range by 40% within a year and this gives good pre-conditions for increased efficiency in practically everything we do.

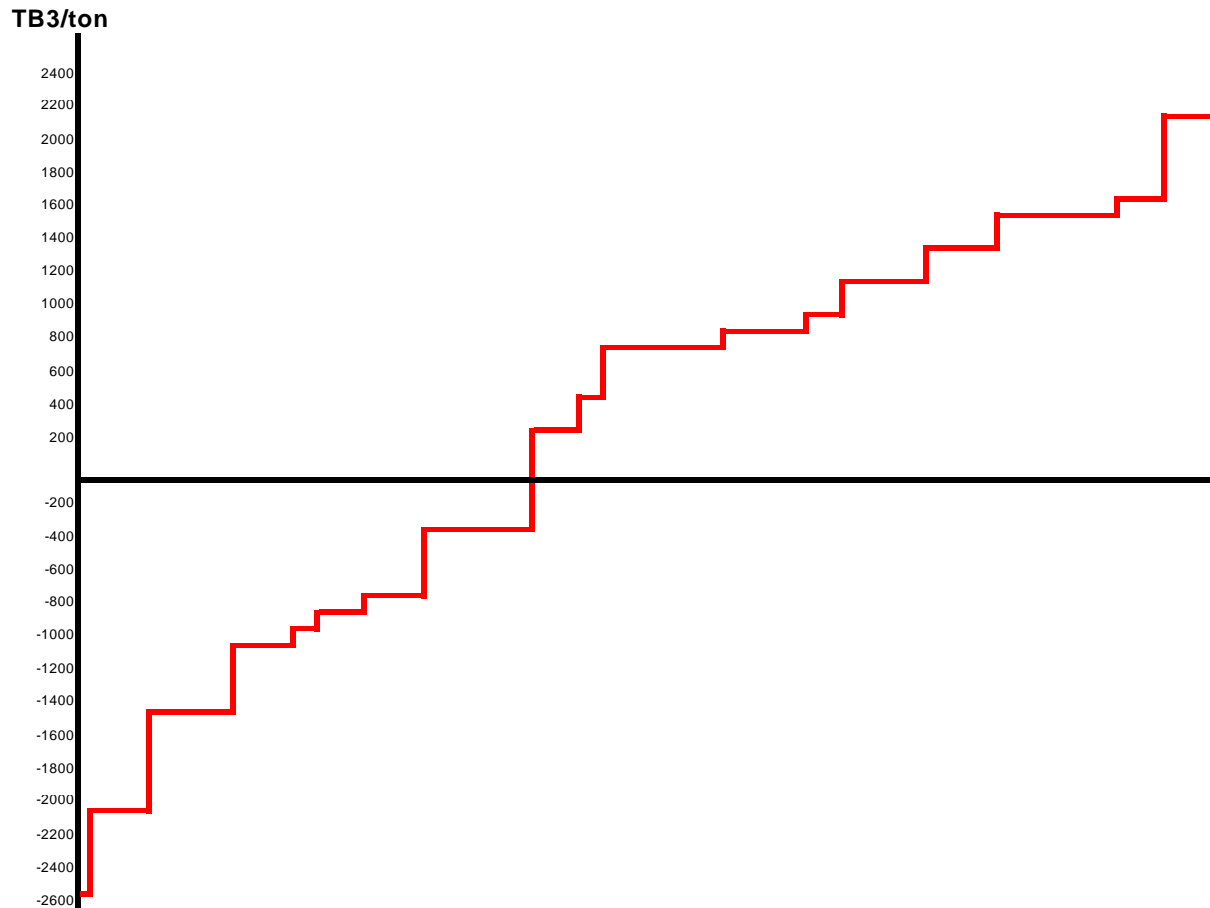


As to the efficiency of our paper machines, it will never be as high as for those who run the same product the whole year round. Resetting costs money, and we must charge for this. (New systems of calculation are encouraging us not to charge too little for small orders).

And with this in mind, I have noticed that our efficiency is too poor and have commissioned systematic work in project groups, which are analyzing and taking measures to improve efficiency. As far as I can make out, some MSEK 100 is slumbering in this thorny bed. However, it takes time to achieve these improvements – if not 100 years as in the fairy tale, then perhaps one or two years. The efficiency of our sheet cutting is also low. The efficiency increase of 50% for the A4 line at Klippan Mill over the winter months shows us that we are on the right way and that there is good will in the organization.

The recession, which we are now beginning to leave behind us, has exposed us where we have been hanging around in areas where the big guys fight it out. In particular Mölndal's PM5 and its production of standard coated fine paper has come back home with bad nosebleeds. Qualities from Klippan and Lessebo have also been discovered in the wrong place. An analysis of profitability shows that we have very good profitability in our strategic niche products, but that we lose a lot on "wrong" products. Selling more of the former, so that we can cut our loss-making business, offers a potential gain of MSEK 100 per year. This is a task that will take a couple of years to complete, but the effects are being to be noticed even now during the second quarter. Right now.

Profitability per product, sales during March 2004



Product development and market launches are of course pre-conditions for this upgrade of our operation. It is therefore particularly gratifying to be able to report that we have some very fine dishes on the menu:

- High Tech: a specialized range for digital printing;
- Impuls: ultra white fine paper for particularly exclusive printing;
- Swecard: a range of graphic board for both cards and covers.

These products will replace the standard coated fine paper at Mölndal.

- Master is the book paper for great novels. It is a legacy from Caldwells, and the market introduction has already come far.

There are some fairly large changes to the management organization of KLIPPAN. Nearly everyone in the old team has now left the company, and similar changes are also taking place in the organization at the three mills. KLIPPAN is an exciting company to work for and we are happy that so many persons in high demand are attracted to participate in our adventure while it is happening. Recruitment work to replace temporary solutions is being carried out, in order to broaden and deepen our striking power, and to replace those who have left the company.

The first quarter is proof that a turn-around is happening. Through a certain success in the work on the operating capital, I know that the liquidity will be sufficient, even if we may have to tighten our belts in order to pass through the lean period in the summer. When, after the year end, I started counting on my fingers to find the potential ahead for this excellent company, 50 plus 100 plus 100 and some more – the business climate is brightening.

Then I went out and bought KLIPPAN shares.

