



## 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, May 17 2005

### KLIPPAN SETS THE CONDITIONS FOR NEW ISSUE

**The Board of KLIPPAN AB publ ("KLIPPAN" or "the Company") today decided, with the support of the authorization given by the annual general meeting on 9 May 2005, to carry out a new share issue with priority right for the Company's shareholders. If the new issue is subscribed in its entirety, KLIPPAN will add some MSEK 200 before deduction of issue expenses.**

1. The new share issue is carried out as part of the restructuring and refinancing of KLIPPAN and strengthens the Company's financial position and thus creates the necessary financial freedom of movement.
2. The subscription price has been set at SEK 8 per share.
3. The Company's shareholders are entitled to subscribe to three new shares for each existing share.

### Background and motive

For many years, the European market for fine paper has been the subject of consolidation, which means that companies are merging or being bought up to create ever larger and more cost-effective production and distribution structures. Paper machines with greater capacity are being built in order to produce large volumes at the lowest possible cost to counteract competition from low cost producers from other parts of the world, who are competing for the European customers. Increased production capacity provides the opportunity for running longer production series, which saves money through fewer production stoppages for resetting. This is the future for producers within the standard range demanded in large volumes.

KLIPPAN manufactures, markets and sells high-class fine paper, speciality paper and in particular coloured and off-white paper, and is one of Europe's leading actors within these segments. At the same time, KLIPPAN is a relatively small company within the industry, with proportionately low capacity compared to the big actors within the fine paper market. The Company's strength lies mainly in the combination of flexibility through small scale production, and production of high quality paper which in many cases are found within growing market segments. The Company therefore has good pre-conditions for maintaining a strong position in several specialized segments of the market for fine paper and graphic board in Europe. New printing techniques are also placing greater demands on paper quality, which also favours KLIPPAN.



KLIPPAN AB's losses over the last few years is the result of several years of recession in the industry, with consequent volume reductions and pressure on prices. The acquisitions made by KLIPPAN in 2002 of Stora Enso's paper mill in Mölndal and the operation of Caldwells paper mill in Scotland were carried out in order to strengthen KLIPPAN's market position further, mainly within coloured paper in Europe. In this respect, the acquisitions were a success, but they also meant that the product range grew in a non-desirable direction. With the aim of compensating for volume reduction, too many small orders for small volumes at low prices were accepted, which caused many and costly re-settings and production stoppages.

Restructuring work started in 2003 in order to weed out the product flora and make the Company's production flow more efficient, and in retrospect it has been found that this was not done with sufficient thoroughness. KLIPPAN's new management has therefore forcefully taken the painful, yet necessary measures needed to recreate profitability through focusing on profitable products and a rational production structure.

The comprehensive work of restructuring the operation which was started in 2003 and which has now intensified has entailed large costs for KLIPPAN. The reduction of the Company's entire cost level is continuing and has already had some positive effects. The next issue is the negotiations in accordance with the law concerning self-determination at work aimed at closing down the paper manufacturing at Mölndal Mill. With the closing down of the mill, profitable products will be moved to the mills in Klippan and Lessebo. In the short term, these measures entail high costs of a one-off nature, but they lay the foundations for considerable result improvements over the coming years.

As a result of the losses of the last few years, KLIPPAN's financial position has been markedly weakened. With the aim of strengthening the Company's financial position and recreating a satisfactory liquidity, which are necessary pre-conditions for KLIPPAN being able to live up to the goals communicated by the management, the Board has decided to carry out the current priority right share issue. The money raised from the new issue will be used to carry out the structural changes decided by the Board, and to create financial freedom of movement, as well as to enable some repayment of loans from financial institutions.

### **Terms and Conditions**

On the basis of the authorization given by the annual general meeting on 9 May 2005, KLIPPAN's Board decided to carry out the priority right emission on the following terms and conditions.

Shareholders in KLIPPAN are invited to subscribe to three new shares for each existing share at the issue price of SEK 8 per share. The issue covers at most 24,799,998 shares and at least 6,199,999 shares, each share at a nominal SEK 5, meaning that KLIPPAN's share capital increases by at most SEK 123,999,999 and at least SEK 30,999,997 and that the Company receives at most SEK 198,399,984 and at least SEK 49,599,996 before deduction of issue expenses. After a completed new issue, the Company's share capital will amount to at most SEK 165,333,320 and at least SEK 72,333,325 divided into at most 33,066,664 and at least 14,466,665 shares.

*This message may not be published, distributed or forwarded in or to the USA, Canada, Australia, New Zealand or Japan. The message is not aimed at people whose participation in the priority right issue requires further information or registration measures or other measures in addition to what is required according to Swedish law. Copies of this press release, the prospectus and other documents drawn up due to the priority right issue will not and may not be sent by post or in any other way be distributed or sent in or to such countries and, if this should happen, application forms from such countries will not be considered*



### **Summary terms and conditions and time plan**

- The reconciliation date for the right to subscribe to the new issue has been set at 10 June 2005, which means that the last trading day for the KLIPPAN share including subscription right is 7 June 2005.
- Each (1) existing share gives entitlement to subscription to three (3) new shares.
- The subscription price for the new shares has been set at SEK 8 per share.
- The subscription period is 16 to 30 June 2005.
- Trading in subscription rights will take place on the Stockholm Stock Exchange during the period 16 - 27 June 2005.
- Trading in paid subscribed shares (BTA) will take place on the Stockholm Stock Exchange during the period 16 June - 8 July 2005.

The prospectus and issue accounts detailing the current shareholdings and the received number of subscription rights and attached payment form will be sent to shareholders starting from around 16 June 2005.

### **Excluded jurisdictions**

The new share issue is not aimed at shareholders in the USA, Canada, Australia, New Zealand or Japan. KLIPPAN reserves the right not to accept application forms from shareholders in such jurisdictions. If the shareholders in these jurisdictions receive subscription rights, such shareholders shall of their own accord sell the subscription rights on the stock exchange in order to realize any financial value that these may have. KLIPPAN has ensured that the subscription rights that may otherwise have been distributed to shareholders in excluded jurisdictions whose shares are registered with VPC will be sold by Nordea Bank, whereupon any monies received from the sale will be distributed to entitled shareholders.

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