

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, 10 November 2005

Interim report 1 January – 30 September 2005

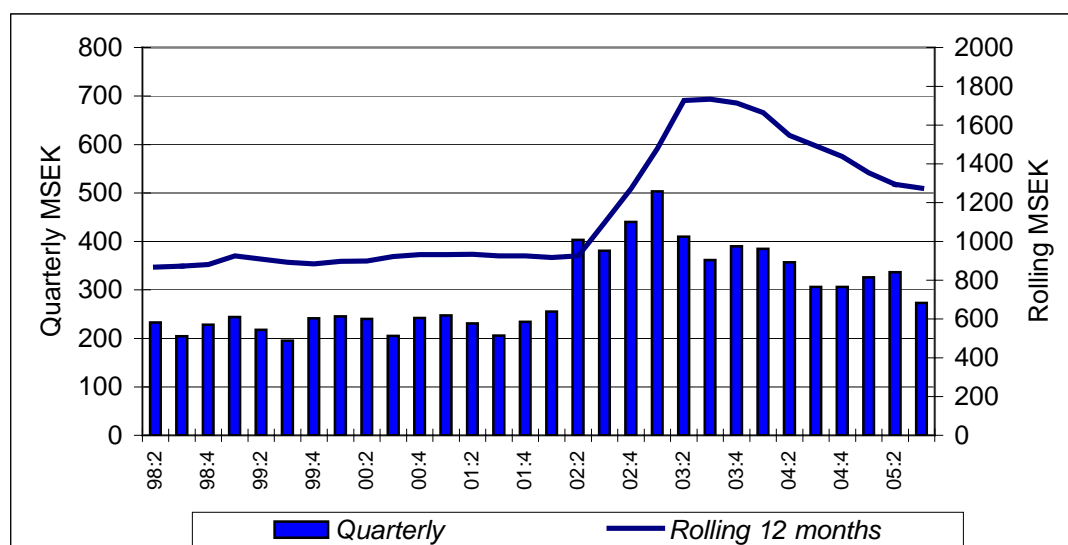
- Net group turnover amounted to MSEK 935.8 (MSEK 1,048.1)
- Result after tax amounted to MSEK -217.5 (-49.6)
- The operating result is reported as MSEK 239.7 (-54.1), of which items affecting comparison amounted to MSEK -113.4.
- Result per share is reported as SEK -26.31 (-6.00)
- The closing down of paper manufacturing at Mölndal is proceeding according to plan, and will cease during December 2005.
- The new share issued decided upon will be carried out during December 2005.
- The new share issue of MSEK 198.4 is guaranteed in its entirety.
- The District Courts confirmed the composition proposals submitted on 3 and 4 November 2005 respectively. The write-down of liabilities is expected to amount to some MSEK 130 million, provided the decision gains legal force. The write-down will be accounted for during the fourth quarter.

MSEK	Quarter		Jan-Sep		Full year	Full year
	III -2005	III - 2004	2005	2004	2004	2003
Net turnover	273,1	306,2	935,8	1048,1	1354,1	1664,2
Operating result	-60,8	-36,0	-239,7	-54,1	-108,4	-123,0
Result after financial items	-66,1	-41,3	-254,9	-70,5	-129,9	-148,2
Result after tax	-62,8	-29,8	-217,5	-49,6	-92,4	-112,6
Result per share after standard tax SEK	-7,60	-3,60	-26,31	-6,00	-11,19	-13,62
Return on capital employed %	negative	negative	negative	negative	negative	negative

Market

The market for fine paper is weak. Over-capacity in combination with falling demand has led both to pressure on prices and reduced volume. The long drawn-out composition proceedings created uncertainty in customers about KLIPPAN's future. This has further contributed to reduced numbers of orders received, with accompanying production stoppages.

Net turnover



Result

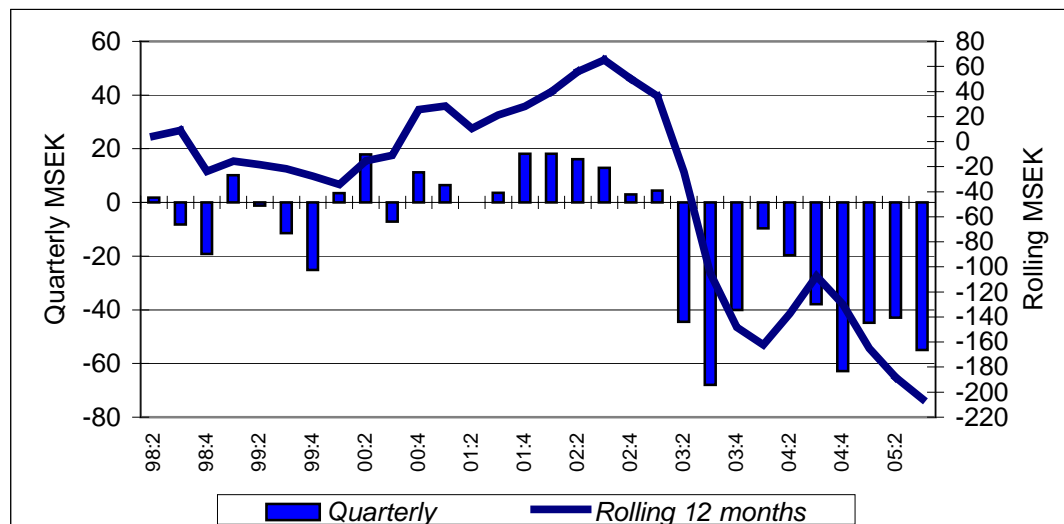
Net group turnover amounted to MSEK 935.8 (MSEK 1,048.1). The reduction in sales compared to last year was caused by a conscious reduction of sales within unprofitable segments, the closing down of Mölndal Mill and the fall in orders received.

Operating profit amounted to SEK -239.7 (-54.1). The result includes provision for structural costs of MSEK 113.4, of which the closing down Mölndal Mill represents MSEK -101.0, costs for the break-off of the acquisition process of a French paper mill MSEK -7.9, costs for reconstruction MSEK -7.7 and other items MSEK 3.2.

The operating result for the third quarter excluding structural costs was MSEK -46.9, of which Mölndal Mill represents MSEK -32.0 and the mills in Klippan and Lessebo MSEK -14.5.

The average number of employees within the group was 850 (855). The reduction in personnel at Mölndal Mill will have a significant effect during December 2005.

Result after net financial items (excluding items affecting comparability)



Changes to equity (MSEK)

Opening equity 2005-01-01	101.9
Cancellation of deferred tax	11.9
Reserve for actual value (emission rights)	18.9
Translation difference	-0.3
Result for the year	-217.5
Closing equity 30.09.05	-85.1

Liquidity

At the end of the third quarter 2005, group liquid assets amounted to MSEK 34.8. KLIPPAN reports negative solidity (16.3) and negative debt/equity ratio (3.0)

A shareholders' contribution will occur in December, which will strengthen liquidity and the gain from the composition will strengthen solidity.

Investments

Investments during the period January – June 2005 amounted to MSEK 12 (20).

Cash flow analysis (MSEK)

	Jan-Sep 2005	Jan-Sep 2004
Operating activities	-99.1	-27.5
Changes to operating capital	81.1	-0.9
Cash flow from operating activities	-18.0	-28.4
Cash flow from investment activities	-11.8	-20.8
	-29.8	-49.2
Cash flow from financing activities	54.0	5.7
Changes to liquid assets	24.2	-43.5
Opening liquid assets	10.6	61.8
Closing liquid assets	34.8	18.3

Events after the end of the result period

Reconstruction

The application for composition negotiations was submitted to the District Courts of Helsingborg and Mölndal on 3 and 4 November 2005 respectively. The District Courts decided to grant the composition. Provided the decision comes into legal force, it will entail an expected write-down of non-priority liabilities covered by the composition totalling around MSEK 130.

New share issue

The new share issued decided upon will be carried out during December 2005. The new share issue is guaranteed in its entirety and amounts to MSEK 198.4. In other respects, please see the separate press release.

Accounting principles

The group interim accounts have been drawn up in accordance with IAS 34. Accounting principles applied in this report correspond to the accounting principles used in the latest annual accounts for 2004.

Emission rights

As from 2005, a trading system applies within the EU aimed at reducing emissions of carbon dioxide. Within the framework of this system, production plants have, without payment or at a price lower than the actual value, received emission rights from the authorities of the country in question. During 2005, it has been possible to sell and buy these rights on a market. IFRIC (the emerging issues taskforce within IASB), deals with the accounting for such emission rights in its Statement 3. IASB withdrew IFRIC's Statement 3 in June after the EU had proposed changes.

While awaiting a final statement, approved by the EU, KLIPPAN will continue to account for such emission rights as follows: Emission rights received or purchased are accounted for as intangible assets among other receivables. At the time the emission right is received, or purchased, at a lower value than the actual value, the asset is accounted for at actual value and as pre-paid income (state grant). In conjunction with the annual accounts, the asset is accounted for at actual value and the excess value is accounted for against equity, with a reduction for deferred tax related to the part relating to KLIPPAN Mölndal AB. The state grant is accounted for as revenue during the year, and as emissions of carbon dioxide are made, a cost or a liability respectively for the undertaking of delivering emission rights is accounted for.

During the year, KLIPPAN has sold emission rights, which has affected the group's operating result positively by MSEK 4.7. As the operation at Mölndal Mill will be closed down, the state grant relating to emission rights granted for 2006 and 2007 have been accounted for as income of MSEK 8.3.

KLIPPAN AB

A handwritten signature in black ink, appearing to read "Thomas Billing".

Thomas Billing
Managing Director

The contents of this report have been the subject of review by the company's auditors.

For further information, please contact Thomas Billing, Managing Director, tel +46 (0)435-291 01, Anders Ljunge, Finance Director, tel +46 (0)435-291 64 or the reconstructor, Guy Lofalk, Attorney, tel +46(0)8-22 09 00.

Summary income statement and balance sheet

Income statement (MSEK)

	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
Net turnover	935.8	1 048.1	1 354.1
Other operating income	0.0	0.0	0.0
	935.8	1 048.1	1 354.1
Raw materials and consumables	-561.1	-544.5	-766.9
Changes to work in progress and finished goods inventory	-20.7	-10.5	-7.9
Personnel expenses	-273.6	-295.1	-389.6
Other external items	-163.3	-208.9	-235.4
Items affecting comparability	-113.3	0.0	0.0
Depreciation	-43.5	-43.2	-62.7
Operating result	-239.7	-54.1	-108.4
Net financial items	-15.2	-16.4	-21.5
Result after financial items	-254.9	-70.5	-129.9
Tax	37.4	20.9	37.5
Result after tax	-217.5	-49.6	-92.4
Result per share after standard tax	-26.31	-6.00	-11.19
No of shares, thousands	8 267	8 267	8 267

Balance sheet (MSEK)

MSEK

ASSETS	2005-09-30	2004-09-30	2004-12-31
Fixed assets	495.5	445.5	479.3
Inventory	188.8	212.7	203.2
Other receivables	204.3	205.3	138.8
Cash and bank balances	34.8	18.3	10.6
	923.4	881.8	831.9
EQUITY AND LIABILITIES			
Equity	-85.1	144.0	101.9
Interest bearing liabilities	524.2	449.6	461.2
Non-interest bearing liabilities	484.3	288.2	268.8
	923.4	881.8	831.9

Key ratios

		Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
Profit margin	%	-27.2%	-6.7%	-9.6%
Capital employed	MSEK	439.1	593.6	563.1
Return on capital employed	%	negative	negative	negative
Return on equity	%	negative	negative	negative
Solidity	%	-9.2	16.3	12.1
Debt/equity ratio	times	-5.7	3.0	4.4
Equity/share	SEK	-10	17	12
Market value/equity*	%	-	102	118

* share price as at 30.09.05 SEK 17.00

share price as at 31.12.04 SEK 14.50

share price as at 30.09.04 SEK 17.70

Summary income statement (MSEK)

Quarterly information	2005			2004				2003			
	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	273.1	336.7	326.0	306.0	306.2	356.8	385.1	389.8	361.5	409.9	502.9
Operating result	-60.8	-139.6	-39.3	-54.3	-36.0	-13.7	-4.4	-29.4	-63.4	-40.0	9.8
Financial items	-5.3	-4.4	-5.5	-5.2	-5.2	-5.9	-5.2	-10.7	-4.6	-4.5	-5.4
Result after financial items	-66.1	-144.0	-44.8	-59.4	-41.3	-19.6	-9.6	-40.1	-68.0	-44.5	4.4
Tax	15.3	9.9	12.2	16.6	11.5	6.7	2.7	14.7	15.7	6.4	-1.2
Result after tax	-50.8	-134.1	-32.6	-42.8	-29.8	-12.9	-6.9	-25.4	-52.3	-38.1	3.2

Net turnover and operating result per segment (MSEK)

	Net turnover			Operating result		
	2005 Jan-Sep	2004 Jan-Sep	2004 Jan-Dec	2005 Jan-Sep	2004 Jan-Sep	2004 Jan-Dec
Coloured paper	413.6	521.3	669.0	5.3	16.5	9.0
Uncoated graphic paper	131.9	143.3	196.1	-1.9	11.4	11.5
Coated paper	233.9	244.9	324.7	-90.8	-66.3	-97.2
Speciality paper	201.1	174.7	238.0	-39.0	-15.7	-31.7
Items affecting comparability	0.0	0.0	0.0	-113.3	0.0	0.0
Internal deliveries	-44.7	-36.1	-73.7	0.0	0.0	0.0
	935.8	1048.1	1354.1	-239.7	-54.1	-108.4

Net turnover per market

	2005 Jan-Sep	2004 Jan – Sep	2004 Jan–Dec
Sweden	215.3	224.6	297.5
Other Nordic countries	145.6	164.0	216.0
Rest of Europe	517.7	550.6	750.4
Rest of world	57.2	108.9	90.2
	935.8	1 048.1	1 354.1