

# 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

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## **KLIPPAN SETS THE CONDITIONS FOR THE 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 receive some MSEK 200 before deduction of issue expenses.

Provided, inter alia, that the Company successfully completes the current negotiations relating to a long-term financing package before 29 November, the issue will be guaranteed by Nordea Bank AB and Weland AB.

1. The new share issue is carried out as part of the restructuring and refinancing of KLIPPAN and strengthens the Company's financial position, thus creating 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.

## **Reason and Background**

Several years of recession in the fine paper industry has resulted in a restructuring of the European market, which has entailed companies merging or being bought up to create ever large and more cost-efficient production and distribution structures. Increased production capacity means opportunities for running longer series, which saves costs through fewer production stoppages for resetting. It is in particular coated and uncoated standard products which are produced in these units.

KLIPPAN manufactures, markets and sells high-class fine paper for the graphic industry and for office purposes. The company is the market leader in Scandinavia within the area uncoated premium offset, and is a leading manufacturer in Europe within the segment coloured paper. 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 in Europe.

It is KLIPPAN's strategy to exit from the standard segments and instead focus on high quality niche products, a process which requires time to build up the market and change the production process. The acquisitions made by KLIPPAN in 2002 of Stora Enso's paper mill in Mölndal and the operation of Caldwell's 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 to an undesirable extent.

Restructuring work started in 2003 to weed out the number of articles and colours, in order to make the Company's production flows more efficient. In the light of the market conditions, which grew worse thereafter, this work turned out not to be sufficient. KLIPPAN's new management has therefore undertaken further measures to recreate profitability.

The comprehensive work of restructuring the operation which was started in 2003 and which has now intensified has entailed large costs for KLIPPAN. In conjunction with the now occurring close-down of paper manufacturing at Mölndal Mill, profitable products are being transferred 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. A reduction of the company's total cost basis has started.

As a result of the losses over the last few years, KLIPPAN's financial position has weakened markedly, and on 2 June 2005, the Board of KLIPPAN applied for a company reconstruction. In conjunction with this, a financial plan has been developed, showing that KLIPPAN can become profitable, provided the structural and financial reconstruction measures are carried out. One important and decisive step in the reconstruction process has been that KLIPPAN's creditors have accepted a composition to write down their claims by a total of some MSEK 130.

The Board has decided to carry out the current priority right share issue of some MSEK 198.4. The money raised from the new issue will be used to complete the structural changes decided by the Board, and to create financial freedom of movement, as well as to repay 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 24,799,998 shares, each with a nominal value of SEK 5, which means that KLIPPAN's share capital increases by 123,999,990 krona and that the Company receives 198,399,984 krona before deduction of issue expenses. After the issue has been completed, the Company's share capital will amount to 165,333,320 krona, divided between 33,066,664 shares.

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

- The reconciliation date for the right to subscribe to the new issue has been set at 6 December 2005, which means that the last trading day for the KLIPPAN share including subscription right is 1 December 2005.
- Each 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 8 - 21 December 2005.
- Trading in subscription rights will take place on the Stockholm Stock Exchange during the period 8 – 16 December 2005.
- Trading in paid subscribed shares (BTA) will take place on the Stockholm Stock Exchange during the period 8 - 28 December 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 8 December 2005.



### **Excluded jurisdictions**

The new share issue is not directed at any person whose participation presupposes any additional prospectus, registration or other measures than those that follow from Swedish law. The new shares will not be registered in accordance with the United States Securities Act from 1933 in its current wording, nor in accordance with any securities legislation in Canada, Japan or other country than Sweden, and may not be offered, transferred or sold, directly or indirectly, within the United States of America, Canada, Australia, New Zealand, Japan or any other such country or to persons domiciled there. The Company reserves the right not to accept application forms from shareholders in such jurisdictions. The Company 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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KLIPPAN AB  
The Board

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