

Summarised Financial Statements 2003

- The Group's net sales amounted to SEK 3,317 million (3,249).
 - Earnings after net financial items totalled SEK 185 million (200).
 - Earnings after tax were SEK 141 million (152).
 - Earnings per share amounted to SEK 6.73 (7.23).
- Tougher business climate, a stronger Swedish krona and rising energy costs affected Group earnings.
- Keen competition is having negative effects on business area Oils & Fats. Continued productivity improvements and growing volumes of high value-added products are offsetting this impact.
- Profit improvement and volume growth in business area Technical Products despite a sharp drop in glycerol prices in the last quarter of the year.
- Acquisition of technical oils operations from Raisio and Aarhus United, and a global alliance with Quaker Chemical.
- Continued volume growth for Feed Materials. Capacity-expanding investment delayed in the fourth quarter.
- A dividend per share of SEK 3.50 is proposed, in line with last year.

THE PRESIDENT'S COMMENTS

New strategy holding up in tough business conditions

The year 2003 was a turbulent one, characterised by slackening business conditions, unfavourable developments on the currency market and notably higher energy costs. All of the Oils & Fats business area's markets are growing increasingly competitive, with obvious effects on contribution margins for Karlshamns as well as for the entire industry. On the full-year basis, Karlshamns margins suffered consequences to the amount of SEK 125 million. At the same time Carlshamn Mejeri – one of the Group's largest customers in terms of volumes - relocated its entire production operations to Finland. In aggregate the negative impact of all these external factors totalled some SEK 90 million in 2003, compared to 2002.

Karlshamns approach to this new business situation is a committed focus on productivity improvements and the promotion of sustainable growth. The negative external developments have been offset by productivity improvements worth some SEK 45 million and new business opportunities worth SEK 30 million; the second of the two achieved through consolidated market positions and a larger share of high value-added products.

The far-reaching development process launched in 2001 has been instrumental in securing a strategic positioning with focus on higher value-added products, improved operating efficiency, a profit-oriented organisation based on business areas, and a notable rejuvenation of all management teams. Last year's achievements give evidence of measurable improvements and indicate that our strategy is indeed the right one.

Oils & Fats

Business area Oils & Fats is rapidly expanding its share of value-added products. Developments have been particularly promising in product segments Dairy Fat Alternatives (DFA) and vegetable fats for cosmetic applications. Making research and development a priority task resulted in the launch of several product innovations in 2003, of which low-trans** CBR Akopol LT 15, Akocheese and Lipex L'sens received particular attention. In line with Karlshamns strategic plans, marketing operations expanded considerably in 2003. Extended production capacity for high value-added products will be available in the autumn of 2004.

Technical Products

In business area Technical Products Tefac is gradually increasing production capacity as well as sales volumes by means of cost-efficient investments, thus achieving a consolidated market

position and profitability improvements in defiance of the tough economic climate.

Binol acquired the technical oils operations of Aarhus United and Raisio, thereby gaining global leadership on the market for vegetable metalworking fluids. Two global alliances - one with Shell, the other with Quaker Chemical – now provide a solid foundation for continued expansion on markets outside the Nordic countries.

Feed Materials

BSE (the "mad cow disease") has contributed to a rapid diversification of the vegetable raw material base for feed applications. Karlshamns has invested in extended production capacity, and our position in the Nordic market has been further reinforced.

The future

All things considered, those few years of dedicated development work have now laid the foundations of a strong and well-balanced company, while at the same time providing the groundwork for a higher degree of specialisation and globalisation.

The vegetable oil industry is one of positive underlying growth factors. Karlshamns rapid development - strategically, operationally as well as organisationally – gives me strong faith in our future development, regardless of whether our market situation remains as competitive as it is today.

THE MARKET

The Group

The Karlshamns Group is divided into three business areas; Oils & Fats, Technical Products and Feed Materials. The Technical Products business area's operations are carried out by the subsidiaries Tefac and Binol. Business area Oils & Fats has three business sectors; Chocolate & Confectionery Fats, Edible Oils and Lipids for Care.

** In the spring of 2000 the European Union voted a directive allowing other vegetable fats to replace up to 5 percent of cocoa butter in products marketed as "chocolate" within the EU. The new regulation came into full force in the autumn of 2003.*

*** Nutritional experts emphasise the importance of reducing our intake of trans fatty acids, chiefly because of their negative effect on blood cholesterol. The new LT15 products of the Akopol range all have a trans content reduced by 70 percent, at the same time as their aggregate content of trans/saturated fatty acids is lower than in traditional CBR and CBS products.*

Oils & Fats

Chocolate & Confectionery Fats

Decreasing margins continue to characterise this market segment. Last year's volumes nevertheless increased somewhat over 2002, with the largest volume growth achieved in Eastern and Western Europe. Market interest in value-added products (CBE) has been generally strong, but the implementation of the 5-percent rule still takes longer than expected by the industry.

In Europe we have seen a strong and growing interest in fats with a reduced content of trans fatty acids. By mid-2003 Karlshamns launched a unique CBR product; the low-trans Akopol LT 15 which is currently being evaluated by a number of key customers. Karlshamns is at the forefront also in the filling fats segment, where several new low-trans products are about to be launched.

Edible Oils

The proportion of high value-added products continues to grow, whereas volumes of standard products have declined. Total volumes decreased from 2002 to 2003. Adjusted for the volume loss caused by the relocation of Carlshamn Mejeri, volumes grew by some 8 percent. Value-added products continue to develop well, in particular so in the bakery, food service and DFA segments. The largest volume growth was achieved in the Nordic countries and in Central Europe.

The food industry's demand for trans-free solutions paves the way for new customer relations, as Karlshamns boasts a strong product range and renowned application knowhow. Several new customers were gained in the fourth quarter of 2003, and important progress was made in the bakery, food service and margarine industries. Karlshamns product innovation Akocheese was nominated in the category "Most innovative food ingredient 2003" at last year's FIE fair in Frankfurt***.

Lipids for Care

The cosmetic industry's interest in vegetable products remains strong. The proportion of high value-added products is growing, with positive effects on contribution margins. The largest volume growth was achieved in Western Europe and in the US.

In 2003, distribution agreements were signed in South Korea, Russia and China. Lipex L'sens, a vegetable alternative to Lanolin (oil from sheep's wool) in cosmetics was introduced in the second quarter of the year, a launch met with strong interest.

Karlshamns invested in a new cosmetics centre in 2003, while also strengthening the Lipids for Care organisation within both product development and sales.

Technical Products

Tefac

The growth of the European fatty acids market is estimated to a few percentages. Tefac's ambition, a growth rate higher than the market's, was fulfilled in 2003 as well. Volumes increased by slightly more

than 10 percent, the major part of the growth achieved in the European chemico-technical industry with detergents and fabric softeners as the largest product segment. Glycerol prices fell steeply in the last quarter of the year; the effect of an increase in supply from the biodiesel industry.

Binol

Binol strengthened its position in the Nordic market in 2003, while also stepping up its international marketing activities. The forestry and construction segments continue to progress, in particular so

Binol's range of saw band oils and chain oils. Acquisitions of the technical oils**** operations from Raisio in late 2003 and from Aarhus United earlier in the year provided additional consolidation of Binol's leading position on the global market for vegetable technical oils.

Early in 2004, a strategic alliance was formed between Binol and Quaker Chemical.

Feed Materials

Karlshamns continues to profit from the feed industry's focus on food safety and growing consumption of vegetable feed raw materials. Business area Feed Materials expanded its share of the market for bypass protein (ExPro) and bypass fats all through 2003. Introduced in the autumn of 2002, the new bypass fat Akofeed Gigant accounted for a considerable volume increase in 2003.

Demand for ExPro meal from the Nordic market has remained strong. The 2003 volumes thus increased over 2002, although with limited production capacity for ExPro being a restraint on further growth.

A capacity-expanding investment is taking somewhat longer than expected to come on stream, which affected margins as well as volumes in the fourth quarter of 2003.

*** The FIE (Food Ingredients Europe) fair in Frankfurt, Germany on 18 November 2003. Akocheese shared the fourth prize.

**** Technical oils are used as metalworking fluids and lubricants in the metalworking industry, as hydraulic oils and chain oils in the forestry and construction industries, as thermal fluids in radiators and as speciality products in agriculture.

OPERATIONS

Operating profits

The Group's operating profit decreased by SEK 14 million from last year, to SEK 197 million. Profits in business area Oils & Fats declined to SEK 134 million (146), in business area Feed Materials by SEK 7 million to SEK 22 million whereas Technical Products improved its profits by SEK 5 million to SEK 41 million.

The fourth-quarter profits; SEK 40 million (48), suffered a SEK 6 million effect of the delay of Feed Materials' investment in additional production capacity.

Business Area Oils & Fats

| (SEK million) | 3 months Oct-Dec 2003 | 3 months Oct-Dec 2002 | Full year Jan-Dec 2003 | Full year Jan-Dec 2002 |
|-----------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Net sales | 630 | 649 | 2,397 | 2,394 |
| Gross contribution | 172 | 189 | 666 | 694 |
| Operating profit | 28 | 32 | 134 | 146 |
| Net operating assets | | | 997 | 958 |
| Return on net operating assets, % | | | 13 | 14 |

The Oils & Fats business area's operating profit amounted to SEK 134 million (146). Productivity improvements have been achieved at all three of the business area's production plants; partly through continuous upgrades, partly by means of a specific programme initiated to offset the negative effects of the sizeable volume drop caused by Carlshamn Mejeri.

Keener competition on the European market in combination with rising energy costs nevertheless made profits fall short of last year's level by SEK 12 million. Sales to Central and Eastern Europe developed well throughout the year, whereas volumes to the Nordic market decreased due to diminishing sales to Carlshamn Mejeri. Sales volumes to the chocolate industry developed well, in particular in the fourth quarter of the year. Sales of speciality fats continue to make headway.

Business Area Technical Products

| (SEK million) | 3 months Oct-Dec 2003 | 3 months Oct-Dec 2002 | Full year Jan-Dec 2003 | Full year Jan-Dec 2002 |
|-----------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Net sales | 112 | 113 | 501 | 455 |
| Gross contribution | 37 | 38 | 160 | 148 |
| Operating profit | 8 | 7 | 41 | 36 |
| Net operating assets | | | 195 | 164 |
| Return on net operating assets, % | | | 24 | 25 |

The Technical Products business area's operating profit amounted to SEK 41 million (36). Fatty acid volumes continue to grow, with margins intact.

Capacity-expanding investments came on stream in the first quarter of 2003, to give full effect throughout the rest of the year. Falling glycerol prices had negative effects on Tefac's profits in the fourth quarter.

Binol consolidated its market position in 2003. In combination with an adjustment of operating expenditure this contributed to a rising profit level all through the year.

Business Area Feed Materials

| (SEK million) | 3 months Oct-Dec 2003 | 3 months Oct-Dec 2002 | Full year Jan-Dec 2003 | Full year Jan-Dec 2002 |
|-----------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Net sales | 106 | 111 | 419 | 400 |
| Gross contribution | 28 | 34 | 118 | 120 |
| Operating profit | 4 | 9 | 22 | 29 |
| Net operating assets | | | 112 | 58 |
| Return on net operating assets, % | | | 24 | 28 |

Operating profit in business area Feed Materials amounted to SEK 22 million (29), with higher energy costs and intensifying marketing activities having negative effects on earnings.

Sales of feed raw materials continued to grow, with Karlshamns strengthening its position on the Nordic market. Customer preference for product safety and vegetable raw materials is becoming more and more pronounced.

A capacity-expanding investment has taken somewhat longer than expected to come on stream, which had a SEK 6 million effect on earnings in the fourth quarter of 2003.

THE KARLSHAMNS GROUP

Profit after net financial items

The Group's profit after net financial items totalled SEK 185 million (200), with net financial items amounting to SEK -12 million (-11).

Capital expenditure

The Group's direct investments in fixed assets amounted to SEK 108 million (103).

Working capital

The Group's working capital as at 31 December 2003 was SEK 543 million (420), the increase mainly due to higher inventory volumes of exotic raw materials and rapeseed. In comparison with the year 2002, the 2003 figures also comprise a number of non-recurring items in the range of SEK 50 million.

Cash flow

Cash flow generated by operating activities amounted to SEK 123 (310) for the full year 2003. The variance is mainly related to changes in working capital.

Financial position

The Group's shareholders' equity as at 31 December 2003 was SEK 972 million (915). Total assets amounted to SEK 1,899 million (1,771), the equity/assets ratio to 51 percent (52).

The Group's net borrowings as at 31 December 2003 were SEK 211 million (154).

Personnel

The Group's average number of employees in the period was 757 (754).

Key ratios

Return on equity in 2003 was 15 percent (17).

Return on net operating assets in the preceding twelve-month period was 16 percent (17).

Equity per share increased to SEK 46.30 (43.59).

Proposed dividend

The Board of Directors and the President propose an unchanged dividend of SEK 3.50 per share.

Accounting and valuation principles

This interim report has been prepared in accordance with the accounting principles applied in the Annual Report 2002. The recommendations issued by the Swedish Financial Accounting Standards Council, effective from 1 January 2003, have been implemented without resulting in any change of accounting principles.

Karlshamn 11 February 2004



Jerker Hartwall
President

*For further information, phone +46 (0)454-826 03
These interim figures have not been audited.*

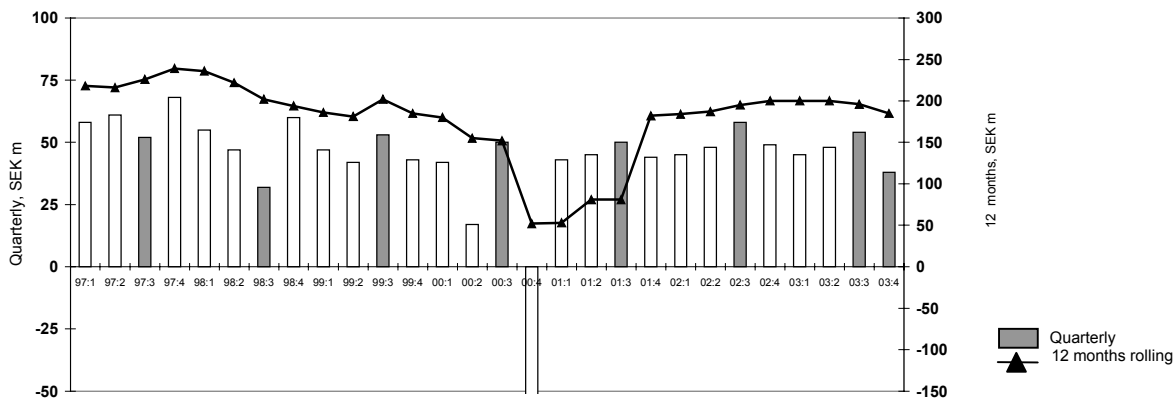
SUMMARY INCOME STATEMENT FOR THE GROUP

| (SEK million) | 3 months Oct-Dec 2003 | 3 months Oct-Dec 2002 | Full year Jan-Dec 2003 | Full year Jan-Dec 2002 |
|------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Net sales | 848 | 873 | 3,317 | 3,249 |
| Raw material costs | -611 | -612 | -2,373 | -2,287 |
| Gross contribution | 237 | 261 | 944 | 962 |
| Personnel and other external costs | -172 | -192 | -652 | -659 |
| Depreciation | -25 | -21 | -95 | -92 |
| Operating profit | 40 | 48 | 197 | 211 |
| Net financial items | -2 | 1 | -12 | -11 |
| Profit after net financial items | 38 | 49 | 185 | 200 |
| Tax | -3 | -6 | -44 | -48 |
| Net profit | 35 | 43 | 141 | 152 |

SHARE DATA

| | | |
|---|--------|--------|
| Number of shares (000) | 21,033 | 21,002 |
| Outstanding warrants and convertible debt instruments (000) | 881 | 912 |
| Earnings per share before conversion and utilisation of warrants, SEK | 6.73 | 7.23 |
| Earnings per share after conversion and utilisation of warrants, SEK | 6.60 | 7.13 |
| Equity per share before conversion and utilisation of warrants, SEK | 46.30 | 43.59 |

Profit after net financial items



PROFIT AFTER NET FINANCIAL ITEMS, QUARTERLY

| (SEK million) | 2001 | | | | 2002 | | | | 2003 | | | |
|----------------------------------|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Net sales | 726 | 699 | 700 | 817 | 786 | 790 | 800 | 873 | 853 | 803 | 813 | 848 |
| Gross contribution | 222 | 219 | 218 | 233 | 232 | 241 | 228 | 261 | 236 | 242 | 229 | 237 |
| Operating profit | 47 | 49 | 54 | 46 | 49 | 53 | 61 | 48 | 47 | 52 | 58 | 40 |
| Net financial items | -4 | -4 | -4 | -2 | -4 | -5 | -3 | 1 | -2 | -4 | -4 | -2 |
| Profit after net financial items | 43 | 45 | 50 | 44 | 45 | 48 | 58 | 49 | 45 | 48 | 54 | 35 |

SUMMARY BALANCE SHEET FOR THE GROUP

| (SEK million) | 31.12.2003 | 31.12.2002 | 31.12.2001 |
|---|--------------|--------------|--------------|
| ASSETS | | | |
| Immaterial fixed assets | 14 | 7 | - |
| Tangible fixed assets | 740 | 741 | 752 |
| Financial fixed assets | 11 | 12 | 18 |
| Total fixed assets | 765 | 760 | 770 |
| Inventories | 455 | 439 | 433 |
| Current receivables | 535 | 466 | 542 |
| Cash and cash equivalents | 144 | 106 | 70 |
| Total current assets | 1,134 | 1,011 | 1,045 |
| TOTAL ASSETS | 1,899 | 1,771 | 1,815 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | 972 | 915 | 850 |
| Provisions | 121 | 111 | 132 |
| Long-term liabilities | 352 | 260 | 360 |
| Accounts payable - trade | 236 | 268 | 255 |
| Other current liabilities | 63 | 45 | 28 |
| Accrued expenses and prepaid income | 155 | 172 | 190 |
| Total current liabilities | 454 | 485 | 473 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 1,899 | 1,771 | 1,815 |

CHANGES IN SHAREHOLDERS' EQUITY

| (SEK million) | 31.12.2003 | 31.12.2002 | 31.12.2001 |
|--|------------|------------|------------|
| Shareholders' equity, opening balance | 915 | 850 | 781 |
| New share issue – redemption of warrants | 3 | - | - |
| Dividend | -74 | -74 | -74 |
| Translation differences | -13 | -13 | 10 |
| Net profit | 141 | 152 | 133 |
| Shareholders' equity, closing balance | 972 | 915 | 850 |

SUMMARY CASH FLOW STATEMENT FOR THE GROUP

| (SEK million) | Full year Jan-Dec 2003 | Full year Jan-Dec 2002 | Full year Jan-Dec 2001 |
|--|------------------------------|------------------------------|------------------------------|
| Operating activities | | | |
| Cash flow from operating activities before changes in net operating assets | 212 | 267 | 237 |
| Changes in net operating assets | -89 | 43 | -100 |
| Cash flow from operating activities | 123 | 310 | 137 |
| Investment activities | | | |
| Cash flow from investment activities | -101 | -106 | -118 |
| Financing activities | | | |
| Cash flow from financing activities | 20 | -167 | -15 |
| Cash flow for the year | 42 | 37 | 4 |
| Liquid funds, opening balance | 106 | 70 | 63 |
| Translation difference | -4 | -1 | 3 |
| Liquid funds, closing balance | 144 | 106 | 70 |

KEY FIGURES

| (SEK million unless otherwise stated) | Full year Jan-Dec 2003 | Full year Jan-Dec 2002 | Full year Jan-Dec 2001 |
|---------------------------------------|------------------------------|------------------------------|------------------------------|
| Income statement | | | |
| Net sales | 3,317 | 3,249 | 2,942 |
| Gross contribution | 944 | 962 | 892 |
| Operating profit | 197 | 211 | 196 |
| Profit after net financial items | 185 | 200 | 182 |
| Net profit | 141 | 152 | 133 |
| Balance sheet | | | |
| Fixed assets | 765 | 760 | 770 |
| Current assets | 1,134 | 1,011 | 1,045 |
| Shareholders' equity | 972 | 915 | 850 |
| Provisions | 121 | 111 | 132 |
| Liabilities | 806 | 745 | 833 |
| Net operating assets | 1,304 | 1,180 | 1,264 |
| Net borrowings | 211 | 154 | 282 |
| Key ratios | | | |
| Return on net operating assets, % | 16 | 17 | 16 |
| Return on shareholders' equity, % | 15 | 17 | 16 |
| Equity/assets ratio, % | 51 | 52 | 47 |
| Debt/equity ratio, multiple | 0.22 | 0.17 | 0.33 |
| Proportion of risk-bearing capital, % | 57 | 57 | 53 |
| Capital turnover rate, multiple | 2.6 | 2.6 | 2.5 |
| Direct investments in fixed assets | 108 | 103 | 109 |
| Average number of employees | 757 | 754 | 751 |
| of whom in Sweden | 623 | 611 | 611 |

STAFF WARRANTS 1999

Following the AGM's decision in May 1999 the company raised a subordinated loan of a nominal maximum of SEK 2,825,000 through an issue of promissory notes of a maximum 565,000 warrants for the subscription of new shares. Employees subscribed to 167,800 of the total 546,000 warrants. The price per warrant was fixed at SEK 7.20, and the issue price per share was fixed at SEK 101 for the period 1 September 1999 to 31 August 2001, and at SEK 79 for the period 1 September 2001 to 1 July 2004. Dilution at full conversion is 0.8 per cent. The subordinated loan had an annual interest rate of 3 per cent and matured on 1 July 2000.

STAFF WARRANTS 2002

In April 2002 the AGM decided to invite all permanent employees in Sweden, the UK and the Netherlands to subscribe to convertible debt instruments, to be issued by Karlshamns AB to an aggregate amount of SEK 93 700 000. As a result, employees subscribed to debt instruments corresponding to SEK 74 625 000, or approximately 80 per cent of the total offer. Dilution at full conversion will be approximately 3.5 per cent of capital and voting rights. The loan matures on 20 July 2007, should conversion not have taken place before that. The conversion rate was fixed at SEK 100, the conversion period running from 10 May 2005 to 10 May 2007. The loan carries an annual interest rate of STIBOR less 0.5 percentages.

REPORTING SCHEDULE

- **Karlshamns annual report for 2003 will be available from early April 2004.**
- **The Annual General Meeting will be held in Karlshamn on 21 April 2004, at 14.00.**
- **The interim report for the period to 31 March 2004 will be released on 21 April 2004.**
- **The interim report for the period to 30 June 2004 will be released on 18 August 2004.**
- **The interim report for the period to 30 September 2004 will be released on 21 October 2004.**



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