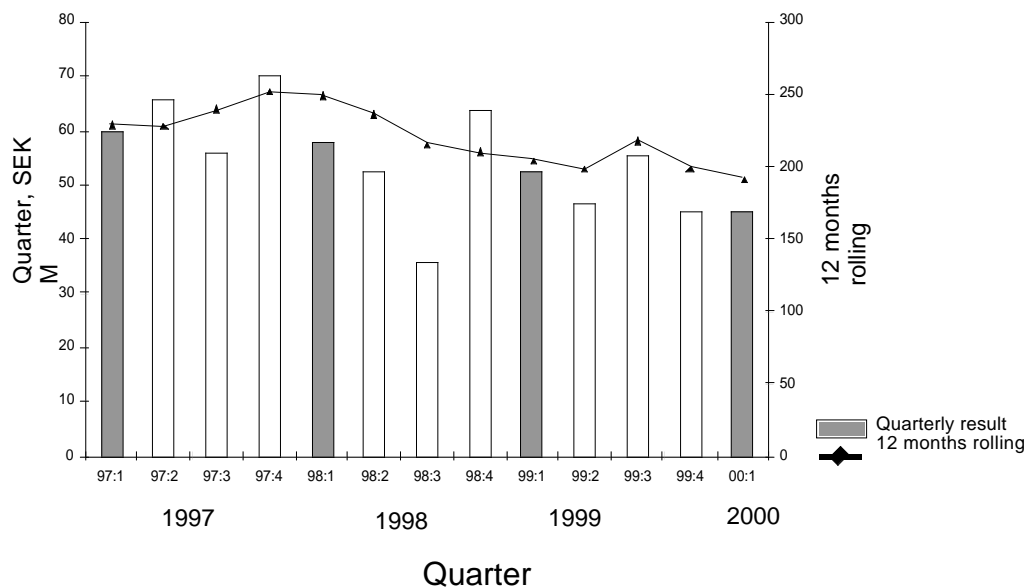


Interim Report

January - June 2000

- Consolidated earnings after net financial items amounted to SEK 59 million (89).
- Nonrecurrent items and provisions for bad debt losses affected earnings by SEK 27 million.
- Profit improvements in business areas Feed Materials and Technical Products.
- Jan Elmeklo has been appointed acting President and C.E.O.

Operating income



KARLSHAMNS AB (publ)

Interim report for the six months to 30 June 2000

Sales volumes to Russia and South America decreased in the second quarter compared to the same period in 1999, which resulted in only marginal increases of speciality fat volumes over the first half of 1999. Raw material prices continued their down-trend after a certain stabilisation early in the year. Substantially reduced raw material prices and a stronger US\$ caused problems among a number of customers with long-term agreements. Provisions totalling SEK 12 million have been made to cover these risks along with credit risks in South America. Earnings in the Group's raw material trading improved in the second quarter over the same period in 1999, but for the period to 30 June they are still SEK 13 million lower than last year. The lower net sales level is mainly due to decreasing raw material prices.

BUSINESS AREAS

<i>The Edible Oils</i> year	January - June			Full
<i>Business Area</i> (SEK million)	2000	1999	1998	1999
Net sales	1 054	1 266	1 268	2 437
Gross contribution	285	319	327	612
Operating income	34	85	90	155

The Edible Oils business area's operating income decreased to SEK 34 million, mainly due to costs generated by the Group's strategic review, change of management, provisions for bad debts and lower profitability within raw material trading. Profits in the second quarter of 2000 amounted to SEK 3 million (38). Total volumes fell by 3 per cent, the reduction mainly caused by decreasing volumes of standard speciality fats to South America and formulated fats to Russia. The measures taken in 1999 to adjust production capacity in England and Holland further contributed to a lower aggregate volume. Karlshamns has resolved to expand its production capacity for the most advanced speciality fats. Not only are sales volumes of these products increasing, but the European Parliament also decided to allow 5 per cent of other vegetable fats than cocoa butter in chocolate.

<i>The Technical Products</i> year	January - June			Full
<i>Business Area</i> (SEK million)	2000	1999	1998	1999
Net sales	176	172	187	323
Gross contribution	70	58	60	117
Operating income	20	12	14	29

The Technical Products business area's operating profit increased by SEK 8 million to SEK 20 million. Profits in the second quarter increased to SEK 12 million (7). The increase was attributable to product segment Fatty Acids and Glycerol, where volumes increased by 15 per cent. Structural changes in the domestic fatty acids market reduced Karlshamns volumes in early 1999, a volume drop which was compensated for by higher export volumes in 2000.

<i>The Feed Materials</i> year	January - June			Full
<i>Business Area</i> (SEK million)	2000	1999	1998	1999
Net sales	124	122	143	240
Gross contribution	52	36	46	88
Operating income	11	1	6	15

The Feed Materials business area's earnings increased by SEK 10 million to SEK 11 million, with profits in the second quarter totalling SEK 5 million (1). Contribution margins have remained on a more normal level from the beginning of 2000, which contributed to a profit improvement in the Feed Materials business area. Higher yields from shea oil extraction further contributed to the profitability improvement.

THE KARLSHAMNS GROUP

Operating income
The Group's operating income amounted to SEK 65 million (98), negatively affected by nonrecurrent items of SEK 15 million incurred in connection with a comprehensive strategic review and a change of management. Operating income is exclusive of pension funds from SPP or KP.

Earnings after financial income and expenses
The Group's earnings after financial income and expenses amounted to SEK 59 million (89).

Investments
The Group's capital expenditure for the period amounted to SEK 43 million (72). During the twelve-month period in 1999, net investments amounted to SEK 147 million.

Working capital
The Group's working capital as at 30 June 2000 amounted to SEK 395 million (611). Falling raw material prices in combination with the action programme launched to reduce the Group's working capital contributed to a limited capital requirement.

Financial position
The Group's shareholders' equity as at 30 June 2000 amounted to SEK 790 million (760). Total assets amounted to SEK 1 548 million (1 646). The equity/assets ratio was 51 per cent (46). The Group's net debt as at 30 June 2000 was SEK 310 million (427).

Personnel
The Group's average number of employees was 767 (762). The number of employees in the Group as at 30 June 2000 was 766 (779).

Key ratios
Return on equity during the preceding twelve-month period was 13 per cent (18). Return on equity for the full year 1999 was 16 per cent. Return on net operating assets during the preceding twelve-month period was 14 per cent (16). Equity per share increased to SEK 37.62 (36.19).

SUMMARY INCOME STATEMENT FOR THE GROUP

(SEK million)

	2000	January - June 1999	1998	Full year 1999
Net sales	1 354	1 560	1 598	3 000
Raw material costs	<u>-947</u>	<u>-1 147</u>	<u>-1 165</u>	<u>-2 183</u>
Gross contribution	407	413	433	817
Other operating costs	-287	-279	-289	-545
Items affectivly comparability	-15	-	-	-
Depreciation	<u>-40</u>	<u>-36</u>	<u>-34</u>	<u>-73</u>
Operating income	65	98	110	199
Net financial items	<u>-6</u>	<u>-9</u>	<u>-8</u>	<u>-14</u>
Earnings before tax	59	89	102	185
Tax (Standard tax rate of 28 per cent)	<u>-16</u>	<u>-24</u>	<u>-28</u>	<u>-57</u>
Net earnings	43	65	74	128

SUMMARY BALANCE SHEET FOR THE GROUP

(SEK million)

	30.6.2000	30.6.1999	30.6.1998	31.12.1999
ASSETS				
Fixed assets	684	660	575	687
Inventories	315	418	454	369
Current receivables	456	531	460	480
Cash and cash equivalents	<u>93</u>	<u>37</u>	<u>33</u>	<u>90</u>
Total assets	1 548	1 646	1 522	1 626
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	790	760	698	828
Minority assets	0	1	1	1
Interest-bearing liabilities	403	464	423	277
Non interest-bearing liabilities	<u>355</u>	<u>421</u>	<u>400</u>	<u>520</u>
Total shareholders' equity and liabilities	1 548	1 646	1 522	1 626

SUMMARY CASH-FLOW STATEMENT FOR THE GROUP

(SEK million)

	2000	January - June 1999	1998	Full year 1999
ONGOING OPERATIONS				
Cash-flow generated by ongoing operations before changes in working capital	60	89	96	223
Changes in working capital	<u>46</u>	<u>-53</u>	<u>-179</u>	<u>84</u>
Cash-flow generated by ongoing operations	106	36	-83	307
CAPITAL EXPENDITURE				
Cash-flow generated by capital expenditure	<u>-44</u>	<u>-68</u>	<u>-71</u>	<u>-151</u>
FINANCING OPERATIONS				
Cash-flow generated by financing operations	<u>-58</u>	<u>11</u>	<u>91</u>	<u>-124</u>
Cash-flow for the year	4	-21	-63	32
Liquid assets as at January 1, 2000	90	59	96	59
Exchange rate difference	<u>-1</u>	<u>-1</u>	<u>0</u>	<u>-1</u>
Liquid assets as at June 30, 2000	93	37	33	90

Karlshamn 16 August 2000



Jan Elmeklo

President

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These interim figures have not been audited

Key ratios

	<i>January – June</i>		<i>Full year</i>	
	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>
Net operating assets, SEK million	1 099	1 279	1 163	1 101
Net debt, SEK million	310	427	390	187
Shareholders' equity, SEK million	790	760	698	828
Equity/assets ratio, %	51	46	46	51
Net debt/equity ratio, multiple	0.39	0.56	0.56	0.23
Risk capital ratio, %	57	52	46	56
Capital turnover rate, multiple	2.4	2.5	3.2	2.6
Operating income, SEK million	65	98	110	199
Gross contribution	407	413	433	817
Net earnings, SEK million	43	65	74	128
Return on net operating assets, %	14	16	23	17
Return on shareholders' equity, %	13	18	26	16
Investments in fixed assets, SEK million	43	72	71	147
Data per share				
Net earnings, SEK	2.05	3.10	3.57	6.11
Equity per share, SEK	37.62	36.19	33.23	39.41
Number of shares 21 000 000				
Number of issued option rights 167 800				

The Annual General Meeting held on 18 May 1999 voted that the company raise a subordinated loan maximised to the value of SEK 2 825 000 by issuing debt instruments with 565 000 option rights to new shares in Karlshamns.

All in all, 167 800 option rights were subscribed for, out of the total 546 400 offered.

The price for each option right was fixed at SEK 7.20; the issue price for the period 1 September 1999 – 31 August 2001 at SEK 101 per share, and for the period 1 September 2001 – 1 July 2004 at SEK 79 per share.

The dilution at full conversion will be 0.8%.

Settlement for the subordinated loan (SEK 839 000) and option rights (SEK 1 208 160) was effectuated in July 1999.

The subordinated loan carried an interest rate of 3 per cent per annum and was repaid in full in July 2000.

- **The interim report for the period to 30 September 2000 will be released on 23 October 2000.**
- **The summarised financial statements for the year 2000 will be released in February 2001.**

Karlshamns is one of the world's four leading producers of advanced vegetable speciality fats. Karlshamns delivers speciality fats all over the world, and is market leader in Scandinavia and Eastern Europe. The food industry is Karlshamns' major customer segment and Sweden is the single largest market.



Karlshamns AB