

Summarised financial statements

1999

- Consolidated earnings after net financial items totalled SEK 185 million (194).
- Continued growth for speciality fats.
- Strong cash flow.
- Earnings per share amounted to SEK 6.11 (6.80).
- A dividend per share of SEK 3.50 per share is proposed, in line with last year.

KARLSHAMNS AB (publ)
Summarised Financial Statements 1999

MARKET

Raw material prices fell in the fourth quarter of 1999, following the stabilisation which took place in the third quarter. Price falls contributed to a decreased need for working capital. Deliveries to Eastern Europe increased by 4 per cent in 1999. Sales volumes of speciality fats continued to grow, now accounting for 33 per cent (28) of total volumes in the Edible Oils Business Area. Russian imports of finished food products remain slow, which affects our sales to the European food industry negatively. Decreased investment requirements have freed resources for intensified activities in prioritised areas or by-back of own shares.

BUSINESS AREAS

The Edible Oils Business Area

(SEK million)	1999	1998	1997
Net sales	2,437	2,537	2,560
Gross contribution	612	626	663
Operating income	155	162	210
Working capital	915	999	724
Return on working capital, %	16	19	33

The Edible Oils business area's operating income amounted to SEK 155 million, a reduction of 7 million. Sales volumes fell by 2 per cent, mainly due to reduced deliveries to the Western European food industry. Volumes of standard products fell by 6 per cent, formulated fats decreased by 9 per cent whereas speciality fats increased by 16 per cent in 1999. Price competition from Asian producers of simpler speciality fats grew increasingly strong all through 1999. One production line in Holland was closed in December to offset the weakening margins. The business area's reduced profitability is attributable to the plant in England. Operating income in the fourth quarter of 1999 totalled SEK 27 million, compared to SEK 50 million in the fourth quarter of 1998. Volumes increased by 3 per cent in the last quarter of the year over the corresponding period in 1998.

The Technical Products Business Area

(SEK million)	1999	1998	1997
Net sales	323	367	343
Gross contribution	117	116	105
Operating income	29	31	23
Working capital	120	99	97
Return on working capital, %	25	31	24

The Technical Products business area's operating income totalled SEK 29 million, a reduction of SEK 2 million. The decrease in earnings was attributable to product area Fatty Acids and Glycerol, where volumes decreased by 6 per cent. Operating profits in the fourth quarter improved by SEK 3 million to SEK 10 million.

The Feed Materials Business Area

(SEK million)	1999	1998	1997
Net sales	240	259	285
Gross contribution	88	91	94
Operating income	15	17	19
Working capital	66	87	109

Return on working capital, % 19 18 20

The Feed Materials business area's earnings amounted to SEK 15 million, a decrease of SEK 2 million being the result of lower contribution margins in the first six months of the year.

Operating income in the fourth quarter of 1999 totalled SEK 8 million, as compared to SEK 7 million in the same period 1998.

THE KARLSHAMNS GROUP

Operating income

The Group's operating income amounted to SEK 199 million (210).

Operating income in the fourth quarter of 1999 totalled SEK 45 million (64).

Earnings after financial income and expenses

The Group's earnings after financial income and expenses amounted to SEK 185 million (194).

Capital expenditure

The Group's net investments for the full year 1999 totalled SEK 147 million (159).

The major part of the Group's investments were concentrated to the Swedish production unit as part of a project aiming at efficiency improvements and capacity expansion.

Working capital

The Group's working capital as at December 31, 1999 amounted to SEK 449 million (561). Falling raw material prices and an action programme aiming at a decrease of raw material stocks contributed to the reduction in working capital. As at December 31, 1999 inventories amounted to SEK 369 million (454).

Financial position

The Group's shareholders equity as at December 31 1999 amounted to SEK 828 million (772). Total assets amounted to SEK 1,626 million (1,638). The equity/assets ratio was 51 per cent (47).

The Group's net debt as at December 31, 1999 was SEK 187 million (318). In 1999, a dividend payment amounting to SEK 74 million was paid, attributable to the financial year 1998.

Personnel

The Group's average number of employees was 782 (787). The number of employees in the Group as at December 31, 1999 was 792 (781).

Key ratios

Return on equity for the full year 1999 amounted to 16 per cent (19).

Return on working capital amounted to 17 per cent (20).

Earnings per share decreased to SEK 6.11 (6.80).

Equity per share increased to 39.41 (36.77).

Proposed dividend

The Board of Directors and the President propose an unchanged dividend of SEK 3.50 per share, and that the A.G.M. authorises a buy-back of maximum 10 per cent of the company's own shares, should the required

permission be given.

SUMMARY INCOME STATEMENT FOR THE GROUP
(SEK million)

	1999	1998	1997
Net sales	3,000	3,163	3,188
Raw material costs	-2,183	-2,330	-2,326
Gross contribution	817	833	862
Other operating costs	-545	-559	-553
Earnings before depreciation	272	274	309
Depreciation	-73	-64	-57
Operating income	199	210	252
Net financial items	-14	-16	-13
Earnings before tax	185	194	239
Tax	-57	-51	-57
Net earnings	128	143	182

SUMMARY BALANCE SHEET FOR THE GROUP
(SEK million)

	31/12/99	31/12/98	31/12/97
ASSETS			
Fixed assets	687	632	537
Inventories	369	454	407
Current receivables	480	493	396
Cash and cash equivalents	90	59	96
Total assets	1,626	1,638	1,436
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	828	772	695
Minority interests	1	1	1
Interest-bearing liabilities	277	377	255
Non interest-bearing liabilities	520	488	485
Total shareholders' equity and liabilities	1,626	1,638	1,436

SUMMARY CASH FLOW STATEMENT FOR THE GROUP
(SEK million)

	1999	1998	1997
Cash flow generated by operations before changes in working capital	195	216	267
Cash flow generated by changes in working capital	112	-140	-128
Cash flow generated by operations	307	76	139
Cash flow generated by capital expenditures	-151	-151	-126
Cash flow generated by treasury operations	-124	38	-9
Cash flow for the year	32	-37	4
Liquid assets, closing balance 1998	59	95	91
Exchange rate differences generated by liquid assets	-1	1	0
Liquid assets at year-end	90	59	95

Karlshamn Februari 16, 2000



Anders Träff
President

For further information, phone +46 454-826 03 / 708-88 26 03

The figures presented in this report have not been audited.

Key ratios

	1999	1998	1997
Net operating assets, SEK million	1,101	1,185	930
Net debt, SEK million	187	318	159
Shareholders' equity, SEK million	828	772	695
Equity/assets ratio, %	51	47	48
Net debt/equity ratio, multiple	0.23	0.41	0.23
Risk capital ratio, %	56	53	54
Capital turnover rate, multiple	2.6	3.0	3.9
Operating income, SEK million	199	210	252
Net earnings, SEK million	128	143	182
Return on net operating assets, %	17	20	30
Return on shareholders equity, %	16	19	27
Investments in fixed assets, SEK million	147	159	126
Data per share			
Net earnings, SEK	6.11	6.80	8.68
Equity, SEK	39.41	36.77	33.10
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 carries an interest rate of 3% per annum, maturing on 1 July 2000.

- **Karlshamns Annual Report for 1999 will be distributed by mail to all registered shareholders at the beginning of April 2000.**
- **The Annual General Meeting will be held in Karlshamn on 26 April at 14.00.**
- **The interim report for the period to 31 March 2000 will be released on 26 April 2000.**