

Interim report January – September 2002

- The Group's earnings after net financial items amounted to SEK 151 million (138).
- Competition for less advanced oils and fats is growing stronger on the Nordic and Western European markets.
- Sales of higher value-added products continue to increase in business area Oils & Fats.
- Profit improvements in business area Feed Materials remain strong.
- Satisfactory performance despite unfavourable trade conditions for Technical Products.
- Karlshamns acquires Raisio's industrial margarine sales to the Swedish food and bakery industries.

MARKET

Raw material prices rose in 2002, with the Swedish krona gaining strength against both US dollar and Euro. The stronger Swedish currency has had only marginal effects on this year's profits, however. As a consequence of rising cocoa bean prices, cocoa butter prices have followed an upward trend since early 2002. The last month's notable rise in cocoa butter prices was caused by the current situation in Ivory Coast, a country accounting for some 45 per cent of total world production of cocoa beans and thus having considerable impact on world market prices.

Hardening competition for less advanced oils and fats throughout the vegetable oil industry is having negative effects on margins on the Nordic and Western European markets in particular, whereas volumes continue to develop favourably in Eastern Europe. Demand for vegetable feed raw materials continues to increase.

Crushing margins for rapeseed remained on last autumn's high level throughout the first nine months of the year.

Recession in the metalworking industry continues to hamper the development of technical oils.

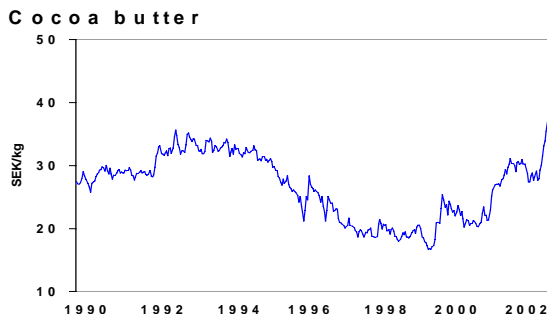
Demand for fatty acids on the European market increased in the third quarter, despite the general recession.

Oils & Fats

To consolidate its position on the Eastern and Central European markets, Karlshamns has established a subsidiary in Warsaw, Poland to handle sales and distribution.

Chocolate & Confectionery Fats

The global market for the chocolate and confectionery industry totals some 5.6 million tonnes and grows by approximately 3 – 4 per cent each year. Along with rising cocoa butter prices, the growing interest to replace cocoa butter with vegetable fats in the wake of the 5 per cent rule* contributes to higher contribution margins as well as increasing volumes in the CBA** segment.



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

** Karlshamns vegetable alternatives to cocoa butter, so called CBA fats (Cocoa Butter Alternatives), which comprise CBE (Cocoa Butter Equivalents), CBS (Cocoa Butter Substitutes) and CBR (Cocoa Butter Replacers).

The effect of rising cocoa butter prices takes some nine months to materialise, as CBE sales are always based on long-term contracts.

Rising sheanut prices have had certain negative effects on CBE margins, however.

Volumes in the first nine months of 2002 increased over the same period last year, despite the continued decrease in sales volumes of less advanced speciality fats (CBS).

All in all, the third quarter was one of strong growth.

Edible Oils

The world market for vegetable oils amounts to some 85 million tonnes, with an annual growth rate of 3 – 4 per cent.

Sales volumes in the first nine months were on a level with last year, whereas margins were notably affected by the hardening competition on the Nordic and Western European markets. Sales of higher value-added products continued to increase in the third quarter, as did sales of less advanced oils and fats.

Lipids for Care

The market for cosmetic and skin care products grows by 4 – 5 per cent each year.

To an increasing extent, consumers give priority to vegetable raw materials over synthetic, animal and mineral oil based alternatives. Sales to the cosmetic industry have displayed a dynamic growth throughout the year, with a continued strong volume development in the third quarter.

Technical Products

Tefac

The European fatty acids market has been in recession all through 2002, but Tefac still managed to increase its volumes and consolidate its position on the European market. Demand for fatty acids strengthened in the third quarter, which contributed to a strong sales development. Glycerol margins have been considerably lower than in 2001.

Binol

The current recession in the metalworking industry has reduced the total market for technical oils. Binol nevertheless maintains the market shares gained in 2001. Production segments forestry and construction remained stable.

Feed Materials

The feed industry's stronger focus on feed safety and the growing consumption of vegetable feed fats have had positive effects on Karlshamns sales volumes. Volumes as well as margins are above last year's levels.

OPERATIONS

The Group

Karlshamns is presently going through a far-reaching development process aiming at long-term, sustainable growth. Clear-cut strategic growth areas and explicit profit responsibilities are the cornerstones of the process launched in 2001. The Group is organised in three business areas; Oils & Fats, Technical Products and Feed Materials. Business area Technical Products comprises Tefac and Binol, whereas business area Oils & Fats has three business sectors: Chocolate & Confectionery Fats, Edible Oils and Lipids for Care.

Operating profit

The Group's operating profit increased by SEK 13 million to SEK 163 million, of which the third quarter accounted for SEK 61 million (54). Profits in all business areas improved over the third quarter of 2001: Oils & Fats by SEK 3 million, Technical Products by SEK 2 million and Feed Materials by SEK 2 million.

The Group's net sales increased by some 12 per cent to SEK 2,376 million (2,125).

The Group's cash flow improved significantly in both the second and the third quarter of the year.

The ongoing Group-wide productivity improving programme is having increasingly notable effects on profits.

Business Area Oils & Fats

	3 months July-Sep 2002	3 months July-Sep 2001	9 months Jan-Sep 2002	9 months Jan-Sep 2001	12 months Jan-Dec 2001
(SEK million)					
Net sales	600	527	1,745	1,570	2,179
Gross contribution	166	162	505	483	651
Operating profit	46	43	114	114	143

The Oils & Fats business area's operating profit is on a level with the same period last year.

The continuously growing profits generated by the higher value-added products have compensated for the negative effects of the increasingly competitive situation on the Nordic and Western European markets.

In the third quarter profits improved by SEK 3 million over the same period last year, primarily as a result of the larger share of higher value-added products. Investments aiming at capacity expansions for the most advanced speciality fats (CBE) came on stream in the second quarter of 2002 and thereby further contributed to the third quarter's profit improvements.

Continuous efficiency improvements and growing sales volumes to new customers counter the effects of Raisio's decision to relocate the margarine production of Karlshamn Mejeri to Finland as of the end of this year.

Karlshamns has reached an agreement with Raisio on the principles for an acquisition of Raisio's industrial margarine sales on the Swedish market. These sales have an annual turnover of approximately SEK 60 million and will be taken over by Karlshamns as of 1 November 2002 and will have only marginal effects on this year's profits.

Business Area Technical Products

	3 months July-Sep 2002	3 months July-Sep 2001	9 months Jan-Sep 2002	9 months Jan-Sep 2001	12 months Jan-Dec 2001
(SEK million)					
Net sales	111	91	342	296	397
Gross contribution	36	33	110	106	142
Operating profit	10	8	29	28	36

The Technical Products business area's operating profit amounted to SEK 29 million (28), with Tefac achieving a profit improvement in the third quarter over the same period last year. Growing volumes of fatty acids compensated for considerably lower glycerol margins than in 2001.

The general recession, mainly in the motor industry, had negative effects on Binol's sales and profits in the third quarter. Binol has signed a distribution agreement with Shell for environmentally responsible lubricating oils, with particular focus on Europe outside the Nordic market.

Business Area Feed Materials

	3 months July-Sep 2002	3 months July-Sep 2001	9 months Jan-Sep 2002	9 months Jan-Sep 2001	12 months Jan-Dec 2001
(SEK million)					
Net sales	89	82	289	259	366
Gross contribution	26	23	86	70	99
Operating profit	5	3	20	8	17

Operating profit in business area Feed Materials amounted to SEK 20 million (8). Gross contribution remained on a low level through the first half of 2001, but increased in the latter part of the year and has remained on a high level in 2002.

Sales of feed raw materials continue to increase in 2002, and Karlshamns has further consolidated its position on the Nordic market. Customers are laying more and more emphasis on product safety and show a preference for vegetable raw materials. The profit improvement achieved in 2002 is due mainly to higher volumes and margins for rapeseed meal.

To meet the growing demand for vegetable feed raw materials a number of capacity-increasing investments were completed in the second quarter of 2002, which further contributed to the growing profits.

THE KARLSHAMNS GROUP

Profit after net financial items

The Group's profit after net financial items totalled SEK 151 million (138), with net financial items amounting to SEK -12 million (-12).

Capital expenditures

The Group's net investments in fixed assets amounted to SEK 65 million (82). Net investments for the full year 2001 totalled SEK 109 million.

Working capital

The Group's working capital as at 30 September 2002 amounted to SEK 483 million (468), the increase mainly due to higher raw material prices and growing volumes of exotic raw materials. In comparison with the second quarter of 2002, working capital decreased by SEK 8 million.

Financial position

The Group's shareholders' equity as at 30 September 2002 amounted to SEK 876 million (820). Total assets amounted to SEK 1,755 million (1,725). The equity/assets ratio was 50 per cent (47).

The Group's net borrowings as at 30 September 2002 were SEK 228 million (326).

Cash flow

In the first nine months of 2002, cash flow generated by operating activities amounted to SEK 203 million (82). The main reasons behind this improvement were growing profits along with somewhat lower purchase volumes of rapeseed than in 2001. Also, direct investments were kept on a level below that of depreciations in the first nine months of the year, which further contributed to the reduction of net borrowings.

Personnel

The Group's average number of employees in the first nine months of the year was 741 (746).

Key ratios

Return on equity during the preceding twelve-month period was 17 per cent (6); the corresponding figure for the full year 2001 being 16 per cent.

Return on net operating assets during the preceding twelve-month period was 16 per cent (8).

Equity per share increased to SEK 41.70 (39.09).

Accounting and valuation principles

This interim report has been prepared in accordance with the accounting principles applied in the Annual Report 2001. The recommendations issued by the Swedish Financial Accounting Standards Council, effective from 1 January 2002, have been implemented without resulting in any change of accounting principles.

Karlshamn 22 October 2002



Jerker Hartwall
President

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These interim figures have not been audited.

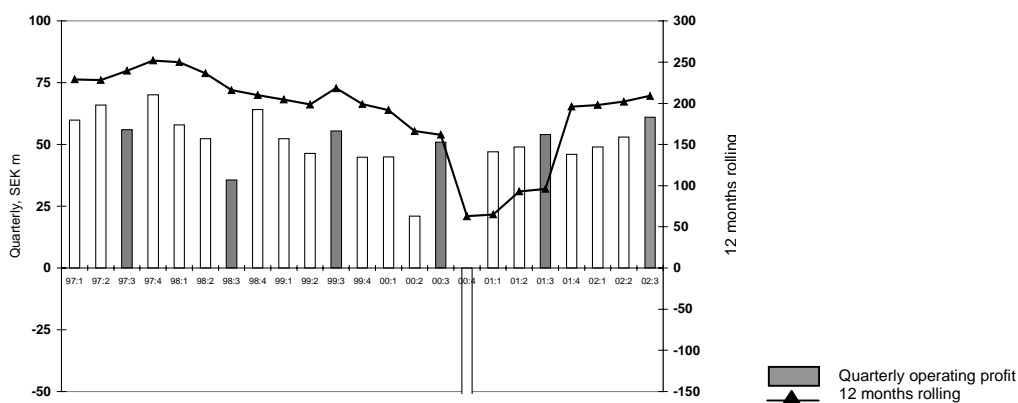
SUMMARY INCOME STATEMENT FOR THE GROUP

(SEK million)	3 months Jul-Sep 2002	3 months Jul-Sep 2001	9 months Jan-Sep 2002	9 months Jan-Sep 2001	12 months Jan-Dec 2001
Net sales	800	700	2,376	2,125	2,942
Raw material costs	-572	-482	-1,675	-1,466	-2,050
Gross contribution	228	218	701	659	892
Personnel and other external costs	-145	-142	-467	-443	-610
Depreciation	-22	-22	-71	-66	-86
Operating profit	61	54	163	150	196
Net financial items	-3	-4	-12	-12	-14
Profit after net financial items	58	50	151	138	182
Tax	-16	-14	-42	-39	-49
Net profit	42	36	109	99	133

SHARE DATA

Number of shares (000)	21,002	21,000	21,000
Outstanding warrants and convertible debt instruments (000)	912	168	168
Earnings per share before conversion and utilisation of warrants, SEK	5.16	4.74	6.32
Earnings per share after conversion and utilisation of warrants, SEK	4.95	4.70	6.27
Equity per share before conversion and utilisation of warrants, SEK	41.70	39.09	40.46

Operating profit



PROFIT AFTER NET FINANCIAL ITEMS, QUARTERLY

(SEK million)	2000				2001				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales	682	672	666	708	726	699	700	817	786	790	800
Gross contribution	209	198	180	172	222	219	218	233	232	241	228
Operating profit	45	20	52	-54	47	49	54	46	49	53	61
Net financial items	-3	-3	-2	-3	-4	-4	-4	-2	-4	-5	-3
Profit after net financial items	42	17	50	-57	43	45	50	44	45	48	58

SUMMARY BALANCE SHEET FOR THE GROUP

(SEK million)	30.9.2002	30.9.2001	31.12.2001
ASSETS			
Tangible fixed assets	741	755	752
Financial fixed assets	13	21	18
Total fixed assets	754	776	770
Inventories	422	405	433
Current receivables	470	458	542
Cash and cash equivalents	109	86	70
Total current assets	1,001	949	1,045
TOTAL ASSETS	1,755	1,725	1,815

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	876	820	850
Provisions	132	99	132
Long-term liabilities	336	412	360
Accounts payable - trade	216	168	255
Other current liabilities	46	8	28
Accrued expenses and prepaid income	149	218	190
Total current liabilities	411	394	473
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,755	1,725	1,815

CHANGES IN SHAREHOLDERS' EQUITY

(SEK million)	30.9.2002	30.9.2001	31.12.2001
Shareholders' equity, opening balance	850	781	781
Dividend	-74	-74	-74
Translation differences	-9	14	10
Net profit	109	99	133
Shareholders' equity, closing balance	876	820	850

SUMMARY CASH FLOW STATEMENT FOR THE GROUP

(SEK million)	Jan-Sep 2002	Jan-Sep 2001	Full year 2001
Operating activities			
Cash flow from operating activities before changes in net operating assets	206	172	237
Changes in net operating assets	-3	-90	-100
Cash flow from operating activities	203	82	137
Investment activities			
Cash flow from investment activities	-79	-90	-118
Financing activities			
Cash flow from financing activities	-84	25	-15
Cash flow for the year	40	17	4
Liquid funds, opening balance	70	63	63
Translation difference	-1	6	3
Liquid funds, closing balance	109	86	70

KEY FIGURES

(SEK million unless otherwise stated)	Jan-Sep 2002	Jan-Sep 2001	Jan-Sep 2000	Full year 2001
Income statement				
Net sales	2,376	2,125	2,020	2,942
Gross contribution	701	659	587	892
Operating profit	163	150	117	196
Profit after net financial items	151	138	109	182
Net profit	109	99	78	133
Balance sheet				
Fixed assets	754	776	689	770
Current assets	1,001	949	844	1,045
Shareholders' equity	876	820	829	850
Provisions	132	99	94	132
Liabilities	742	806	610	833
Net operating assets	1,234	1,241	1,117	1,264
Net borrowings	228	326	197	282
Key ratios				
Return on net operating assets, %	16	8	14	16
Return on shareholders' equity, %	17	6	12	16
Equity/assets ratio, %	50	47	54	47
Debt/equity ratio, multiple	0.26	0.40	0.24	0.33
Proportion of risk-bearing capital, %	57	53	60	53
Capital turnover rate, multiple	2.5	2.4	2.4	2.5
Direct investments in fixed assets	65	82	59	109
Average number of employees	741	746	756	731
of whom in Sweden	591	606	613	591

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

- The summarised financial statements for the year 2002 will be released on 13 February 2003.
- The interim report for the period to 31 March 2003 will be released on 24 April.
- The interim report for the period to 30 June 2003 will be released on 20 August.
- The interim report for the period to 30 September 2003 will be released on 21 October.



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