

Summarised financial statements 2002

- The Group's earnings after net financial items amounted to SEK 200 million (182).
- The increasingly competitive situation of Business Area Oils & Fats has been offset by continuous productivity improvements and focus on cash-flow.
- Sales of higher value-added products continue to increase in Business Area Oils & Fats.
- Strong profit development in Business Area Feed Materials.
- The Technical Products Business Area maintains last year's profit level despite unfavourable trade conditions.
- A dividend per share of SEK 3.50 is proposed, in line with last year.

The President's comments

A tough year of consolidation

The Karlshamns Group is currently going through a far-reaching development process aiming at sustainable, profitable growth. Clear-cut strategic growth areas and explicit profit responsibilities have been identified and implemented. The year 2002 was also one of learning and adjusting for the new, rejuvenated organisation.

Considerable surplus capacity on the oils and fats markets drastically changed our competitive situation in the two past years. Raisio's relocation of the margarine production of Carlshamn Mejeri from Karlshamn to Finland in the first half of 2003 will necessitate continued and rapid adjustments throughout our Group.

This new and a more competitive situation has been offset by a strong focus on cash flow improvements which have been achieved by means of productivity increases and an optimised capital utilisation, a development process involving all of Karlshamns employees. Parallel progress is made in our selected growth areas, and the past year has displayed signs of all-round growth.

Investments to expand capacity in Business Areas Feed Materials and Technical Products are now paving the way for accelerated growth and financial stability throughout the Group.

MARKET

Raw material prices rose in 2002, with the Swedish krona gaining strength against the US dollar. The stronger Swedish currency had only marginal effects on profits, however.

World prices for cocoa rose in 2002, thereby contributing to a stronger demand for alternative fats in the CBA segment.

The hardening competition in the vegetable oil industry mainly affected margins on the Western European market.

The volume development in Eastern Europe remains strong.

Demand for vegetable feed raw materials continues to increase. Crushing margins for the extraction of rapeseed oil remained on last autumn's high level all through 2002.

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

The fatty acid and glycerol markets are strongly affected by the current, slow business conditions. For the full year 2002, the total market for both product segments is estimated to have maintained the 2001 level despite the negative trend of the first six months of the year.

To further fortify the Group's platform for future growth, Karlshamns established a wholly-owned sales and distribution company in Warsaw, Poland in 2002.

Raisio's sales of industrial margarine in Sweden were acquired, and Binol signed a non-exclusive distribution agreement with Shell.

Oils & Fats

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. The industry is characterised by a high degree of concentration, with the six largest chocolate manufacturers accounting for some 60 per cent of global chocolate production.

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* contributed to increasing volumes in the CBA segment. Volumes in the fourth quarter fell below those of last year, but the full-year level nevertheless improved over 2001. The 5 per cent rule is expected to generate a gradual contribution to CBA volumes in 2004 – 2005. The rate of substitution will be affected by future cocoa butter prices.

Edible Oils

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

Margins have been notably affected by the increasingly competitive situation on the Western European market. Edible Oils saw its sales volumes decrease somewhat, in the fourth quarter as well as for the full year 2002. Sales of higher value-added products continue to increase.

Raisio's sales of industrial margarine on the Swedish market, with an annual turnover of some SEK 60 million, were acquired on 1 November 2002.

Lipids for Care

The market for cosmetic and skin care products grows by 4 – 5 per cent, the market for clinical nutrition by some 2 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 displayed a strong development all through 2002. Volumes grew dynamically in the fourth quarter, in particular in the clinical nutrition 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.

Technical Products

Tefac

The total market for fatty acids is estimated to be in line with 2001, despite the weak development in the

first half of the year. Tefac increased its sales volumes by some 8 percent in 2002, thereby consolidating its market position in Europe. The increase was mainly due to continued progress among customers within detergents, fabric conditioners and candles.

These markets are largely unaffected by general business fluctuations and thus have a stabilising effect on Tefac's operations. Margins remained stable throughout the year.

Demand for glycerol strengthened somewhat in 2002, with margins nevertheless remaining weak despite a certain upswing in the fourth quarter.

Binol

The total market for technical oils continued to decrease all through 2002. Even so, Binol maintains its share of the Nordic market – in the fourth quarter as well as on the full-year level.

The continued recession, mainly in the metalworking and motor industries, has had negative effects on Binol's profitability. With this in view, Binol's focus has been on cost and capital rationalisations all through 2002. A non-exclusive agreement was signed with Shell, covering the distribution of environmentally responsible lubricants on the European, non-Nordic market.

Feed Materials

In 2002, Feed Materials profited from the feed industry's continued focus on feed safety and a growing consumption of vegetable feed fats.

Karlshamns sales volumes increased over last year, and Feed Materials expanded its share of the Nordic market. Gross contribution for rapeseed remained on a high level all through 2002, which in combination with growing volumes contributed to a strong performance. To position Feed Materials in view of the growing demand, investments will be made to further expand production capacity. Positive effects on profits are expected in the latter half of 2003.

OPERATIONS

The Group

Operating profit

The Group's operating profit increased by SEK 15 million to SEK 211 million (196).

Profits in Business Areas Oils & Fats and Feed Materials improved by SEK 3 million and SEK 12 million respectively. Business Area Technical Products maintained its profit on last year's level. Operating profit for the fourth quarter of 2002 was SEK 48 million (46).

The past autumn's electricity prices and the Group's growing costs for pension commitments had negative effects on profit development.

The increasingly competitive situation on the oils and fats market in Western Europe has necessitated immediate cost structure adjustments at our plants in The Netherlands, Great Britain and Sweden.

Thanks to a more limited risk exposure, the Group has been in a position to handle all necessary restructuring costs on a current basis.

Business Area Oils & Fats

	3 months Oct-Dec 2002	3 months Oct-Dec 2001	Full year Jan-Dec 2002	Full year Jan-Dec 2001
(SEK million)				
Net sales	649	609	2,394	2,179
Gross contribution	189	168	694	651
Operating profit	32	29	146	143
Net operating assets			958	994
Return on net operating assets, %			14	16

The Oils & Fats Business Area's operating profit rose from SEK 143 million to SEK 146 million over the same period last year. Speciality fats volumes increased in 2002, although lower volumes of less advanced products kept total volumes on an unchanged level. A growing price competition has been countered by increasing cost efficiency and stronger focus on higher value-added products, as a result of which profits improved not only in the fourth quarter, but also throughout the year.

Business Area Technical Products

	3 months Oct-Dec 2002	3 months Oct-Dec 2001	Full year Jan-Dec 2002	Full year Jan-Dec 2001
(SEK million)				
Net sales	113	101	455	397
Gross contribution	38	36	148	142
Operating profit	7	8	36	36
Net operating assets			164	133
Return on net operating assets, %			25	29

The Technical Products Business Area's operating profit amounted to SEK 36 million (36), with Tefac achieving a profit improvement over 2001 despite shrinking glycerol margins. Capacity-increasing investments were completed in the latter part of the year. The general recession, mainly in the motor industry, had negative effects on Binol's sales and profits throughout the year.

Business Area Feed Materials

	3 months Oct-Dec 2002	3 months Oct-Dec 2001	Full year Jan-Dec 2002	Full year Jan-Dec 2001
(SEK million)				
Net sales	111	107	400	366
Gross contribution	34	29	120	99
Operating profit	9	9	29	17
Net operating assets			58	137
Return on net operating assets, %			28	15

Operating profit in Business Area Feed Materials amounted to SEK 29 million (17). Gross contribution remained on a high level all through 2002, which, in combination with growing volumes, contributed to the profit improvement. Capacity-expanding investments contributed, in their turn, to the volume growth achieved in the second half of 2002.

THE KARLSHAMNS GROUP

Profit after net financial items

The Group's profit after net financial items totalled SEK 200 million (182), with net financial items improving by SEK 3 million to SEK -11 million. Net borrowings decreased by SEK 128 million in 2002, mainly as a result of an optimised capital utilisation. In the last quarter of 2002, the sale of the Group's shareholding in Karlshamns Stuveri and Terminal AB had a positive effect of SEK 2 million on net financial items.

Capital expenditures

The Group's net investments in fixed assets amounted to SEK 103 million (109).

Working capital

The Group's working capital as at 31 December 2002 was SEK 420 million (499), the decrease mainly due to capital rationalisations.

Financial position

The Group's shareholders' equity as at 31 December 2002 amounted to SEK 915 million (850). Total assets amounted to SEK 1,771 million (1,815). The equity/assets ratio was 52 percent (47). The Group's net borrowings as at 31 December 2002 were SEK 154 million (282).

Cash flow

Cash flow generated by operating activities in 2002 amounted to SEK 310 million (137).

Personnel

The Group's average number of employees in 2002 was 754 (751).

Key ratios

Return on equity in 2002 was 17 percent (16).

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

Equity per share increased to SEK 43.59 (40.46).

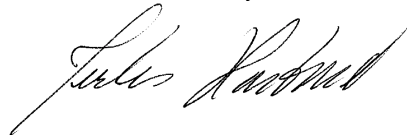
Proposed dividend

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 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 14 February 2003



Jerker Hartwall

President

For further information, phone: +46 454-826 03

These interim figures have not been audited.

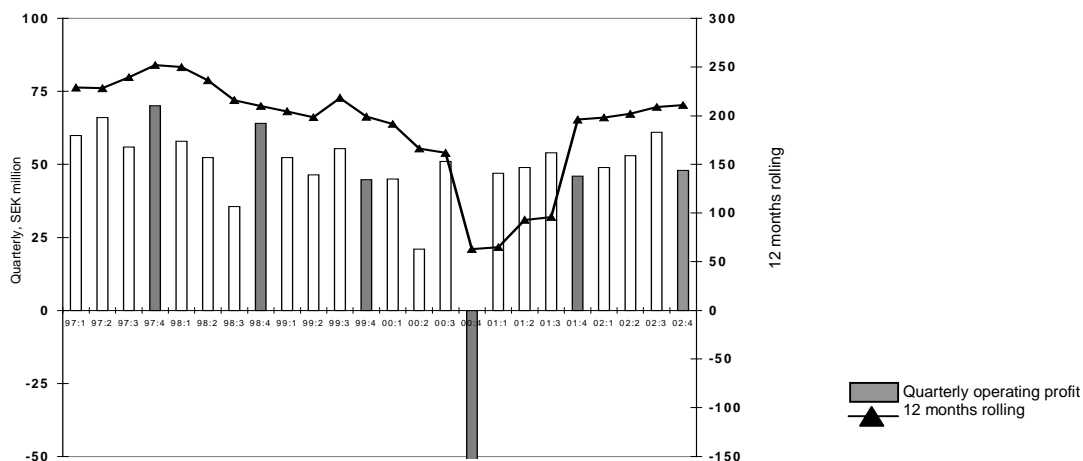
SUMMARY INCOME STATEMENT FOR THE GROUP

(SEK million)	3 months Oct-Dec 2002	3 months Oct-Dec 2001	Full year Jan-Dec 2002	Full year Jan-Dec 2001
Net sales	873	817	3,249	2,942
Raw material costs	-612	-584	-2,287	-2,050
Gross contribution	261	233	962	892
Personnel and other external costs	-192	-167	-659	-610
Depreciation	-21	-20	-92	-86
Operating profit	48	46	211	196
Net financial items	1	-2	-11	-14
Profit after net financial items	49	44	200	182
Tax	-6	-10	-48	-49
Net profit	43	34	152	133

SHARE DATA

Number of shares (000)	21,002	21,000
Outstanding warrants and convertible debt instruments (000)	912	168
Earnings per share before conversion and utilisation of warrants, SEK	7.23	6.32
Earnings per shares after conversion and utilisation of warrants, SEK	6.93	6.27
Equity per share before conversion and utilisation of warrants, SEK	43.59	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	Q4
Net sales	682	672	666	708	726	699	700	817	786	790	800	873
Gross contribution	209	198	180	172	222	219	218	233	232	241	228	261
Operating profit	45	20	52	-54	47	49	54	46	49	53	61	48
Net financial items	-3	-3	-2	-3	-4	-4	-4	-2	-4	-5	-3	1
Profit after net financial items	42	17	50	-57	43	45	50	44	45	48	58	49

SUMMARY BALANCE SHEET FOR THE GROUP

(SEK million)	31.12.2002	31.12.2001	31.12.2000
ASSETS			
Immaterial fixed assets	7	-	-
Tangible fixed assets	741	752	717
Financial fixed assets	12	18	19
Total fixed assets	760	770	736
Inventories	439	433	364
Current receivables	466	542	499
Cash and cash equivalents	106	70	63
Total current assets	1,011	1,045	926
TOTAL ASSETS	1,771	1,815	1,662
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	915	850	781
Provisions	111	132	97
Long-term liabilities	260	360	295
Accounts payable – trade	268	255	242
Other current liabilities	45	28	29
Accrued expenses and prepaid income	172	190	218
Total current liabilities	485	473	489
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,771	1,815	1,662

CHANGES IN SHAREHOLDERS' EQUITY

(SEK million)	31.12.2002	31.12.2001	31.12.2000
Shareholders' equity, opening balance	850	781	822
Dividend	-74	-74	-74
Translation differences	-13	10	4
Net profit	152	133	29
Shareholders' equity, closing balance	915	850	781

SUMMARY CASH FLOW STATEMENT FOR THE GROUP

(SEK million)	Full year Jan-Dec 2002	Full year Jan-Dec 2001	Full year Jan-Dec 2000
Operating activities			
Cash flow from operating activities before changes in net operating assets	267	237	35
Changes in net operating assets	43	-100	96
Cash flow from operating activities	310	137	131
Investment activities			
Cash flow from investment activities	-106	-118	-100
Financing activities			
Cash flow from financing activities	-167	-15	-59
Cash flow for the year	37	4	-28
Liquid funds, opening balance	70	63	90
Translation difference	-1	3	1
Liquid funds, closing balance	106	70	63

KEY FIGURES

(SEK million unless otherwise stated)	Full year Jan-Dec 2002	Full year Jan-Dec 2001	Full year Jan-Dec 2000
Income statement			
Net sales	3,249	2,942	2,728
Gross contribution	962	892	759
Operating profit	211	196	63
Profit after net financial items	200	182	52
Net profit	152	133	29
Balance sheet			
Fixed assets	760	770	736
Current assets	1,011	1,045	926
Shareholders' equity	915	850	781
Provisions	111	132	97
Liabilities	745	833	784
Net operating assets	1,180	1,264	1,101
Net borrowings	154	282	223
Key ratios			
Return on net operating assets, %	17	16	6
Return on shareholders' equity, %	17	16	3
Equity/assets ratio, %	52	47	47
Debt/equity ratio, multiple	0.17	0.33	0.29
Proportion of risk-bearing capital, %	57	53	52
Capital turnover rate, multiple	2.6	2.5	2.4
Direct investments in fixed assets	101	109	117
Average number of employees ¹⁾	754	751	761
of whom in Sweden	611	611	620

¹⁾ The figures stating the average number of employees in 2001 and 2000 have been adjusted to better reflect actual numbers.

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 percent. The subordinated loan had an annual interest rate of 3 percent 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 percent of the total offer. Dilution at full conversion will be approximately 3.5 percent 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 2002 will be distributed by mail to all registered shareholders at the beginning of April 2003.
- The Annual General Meeting will be held in Karlshamn on 24 April 2003 at 14.00.
- The interim report for the period to 31 March 2003 will be released on 24 April 2003.
- The interim report for the period to 30 June 2003 will be released on 19 August 2003.
- The interim report for the period to 30 September 2003 will be released on 21 October 2003.



Address
SE-374 82 Karlshamn

Telephone
+46 454-820 00

Fax
+46 454-828 20

Corp. reg. no.
556478-1796

E-mail
info@karlshamns.se

www.karlshamns.com