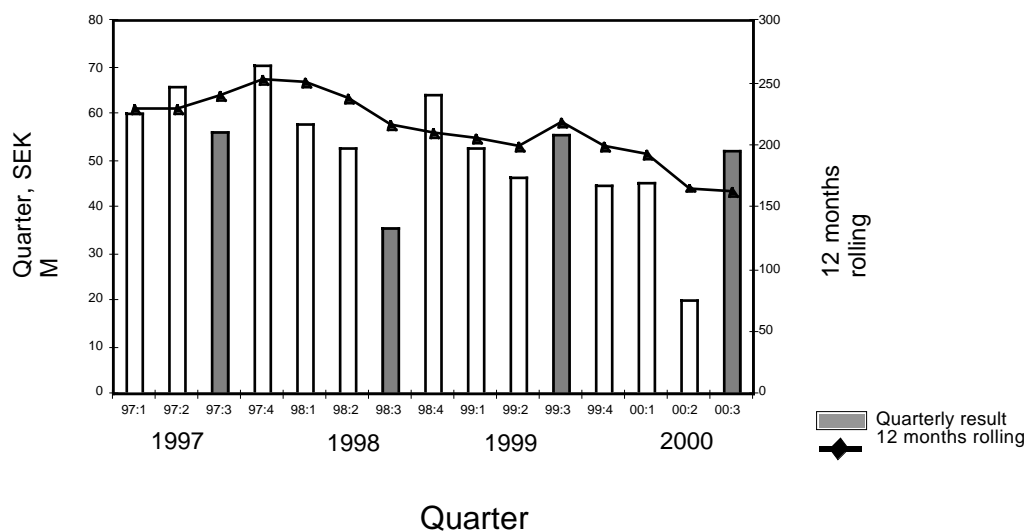


Interim Report

January - September 2000

- Consolidated earnings after net financial items amounted to SEK 109 million (142) in the period January - September.
- Non-recurrent items and provisions for bad debt losses had negative effects on earnings; SEK 31 million.
- Profit improvements in business areas Feed Materials and Technical Products.
- Jerker Hartwall has been appointed new President and C.E.O. of the Karlshamns Group as of November 1, 2000.
- A new global organisation is implemented in the Edible Oils business area.

Operating income



KARLSHAMNS AB (publ)

Interim report for the nine months to 30 September 2000

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 solvency problems among a number of customers with long-term contracts. Provisions of SEK 34 million have been made to cover these risks, along with credit risks in South America. Earnings in the Group's raw material trading continued to improve in the third quarter, and for the period to 30 September the profit level is now SEK 6 million below last year's achievement. The lower net sales level is mainly due to decreasing raw material prices.

BUSINESS AREAS

The Edible Oils year	Jan – Sept			Full
Business Area	2000	1999	1998	1999
(SEK million)				
Net sales	1 574	1 831	1 851	2 437
Gross contribution	412	468	468	612
Operating income	75	128	112	155

The Edible Oils business area's operating income amounted to SEK 75 million. Earnings were affected by costs generated by the Group's strategic review, change of management and reorganisation; a total of SEK 20 million, along with provisions for bad debts amounting to SEK 34 million. This year's operating income is inclusive of pension funds from SPP and KP, a total of SEK 23 million. The Managing Director of the Dutch operations, resigned in connection with the implementation of a new global, operational organisation. Profits in the third quarter of 2000 amounted to SEK 41 million (43). Exclusive of nonrecurrent items and bad debt provisions, profits increased by SEK 1 million.

Growing volumes of speciality fats in particular contributed to an aggregate volume increase in the third quarter of 2000. Accumulated volumes are now a mere 1 per cent below last year's levels.

The Technical Products year	Jan - Sept			Full
Business Area	2000	1999	1998	1999
(SEK million)				
Net sales	265	248	280	323
Gross contribution	104	87	89	117
Operating income	30	19	24	29

The Technical Products business area's operating profit increased by SEK 11 million to SEK 30 million. Profits in the third quarter totalled SEK 10 million (7). The increase was attributable to product segment Fatty Acids and Glycerol, where volumes increased by 13 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.

The Feed Materials year

Business Area	Jan – Sept Full			
(SEK million)	2000	1999	1998	1999
Net sales	181	179	196	240
Gross contribution	71	60	65	88
Operating income	12	7	10	15

The Feed Materials business area's operating income increased by SEK 5 million to SEK 12 million, whereas profits in the third quarter amounted to SEK 1 million (5). Contribution margins were high early in the year, but have been decreasing since due to the continuously falling price of rapeseed oil. Besides generally higher margins on rapeseed, higher yields from shea oil extraction also contributed to the profitability improvement.

THE KARLSHAMNS GROUP

Operating income

The Group's operating income amounted to SEK 117 million (154), negatively affected by bad debt provisions and nonrecurrent items of SEK 31 million (net).

Earnings after financial income and expenses

The Group's earnings after financial income and expenses amounted to SEK 109 million (142).

Investments

The Group's capital expenditure for the period amounted to SEK 59 million (91). During the twelve-month period in 1999, net investments amounted to SEK 147 million.

Working capital

The Group's working capital as at 30 September 2000 amounted to SEK 432 million (627). 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 September 2000 amounted to SEK 835 million (799). Total assets amounted to SEK 1 533 million (1 720). The equity/assets ratio was 54 per cent (47).

The Group's net debt as at 30 September 2000 was SEK 310 million (400).

Personnel

The Group's average number of employees was 756 (778). The number of employees in the Group as at 30 September 2000 was 772 (786).

Key ratios

Return on equity during the preceding twelve-month period was 13 per cent (19). 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 (17).

Equity per share increased to SEK 39.76 (38.06).

SUMMARY INCOME STATEMENT FOR THE GROUP

(SEK million)

	2000	January - September 1999	September 1998	Full year 1999
Net sales	2 020	2 258	2 327	3 000
Raw material costs	<u>-1 433</u>	<u>-1 643</u>	<u>-1 705</u>	<u>-2 183</u>
Gross contribution	587	615	622	817
Other operating costs	-413	-407	-424	-545
Non-recurrent items	-3	-	-	-
Depreciation	<u>-60</u>	<u>-54</u>	<u>-52</u>	<u>-73</u>
Operating income	117	154	146	199
Net financial items	<u>-8</u>	<u>-12</u>	<u>-12</u>	<u>-14</u>
Earnings before tax	109	142	134	185
Tax (Standard tax rate of 28 per cent)	<u>-31</u>	<u>-39</u>	<u>-37</u>	<u>-57</u>
Net earnings	78	103	97	128

SUMMARY BALANCE SHEET FOR THE GROUP

(SEK million)

	30.9.2000	30.9.1999	30.9.1998	31.12.1999
ASSETS				
Fixed assets	689	662	595	687
Inventories	264	440	467	369
Current receivables	503	559	481	480
Cash and cash equivalents	<u>77</u>	<u>59</u>	<u>19</u>	<u>90</u>
Total assets	1 533	1 720	1 562	1 626
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	835	799	723	828
Minority assets	0	1	1	1
Interest-bearing liabilities	274	459	394	277
Non interest-bearing liabilities	<u>424</u>	<u>461</u>	<u>444</u>	<u>520</u>
Total shareholders' equity and liabilities	1 533	1 720	1 562	1 626

SUMMARY CASH-FLOW STATEMENT FOR THE GROUP

(SEK million)

	2000	January - September 1999	September 1998	Full year 1999
ONGOING OPERATIONS				
Cash-flow generated by ongoing operations before changes in working capital	119	143	136	223
Changes in working capital	<u>7</u>	<u>-64</u>	<u>-178</u>	<u>84</u>
Cash-flow generated by ongoing operations	126	79	-42	307
CAPITAL EXPENDITURE				
Cash-flow generated by capital expenditure	<u>-61</u>	<u>-94</u>	<u>-103</u>	<u>-151</u>
FINANCING OPERATIONS				
Cash-flow generated by financing operations	<u>-78</u>	<u>16</u>	<u>68</u>	<u>-124</u>
Cash-flow for the year	-13	1	-77	32
Liquid assets as at January 1, 2000	90	59	96	59
Exchange rate difference	<u>0</u>	<u>-1</u>	<u>0</u>	<u>-1</u>
Liquid assets as at September 30, 2000	77	59	19	90

Karlshamn 23 October 2000



Jan Elmeklo

President

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These interim figures have not been audited

Key ratios

	<i>January – September</i>		<i>Full year</i>	
	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>
Net operating assets, SEK million	1 117	1 299	1 175	1 101
Net debt, SEK million	310	400	375	187
Shareholders' equity, SEK million	385	799	723	828
Equity/assets ratio, %	54	47	46	51
Net debt/equity ratio, multiple	0.37	0.50	0.52	0.23
Risk capital ratio, %	60	52	51	56
Capital turnover rate, multiple	2.4	2.5	2.9	2.6
Operating income, SEK million	117	154	146	199
Gross contribution	587	615	622	817
Net earnings, SEK million	78	103	97	128
Return on net operating assets, %	14	17	20	17
Return on shareholders' equity, %	13	19	23	16
Investments in fixed assets, SEK million	59	91	103	147
Data per share				
Net earnings, SEK	3.76	4.88	4.62	6.11
Equity per share, SEK	39.76	38.06	34.43	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 on 1 July 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.



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