

Annual Report **2001**





This is Karlshamns

Karlshamns is one of the world's leading manufacturers of high value-added speciality vegetable fats. Karlshamns delivers speciality fats all over the world and is the market leader in the Nordic countries and Eastern Europe. The food industry is Karlshamns largest customer segment and Sweden its largest single market.

In 2001 a reorganisation was implemented in connection with the strategic review of the Group. The new strategy has a primary focus on profitable growth areas. The Group remains organised in three business areas: Oils & Fats (former Edible Oils), Technical Products and Feed Materials. Business area Oils & Fats has been organised in three business sectors: Chocolate & Confectionery Fats, Edible Oils and Lipids for Care.

All three business areas base their operations on the company's unique

expertise in the area of oils and fats. Karlshamns performs extensive research and development, focusing in particular on the properties of fat in various customer applications. Thanks to product development projects conducted in close cooperation with its customers, Karlshamns can supply tailor-made products while at the same time building unique know-how of a wide range of customer applications. At the Karlshamns Oils & Fats Academy, a school exclusively for customers and employees, Karlshamns technologists continually teach advanced knowledge about every conceivable aspect of oils and fats.

The international cycle

Purchases of raw materials - seed, vegetable oils and fats - are made globally. The major commodity markets of Rotterdam, the Far East and Chicago are closely monitored by the Group's staff within Raw Material Sourcing. When palm oil is purchased in Malaysia, Karlshamns representatives visit the plantations to scrutinise, feel and smell the raw material in search of nothing but the very highest quality.

Quality requirements are also very high for Karlshamns products, especially from customers in the food, pharmaceutical and cosmetic sectors. A top-quality product is always based on the highest quality raw materials. The carefully

selected raw materials are usually transported by sea to Karlshamns production sites. This is where crude oils and fats are refined and processed before the finished product is distributed to the customer.

Karlshamns speciality vegetable fats are sold all over the world, mainly to customers in the chocolate and confectionery industries but, to a growing extent, also to the cosmetic industry. Less advanced products for which price is the main competitive factor have their markets closer to their respective production site.

The Group has production sites in Karlshamn (Sweden), Hull (the United Kingdom) and Zaandijk (the Netherlands).

The head office, the largest production site and the major part of Karlshamns R&D resources are based in Karlshamn.

The Group's total annual sales amount to around SEK 3,000 million. Its average number of employees amount to 731, of whom 591 in Sweden. The Karlshamns share has been listed on the Stockholm Stock Exchange since 1997.



Year 2001 in brief

Results

The Group's profit after net financial items amounted to SEK 182 million (52). The 2000 results were negatively affected by items affecting comparability and provisions for bad debts totalling a net SEK 98 million. Exclusive of these items, consolidated profit after net financial items improved by SEK 32 million.

Sales

Net sales increased to SEK 2,942 million (2,728), due mainly to volume growths in all business areas along with rising raw material prices.

Investments

Direct investments in fixed assets were SEK 109 million (117). The major part of these investments aimed to increase overall capacity in the Swedish units.

Financial position

Karlshamns financial position is strong. The Group's equity at year-end was SEK 850 million (781), total assets were SEK 1,815 million (1,662). The equity/assets ratio was 47 per cent (47).

Development process

The year 2001 was characterised by a far-reaching development process. In connection with the strategic review of the Group, resulting in a new strategy with a primary focus on profitable growth areas, a

reorganisation was implemented on 1 September with a view to clarifying responsibility for sales and profitability. The Group is now organised in three business areas: Oils & Fats (former Edible Oils), Technical Products and Feed Materials. Business area Oils & Fats has been organised in three business sectors: Chocolate & Confectionery Fats, Edible Oils and Lipids for Care.

Dividend proposal

The Board proposes a dividend of SEK 3.50 per share, in line with last year.



	2001	2000	1999
Net sales, SEK m	2,942	2,728	3,000
Gross contribution, SEK m	892	759	817
Profit before depreciation, SEK m	282	151	272
Profit after net financial items, SEK m	182	52	185
Profit for the year, SEK m	133	28	123
Cash flow from operating activities, SEK m	137	131	307
Direct investments, SEK m	109	117	136
Net borrowings, SEK m	282	223	183
Shareholders' equity, SEK m	850	781	822
Equity/assets ratio, %	47	47	51
Earnings per share before conversion and utilisation of warrants, SEK	6.32	1.35	5.84
Earnings per share after conversion and utilisation of warrants, SEK	6.27	1.34	5.80
Equity per share before conversion and utilisation of warrants, SEK	40.46	37.20	39.14
Dividend per share, SEK	3.50 ¹⁾	3.50	3.50
Return on shareholders' equity, %	16	3	16
Return on net operating assets, %	16	6	16
Average no. of employees	731	749	782

1) Proposed dividend

Definitions, see page 59. Annual General Shareholders Meeting, see page 62.

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With clearly defined profit responsibilities and a more customer-oriented organisation, Karlshamns has made definite progress in a number of aspects during 2001. The new organisation will make it easier for us to specialise in value-added products with higher contribution margins, while we are also becoming more cost-efficient and improving our return on net operating assets (RONA). Our organisation and expertise are now highly competitive in all our markets. We achieved a satisfactory result after net financial items, SEK 182 million, to be compared with last year's level of SEK 52 million, the C.E.O Jerker Hartwall says in his comments.



The staff and the development process - 9

The year 2001 was characterised by a far-reaching development process with a primary focus on profitable growth areas. A reorganisation has been implemented with a view to clarifying responsibility for sales and profitability, whereby Oils & Fats was organised in three business sectors: Chocolate & Confectionery Fats, Edible Oils and Lipids for Care.



Research and development - 12

Karlshamns future competitive strength is first and foremost based on the Group's ability to utilise and develop its aggregate know-how of the properties of oils and fats. In line with the Group's strategy to increase its share of high value-added products, R&D work is now focusing on new products and improved applications in the Group's three business areas.



Oils & Fats - 14

Oils & Fats is Karlshamns largest business area, comprising the three business sectors Chocolate & Confectionery Fats, Edible Oils and Lipids for Care - each one with its respective profit responsibility. High value-added oils and fats are sold to the food industry, the chocolate and confectionery industries as well as to cosmetic and pharmaceutical customers.



Technical Products - 22

Technical Products is Karlshamns second largest business area. Operations are conducted by the two wholly-owned subsidiaries Tefac AB and Binol AB. Tefac manufactures and markets fatty acids and glycerol; Binol develops, manufactures and markets environmentally responsible technical oils.



Feed Materials - 25

This business area extracts vegetable oils and meal from rapeseed and shea nuts. Its main customers are found in the Swedish animal feed industry, where Karlshamns products are important components of several market-leading feed products.



Karlshamns and the environment - 26

Karlshamns strives for continuous improvements in the environmental area, and all production sites have been applying well-known and established environmental control systems for a number of years now.



Risk management and sensitivity analysis - 30

Raw material prices and currency exchange rates are the largest risks entailed by Karlshamns operations. In 2001 raw material prices increased, whereas the Swedish currency fell in value against both Euro and US dollar.



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To Karlshamns shareholders

The development process

The past year was characterised by an intense development work to create a solid foundation for an accelerated, profitable growth. This entire process had its origin in the very strong base of technological expertise and know-how available within Karlshamns.

The goal has been to define the company's strategy, to identify global as well as regional growth potentials, to streamline our organisation to establish distinct profit responsibilities, to raise the overall cost efficiency and to make sure that our working capital is employed as effectively as possible.

Parallel to this comprehensive development process all employees were gradually engaged in a large number of improvement projects. In line with Karlshamns concentration on profitable growth areas, a reorganisation was implemented on 1 September. The Group is now divided in three business areas: Oil & Fats (former Edible Oils), Technical Products and Feed Materials.

Karlshamns Business Concept

It is Karlshamns ambition to achieve leading global positions in defined special areas based on our specialist know-how of vegetable oils and fats.

We also aim for a development of new business areas related to this unique expertise. Innovation, customer-orientation and high overall efficiency are our critical success factors.

The business area Oils & Fats, in its turn, consists of three different business sectors: Chocolate & Confectionery Fats, Edible Oils and Lipids for Care.

Our 2001 performance

Volume growths were achieved in all business areas, and net sales increased by 8 per cent to SEK 2,942 million. The Group achieved a satisfactory profit after net financial items: SEK 182 million compared to SEK 52 million earned in 2000. This is an improvement of 21 per cent after taking items affecting comparability into account. Return on capital employed was 16 per cent (3).

Raw material prices increased in 2001, while the Swedish Krona decreased in value against both US dollar and Euro. The weaker Swedish currency improved the competitive strength of the Swedish units and contributed to a consolidation of the company's market position.

A stronger demand for ingredients based on vegetable raw materials is stimulating growth, particularly in business areas Feed Materials and Oils & Fats. The growing demand in Central and Eastern Europe contributed to increasing sales volumes in business area Oils & Fats, while hardening competition in the vegetable oil industry depressed margins on the Nordic markets.

Technical Products boosted sales volumes of fatty acids and thereby consolidated the business area's market positions in Europe. Karlshamns environmentally responsible technical oils for the metalworking industry maintained the market shares gained in 2000. In the later part of 2001, however, the current recession in the metalworking industry had some negative effects on Technical Products.

Positive driving forces

Demand for ingredients based on vegetable raw materials continues to grow.



The current trend towards substitution for synthetic, animal and petroleum-based products creates opportunities for future growth in all our business areas.

New customer preferences stimulate demand for products based on nature's own raw materials. This is shown, for example, by the rapidly growing popularity of organic oils in many food products. There is also a stronger interest for vegetable fats in animal feed products, as a substitute for animal fats.



The recent public debates have also boosted demand for vegetable fats and proteins for the animal feed industry.

The future

We have now laid the groundwork for an accelerated, profitable growth. We will continue to focus on a stable, organic expansion and a gradual increase of our return on total assets. Our key words are “specialised” and “global”; our main success factors are innovative mar-

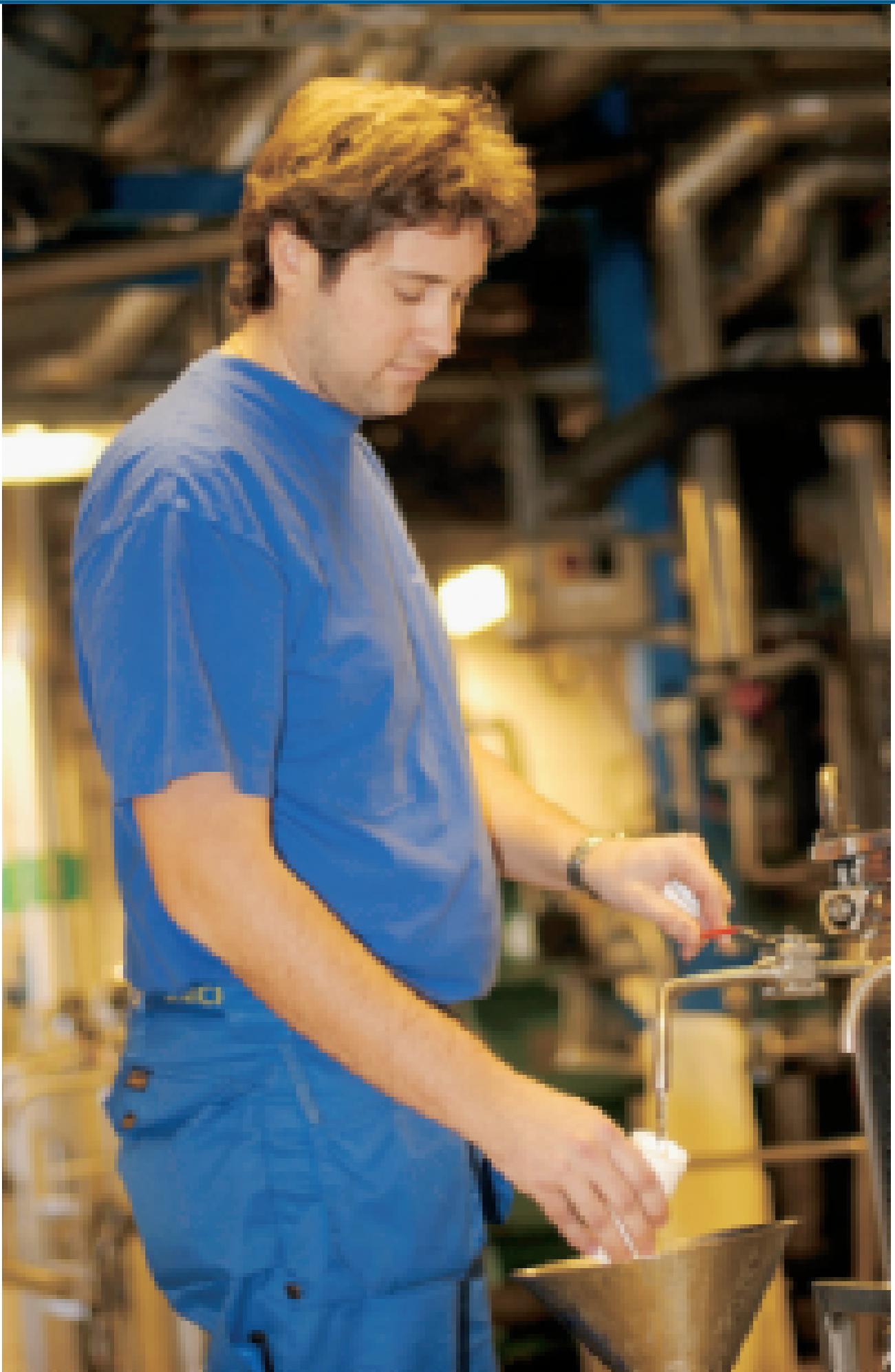
ket approaches and far-sighted product development. The comprehensive development of our organisation is carried through to accelerate the implementation of our strategy.

The changes Karlshamns is going through right now are far-reaching, aiming as they are at a sustainable value growth. What with the positive driving forces in many of our markets, our strong technological base, our focused strategy and the immense commitment

displayed by our entire staff, I believe our prospects to be good indeed.

Karlshamn 11 March 2002

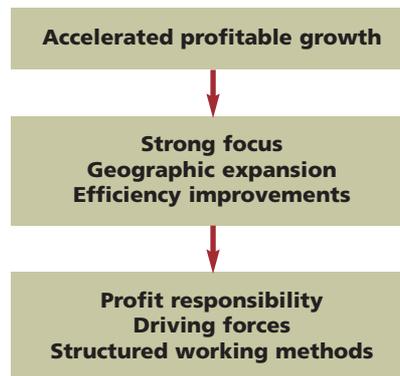
Jerker Hartwall
President and C.E.O.



The development process, the staff and the new organisation

For Karlshamns employees, the year 2001 was a period of many changes. Dedicated efforts were spent on profit improvements everywhere in the Group and, at the same time, the formulation of Karlshamns new strategy was given top priority. Every single employee has taken an active part in the process, and the commitment has been strong. The new strategy was launched in September 2001 and is now serving as the foundation for the new Karlshamns.

The development process



Late in 2000, Karlshamns management introduced the concept of “the new Karlshamns”. These thoughts were based on the conviction that Karlshamns has what it takes to exploit the unique expertise available within the company, to grow and achieve a global market position. On the basis of this belief a far-reaching development

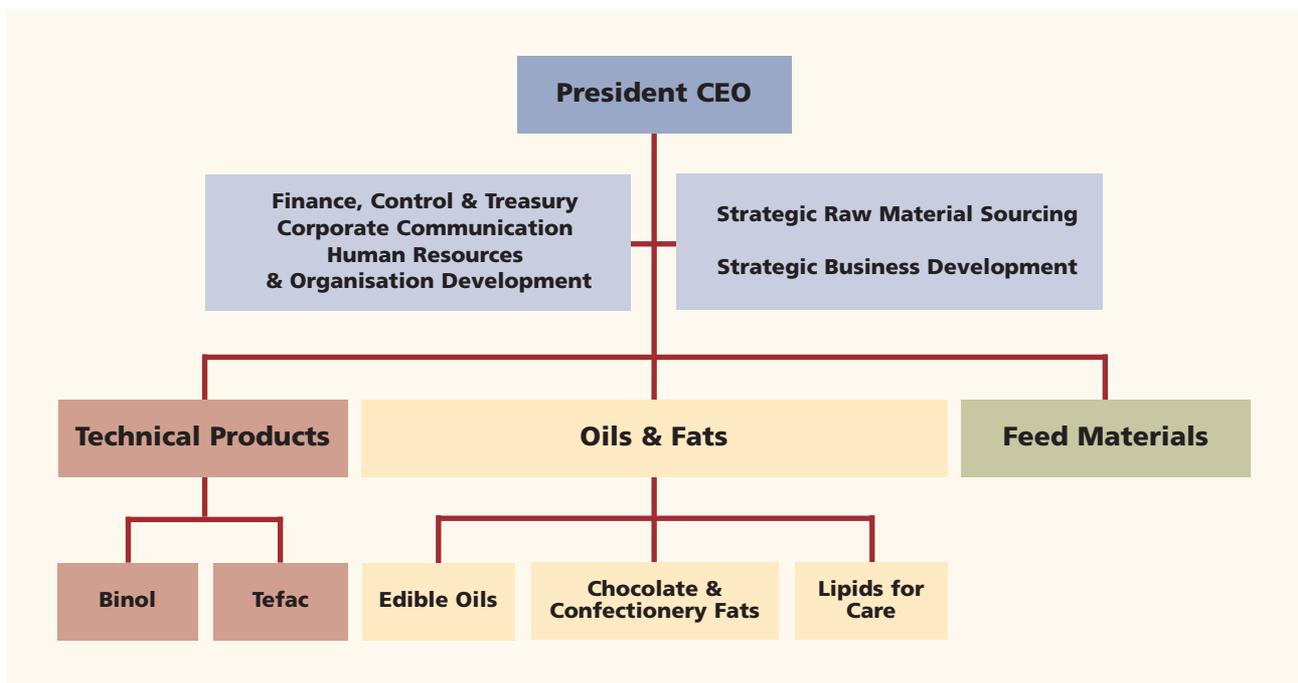
process was initiated in 2001, the goal being an accelerated, profitable growth and the position of “global number one”.

Increased participation for better results

One of the goals set for 2001 was to give the company’s employees greater responsibility, while also letting everyone take a more active part in Karlshamns development. All employees were gradually involved in the identification of profit-improvement projects, and their ideas and proposals have been handled in a systematic way. The new working methods have resulted in notable improvements.

Strategy followed by organisational changes

Strategic success requires a strong and efficient organisation. One of the most important changes is that Oils & Fats



has been given three profit-oriented business sectors: Chocolate & Confectionery Fats, Edible Oils and Lipids for Care. Sales operations have been organised to focus on key accounts and carefully selected markets - all this to create an efficient organisation.

Yet another effect of the development project is a more goal-oriented way of working. It is Karlshamns ambition to become market leader for vegetable speciality fats, a goal that demands considerable dedication from

all staff. The major success of the development work achieved in 2001 is due to the commitment and positive attitude displayed by Karlshamns employees.

In line with the new strategy Karlshamns has also initiated a leadership development programme and taken the first steps to optimise the age structure among the staff. The goal is for Karlshamns to be the most attractive employer possible: for those already working for the company as well as for prospective employees.

ENTHUSIASTIC ABOUT CHANGES

Karlshamns employees are never far from the decision-making process. There are also plenty of opportunities for personal development and new responsibilities. The new organisation is making participation and global cooperation even more pronounced.

From subsidiary to parent company

In 2001, **Lena Ingvarsson** took up the new position of Commercial Product manager for product segment DFA (Dairy Fats Alternatives), i.e. vegetable speciality fats replacing milk fat in various dairy applications.

What use can you make of your previous experiences on this new job?

I used to work for Carlshamn Mejeri, but my most recent employment was with Binol AB - a subsidiary of Karlshamns that manufactures vegetable technical oils. Carlshamn Mejeri provided me with a global perspective of the dairy industry, whereas Binol taught me how to develop and manage a business project.

What comes immediately to mind when you think of Karlshamns development in 2001?

The new strategy and organisation really changed things, not least by making us concentrate on doing the right things. My own job is a good example of this. I work as Commercial Product manager, which means that I am responsible for external product matters, marketing and customer contacts. There is also a Technical Product manager who deals with all internal issues. Before the reorganisation, a single individual was responsible for both internal and external product communication.



What do you think of Karlshamns future?

The changes made in 2001 were very good for Karlshamns. I think we are headed in the right direction, and I am sure that this new way of working will generate many good business opportunities. We are much more focused now, and the overall atmosphere is really positive.

From production to marketing



Pär Torstensson is only 28 years old but nevertheless has experiences from several different jobs within Karlshamns. Three years ago he joined the carton filling plant when a new filling line was coming on stream - today he is a Product manager responsible for quality issues.

Could you describe your new job?

I work with day-to-day quality issues in business sector Edible Oils. My job is to make sure that every product lives up to the promised quality. The responsibility for the quality of packaging materials was added later - naturally so, in view of my experiences from the carton filling plant.

What is the most important part of your work?

My function is that of a link between production and marketing. I make sure that the products we deliver properly satisfy all customer requirements.

How do you feel about your future at Karlshamns? Have you made any specific plans?

I want to learn as much as possible within different areas and to achieve a more global perspective. I think I am on the right track, having moved from production to quality and marketing issues.

From production to IT

As of September 2001, **Ola Waljefors** has a new job at Karlshamns. That is when he left production operations to shoulder responsibility for the laboratory software system Wilab, which handles all of Karlshamns analyses and control regulations.

What made you change jobs like this?

I joined Karlshamns eight years ago straight from school, and since then I have been employed at the unit producing the hydrogen gas required for certain of Karlshamns processes. I was ready for something new.

What is your impression of the development work achieved in 2001?

The most obvious change is that everyone is now discussing our organisation, and that it has become much easier to change things than it used to be. We still need some more time for everyone to get used to all the changes, though.

What is the most positive thing about working for Karlshamns?

The atmosphere is really good at Karlshamns, and I like my colleagues. The oils and fats industry is also a very interesting one, so I really like to work here.



What is the main challenge of your new job?

To do everything on time, and to remember all the new things I learn. I have a basic knowledge of computers and I'm very interested in everything technical, but other than that I am more or less self-taught and that means I am still learning new things every day at work.

Great chances for personal development

Working for Karlshamns affords many opportunities for personal development within present or new functions. The company provides continuous training programmes, and in 2001 there were training courses in subjects like technology, environmental issues, quality, languages, business administration and computer processing. In 2002 a lot of efforts will be made in this area, to help all employees prepare themselves for the challenges entailed by "the new Karlshamns". Comprehensive educational programmes in project management and leadership are in the pipeline, to speed up the development process even further. All employees will be provided with a basic course in business administration with focus on the company's key figures.

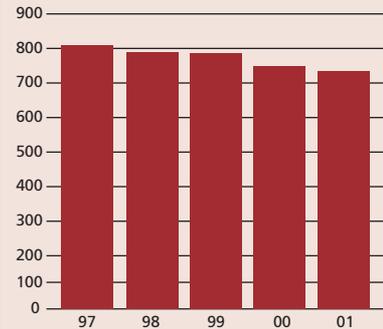
The staff in figures

The average number of employees in 2001 was 731, a reduction by 18 persons. Employee turnover was somewhat higher than last year, or 9.8 per cent compared to 7 per cent in 2000. The slightly higher turnover rate was mainly due to a number of persons accepting early retirement in 2001. Distribution as to age, gender and length of service remains rather stable. The company's employees have a notably high average length of service: 43 per cent of the staff have been employed by Karlshamns for more than 20 years.

As to age distribution the largest group is between 40 and 55 years old, which corresponds to 46 per cent of all employees. 79 per cent of all employees are men, 21 per cent are women.

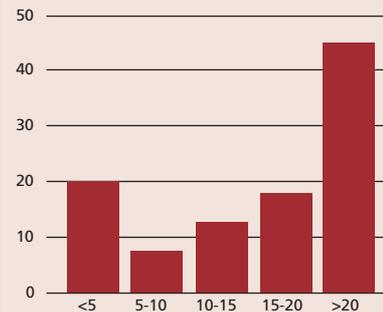
Organisation

Average number of employees



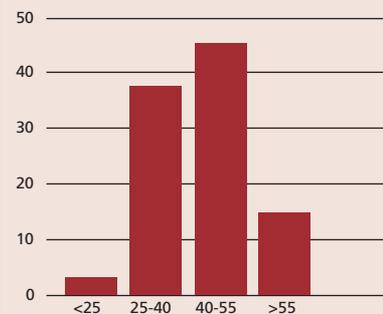
The average number of employees in 2001 was 731.

Length of service



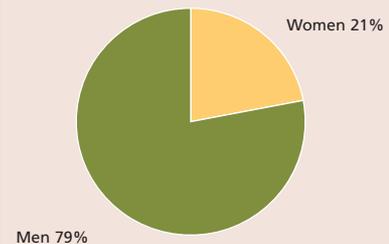
43 per cent have more than 20 years' service with the company

Age distribution



37 per cent of the staff are between 25 and 40 years old.

Distribution men/women





Research and development

Most of Karlshamns research and development work is focussed on the fat molecule.

Karlshamns future competitiveness is first and foremost dependent on the Group's capacity to exploit and develop its aggregate knowledge of the fat molecule and its functionality in different customer applications. Most product development projects are carried out in close cooperation with customers, with a view to strengthening their market position and competitive strength.

Over the years Karlshamns has developed considerable know-how in sensory analysis for application on most product segments - a valuable tool in all customer dialogues.

In line with the Group's strategy to increase its share of high value-added products, R&D operations now concentrate on developing new and upgraded applications within the three business sectors Chocolate & Confectionery Fats, Edible Oils and Lipids for Care. In all of these application areas, vegetable oils and fats are deemed to have considerable potentials for growth as well as for profitability. The aim of all R&D efforts is to optimise the properties and functionalities of oils and speciality fats; not only in

view of the end product for which the oil or fat is destined, but also to optimise the production process of the end product in question. Generally speaking, the Group concentrates all research and development work on the optimisation of three different technological functions in the products, regardless of the industry to which they are delivered.

Physical properties, or the fat's ability to create the desired structure and texture in the end product.

Biological function, i.e. the fat's ability to influence various physiological processes.

Processing aid, by which we mean the fat's ability to contribute to a more efficient production process.

Physical properties

One of the many functions of Karlshamns speciality fats is to give food, chocolate and cosmetic products their specific texture and structure. The same goes for pharmaceutical products, where fat often contributes to the desired structure. Giving the fats their tailor-made physical properties is the key to the desired texture in the end product. Most of the Group's revenues from Chocolate & Confectionery Fats and Lipids for Care are generated by products carrying vital physical properties. A fundamental understanding and knowledge of the physical chemistry and prop-

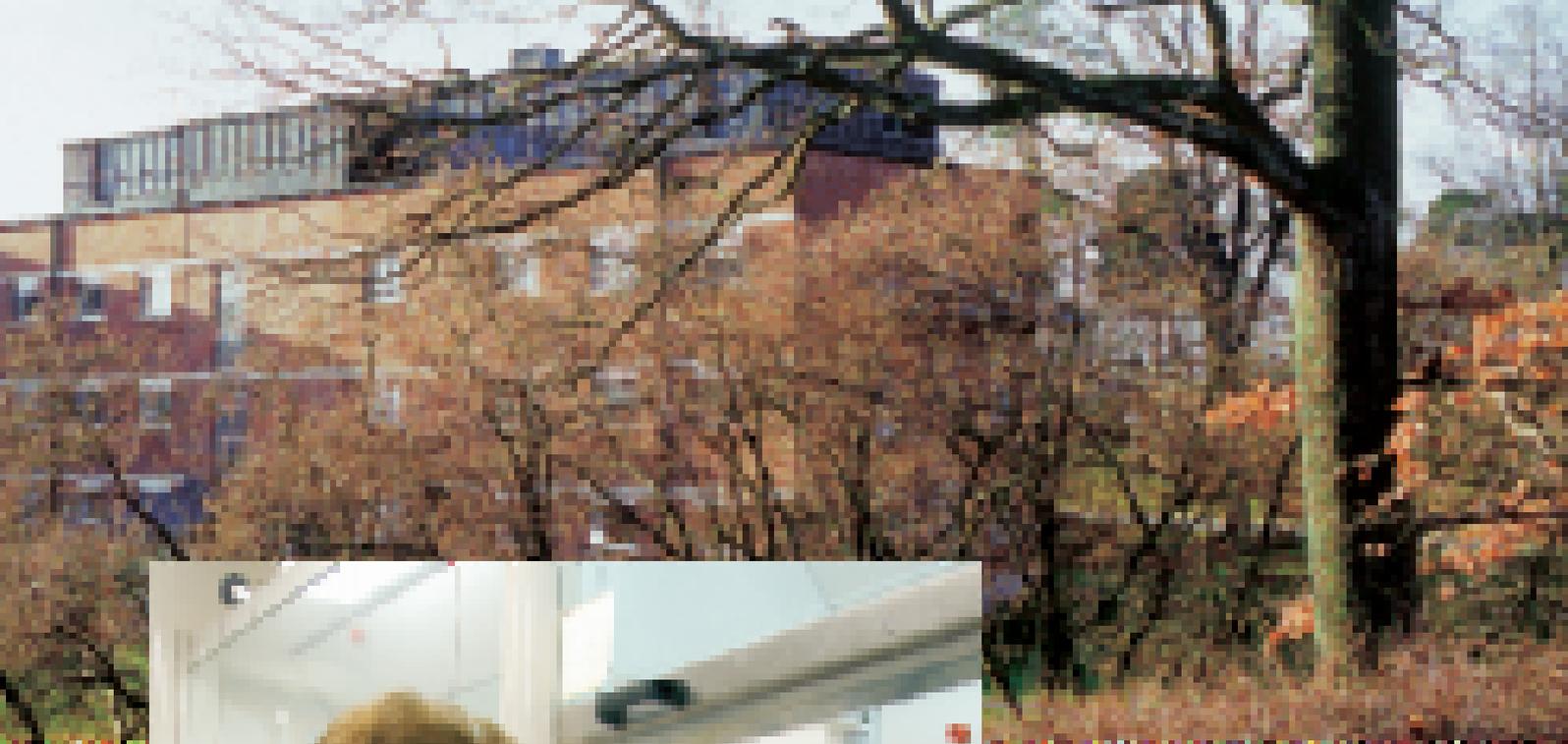
erties of fats, whether in the solid or liquid form, is a prerequisite to the continued, successful development of Karlshamns speciality fats on the international market.

Biological function

Apart from developing entirely new products, Karlshamns also conducts research to find new application areas for its speciality fats in the food industry. So far only a minor part of sales is generated by products in which the biological properties or functionality of fats are the dominating factors.

Vegetable oils consist of a large number of different components with properties that might affect various physiological processes - and which may thus have a significant value in matters of health and well-being. These aspects are not only interesting for functional foods, but may also be utilised in ingredients for salves and ointments, for example. It is still too early to say, however, if and when these research findings will be ready for commercialisation. Current R&D projects are indicating a number of interesting possibilities for fats containing biologically or physiologically active components.

The Group's development in this area does not focus on the manufacture of such substances, but rather on the development of processing methods whereby oils are given substantially raised contents



of naturally present combinations of tocopherols, sterols and certain other active components.

International cooperation

In addition to their close relations with customers, Karlshamns researchers are in regular contact with national and international authorities, research institutes, universities and colleges.

Scientific and technical cooperation projects conducted in cooperation with universities and research institutes are an integral part of Karlshamns long-term development. Most cooperation projects are in the form of consortia, where Karlshamns cooperates with institutes and universities together with other industrial partners. One good example of such a project is "Structure in process",

where Karlshamns, Arla Foods and SIK (the Swedish Institute for Food and Biotechnology) developed new technologies and methods to study the importance of processing and formulation parameters, with a view to monitoring the microstructural development in edible fats. By applying advanced microscopic methods on the most recent image analysis technologies it was possible to create models for the sensory properties of edible fats. Similar cooperation projects have been undertaken in the areas of fat crystallisation, surface chemistry and nutrition.

It is the Group's assessment that Karlshamns research and development is well advanced and at least on a level with that performed by competitors. The Group is also well prepared to meet any new requirements from national or international authorities with respect to health, safety and environmental issues both for products and for production plants. Research is mainly concentrated to the Group's largest business area, Oils & Fats. Most of the Group's researchers are based in Karlshamn, which is also the location of the well-equipped, state-of-the-art laboratories. All in all, 35 of Karlshamns employees take part in research and development activities. The Group's total R&D operations annually amount to 4 – 5 per cent of gross contribution. In 2001 the Group's costs for research and development amounted to SEK 36 million, or slightly more than 4 per cent of the gross contribution of SEK 892 million.



Oils & Fats

Oils & Fats is Karlshamns largest business area, in 2001 accounting for 74 per cent of the Group's total sales and 73 per cent of operating income.

As a consequence of the far-reaching development programme launched in 2001, business area Oils & Fats was reorganised and divided in three business sectors: Chocolate & Confectionery Fats, Edible Oils and Lipids for Care. Each of these sectors has a specified profit responsibility, their goal being to develop, manufacture and market their respective products to customers all over the world. The oils and fats handled by this business area are manufactured and processed at any one of the Group's three production units in Karlshamn (Sweden), Hull (United Kingdom) or Zaandijk (the Netherlands).

The vegetable oils and fats products marketed by the three business sectors are in the following main categories: speciality fats (high value-added products), formulated fats (lower speciality level) and standard products (with the lowest value-added).

All products marketed by Lipids for Care are speciality products for the cosmetic and pharmaceutical indus-

tries. Chocolate & Confectionery Fats concentrates its efforts on high value-added speciality fats whereas Edible Oils sells mainly formulated fats, certain speciality fats, and considerable volumes of standard products.

Speciality fats for the global market

Karlshamns is one of the world's leading producers of high value-added vegetable speciality fats. These are developed and produced to attain special and well-defined hardness, melting and solidification sequences at specific temperatures. These fats are used primarily in fillings and coatings for chocolate bars, often as an alternative to cocoa butter, but also in infant food, skin care products and several pharmaceutical applications.

A sufficiently wide range of speciality fats requires access to a large base of about 50 different raw materials and grades. These include exotic raw materials not available on commodity exchanges or similar market places. Speciality fats also require special production processes, such as fractionation, to adjust the melting point. But first and foremost, these technically advanced products require considerable experience allied to a wide and deep knowledge of various customer applications, which in turn

requires extensive research and development resources.

Due to these entrance barriers, there are considerably fewer competitors in the speciality fats market than in Karlshamns other product segments. However, satisfactory profitability in this segment also requires higher processing margins due to the higher costs of utilising a wider raw material base, more advanced production processes and considerable R&D resources. Product prices for Karlshamns vegetable speciality fats are therefore significantly higher than for other product groups, which means that the relative importance of transport costs is reduced. In the speciality fats segment Karlshamns is therefore in a position to serve a global market.

Market and sales volumes

The world market for vegetable edible fats is growing by some 3 – 4 per cent each year and was estimated at some 85 million metric tonnes in 2001. The Western European market has an annual growth rate of some 2 per cent.

Business sector Chocolate & Confectionery Fats' sales totalled 74,000 tons (72,000) in 2001, an increase of 5 per cent.

Along with rising cocoa butter prices, the growing interest in replacing cocoa butter by vegetable fats in

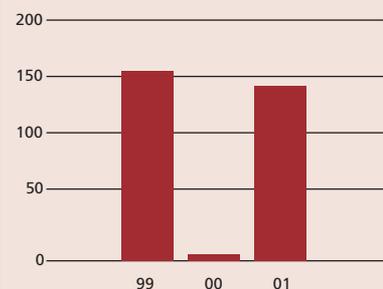


Oils & Fats

	2001	2000	1999
Net sales, SEK m	2,179	2,121	2,437
Gross contribution, SEK m	651	525	612
Operating profit, SEK m	143	6	155
Net operating assets, SEK m	994	893	922
Return on net operating assets, %	16	1	16
Average no. of employees	596	618	656
Volumes, 000 tonnes			
Chocolate & Confectionery Fats	74	72	74
Edible Oils	211	202	203
Lipids for Care	2	2	2
Total	287	276	279

Oils & Fats is a full-range supplier to the food industry. The business area is divided into business sectors Chocolate & Confectionery Fats, Edible Oils and Lipids for Care.

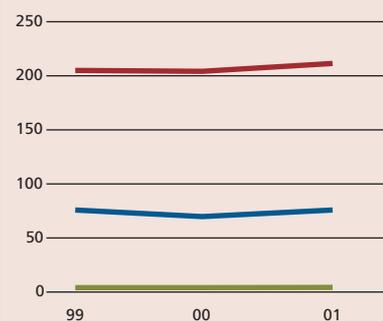
Operating profit (SEK m)



Operating profit increased to SEK 143 million in 2001, an increase of SEK 137 million over 2000.

Volume development

(000 tonnes)



The Oils & Fats business area's volumes increased by 4 per cent.

— Edible Oils
— Chocolate & Confectionery Fats
— Lipids for Care

the wake of the 5 per cent rule* adopted by the European Union explains the main part of this volume growth.

Sales in the Edible Oils sector amounted to 211,000 tonnes (202,000) in 2001, only a limited improvement over 2000 due to hardening competition on the Nordic markets.

Sales in business sector Lipids for Care remained stable volume-wise, but improved with respect to product mix. More detailed information about market situation and competition is presented on the following pages, by business sector.

Production

The Oils & Fats business area's production takes place at three different plants. The largest production unit is in Karlshamn, with a nominal capacity of 300,000 tonnes annually. The production units in the Netherlands and the United Kingdom each have an annual capacity of 70,000 tonnes.

All production plants are quality certified according to ISO 9001 and are distinguished by the great flexibility needed to provide the wide range of products required by the speciality fats market.

Karlshamns also offers its customers in the Oils & Fats segment Kosher and Halal certified products.

All products marketed by Lipids for Care are processed in Karlshamn.

Profit development in 2001

The Oils & Fats business area's operating profit increased by SEK 137 million to SEK 143 million. Exclusive of items affecting comparability and provisions for bad debts profits improved by SEK 39 million, an increase mainly attributable to growing sales volumes in the three business sectors along with an optimised product mix. Volumes increased by an aggregate 4 per cent, the largest growth achieved in Western and Eastern Europe.

*The EU 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.

CHOCOLATE & CONFECTIONERY FATS

With the products marketed by business sector Chocolate & Confectionery Fats Karlshamns is market leader in the Nordic countries as well as in Central and Eastern Europe. The product range is designed for the global chocolate and confectionery industry. The goal set for the next few years is to consolidate this leading position while also growing globally.

Ambitious strategy

Karlshamns has given Chocolate & Confectionery Fats a very ambitious strategy for the years ahead. Product development and marketing are to focus on high-quality chocolate fats, fractionated so-called CBA (Cocoa Butter Alternatives) and premium filling fats, i.e. first-rate filling fats with a built-in, technical value-added.

In this segment Karlshamns is market leader in the Nordic countries as well as in Central and Eastern Europe. This market leading position is to be further consolidated. At the same time, global growth is to be achieved.

This continued growth is to be based on Karlshamns strong technological know-how, renowned reliability and very high service level in combination with a complete product range. Karlshamns will concentrate on selected geographic markets, with focus on the large multinational

chocolate and confectionery manufacturers. Karlshamns product range comprises advanced oils and fats which add a specific value to the end product; a value-added consisting of technical advantage and superior quality all through production, distribution, storage and consumption.

Alternatives to cocoa butter

Consumers want chocolate products to taste good, stay hard at room temperature but melt quickly in the mouth. A bar of chocolate, for example, should not melt in the hand but must still melt quickly in the mouth.

The traditional source of fat for chocolate is cocoa butter. Milk chocolate also contains varying amounts of milk fat. With certain exceptions, cocoa butter has the attributes demanded by both producers and consumers. It is, however, a relatively expensive raw

material with heavily fluctuating prices.

Karlshamns and its competitors have therefore developed several vegetable alternatives to cocoa butter, so-called CBA (Cocoa Butter Alternatives). These fats include CBE (Cocoa Butter Equivalents), CBR (Cocoa Butter Replacers) and CBS (Cocoa Butter Substitutes).

When replacing cocoa butter, partly or completely, with these alternatives, chocolate producers achieve cost savings as well as a simplified production process, often in combination with a higher-quality end product.

There are several technical advantages to be reached by replacing part or all of the cocoa butter, mainly in the areas of shelf-life, heat resistance, bloom and oxidation stability.

Unlike cocoa butter, neither CBS nor CBR fats require tempering in chocolate production, which makes the production process both simpler and safer for the chocolate manufacturer. Thereby chocolate based on these alternative fats may also be produced on a smaller scale, for example in bakeries, confectioners and households.

Cost savings

In addition to their not needing to be tempered, CBS and CBR fats offer the considerable advantage of being based on notably cheaper raw materials than cocoa butter. The raw materials used in CBR, namely soya, palm and rapeseed oil, are also traded in large volumes on world markets.

The size of the potential cost saving depends on the current price difference between cocoa butter and the raw materials on which the alternative is based.

Up to 5 per cent fat in EU chocolate

As of August 2003 the chocolate industry may use up to 5 per cent vegetable fats in products marketed as chocolate within the European Union, according to a directive adopted in 2000. As the





directive increases the market for cocoa butter alternatives by some 25,000 – 50,000 tonnes, this is very good news for Karlshamns.

Filling fats with technical value-added

In 2000 Karlshamns launched a range of premium filling fats under the product name Akomic 2000, a complement to the already established ranges of Akocent, Akofect and Akoleno products.

As the Akomic products require no tempering and have a very high bloom stability (fat bloom being when the chocolate turns grey and dull on the surface) they were an immediate market success. This product range is mainly designed for confectionery fillings with very high fat content, such as chocolate cream fillings or extruded products with chocolate coating. In 2001 another two novelties were added: Akomic 2500 (giving a softer filling) and Akomic 2800 (with a harder consistency). In the autumn of 2001 Karlshamns also launched an entirely new filling fat, Akofill, a non-tempering fat that gives a cooling sensation when melting, just like the Akocent products.

Market and competitors

The global market for chocolate and confectionery products is estimated at 5.6 million tonnes, with an annual expected growth of 3 - 4 per cent. The largest customer group consists of six multinational chocolate and confectionery manufacturers that account for some 60 per cent of the world's total production of chocolate and confectionery products. This is a mature industry, with price being the number one competitive weapon. In business sector Chocolate & Confectionery Fats Karlshamns competes on the global market and thus supplies its customers from all three production units. The main competitors are Aarhus Olie, Fuji Oils and Loders Croklaan.

EDIBLE OILS

Business sector Edible Oils is responsible for Karlshamns customers in the food industry with the exception of chocolate and confectionery manufacturers. Edible Oils enjoys a strong market position in Sweden and the other Nordic countries, as well as in parts of Eastern and Central Europe. This business sector handles a wide range of products in three market segments, with Dairy Fat Alternatives (DFA) and Edge products being the cornerstones on which the strategic target is based.

Wide range of products

Aside from products for the chocolate and confectionery industry, Edible Oils is responsible for the development, production and marketing of Karlshamns products for the entire food industry. This is an extensive product segment, comprising everything from cooking and margarine oils to advanced functional ingredients. Karlshamns offers a wide enough product range to satisfy every conceivable demand in this product segment, thereby making the Group one of the market's most well-equipped suppliers of oils and fats.

The main competitors in the Edible Oils segment are Aarhus Olie, ADM, Loders Croklaan and Cargill.

Edible Oils is divided into three product segments, each with a different focus to match the business conditions of the respective segment. The segments are:

Volume Products, i.e. products sold in large volumes for applications like cooking oil, margarine and snacks. Volume Products are supplied mainly to local and regional markets.

Edge Products, which are speciality products for the food industry. Edge Products are delivered within Europe and on certain selected geographic markets.

Dairy Fat Alternatives (DFA), or vegetable fats for dairy applications. DFA products are sold on regional markets.

Goals

With its Edible Oils products Karlshamns enjoys a strong position in Sweden, in the other Nordic countries as well as in parts of Eastern and Central Europe. The goal set for Edible Oils is to consolidate its strong position while increasing sales volumes in the next three years. The goal is to be reached by maintaining and developing the present high service and quality levels, and by growing on targeted European markets. Edible Oils should also try to gain a foothold in certain application areas in the food industry not yet approached by Karlshamns. Product segments Edge Products and DFA are the cornerstones of this growth strategy.

VOLUME PRODUCTS

Product segment Volume Products handles ingredients used in the production of margarine, mayonnaise, dressings and deep-frying applications.

Volume-wise, fats for the margarine industry constitute Karlshamns largest segment. The consumer market for margarine is steadily decreasing, and consequently so is demand for this kind of fats. The growing interest for more advanced products, in particular non-trans, offers ample possibilities to compensate for the decreasing sales of traditional margarine fats.

Market

For Volume Products the main competitive weapons are price, on-time deliver-

ies and a consistently high product quality. Cost efficiency is thus of decisive importance to securing the required profitability, meaning that efficient production, large volumes and low transportation costs are absolutely necessary. The geographical scope of the market to be served is thus dependent on Karlshamns own production costs in relation to its competitors, in combination with the relative transportation costs. The regional and local markets where Karlshamns competes with this kind of products are supplied from their respective production sites in Sweden, the UK and the Netherlands.

EDGE PRODUCTS

New consumer trends are boosting demand for convenience foods as well as for products having particular characteristics as to health, environment and safety. In combination with the food industry's unceasing requirement for more efficient production methods, this means new, specified demands on vegetable fats.

Karlshamns has developed a number of products to meet these new specifications, and dedicated the new applications to the product segment Edge Products.

The Edge Products segment mainly comprises formulated fats and standard products that have been further developed to qualify as speciality fats. These products are used by the food industry in an extremely wide range of applications: margarine, infant food, mixes and convenience food.

A successful performance in this market requires considerable knowledge of various customer applications. Customers may expect suggestions for efficiency-increasing measures, and certain product areas even require detailed documentation through the entire manufacturing process; from raw material sourcing to end product.



Karlshamns considerable expertise - in breadth as well as in depth - gives the company an invaluable competitive edge in this area.

Market

Karlshamns Edge Products keep abreast of technological development in vegetable speciality fats, and in certain product segments the Group is also market leader. Europe is the natural geographic market for this product segment, although certain products have customers all over the world.

Organic oils in infant food

The growing demand for products based on nature's own raw materials along with the aims for a more sustainable agriculture have made organic oils an increasingly popular ingredient in various food products. Karlshamns launched its production of organic oils in 1995, and today the Group's liquid oils and fats are popular ingredients in products such as dressings, bakery products, margarine and infant food.

Powdered fats for soups and sauces

One example of Karlshamns Edge Products is the Group's Akofine range of powdered fats, with applications such as soups, sauces and other mixes. These fats are processed by means of cryogenics, whereby liquid oil droplets form solid particles by means of liquid nitrogen. This method provides an extremely gentle way of treating raw materials, and the end product often contains as much as 100 per cent fat - to be compared with the result of the traditional spray drying method that usually yields a fat content of a maximum 70 - 80 per cent. The melting point of the different Akofine products varies from 37 to 62°C, thereby making powdered fats the perfect alternative for a wide range of applications.

Akobake - a new, high-performing bakery fat

The demand for combined products (a bakery product combined with chocolate) is growing steadily. Wafers combined with chocolate make a more luxurious product, whereas a chocolate combined with wafer reduces the end product's calorific value. In the autumn of 2001 Karlshamns introduced a new bakery fat, Akobake CC, a product providing outstanding gloss-stability in chocolate-coated bakery products even during longer periods of storage. The product is based on a high-stability substance that inhibits fat bloom on the chocolate's surface.

A chocolate-coated product based on Akobake CC has around five times higher gloss stability than a product based on a standard bakery fat. In practice this means that a product based on Akobake CC keeps its appetizing gloss all through its shelf life.

DAIRY FAT ALTERNATIVES

Dairy Fat Alternatives are vegetable fats developed to replace milk fats. These products are mainly used by the dairy industry and ice-cream producers. The main reason is lower costs, but vegetable fats may also deliver positive health effects and new functions. Most of Karlshamns DFA products are based on fats developed to produce a specific functionality in the customer product.

To allow for the different specifications demanded by the customers a successful DFA range requires an extensive raw material base. Karlshamns aim is to offer its customers the most cost-efficient solutions in this area to be achieved by a combination of high-performing products, excellent taste and, last but definitely not least, a superior knowledge of all customer applications.

Vegetable cream

Karlshamns Akotop range contains a

number of alternatives to whipping cream, all of them based on vegetable fat. These are highly appreciated alternatives, offering the advantages of lower fat content, longer shelf-life and excellent physical and sensory properties. When developing a whipping cream based on vegetable fat alternatives you have the possibility to reduce fat content without affecting either whipping properties or foam stability. The fat content is often specified to some 20 – 25 per cent (compared to the 35 – 40 per cent fat content of dairy cream). Usually these products tolerate UHT – which prolongs shelf life quite considerably – without their whipping properties being affected. Whipping cream based on high-quality vegetable fats has a bland taste, allowing for a wide range of different flavourings in the end product.

Today there is also the possibility to mix traditional whipping cream with tailor-made vegetable creams. Such blended cream products have a natural, creamy taste and very high foam stability. Fat content may also be adjusted in these products.

Market

The market for Dairy Fat Alternatives is mainly regional, as transportation costs are an important competitive factor. The Nordic and Eastern European markets are serviced by the production unit in Karlshamn. The product group is also important for the markets in Central Europe, which are efficiently served by the Group's units in the Netherlands and the UK. Individual market potentials depend on price, current supply of milk and milk fats and national legislation as to ingredients allowed in dairy products.

Karlshamns targeted growth in the DFA segment is strongly supported by the changing customer preferences in the wake of the foot-and-mouth disease and BSE, the consequence being that vegetable alternatives in food products are continuously gaining in popularity.

LIPIDS FOR CARE

Business sector Lipids for Care has its customers in the cosmetic and pharmaceutical industries all over the world. Its products are mainly based on high value-added speciality fats. The goal set for the next three years is extensive growth, in particular in the cosmetic industry.

Lipids for Care, one of the Oils & Fats business sectors, was organised in the autumn of 2000 with a view to strengthening Karlshamns focus on the future growth areas identified in the cosmetic and pharmaceutical industries. Lipids for Care is responsible for the development, production and marketing of cosmetic applications and nutrient solutions.

Thanks to the Group's unique expertise in fat chemistry, Karlshamns has established strong business relations in the cosmetic industry.

Deliveries to the pharmaceutical industry are still of limited importance. The Group currently concentrates on high value-added oils and fats used as ingredients in nutrient solutions for clinical applications.

Goal and strategy

As vegetable oils are neutral, natural, non-toxic, non-irritant, inert and biodegradable, vegetable oils and fats are safe and reliable ingredients in cosmetic and pharmaceutical products. The goal set for Lipids for Care is to surpass the growth rate of its main markets. This is to be achieved by a concentration on key customers and selected geographic markets, closer cooperation with agents in prioritised countries and strategic product development to expand the current product range.



Biologically active

Karlshamns vegetable products, skin-care products, shampoos, make-up products as well as various cleansing, shower and bath products possess quite unique functionalities. The modern consumer expects such products to have specific qualities. A body lotion, for example, should not only soften the skin but also restore its natural moisture balance. Karlshamns oils and fats systems for cosmetic applications have direct effects on skin structure, as well as a regulatory influence on the skin cells.

To maintain the natural freshness of the skin, certain oils and fats systems have been developed to contain more biologically active properties. These systems are used in highly advanced cosmetic and skin-care products, for example products that provide a barrier to pollution, act as a sun-screen, sooth irritated skin or supply the skin with essential fatty acids.

Vegetable raw materials are gaining ground

The consumer is giving more and more priority to cosmetic products based on vegetable raw materials, rather than synthetic, animal or petroleum-based alternatives.

Vegetable oils and fats are no novelty in cosmetic products, and there is thus considerable and thoroughly documented knowledge of their health and safety aspects. As was emphasised in the above presentation of Karlshamns R&D operations, product development is usually carried out in close cooperation with customers. Thanks to the Group's unique knowledge of oils and fats – in the area of fat crystallisation, for example – the time needed to develop a new ingredient for a cosmetic application may be considerably reduced.

Karlshamns has developed a number of systems based on high value-added

vegetable oils and fats that are used as ingredients in market-leading cosmetic products for skin and hair care as well as in branded make-up and hygiene products. Such products are often based on exotic raw materials, such as shea nuts which contain unique and attractive components. Karlshamns even has a special product group, the “Shea family”, which enjoys a world-leading position. The “Shea family” products contain everything from pure shea nut oil to super-concentrates manufactured in a patented process. There are also water-dispersible shea products developed specially for use in hair-care products.

Akorex L and Lipex Canola-U are two unique, patented oils based on rapeseed and tailor-made for cosmetic applications. Both products have documented healing and anti-inflammatory effects on irritated skin. A product developed in line with current market trends is Akogel, a vegetable alternative to mineral-oil based ingredients in skin care products. The cosmetic product range is marketed under the brand Lipex.

Market and competitors

The cosmetic market, in particular the segment for body care products, grows by some 4 – 5 per cent each year. The segment for cosmetic articles based on vegetable ingredients, however, grows even faster than the total market. A rapidly growing consumer group all over the world is formed by people born in the forties who now demand skin care products with anti-ageing effects.

Karlshamns competitors on the cosmetic and pharmaceutical markets differ quite considerably from those supplying customers in the food industry. The main competitors of Lipids for Care are giant, global chemical groups like Cognis, Croda and Uniqema. Karlshamns has a competitive advantage, however, in its strategy to tailor products for the individual requirements of each cosmetic or pharmaceutical manufacturer.



Technical Products

Technical Products is Karlshamns second largest business area, accounting for 14 per cent of the Group's total sales and 18 per cent of operating profits in 2001.

Operations in the Technical Products business area are conducted by two subsidiaries, Tefac AB and Binol AB. Tefac produces and markets fatty acids and glycerol; Binol develops, produces and markets environmentally responsible technical oils.

TEFAC

Fatty acids and glycerol are obtained from the splitting of the fat molecule. Fatty acids are mainly used as a raw material in the chemical industry. After processing into products like fatty alcohols, amines and esters, fatty acids or fatty acid derivatives are used in many market segments. The main application areas are paper chemicals, plastic and rubber additives, soaps and detergents. A well-known consumer product consisting of nothing but fatty acid is the stearin candle.

Around half of Tefac's volumes are

sold to customers in the paper, soap, detergent and candle industries.

Glycerol has a broad range of application areas. After various kinds of processing, glycerol is used in cosmetic and food products, explosives and paints. Tefac's main glycerol customers are in the chemical and food industries.

The Swedish market accounts for approximately one quarter of the Group's sales of glycerol and fatty acid products, the remaining volumes being sold on the other Nordic markets, in Germany, the United Kingdom, Russia and the Baltic states. Karlshamns is market leader in both Sweden and Finland.

Market and competitors

The largest market actors in Europe are Uniqema, Cognis and OLEON.

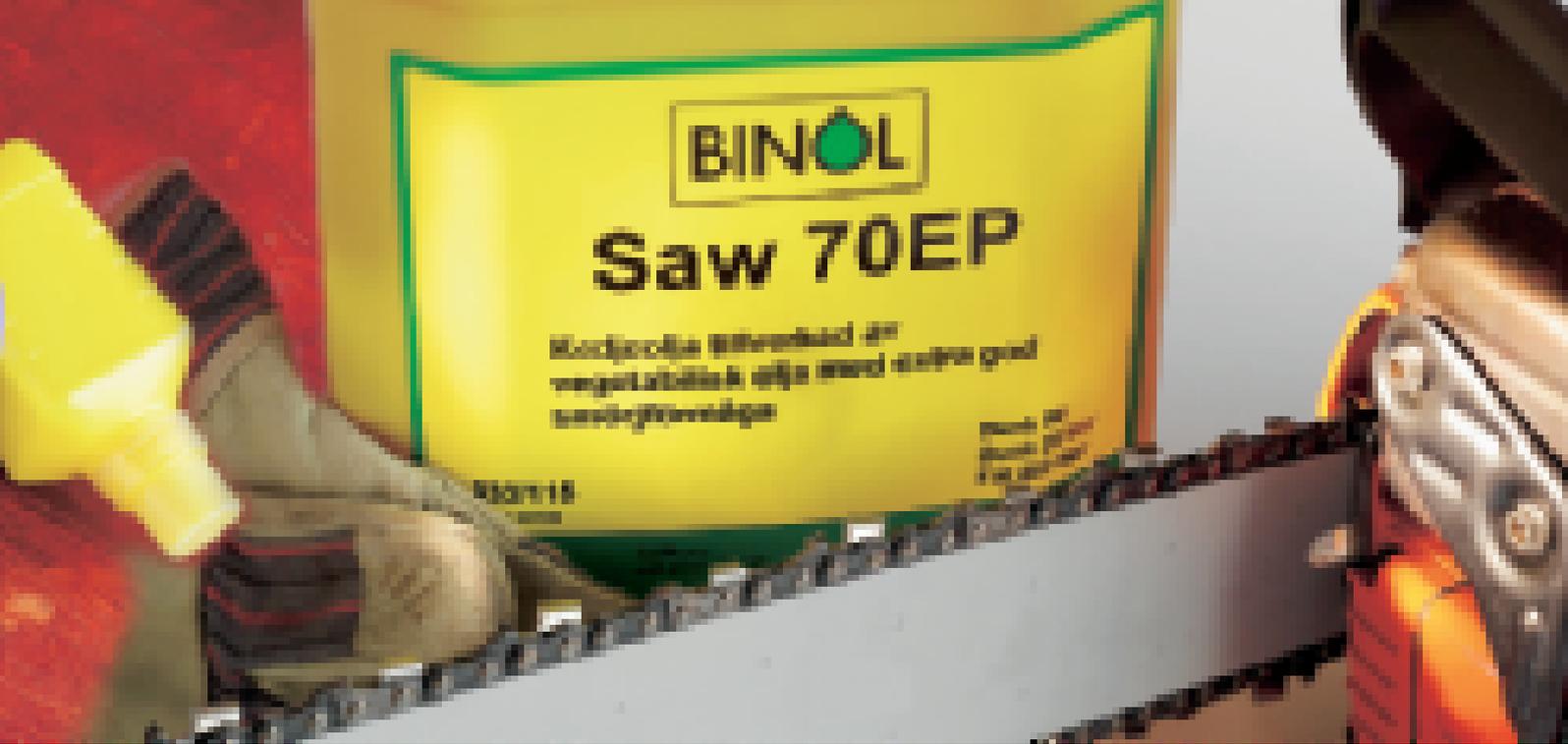
Structural changes have been underway for some years now on the European fatty acid market, the most obvious result being an increasing concentration among both producers and consumers. This structural process accelerated in 2001, with a number of important ownership changes among several of Karlshamns competitors. Cognis, for example, formerly owned by the Henkel group, was recently acquired by a financial investor's group headed by Schroeder Ventures. OLEON used to be part of

the TOTAL/FINA group but was sold to Belgian investors. On the Nordic market the fatty acid operations of Norsk Hydro were acquired by OLEON.

The most common application areas for fatty acids and glycerol are often subject to economic fluctuations. After the strong market growth in 2000 this development levelled off in 2001, mainly due to the general recession. The European market for fatty acids and glycerol is estimated to have decreased by 1 – 3 per cent in 2001. In the largest product segment, oleochemicals (also comprising fatty alcohols, amines and esters) the global decrease was an estimated 10 – 15 per cent.

On this stagnating market, Tefac nevertheless gained additional market shares and increased its fatty acid volumes by 8 per cent. Exports remain important, accounting for some 75 per cent of total volumes.

For most companies in this business, high capacity utilisation is a prerequisite for cost efficient and profitable operations. Due to the current recession the majority of fatty acid producers all over the world are now suffering from lower capacity utilisation, a situation having a negative effect on profit margins in the fatty acid operations.



Lower capacity utilisation in the chemical industry dampened demand for glycerol in 2001.

At the same time we have seen an expansion of the capacity for biodiesel production, which further adds to the supply of crude glycerol. In combination with shrinking demand, this pressed glycerol prices downward all through 2001.

Production

Tefac makes continuous efforts to improve cost efficiency and increase production capacity through limited but targeted process developments, in particular for products with higher value-added. These efforts were highly successful in 2001, and production capacity was increased enough to eliminate former bottle-necks. All in all, the Group's annual capacity now totals some 50,000 tonnes of fatty acids and 6,000 tonnes of glycerol. Capacity utilisation has been high in both product segments.

BINOL

Karlshamns subsidiary Binol has business responsibility for the development, production and marketing of the Group's environmentally responsible technical oils.

Technical oils are used as metalworking fluids and lubricants in the metalworking industry, hydraulic oils

and chainsaw oils in the forestry and construction industries, thermal fluids in radiators and cooling systems, and as speciality products in agricultural applications.

All of Binol's products and functional solutions are based on renewable raw materials, always developed with the ecocycle in mind. On the Nordic market the company sells Binol-branded products directly to the end user. On all other markets the products are usually sold under private brands. Binol strengthens the environmental profile of its partners whenever a customer replaces, partially or entirely, traditional petroleum-based mineral oils by Karlshamns environmentally responsible alternatives.

Growth and internationalisation

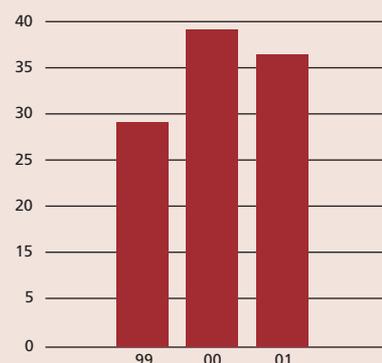
In 2001 Binol focused on the metalworking, forestry and construction segments. The product range was given a more international character to facilitate progress outside the Nordic market. The targeted growth is to be achieved by consolidating and developing Binol's strong domestic market position, while at the same time increasing sales of Binol's speciality products to large, international and well-known companies in the form of private brands.

Technical Products

	2001	2000	1999
Net sales, SEK m	397	355	323
Gross contribution, SEK m	142	138	117
Operating profit, SEK m	36	39	29
Net operating assets, SEK m	133	117	120
Return on net operating assets, %	29	33	25
Average no. of employees	88	84	81
Volumes, 000 tonnes			
Fatty acids	48	45	41
Glycerol	6	6	6

The Technical Products business area's operations are conducted by two profit units: Tefac and Binol

Operating profit (SEK m)



The Technical Products business area's operating profit amounted to SEK 36 million (39) in 2001.

This is indeed one of Binol's unique competitive strengths: the possibility to offer large international companies - the large oil companies, for example - advanced products that have already been thoroughly tested on Binol's domestic market.

Market and competitors

The growing environmental awareness is expected to expand the EU market for environmentally responsible technical oils by 10 - 15 per cent in the next five years, while the total market - mainly consisting of traditional mineral oils - will shrink.

The recession in the metalworking industry meant a decrease of the total

market for technical oils in 2001, but Binol nevertheless maintained the market shares achieved in 2000.

Products in the forestry and construction segments, which are in the early phase of each business cycle, displayed a clear increase in the second half of 2001. Binol's total sales volumes of environmentally responsible technical oils increased by 10 per cent in 2001.

Most of Binol's products are still sold on the Scandinavian market. Exports were more or less in line with 2000, some 20 per cent of total volumes. The major export markets are Germany, the US and Canada.

Binol competes with those larger

oil companies such as Castrol and Quaker Chemicals that specialise in lubricants and also with other vegetable oil manufacturers such as Raisio.

Profit development 2001

The Technical Product business area's operating profit for 2001 was SEK 36 million (39). Fatty acid volumes increased by 8 per cent, thereby compensating for the falling glycerol prices and helping Tefac achieve an operating profit in line with last year. Binol increased its sales volumes in 2001, although the current recession in the motor industry had a negative effect on operating profits.





Feed Materials

In 2001 the Feed Materials business area accounted for 12 per cent of the Group's total sales, and 9 per cent of operating profit.

The Feed Materials business area is responsible for the Group's processing and marketing of vegetable protein and fat raw materials to the animal feed industry. Feed Materials also handles the extraction of vegetable oils from rapeseed and shea nuts.

Goals

The goal set for Feed Materials is to become market leader for speciality feed materials on the Nordic markets. The goal is to be reached by larger sales volumes and new market shares on the markets for protein and vegetable fats, cattle feed being the number one targeted area. Karlshamns also intends to increase its market shares for ingredients to the fish fodder market.

Products

Karlshamns animal feed products comprise ExPro meal, ExPro biscuits and formulated liquid and solid AkoFeed products. These products are used as protein and fat components in the feed industry's feed mixes.

In 2001 Karlshamns introduced the speciality fat AkoFeed VFC, a vegetable feed fat for calves designed to serve as an alternative to animal feed fats. In the wake of the mad cow disease (BSE), demand for vegetable alternatives is growing and Karlshamns foresees very good market potentials for AkoFeed VFC in Scandinavia.

Sales of the by-pass fat AkoFeed Calcium, introduced in 2000, have been successful. AkoFeed Calcium is used in speciality feed for high-yielding dairy cows

and is estimated to have achieved a 50 per cent market share on the market for by-pass fats in Sweden, Norway and Finland.

Demand for Karlshamns salmonella-free and rumen-protecting ExPro meal surpassed the Group's production capacity in 2001. Production capacity was thus increased in late 2001 to better satisfy the strong demand.

Business area Feed Materials also focuses on the development of vegetable ingredients for fish fodder. These new ingredients are meant for a global market.

Market and competitors

The main segments of the animal feed market are feed for cattle, swine and poultry. Cattle feed is the largest segment, accounting for approximately 50 per cent of the total market.

Total feed consumption on the regional market decreased somewhat in 2001.

The Feed Materials business area's customers are mostly found in the Swedish feed industry, where Karlshamns feed raw materials are vital components in several market-leading products.

Karlshamns feed products compete with soya and rapeseed meal from the production units of ADM and Cargill in the Netherlands and Germany.

Production

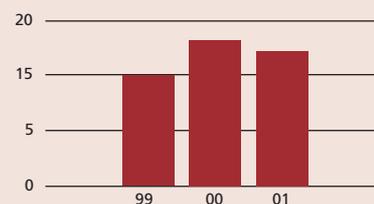
Crude vegetable oil and protein-rich rapeseed meal are extracted from rapeseed. The rapeseed oil is processed by Karlshamns, the external sales handled by business area Oils & Fats. The meal is sold to the animal feed industry. Most of the extracted meal goes through a special heat treatment process (ExPro) before it is sold. This business area also extracts shea oil from shea nuts.

When Karlshamns aggregate production capacity is used to produce rapeseed oil, the maximum annual production

Feed Materials

	2001	2000	1999
Net sales, SEK m	366	252	240
Gross contribution, SEK m	99	96	88
Operating profit, SEK m	17	18	15
Net operating assets, SEK m	137	91	66
Return on net operating assets, %	15	26	19
Average no. of employees	47	47	45

Operating profit (SEK m)



Operating profit amounted to SEK 17 million in 2001 (18).

capacity amounts to 270,000 tonnes of rapeseed. The year 2001 was characterised by full capacity utilisation, to the extent that investments were made to expand production capacity for ExPro meal at the end of the year.

Profit development 2001

The Feed Materials business area's operating profit amounted to SEK 17 million in 2001 (18). Gross contribution was on a low level through the first six months of the year, but improved in the second half of 2001. The price of rapeseed meal fell notably around the turn of the year 2000/2001, which caused losses in the rapeseed meal stocks.

Sales of feed fats grew in 2001, with Karlshamns securing additional market shares on the Nordic market where customers are giving more and more priority to product safety.

Karlshamns and the environment

Environmental consideration in combination with efficient utilisation of resources and sound business operations form the basis of Karlshamns environmental policy.

In the past two years Karlshamns environmental efforts were aimed at the certification of environmental control systems, and in 2001 a certificate was awarded the production unit in Karlshamn. As in previous years, Karlshamns is on the “top list” of the Swedish Environmental Fund, and is mentioned by Finansstidningen as well as by Folksam’s Environmental Index as a company providing high-quality environmental information while also achieving considerable improvements in the area of carbon dioxide emissions.

The production process

The Group’s production units are located in Sweden, the UK and the Netherlands.

At the Karlshamn plant, oils are extracted from rapeseed and shea nuts by mechanical pressing and extraction. Other raw materials are bought as crude oils. After neutralisation and bleaching, the ensuing refining process includes hardening, interesterification, dewaxing, dry fractionation and/or solvent fractionation. Each step of the process results in different intermediate products which are blended into end products before the final step: steam distillation. During steam distillation any remaining substances that might cause an unwanted smell or taste in the end product are removed.

The plant in Karlshamn processes some 250,000 tonnes of oilseed and feed fats, 200,000 tonnes of vegetable oils and some 50,000 tonnes of technical prod-

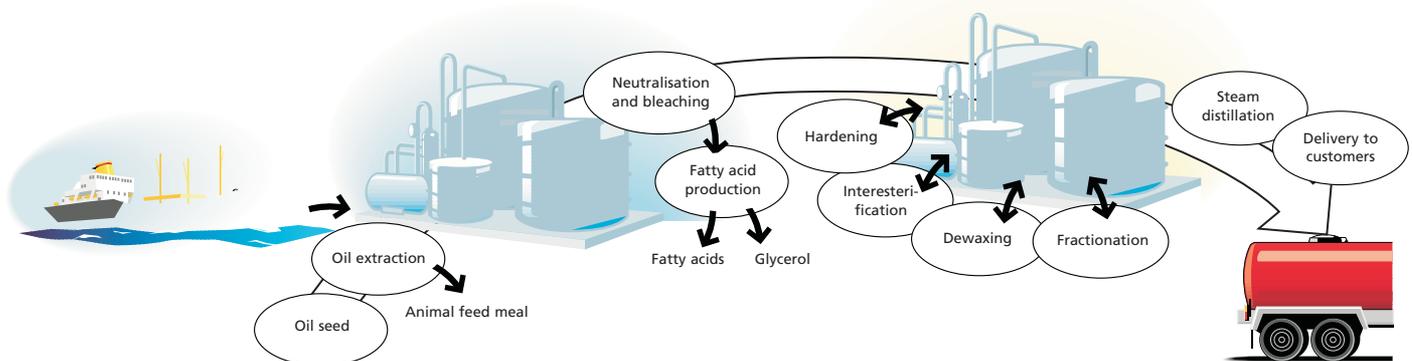
ucts such as fatty acid, glycerol and lubricants.

The UK plant handles an annual volume of around 40,000 tonnes of vegetable oils. The production processes include neutralisation, bleaching, hardening, interesterification, blending and steam distillation.

The main raw material handled by the Dutch plant is palm oil. The refining process consists of pre-treatment, bleaching, hardening, interesterification, steam distillation and blending. The Zaandijk plant handles some 50,000 tonnes of vegetable oils per year.

Environmental management

All of Karlshamns production units have been using established and thoroughly tested environmental control systems for several years. The plants in Sweden and the Netherlands follow ISO 14 001, whereas the UK plant follows the format of BS 7750.





These systems ensure continuous, gradual and systematic improvements of Karlshamns environmental performance. The environmental control systems applied in Zaandijk and Karlshamn have been certified, whereas the UK plant is in-house certified.

Environmental impacts

Consumption of resources: Operations are based on renewable raw materials. Production processes consume fresh water, electricity, fossil fuels, chemicals and additives. In 2001 most fossil fuels were replaced by bio-fuels in the form of waste products generated by the company's own operations. Transports of raw materials and finished products to and from production units

are evenly distributed between land and sea.

Waste and by-products: Karlshamn has a long tradition of taking care of and husbanding the materials used in production. Nutrients separated in the treatment plant in Karlshamn have, for example, been converted into Phosphorkalk, a phosphorised lime used by farmers. Pitch from the fatty acid production is used as fuel in an external boiler plant, while other production waste is burnt in the Group's own boilers. The Swedish system for handling packaging waste is implemented in Karlshamn. The company also generates normal waste products, process waste and hazardous waste. Hazardous waste consists mainly of laboratory waste and

lubricating oils. These are dealt with to meet legal requirements in each country. In 2001, the volumes sent to the municipal disposal unit were reduced.

Air emissions: Karlshamns production units generate emissions from incineration and extraction hexane, as well as a certain amount of odours. Emissions of extraction hexane are largest in Karlshamn, where crude oil production takes place. Air containing hexane is collected and led to steam boilers where the hexane is burnt. Considerable measures have been implemented in Sweden to reduce unpleasant odours from operations, although they are not possible to eliminate completely.

Considerably less odour is generated by operations in the UK and the Netherlands, where there is no oil extraction from seeds and nuts.

Water emissions: All of the Group's plants generate emissions of sanitary waste water, industrial waste water, surface water and cooling water. Waste water is sent into the municipal treatment system. Surface and cooling water in Sweden and the Netherlands is treated in special systems to ensure that no waste fat pollutes the surrounding area. In the UK, surface and cooling water are channelled into the waste water system.

In Sweden, industrial waste water is treated in the company's own treatment plant and then released into the adjacent sea. In the United Kingdom and the Netherlands, industrial waste water goes through an internal treatment

Karlshamns environmental performance compared with the Scandinavian industry index (SII)¹⁾

Hexane from extraction²⁾ (kg/tonnes seed)	
SII	1.8
Karlshamns in Sweden	0.17
COD³⁾ (kg/tonnes oil)	
SII	1.7
Karlshamns in Sweden	0.88
in the UK	0.72
in the Netherlands	0.48
Phosphors²⁾ (g/tonnes oil)	
SII	14
Karlshamns in Sweden	13
Fresh water consumption (m³/tonnes oil)	
SII	2.6
Karlshamns in Sweden	2.9
in the UK	2.2
in the Netherlands	0.8
Carbon dioxide (kg/tonnes oil)	
SII	520
Karlshamns in Sweden	120
in the UK	247
in the Netherlands	126

1) The index is based on data published in 1996 – 2001 by Karlshamns in Sweden, Aarhus Olie in Denmark and Denofa in Norway.

2) Emissions of hexane and phosphors are not measured in the UK or the Netherlands as operations there produce no emissions or very small amounts.

3) COD, Chemical Oxygen Demand, or oxygen-consuming substance.

Nitric oxides, NO_x (mg/MJ supplied fuel)	
Average in Sweden, 2000	60
Karlshamns in Sweden	48

process and is then channelled into the municipal waste water system. The impact from oil refineries mainly concerns phosphors, a nutrient fertilizer that also contributes to increased plant growth in the water courses affected by it. In the UK and the Netherlands this waste water is a good source of nutrient additive for the municipal treatment systems. In Karlshamn the nitrogen deficient water has been more difficult to treat. This was solved by restructuring work carried out in 1998, however, and the effects are now being seen.

Noise: Installation of noise muffling equipment has reduced noise from production machinery. Noise disturbances from Karlshamns operations are therefore minimal and are at an acceptable level at all the company's plants.

Soil pollution: Karlshamns has made the assessment that there is no serious soil pollution at its plants in Sweden. This assessment is based on the verdicts of external experts who have reviewed the Group's own surveys. A certain amount of soil pollution were previously identified within a restricted distance of the Group's plant in the Netherlands. These are now being dealt with. A survey of the possibility of soil pollution at the UK plant has not yet been completed. Meanwhile, it is the assessment of the Group that there is no significant pollution that would require expensive measures.

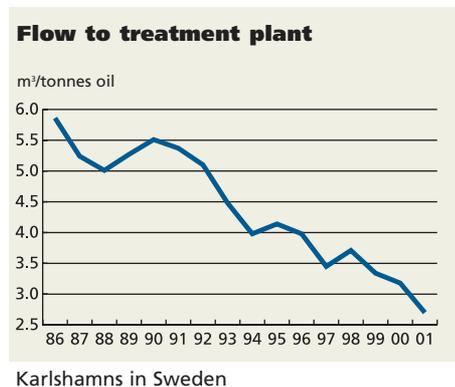
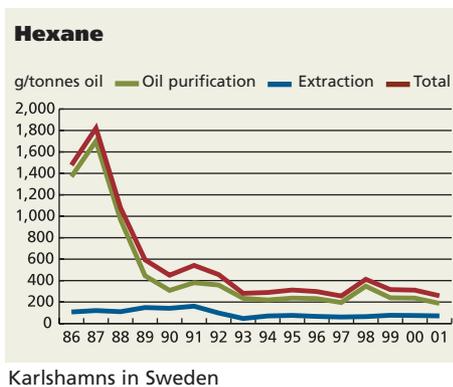
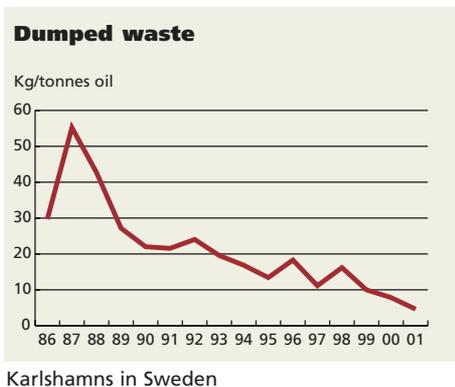
Karlshamns environmental projects

In 2001, the endeavours to achieve a certification for the environmental control system in Karlshamn consumed considerable resources and thereby affected other environmental projects.

In the area of waste, work has focused on liquid waste and resulted in a situation where all liquid waste products are now separated and utilised as fuel or to produce compost. As a last resort, the waste is sent for dumping. The major part of Karlshamns waste is used as an excellent bio-fuel in the company's own boiler in Karlshamn. Committed efforts in this area have reduced the amount of liquid waste sent for dumping from 850 to 150 tonnes. There still remain certain measures before Karlshamns achieves all of its environmental goals.

In Sweden, Freon may no longer be replaced in existing cooling systems and Karlshamns has therefore chosen to replace all comfort cooling systems by central district cooling. The change entailed a number of advantages such as easier capacity utilisation and lower costs for installation and operation. The new system has been installed and will be put to its final test as soon as the cooling requirement is larger than in the winter months. Two cooling systems in the production operations are currently being adjusted.

A smaller system is also about to be converted to another cooling media as soon as it is required.



Measures to deal with odours are currently investigated and will be implemented within the next two years.

Bio-fuel volumes are increasing. A storage tank and piping have been installed to make it possible to use waste products in the Swedish boiler plant. Most of the bio-fuels used in Sweden consist of waste products generated by Karlshamns own production operations, but demand is growing to the extent that the company is now also buying certain volumes for this purpose. Karlshamns plans for a continued growth of bio-fuels, and the goals set for the company's own environmental work comprise investments in energy saving measures.

The work to optimise technical products with respect to LCA continues as planned.

The UK plant has achieved energy savings, while the Dutch plant is dealing with the identified soil pollution according to plan.

Environmental concessions

Official permits are required for operations in their entirety in Sweden, the Netherlands and the UK. Permits in accordance with environmental legislation must be obtained in Sweden. The Swedish operations had their permit renewed in 1996, 1998 and 1999. A trial period of commissioning for water is being observed. The continued development of the plant in Karlshamn requires a new application according to the environmental act. Such application, also

covering hazardous waste issues, was completed in 2001 and filed in 2002. The environmental authorities are likely to focus on safety, waste, odours and VOC.

The concession for operations in the UK was awarded in 1992 and is currently the subject of an application for renewal. No comprehensive or expensive measures are expected in this respect.

In the Netherlands a number of environmental measures were implemented, and the previously mentioned soil pollution is about to be cleaned up. Thus, environmental performance is now on a satisfactory level in Zaanwijk and the environmental concession is up for renewal.

Costs for environmental work

The costs incurred by Karlshamns to carry out the environmental work described above are presented in the following table:

Costs (SEK m)	Sweden	UK	The Netherlands	Total Group
	Administration	1	-	-
Operations	14	1.5	0.5	16
Taxes	5	0.5	1.5	7
Total	20	2	2	24

In addition to the total SEK 24 million, environmental investments in 2001 amounted to SEK 16 million. To meet future plans for environmental measures, investments over the next three years are estimated to total some SEK 12 million.

Environmental measures planned for 2002

Sweden:

- Continue to reduce waste sent for dumping.
- Reduce odour emissions.
- Reduce energy consumption by 5 per cent before 2005.
- Develop tools to optimise the life cycle of Karlshamns technical products.
- Reduce overall operating risks to an acceptable level.
- Reduce noise pollution to a level below 43 dBA.

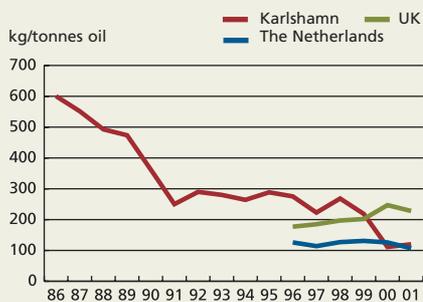
The UK:

- Improve safety measures for fire accidents and chemical storage.
- Renew environmental concession in 2002.
- Reduce energy consumption by 10 per cent before the end of 2011.

The Netherlands:

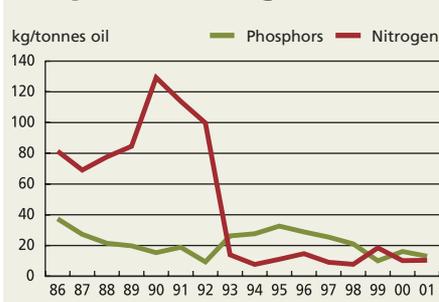
- Clean polluted soil.
- Improve safety routines for the storage of chemicals.
- Apply for new environmental concession.
- Implement improved environmental evaluation programme.
- Implement better energy control system.

Carbon dioxide



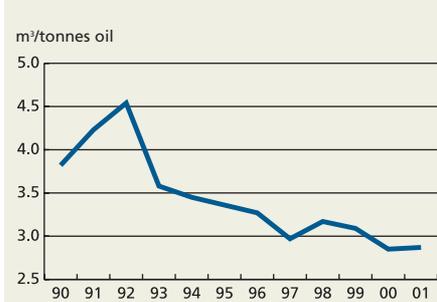
All production sites

Phosphors and nitrogen to water



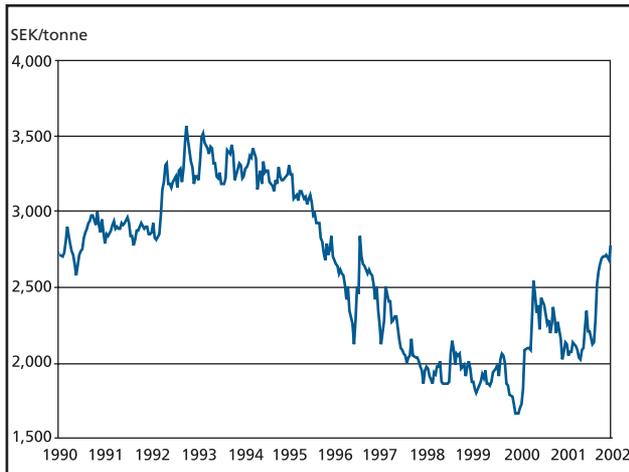
Karlshamns in Sweden

Fresh water use



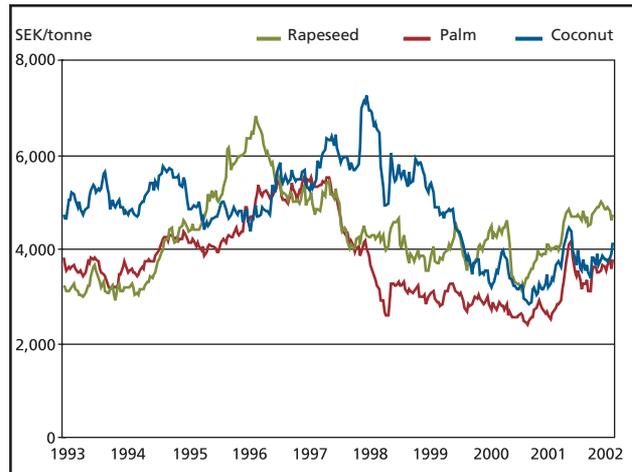
Karlshamns in Sweden

Price development cocoa butter 1990 – 2002



Cocoa butter prices rose in early 2001, to level off in May – September. A new price rally followed towards the end of the year.

Price development Rapeseed, palm and coconut oil 1993 - 2002



Raw material prices increased in the second half of 2001.

Risk management and sensitivity analysis

Karlshamns operations are exposed to different risks – commercial as well as financial. To ascertain that all these risks are safely identified and handled, the Group has appointed a Risk Manager.

Karlshamns Credit Policy contains guidelines for how to handle credit and contract risks. The Financial Policy specifies how currency, interest rate and liquidity risks are to be handled, whereas the Trading Policy contains risk limits for the Group's raw material trading.

Financial operations such as currency risk management, cash management and borrowing are handled centrally, by the parent company's treasury operations.

Raw material sourcing is handled by a global purchasing function, monitoring and controlling the Group's raw material exposure around the clock.

Karlshamns risk management for damage is taken care of centrally for the whole Group to achieve synergies in the form of lower insurance premiums and a uniform insurance cover for all of the Group's production units.

Price risks for raw materials

The main task of the Group's global function for raw material sourcing is to guarantee access to raw materials of the right quality, at the right time, in the required volumes and at the right price.

Raw material prices fluctuate consid-

erably, and it is Karlshamns policy not to speculate in such price movements. Another top priority for raw material sourcing is therefore also to continuously monitor and manage the Group's raw material exposure, to limit the effects of fluctuating raw material prices on Karlshamns profit.

To simplify raw material sourcing the staff may, within the framework of the trading policy issued by the Board, take limited risks in raw material prices. Purchases of raw materials and sales of processed materials are hedged by means of standardised raw material contracts, on commodity exchanges or via brokers. A considerable part of the Group's raw materials are purchased in South East Asia, where there are extended lead-times between purchase and sale. When raw materials are purchased, the same quantity is sold on the futures market to minimise the impact of price fluctuations on results. These futures are then gradually closed (i.e., bought back) as sales continue on the basis of the current world market price. The more exotic raw materials, such as shea nuts, are not traded on commodity exchanges and are therefore considerably more difficult to hedge.

Karlshamns raw material costs are around three-quarters of sales. Since customer prices for most of Karlshamns products are set according to the pre-

vailing world market price for the raw materials plus a gross contribution that is exposed to competition, results are only marginally affected by changes in raw material prices. The opposite applies to total sales and operating capital: with rising raw material prices, the need for operating capital increases along with total sales.

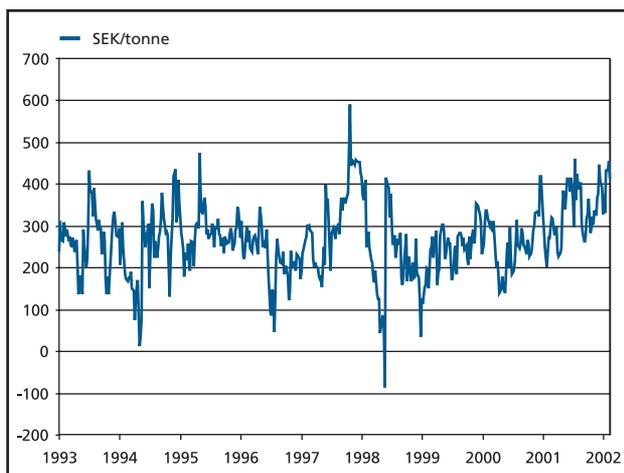
Cocoa butter prices

When cocoa beans are crushed, cocoa powder and cocoa butter are obtained. The price of cocoa butter is mainly affected by the price of cocoa beans, but also by the balance in demand for cocoa powder and cocoa butter. Should demand for cocoa powder be stronger than for cocoa butter the price of cocoa powder increases. The price of cocoa butter thus falls despite a stable cocoa price.

Karlshamns CBE fats are priced in relation to cocoa butter. When the price of cocoa butter changes, contribution margins for CBE fats are affected as prices of the raw material used in CBE (palm and shea) are only marginally affected by cocoa butter prices.

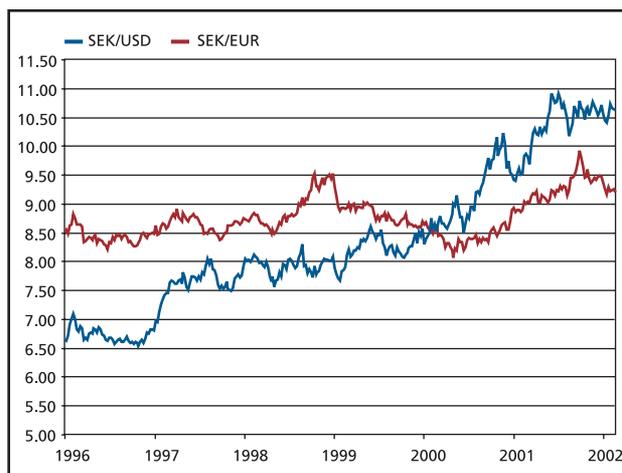
Customers in the chocolate segment usually cover their CBE requirement by means of contracts having a duration of 6 – 12 months. When cocoa butter prices change, the effect is therefore not seen until some nine months later. CBE

Gross contribution, rapeseed SEK/tonne 1993 – 2002



Gross contribution increased in the second half of 2001.

Exchange rate trends, 1996 - 2002 SEK/EUR and SEK/USD



When the SEK weakens against the Euro and the US dollar, this has positive effects on earnings.

prices are also affected by the competitive situation in the chocolate and confectionery market.

Gross contribution, rapeseed

Gross contribution is a way of measuring the difference between the sales price Karlshamns may charge for a processed oil, and the purchase price paid for the raw materials used in the product. Gross contribution from the extraction of rapeseed oil and rapeseed meal varies considerably over time, with direct effects on profitability in business area Feed Materials.

By selling rapeseed oil and rapeseed meal on the futures market when rapeseed is purchased, price risks are eliminated at the same time as gross contribution is hedged. Business area Feed Materials hedges all purchases of rapeseed as well as all sales of feed meal and rapeseed oil via the Group's global function for raw material sourcing.

Business area Feed Materials is responsible for rapeseed purchases being made at the right time and carries the risk for any fluctuations affecting gross contribution.

The Group processes some 200,000 tonnes of rapeseed per year, from which some 80,000 tonnes of oil and 120,000 tonnes of meal are extracted.

Currency risks

Changes in exchange rates affect Karlshamns in different ways.

- Commercial flows that generate transactions in different currencies are exposed to transaction risks.
- The results of foreign subsidiaries are affected by exchange rate fluctuations when converted to SEK.
- The Group's equity is affected when the equity of foreign subsidiaries is converted to SEK.

The scope of the Group's currency hedging is established by the Board in accordance with the Financial Policy. Foreign subsidiaries' equity is relatively low and is therefore not hedged. A significant part of the Group's sales and purchases are in foreign currencies. It is Karlshamns policy to hedge all sales and raw material contracts in the company's base currency. Gross contribution for each sales contract is thus hedged in the selling company's domestic currency.

The global treasury function handles the Group's total currency exposure - commercial as well as financial flows.

Karlshamns Swedish production unit competes mainly with companies having the Euro as their base currency. Consequently, Karlshamns profitability is to a

large extent dependent on the exchange rate SEK/EUR.

When the Swedish currency weakens against the Euro, or when the Euro falls in relation to the US dollar, this has positive effects on earnings. As most of Karlshamns sales contracts are long-term ones, changes in exchange rates have a delayed effect on profits and it usually takes some six months for results to materialise. Should Sweden join the EMU this would have only marginal effects on earnings, as prices are already transparent for the majority of customers.

The development of exchange rates in 2001 was characterised by a weakening Swedish currency in the second half of the year, against both US dollar and Euro.

Counterpart risks

Slightly more than one quarter of the Group's sales are to countries where commercial and political risks are higher than on the Nordic and Western European markets.

Risk factors	Change	Impact on Group's		
		Profit	Sales	Working capital
Raw material prices (hedged)	+/- 10%	0	+/- 7%	+/- 8%
Exchange rates				
SEK/EUR	+/- 10%	+/- 35 MSEK	-	-
SEK/USD	+/- 10%	+/- 5 MSEK	-	-
Gross contribution				
Rapeseed	+/- 25 SEK/tonnes	+/- 5 MSEK	-	-
Cocoa butter	+/- 10%	+/- 5 MSEK	-	-

Directors report*

Operations

The year 2001 was characterised by a far-reaching development process. In connection with the strategic review of the Group a number of profitable growth areas were identified, and a reorganisation was implemented on 1 September with a view to clarifying responsibilities for sales and profitability. The Group is now organised in three business areas: Oils & Fats (formerly Edible Oils), Technical Products and Feed Materials. Two of these, Oils & Fats and Feed Materials, are part of the parent company.

Oils & Fats is Karlshamns largest business area and has three business sectors: Chocolate & Confectionery Fats, Edible Oils and Lipids for Care. Each of these three sectors has a clearly defined profit responsibility, and they all have the purpose of developing, producing and marketing their respective products to targeted customer groups all over the world.

Chocolate & Confectionery Fats has its focus on advanced chocolate fats, fractioned so called Cocoa Butter Alternatives (CBA) and premium filling fats which are filling fats generating technical value-added properties.

Edible Oils has three product segments aiming at the entire food industry: Edge Products, which are speciality products in the food segment; Dairy Fat Alternatives (DFA) which are vegetable fats for the food industry, and Volume Products sold in larger volumes for applications like cooking oil, margarine and snacks.

Lipids for Care specialises in advanced products for the cosmetic industry as well as for clinical nutrient solutions.

In cooperation with the global functions for raw material sourcing, production, administration and R&D the business sectors are responsible for the operating profit of the business area.

Oils & Fats has three production plants for the purification and processing of oils and fats. These are located in Karlshamn (Sweden), Hull (the United Kingdom) and Zaandijk (the Netherlands).

Technical Products, the second largest of Karlshamns business areas, has organised its operations in the two wholly-owned subsidiaries Tefac AB and Binol AB. Tefac develops, manufactures and markets fatty acids and glycerol, products used as raw materials by the chemical industry. Karlshamns is the leading manufacturer of fatty acids on the Swedish and Finnish markets. Binol develops, manufactures and markets environmentally responsible technical oils for the metalworking, construction and forestry industries. On the Swedish market Binol is the leading manufacturer of technical oils based on renewable, biodegradable vegetable oils, and the products are

used as substitutes for petroleum-based oils in certain technical applications.

The Group has one production plant for fatty acids and glycerol and one for the blending of environmentally responsible technical oils. Both plants are located in Karlshamn.

Feed Materials is responsible for Karlshamns extraction of vegetable oil and meal from rapeseed and shea nuts. This business area also handles the processing and marketing of vegetable proteins and fats to the animal feed industry. Crude rapeseed oil and rapeseed meal are extracted from rapeseed. The protein-rich rapeseed meal is processed within the business area, whereas crude rapeseed oil is processed within Oils & Fats and then sold to the food industry. The Feed Material production plant is located in Karlshamn.

The Environment

Concessions must be obtained for the Group's operations in Sweden as well as abroad. Group operations affect the environment as follows: emission to the air of odorous substances, organic solvents and smoke gases; emission to water of fat, oxygen-consuming substances and nutritive salts; and production of organic waste and noise pollution. A trial period for water emissions was finalised in 2001, and a new application was filed in early 2002. The application is not expected to require any considerable corrective actions. The plant in the United Kingdom is currently having its permit renewed, and a similar process has been initiated in the Netherlands. No major investments are expected in connection with either permit renewal. The Dutch subsidiary has made an undertaking to clean up a limited amount of soil pollution. In all, the Group's planned environmental investments are estimated at some SEK 12 million for the next three years.

Research and Development

Karlshamns operates an extensive research and development programme. The focus is mainly on the properties of fats in customer products, and the manufacture of fats. By engaging in product development in very close cooperation with its customers, Karlshamns can deliver tailor-made products while also building up a unique knowledge of various customer applications.

In line with the Group's strategy to increase the proportion of high value-added products, R&D operations now concentrate on the development of new and upgraded applications within Chocolate & Confectionery Fats, Edible Oils and Lipids for Care. The growth and profitability potential for vegetable oils and fats is considered to be very promising in these application areas. Research is mainly concentrated to the Group's largest

* The Directors report also covers the comments to the results and financial position that are presented in connection with the income statement, cash flow statement as well as the balance sheet (pages 35, 37 and 38).

business area, Oils & Fats, but also to Technical Products.

In addition to their close relations with customers, Karlshamns researchers are in regular contact with national and international authorities, research institutes, universities and colleges.

It is the Group's assessment that Karlshamns research and development is well advanced and at least on a level with the research and development performed by competitors. The Group is also well prepared to meet any new requirements from national or international authorities with respect to health, safety and environmental issues; for products as well as for production plants.

All in all, 35 of Karlshamns employees take part in research and development activities. In 2001 the Group's costs for research and development amounted to SEK 36 million, or slightly more than 4 per cent of the gross contribution of SEK 892 million.

Staff Warrants

On 18 May 1999, the Annual General Meeting decided that the company would raise a loan of a nominal maximum total of SEK 2,825,000 through the issue of promissory notes containing a maximum of 565,000 warrants to buy new shares. A total of 167,800 warrants were subscribed for out of the total of 546,400 offered. The price of one warrant was fixed at SEK 7.20. The subscription rate for the period 1 September 1999 to 31 August 2001 was set at SEK 101 per share, and for the period 1 September 2001 to 1 July 2004 at SEK 79 per share. Dilution on full conversion will be 0.8 per cent. Payments amounting to SEK 839,000 for the subordinated loan and SEK 1,208,160 for the warrants were received in July 1999. The loan notes bore an annual interest rate of 3 per cent and became due for payment on 1 July 2000.

Board of Directors

Karlshamns Board of Directors met five times during 2001. The work of the Board follows an annual reporting plan to ascertain the Board's own information requirements, but is also guided by the working plan established by the Board in respect of the division of responsibilities between the Board and the President.

The Board decides on the Group's overall strategy, its acquisitions and disposals of companies and real estate. Value limits are specified for investments requiring a decision by the Board of Directors.

Karlshamns risk management is regulated by the Group's financial and trading policies, which have both been established by the Board. During the year the Board has held discussions concerning goals and strategies for the Group as well as for

individual business areas. The Board has discussed the issue of the establishment of a special audit committee but decided that control issues brought to the Board should be handled by the Board as a whole. To ensure that the Board is fully informed, the parent company auditor in charge reports in person to the Board his observations from the audit and his assessment of the company's internal control systems. The Board has not set up any other committees.

Suggestions and opinions expressed by shareholders regarding the owners' control of the company, such as the composition of the Board, salaries and remuneration, pension and other employment terms for senior executives, etc., may be addressed to the Chairman of the Board or to the President.

Having acquired the shares held by Kooperativa Förbundet Ekonomisk Förening in June 2001, Melker Schörling Tjänste AB is now Karlshamns largest shareholder. During an extraordinary shareholders meeting held on 15 August 2001 Melker Schörling was appointed Chairman of the Board of Karlshamns AB, thereby replacing Kooperativa Förbundet's representative Jan Ohlsson. At that same shareholders meeting the second representative of Kooperativa Förbundet, Lars Hjorth, also resigned from the Board.

Repurchase of own shares

On 2 May 2001 the Annual General Meeting authorised the Board of Directors to repurchase a maximum 10 per cent of the company's own shares. The Board has at this time not utilised this option.

Proposed appropriation of profits

The Group

In accordance with the prepared balance sheet, the Group's unrestricted equity on 31 December 2001 amounted to SEK 257,691,000. No allocations to restricted reserves are proposed.

Parent Company

Available to the Annual General Meeting:

Balance brought forward	SEK 113,814,098
Net profit for the year	SEK 46,758,959
	SEK 160,573,057

The Board of Directors propose that the profits be disposed of as follows: a dividend of SEK 3.50 per share to be distributed to shareholders.

Dividend	SEK 73,500,000
Balance to be carried forward	SEK 87,073,057
	SEK 160,573,057

Consolidated income statement

Amounts in SEK 000s		2001	2000
Net sales	Notes 1,2	2,941,642	2,727,742
Changes in inventories		-551	8,526
Own work capitalised		8,843	12,089
Other operating income		14,949	11,340
Total operating income		2,964,883	2,759,697
Raw materials and supplies		-1,891,658	-1,804,913
Goods for resale		-115,279	-107,605
Other external expenses		-320,405	-341,924
Personnel costs	Note 3	-355,423	-326,961
Depreciation	Note 9	-86,387	-88,264
Items affecting comparability	Note 5	-	-26,693
Other operating expenses		-170	-695
Total operating expenses		-2,769,322	-2,697,055
Operating profit	Note 1	195,561	62,642
Financial income and expenses	Note 6	-14,191	-10,789
Profit after financial items		181,370	51,853
Tax	Note 8	-48,730	-23,454
Profit for the year		132,640	28,399

The Karlshamns Group's profit after net financial items, broken down quarterly

(SEK m)	2001					2000				
	1	2	3	4	Full year	1	2	3	4	Full year
Net sales	726	699	700	817	2,942	682	672	666	708	2,728
Gross contribution	222	219	218	233	892	209	198	180	172	759
Operating profit	47	49	54	46	196	45	20	52	-54	63
Financial items	-4	-4	-4	-2	-14	-3	-3	-2	-3	-11
Profit after financial items	43	45	50	44	182	42	17	50	-57	52

Comments to the income statement

Net sales

The Group's net sales increased by 8 per cent to SEK 2,942 million (2,728), mainly due to higher raw material prices and a certain volume growth.

Gross contribution

Gross contribution improved by 18 per cent to SEK 892 million (759), the major part of the growth generated by business area Oils & Fats.

Operating profit

The Group's operating profit increased by SEK 133 million over last year, to SEK 196 million. Last year's earnings were negatively affected by extraordinary items and provisions for bad debts totalling a net SEK 98 million. Exclusive of these items, this year's operating profit improved by SEK 35 million for the Group. Depreciations are in line with last year, SEK 86 million (88).

Profit after financial items

The Group's profit after financial items amounted to SEK 182 million (52).

Business Area Oils & Fats

(SEK million)	2001	2000	1999
Net sales	2,179	2,121	2,437
Gross contribution	651	525	612
Operating profit	143	6	155
Net operating assets	994	893	922
Return on net operating assets	16	1	16

The Oils & Fats business area's operating profit increased by SEK 137 million to SEK 143 million, compared to last year. Exclusive of items affecting comparability and provisions for bad debts profits improved by SEK 39 million, an increase

mainly attributable to growing sales volumes in the three business sectors along with a better product mix. Volumes increased by an aggregate 4 per cent, the largest growth being achieved in Western and Eastern Europe.

Business Area Technical Products

(SEK million)	2001	2000	1999
Net sales	397	355	323
Gross contribution	142	138	117
Operating profit	36	39	29
Net operating assets	133	117	120
Return on net operating assets	29	33	25

The Technical Products business area's operating profit amounted to SEK 36 million (39). The 8 per cent volume growth for fatty acids compensated for the falling glycerol prices, and Tefac could maintain the profit level achieved in 2000. Binol increased its sales volumes of environmentally responsible technical oils in 2001, but the general recession which mainly affected the motor industry had negative effects on operating profit.

Business Area Feed Materials

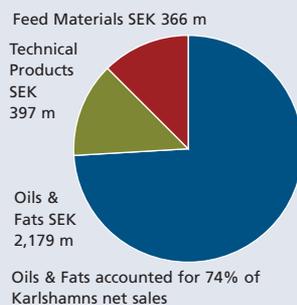
(SEK million)	2001	2000	1999
Net sales	366	252	240
Gross contribution	99	96	88
Operating profit	17	18	15
Net operating assets	137	91	66
Return on net operating assets	15	26	19

Operating profit in the Feed Materials business area totalled SEK 17 million (18). Contribution margins were low in the first six months of 2001, but improved in the second half of the year. The price of rapeseed meal fell notably around the turn of the year 2000 which caused losses in the rapeseed meal stocks. Sales of feed fats grew in 2001, with Karlshamns securing additional market shares on the Nordic markets where customers are laying more and more emphasis on product safety.

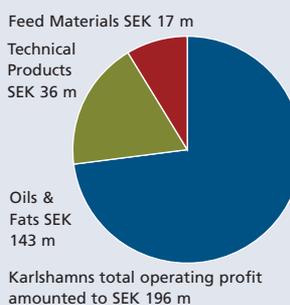
Karlshamns sales by geographic markets, 2001



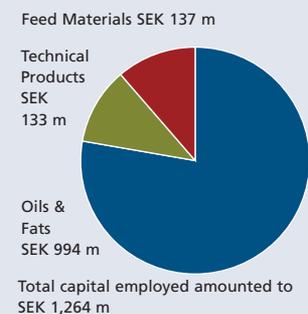
Net sales by business area, 2001



Operating profit by business area, 2001



Net operating assets by business area, 2001



Consolidated cash flow statement

Amounts in SEK 000s	2001	2000
OPERATING ACTIVITIES		
Operating profit before financial items	195,496	62,642
Depreciation	86,387	88,264
Changes in provisions	568	-7,564
Allocated KP and SPP refunds	–	-11,117
Other items not affecting liquidity	<u>-4,987</u>	<u>-6,901</u>
	277,464	125,324
Interest received	5,999	6,342
Dividend received	254	312
Interest paid	-23,259	-19,444
Tax paid	<u>-23,340</u>	<u>-77,732</u>
	237,118	34,802
Changes in working capital		
Increase/decrease in inventories	-65,547	6,918
Increase/decrease in accounts receivable – trade	-53,253	26,775
Decrease/increase in other current receivables	26,701	-24,433
Increase in accounts payable – trade	20,833	28,595
Decrease/increase in other current operating liabilities	-28,580	58,771
Cash flow from operating activities	137,272	131,428
INVESTMENT ACTIVITIES		
Investments in tangible fixed assets	-119,043	-101,450
Tangible fixed assets sold	771	1,672
Acquisition of shares and participations	–	-1,096
Sale of shares and participations	–	447
Investment in other financial fixed assets	718	-65
Cash flow from investment activities	-117,554	-100,492
FINANCING ACTIVITIES		
Loans raised	62,851	17,209
Decrease in current financial liabilities	-4,787	-2,365
Dividend paid	-73,500	-73,500
Cash flow from financing activities	-15,436	-58,656
Cash flow for the year	4,282	-27,720
Liquid funds, opening balance	63,549	90,103
Translation difference	2,609	1,166
Liquid funds, closing balance	70,440	63,549

Comments to the cash flow statement

Cash flow from operating activities amounted to SEK 137 million (131).

Cash flow from investment activities amounted to SEK -118 million (-100) over the year.

Operating activities

Cash flow from operating activities improved somewhat in 2001, totalling SEK 137 million (131) or SEK 6.54 per share (6.26). Rising profits had positive effects on the cash flow generated by operating activities, whereas higher raw material prices acted in the opposite direction by increasing inventory value as well as trade accounts receivable.

Investment activities

Cash flow generated by investment activities over the year amounted to SEK -118 million (-100). The Group's direct

investments in fixed assets totalled SEK 109 million (117). Business area Oils & Fats accounted for SEK 73 million (91) of the Group's net investments, Technical Products for SEK 9 million (12) and Feed Materials for SEK 27 million (14).

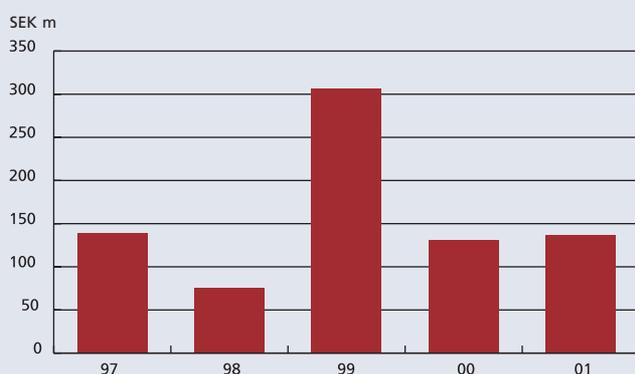
Liquid funds

The Group's liquid funds amounted to SEK 70 million at year-end (64), of which SEK 69 million (64) held in cash and cash equivalents and SEK 2 million (0) in short-term deposits.

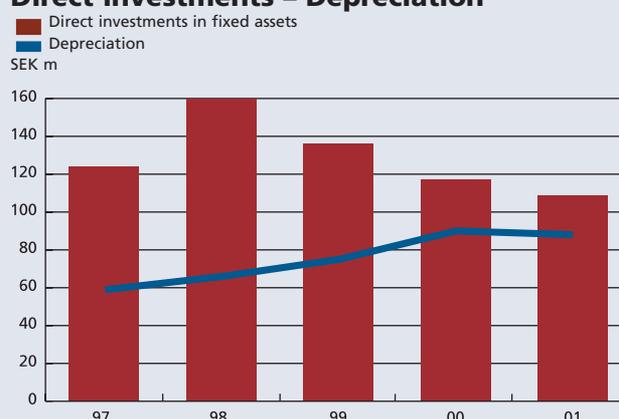
Net borrowings

Net borrowings increased by SEK 58 million in 2001 with the closing balance amounting to SEK 282 million. The Group's liabilities to credit institutions increased by SEK 65 million in 2001, totalling SEK 359 million at year-end.

Cash flow from operating activities



Direct investments – Depreciation



Changes in interest-bearing net liabilities

Amounts in SEK 000s	31.12.2000	Cash flow	Change in loans	Other changes	31.12.2001
Long-term receivables	11,117	-	-	-5,555	5,562
Current receivables	2,766	-	-	3,886	6,652
Liquid funds	63,549	4,282	-	2,609	70,440
Liabilities to credit institutions	-294,341	-	-64,552	-	-358,893
Other liabilities	-6,211	-	-	795	-5,416
Interest-bearing net liabilities	-223,120	4,282	-64,552	1,735	-281,655

Consolidated balance sheet

Amounts in SEK 000s		31.12.2001	31.12.2000
ASSETS			
Fixed assets			
Tangible fixed assets	Note 9		
Land and buildings		153,315	148,475
Plant and machinery		542,231	531,140
Equipment, tools, fixtures and fittings		15,751	9,624
Construction in progress		40,713	27,344
		752,010	716,583
Financial fixed assets			
Shares and participations	Notes 10,21	861	861
Long-term receivables	Note 11	17,507	18,694
		18,368	19,555
Total fixed assets		770,378	736,138
Current assets			
Inventories	Note 12	433,143	363,526
Current receivables			
Accounts receivable – trade		421,886	361,795
Other receivables	Note 13	103,303	125,604
Prepaid expenses and accrued income		16,061	11,490
		541,250	498,889
Current investments			
Bonds and securities		1,866	208
Cash and bank balances		68,574	63,341
Total current assets		1,044,833	925,964
TOTAL ASSETS		1,815,211	1,662,102

Comments to the balance sheet

Assets and working capital

The Group's total assets at year end totalled SEK 1,815 million, an increase of SEK 153 million over last year.

The Group's working capital at 31 December 2001 amounted to SEK 499 million (370). Working capital includes inventories totalling SEK 433 million at year-end, an increase of SEK 69 million over 2000. Operating receivables increased by SEK 45 million in 2001 - trade accounts receivable increasing by SEK 60 million whereas other receivables decreased by SEK 15 million.

Shareholders' equity

The Group's shareholders' equity increased by SEK 69 million in 2001, totalling SEK 850 million at closing date.

The increase was due to the following factors:

	SEK m
Profit for the year	133
Dividend	-74
Other changes	10
Total	69

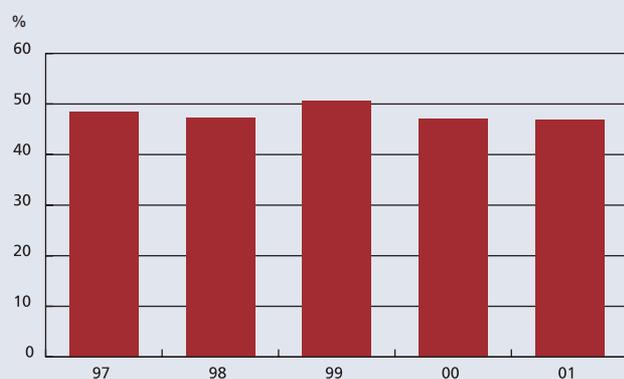
Other changes refer to currency translation effects from foreign subsidiaries. The equity/assets ratio at year-end was 47 per cent (47).

Key figures

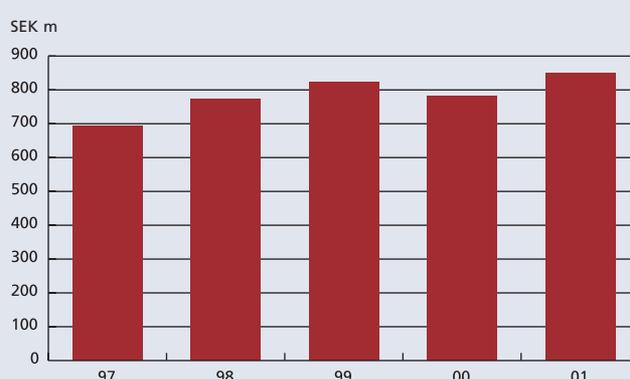
Return on shareholders' equity in 2001 amounted to 16 per cent (4). Return on net operating assets in 2001 amounted to 16 per cent (6). Earnings per share (EPS) increased to SEK 6.32 (1.35). Shareholders' equity per share increased to SEK 40.46 (37.20).

Amounts in SEK 000s		31.12.2001	31.12.2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	Note 14		
Restricted equity			
Share capital		210,000	210,000
Restricted reserves		381,884	309,166
		591,884	519,166
Unrestricted equity			
Distributable reserves		125,051	233,667
Profit for the year		132,640	28,399
		257,691	262,066
Total shareholders' equity		849,575	781,232
Provisions			
Pensions and similar commitments		4,029	3,215
Deferred tax	Note 16	128,338	93,303
Total provisions		132,367	96,518
Long-term liabilities			
Liabilities to credit institutions	Note 17	358,893	294,341
Other long-term liabilities	Note 18	848	848
Total long-term liabilities		359,741	295,189
Current liabilities			
Accounts payable - trade		255,482	241,861
Other current liabilities	Note 19	28,118	28,608
Accrued expenses and prepaid income	Note 20	189,928	218,694
Total current liabilities		473,528	489,163
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,815,211	1,662,102
Assets pledged		None	None
Contingent liabilities	Note 22	60,052	40,271

Equity/Assets Ratio



Shareholders' equity



Parent Company income statement

Amounts in SEK 000s		2001	2000
Net sales	Notes 1,2	1,982,494	1,832,422
Changes in inventories		-882	5,668
Own work capitalised		8,843	12,089
Other operating income		16,396	10,737
Total operating income		2,006,851	1,860,916
Raw materials and supplies		-1,302,785	-1,258,713
Goods for resale		-68,921	-87,277
Other external expenses		-210,112	-199,873
Personnel costs	Note 3	-236,610	-213,174
Depreciation	Note 9	-55,012	-61,595
Items affecting comparability	Note 5	-	-4,976
Total operating expenses		-1,873,440	-1,825,608
Operating profit	Note 1	133,411	35,308
Financial income and expenses	Note 6	35,063	28,000
Profit after net financial items		168,474	63,308
Appropriations	Note 7	-110,737	3,750
Tax	Note 8	-10,978	-15,441
Profit for the year		46,759	51,617

Parent Company cash flow statement

Amounts in SEK 000s	2001	2000
OPERATING ACTIVITIES		
Operating profit before financial items	133,411	35,308
Depreciation	55,012	61,586
Other items not affecting liquidity	<u>-9,498</u>	<u>-9,393</u>
	178,925	87,501
Interest received	15,258	9,383
Dividend received	13,762	9,312
Group contribution received	31,000	23,200
Interest paid	-26,270	-26,527
Tax paid	<u>-18,078</u>	<u>-37,753</u>
	194,597	65,116
Changes in working capital		
Increase in inventories	-43,647	-1,390
Increase in accounts receivable – trade	-29,895	-7,205
Increase/decrease in current receivables	-31,555	3,575
Increase in accounts payable – trade	14,088	33,553
Increase/decrease in other current operating liabilities	<u>34,322</u>	<u>-8,933</u>
Cash flow from operating activities	137,910	84,716
INVESTMENT ACTIVITIES		
Investments in tangible fixed assets	-88,107	-57,009
Tangible fixed assets sold	771	1,672
Investments in other financial fixed assets	<u>-3,274</u>	<u>4,761</u>
Cash flow from investment activities	-90,610	-50,576
FINANCING ACTIVITIES		
Loans raised	52,397	25,214
Repayment of liabilities	-	-8,219
Increase in current financial liabilities	1,800	-
Dividend paid	<u>-73,500</u>	<u>-73,500</u>
Cash flow from financing activities	-19,303	-56,505
Cash flow for the year	27,997	-22,365
Liquid funds, opening balance	18,889	41,254
Liquid funds, closing balance	46,886	18,889

Parent Company balance sheet

Amounts in SEK 000s		31.12.2001	31.12.2000
ASSETS			
Fixed assets			
Tangible fixed assets	Note 9		
Land and buildings		126,908	122,359
Plant and machinery		296,875	288,844
Equipment, tools, fixtures and fittings		7,633	3,471
Construction in progress		40,713	27,344
		472,129	442,018
Financial fixed assets			
Shares and participations	Notes 10,21	277,490	277,490
Long-term receivables	Note 11	120,500	103,524
		397,990	381,014
Total fixed assets		870,119	823,032
Current assets			
Inventories	Note 12	303,923	260,276
Current receivables			
Accounts receivable – trade		271,303	241,409
Other receivables	Note 13	158,928	113,672
Prepaid expenses and accrued income		10,736	6,712
		440,967	361,793
Cash and bank balances		46,886	18,889
Total current assets		791,776	640,958
TOTAL ASSETS		1,661,895	1,463,990

Amounts in SEK 000s		31.12.2001	31.12.2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	Note 14		
Restricted equity			
Share capital		210,000	210,000
Revaluation reserve		34,848	34,848
Statutory reserve		42,000	42,000
		286,848	286,848
Unrestricted equity			
Profit carried forward		113,814	135,697
Profit for the year		46,759	51,617
		160,573	187,314
Total equity		447,421	474,162
Untaxed reserves	Note 15	265,589	154,852
Long-term liabilities			
Liabilities to credit institutions	Note 17	345,690	293,857
Other long-term liabilities	Note 18	8,770	8,206
Total long-term liabilities		354,460	302,063
Current liabilities			
Accounts payable - trade		172,480	160,605
Other current liabilities	Note 19	262,631	196,909
Accrued expenses and prepaid income	Note 20	159,314	175,399
Total current liabilities		594,425	532,913
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,661,895	1,463,990
Assets pledged		None	None
Contingent liabilities	Note 22	66,052	40,271

Notes (amounts in SEK 000s unless otherwise stated)

ACCOUNTING PRINCIPLES

The Annual Report and Consolidated Accounts have been prepared in line with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations and opinions. The accounting and valuation principles applied are consistent with the previous year's, with the exception of income taxes where the Group has now implemented the Swedish Financial Accounting Standard Council's recommendation no. 9. Comparative figures for the years 2000 and 1999 have been restated accordingly. The Group also adjusted to other recommendations issued by the Council and effective from 2001. This did not, however, result in any change of accounting principles.

CONSOLIDATED ACCOUNTS

Subsidiaries

The consolidated accounts include Karlshamns AB and all companies in which the Parent Company, directly or indirectly, holds more than 50 per cent of the voting rights.

Acquisition accounting

The consolidated accounts are prepared in line with the acquisition accounting method. In cases where the acquisition value of shares in acquired subsidiaries exceeds the subsidiary's shareholders' equity at the time of acquisition, the difference is assigned to the subsidiary's assets or goodwill. Subsidiaries are consolidated from the acquisition date to disposal date. Intra-group transactions, intra-group receivables and liabilities as well as internal profits are eliminated.

Translation of the accounts of foreign subsidiaries

All foreign subsidiaries have been classified as independent business units. Hence, foreign subsidiaries' accounts have been translated into Swedish kronor using the current method whereby balance sheets are translated at the closing day rate and income statements at the average rate. Translation differences arising have been assigned directly to shareholders' equity. Whenever a foreign subsidiary is sold, the accumulated exchange rate differences are recorded as part of the capital gain/loss.

Translation has been effected at the following rates of exchange:

Currency	Average rate		Closing day rate	
	2001	2000	31.12.2001	31.12.2000
USD	10.33	9.16	10.60	9.49
NLG	4.19	3.84	4.24	4.00
GBP	14.92	13.93	15.34	14.13

Deferred tax

The Group reports deferred tax that is related to untaxed reserves and consolidation adjustments. Untaxed reserves and appropriations in individual companies are reversed in the consolidated accounts, by applying the actual tax rate for the country concerned. The calculated tax is recorded in the consolidated income statement as deferred tax. The accumulated deferred tax liability is recorded in the consolidated balance sheet as deferred tax under "Provisions".

Associated companies

Companies in which Karlshamns AB has a long-term shareholding corresponding to between 20 and 50 per cent of the voting rights are accounted for as associated companies. The aggregate effect on profits of these associated companies is insignificant, and they are therefore valued according to the acquisition cost method in the consolidated accounts.

VALUATION

Inventories

Inventories are valued at the lower of acquisition cost and net realisable value, the acquisition value being determined according to the FIFO (first-in, first-out) principle. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and a reasonable portion of overhead costs, based on normal production capacity but exclusive of interest expenses. The net realisable value is based on the estimated sales price under normal conditions, less production and marketing costs.

Receivables

Trade receivables are valued individually at the anticipated realisable value.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the closing day rate. In cases where currencies have been hedged, the valid futures rate applies. Currency gains and losses on operating receivables and liabilities are recorded net in operating profit/loss, whereas currency gains and losses on

financial receivables and liabilities are recorded as financial items.

Futures contracts for raw materials and currencies

Most futures contracts for raw materials and foreign currencies are signed to hedge the purchase prices on which actual sales contracts are based. Profits from closed positions are recorded as gain/loss on an ongoing basis.

Fixed assets

Tangible fixed assets are recorded at their acquisition value, less accumulated depreciation according to plan. Depreciation is based on the estimated useful life. For plant and machinery as well as equipment, tools, fixtures and fittings, depreciation periods range between 3 and 15 years. For industrial buildings and research laboratories depreciation periods of 20 or 25 years apply; for office buildings 50 years. Where the carrying amount of an asset is greater than its estimated recoverable amount, such asset is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Tax

All taxes on net profits are recorded in the income statement. Such taxes have been calculated on the basis of each individual country's tax rules and then reported as "Tax" in the income statement. Deferred taxes are accounted for using the liability method to reflect the net tax effects of all temporary differ-

ences between the financial reporting and tax bases of assets and liabilities, and are measured using enacted tax rates. The main part of such temporary differences arises from depreciation on tangible fixed assets, pension provisions and the carry-forward of unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary tax differences may be utilised.

Leasing

There is only one leased object in the Group classified as a financial lease. This asset is accounted for as a tangible fixed asset, with all future lease payments classified as a liability. All other lease agreements are insignificant and classified as operating leases.

Revenue recognition

Revenue is recognised upon shipment of products to customers in accordance with agreed terms of sales. Sales are reported net, exclusive of VAT, discounts and intra-group sales.

Cash and cash equivalents

Cash and bank balances are recorded at their acquisition value in the balance sheet. In the cash flow statements, liquid funds comprise cash in hand, bank balances, current accounts and deposits held at call with banks.

Research and development

Research and development costs are expensed as incurred.

Note 1 – Net sales and operating profit, per business area

Business area	Group				Parent Company			
	Net sales		Operating profit		Net sales		Operating profit	
	2001	2000	2001	2000	2001	2000	2001	2000
Oils & Fats	2,178,662	2,120,587	142,352	6,065	1,616,431	1,580,425	116,605	17,622
Technical Products	397,075	355,158	36,403	38,891	–	–	–	–
Feed Materials	365,905	251,997	16,806	17,686	366,063	251,997	16,806	17,686
Total	2,941,642	2,727,742	195,561	62,642	1,982,494	1,832,422	133,411	35,308

Note 2 – Net sales by geographic market

Geographic market	Group Net sales		Parent Company Net sales	
	2001	2000	2001	2000
The Nordic countries	1,432,700	1,337,452	1,267,595	1,175,314
Western Europe	674,134	623,409	98,689	88,148
Central and Eastern Europe	597,683	541,785	486,416	442,148
Other markets	237,125	225,096	129,794	126,812
Total	2,941,642	2,727,742	1,982,494	1,832,422

Note 3 – Salaries, remuneration and payroll overheads

	Group		Parent Company	
	2001	2000	2001	2000
Salaries and remuneration	239,163	228,896	148,582	142,671
Payroll overheads	111,735	108,932	80,963	76,584
(of which pension costs)	(41,095)	(42,351)	(32,253)	(27,447)

Of the Group's pension costs, SEK 8,072,000 (10,977,000) refers to Board, President and other senior executives.

Salaries and remuneration broken down by country and between Board members etc. and other employees:

	2001			2000		
	Board, President, other senior executives	Of which bonuses	Other employees	Board, President, other senior executives	Of which bonuses	Other employees
Parent company in Sweden	12,703	984	135,879	5,434	115	137,237
Subsidiaries in Sweden	2,114	110	37,915	2,584	152	33,626
	14,817	1,094	173,794	8,018	267	170,863
Subsidiaries abroad:						
The Netherlands	842	–	31,259	1,451	–	30,483
The UK	970	–	15,335	919	–	15,353
Lithuania	–	–	618	–	–	574
Malaysia	723	–	444	604	–	366
The Czech Republic	250	–	111	201	–	64
Group total	17,602	1,094	221,561	11,193	267	217,703

In line with the decision taken at the Annual General Meeting (AGM), fees to Board members who are not employed by the Group amounted to SEK 900,000 (800,000), of which SEK 300,000 (250,000) to the Chairman.

The President, Jerker Hartwall, was paid a salary for the year 2001 of SEK 2,420,000 (719,000) as well as a company car and free accommodation. Jerker Hartwall was also paid a bonus of SEK 720,000 (80,000).

The President is entitled to retire from the age of 58, maintaining 54 per cent of the gross salary excluding benefits until 65, when normal pension rights apply. Pension provisions have been made in the form of premium payments to insurance companies.

Termination of employment by the company for the President is 12 months, and 6 months if at his request. In the event that the company terminates his employment, the President is entitled to severance pay corresponding to one year's salary. Corresponding termination provisions apply for other senior executives.

Note 4 – Average number of employees

	2001			2000		
	No. of employees	Of whom men	Of whom women	No. of employees	Of whom men	Of whom women
Parent company in Sweden	457	356	101	481	365	116
Subsidiaries in Sweden	134	107	27	127	99	28
	591	463	128	608	464	144
Subsidiaries abroad:						
The Netherlands	83	69	14	86	73	13
The UK	44	37	7	43	37	6
Lithuania	5	3	2	5	3	2
Malaysia	5	2	3	5	2	3
The Czech Republic	3	1	2	2	1	1
Total abroad	140	112	28	141	116	25
Group total	731	575	156	749	580	169

Note 5 – Items affecting comparability

	Group		Parent Company	
	2001	2000	2001	2000
Refund payment from KP and SPP	–	23,602	–	16,964
Restructuring costs				
Termination salary and redundancy payment	–	-15,019	–	-7,683
Early retirement pension	–	-14,264	–	-8,326
Strategic overhaul	–	-15,340	–	-7,340
Other	–	-5,672	–	1,409
Total	–	-26,693	–	-4,976

Note 6 – Financial items

	Group		Parent Company	
	2001	2000	2001	2000
Profit from shares in subsidiaries				
Dividend			13,500	9,000
Group contribution			31,000	32,800
Gain/loss on other shares and participations				
Dividend	262	312	262	312
Gain/loss on receivables				
Interest income, subsidiaries			11,598	8,391
Interest income, other	7,141	5,904	3,062	2,135
Gain/loss on liabilities				
Interest expense, subsidiaries			-5,970	-10,471
Interest expense, other	-21,594	-17,005	-18,389	-14,167
Net financial items	-14,191	-10,789	35,063	28,000

Note 7 – Appropriations

	Parent Company	
	2001	2000
Change in depreciation in excess of plan		
- buildings	3,446	3,750
- machinery and equipment	-103,700	–
Change in tax allocation reserve	-10,483	–
Total	-110,737	3,750

Note 8 – Tax

	Group		Parent Company	
	2001	2000	2001	2000
Current tax	-13,521	-11,315	-10,094	-18,884
Current tax on previous years' profits	-5,152	–	-5,087	–
Deferred tax expense on temporary differences	-35,035	-17,679	–	–
Deferred tax income on temporary differences	4,978	5,540	4,203	3,443
Total	-48,730	-23,454	-10,978	-15,441

	Group	Parent company
	2001	2001
Difference between nominal and actual tax charge	2001	2001
Profit before tax	181,370	57,737
Nominal tax 28 per cent	50,784	16,166
Tax effect of non tax expenses	3,813	3,528
Tax effect of tax-exempt income	-4,741	-8,521
Adjustment for previous years' tax	5,152	5,087
Deferred tax asset on pensions	-4,203	-4,203
Effect of different tax rates in other countries	-1,231	–
Other	-844	-1,079
Total	48,730	10,978

Note 9 – Tangible fixed assets

	Land and buildings		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress	
	2001	2000	2001	2000	2001	2000	2001	2000
The Group								
Acquisition value, opening balance	333,862	327,547	1,020,539	895,964	79,622	77,592	27,344	36,165
Additions	7,092	1,142	55,005	84,410	10,608	5,583	36,306	25,605
Disposals	-454	-1,319	-898	-1,817	-1,378	-907	–	–
Reclassifications	5,094	4,812	13,886	32,736	3,957	-3,122	-22,937	-34,426
Translation differences	3,672	1,680	23,596	9,246	830	476	–	–
Accumulated acquisition value, closing balance	349,266	333,862	1,112,128	1,020,539	93,639	79,622	40,713	27,344
Depreciation, opening balance	220,235	210,826	489,399	417,991	69,998	59,449	–	–
Disposals	–	-107	-480	-1,610	-1,322	-676	–	–
Reclassifications	–	–	-1,595	2,331	1,595	-2,331	–	–
Depreciation charge of the year	8,536	8,503	70,921	66,558	6,918	13,195	–	–
Translation differences	2,028	1,013	11,652	4,129	699	361	–	–
Accumulated depreciation, closing balance	230,799	220,235	569,897	489,399	77,888	69,998	–	–
Write-ups, opening balance	34,848	34,848	–	–	–	–	–	–
Accumulated write-ups, closing balance	34,848	34,848	–	–	–	–	–	–
Residual value, according to plan, closing balance	153,315	148,475	542,231	531,140	15,751	9,624	40,713	27,344
Tax assessment values								
Swedish companies								
Buildings	99,144	98,673						
Land	43,853	43,866						
Total	142,997	142,539						
Book value of corresponding assets	129,468	125,058						

Note 9 – Tangible fixed assets - contd.

	Land and buildings		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress	
	2001	2000	2001	2000	2001	2000	2001	2000
Parent Company								
Acquisition value, opening balance	267,207	261,315	372,217	306,982	18,616	16,346	27,344	36,165
Additions	6,651	1,141	36,424	37,101	6,512	2,275	36,306	25,605
Disposals	-454	-1,319	-621	-222	-	-5	-	-
Reclassifications	5,094	6,070	16,386	28,356	1,458	-	-22,937	-34,426
Accumulated acquisition value, closing balance	278,498	267,207	424,406	372,217	26,586	18,616	40,713	27,344
Depreciation, opening balance	179,696	173,272	83,373	38,687	15,145	4,816	-	-
Disposals	-	-92	-304	-55	-	-	-	-
Depreciation	6,742	6,516	44,462	44,741	3,808	10,329	-	-
Accumulated depreciation, closing balance	186,438	179,696	127,531	83,373	18,953	15,145	-	-
Write-ups, opening balance	34,848	34,848	-	-	-	-	-	-
Accumulated write-ups, closing balance	34,848	34,848	-	-	-	-	-	-
Residual value according to plan, closing balance	126,908	122,359	296,875	288,844	7,633	3,471	40,713	27,344
Tax assessment value								
Buildings	96,381	95,806						
Land	43,046	42,959						
Total	139,427	138,765						
Book value of corresponding assets	126,908	122,359						

Note 10 – Shares and participations

	Group		Parent Company	
	2001	2000	2001	2000
Shares in subsidiaries				
Acquisition value, opening balance			230,545	230,545
Accumulated acquisition value, closing balance			230,545	230,545
Write-ups, opening balance			94,878	94,878
Accumulated write-ups, closing balance			94,878	94,878
Write-downs, opening balance			48,793	48,793
Accumulated write-downs, closing balance			48,793	48,793
Residual value, closing balance			276,630	276,630
Shares in associated companies				
Acquisition value, opening balance	711	1,158	711	711
Disposals	-	-447	-	-
Accumulated acquisition value, closing balance	711	711	711	711
Planned residual value, closing balance	711	711	711	711
Shares in other companies				
Acquisition value, opening balance	150	91	149	90
Additions	-	59	-	59
Accumulated acquisition value, closing balance	150	150	149	149
Residual value	150	150	149	149
Total	861	861	277,490	277,490

See Note 21 for shareholding specifications.

Note 11 – Long-term receivables

	Group		Parent Company	
	2001	2000	2001	2000
Receivables from subsidiaries				
Acquisition value, opening balance			156,896	198,319
Loans			9,866	790
Repayment			–	-10,088
Reclassification			–	-36,602
Translation difference			9,498	4,477
Accumulated acquisition value, closing balance			176,260	156,896
Write-downs, opening balance			65,935	65,935
Accumulated write-downs, closing balance			65,935	65,935
Book value, receivables from subsidiaries			110,325	90,961
Other receivables				
Interest-bearing				
Acquisition value, opening balance	11,117	–	9,120	–
Refund from KP and SPP	-5,555	11,117	-6,591	9,120
	5,562	11,117	2,529	9,120
Non interest-bearing				
Acquisition value, opening balance	7,577	1,903	3,443	–
Deferred tax asset	4,978	5,540	4,203	3,443
Repayment	-610	–	–	–
Loans	–	134	–	–
	11,945	7,577	7,646	3,443
Book value, other receivables	17,507	18,694	10,175	12,563
Total long-term receivables	17,507	18,694	120,500	103,524

Note 12 – Inventories

	Group		Parent Company	
	2001	2000	2001	2000
Raw materials and supplies	322,891	263,058	234,716	190,187
Work in progress	40,483	31,020	33,036	29,331
Finished goods and goods for resale	69,769	69,448	36,171	40,758
Total	433,143	363,526	303,923	260,276

Note 13 – Other receivables

	Group		Parent Company	
	2001	2000	2001	2000
Interest-bearing				
Refund from KP and SPP	6,652	2,766	5,639	4,251
Non interest-bearing				
Receivable from subsidiaries			82,598	73,506
Current tax assets	29,865	27,134	32,162	23,529
Other receivables	66,786	95,704	38,529	12,386
	96,651	122,838	153,289	109,421
Total	103,303	125,604	158,928	113,672

Note 14 – Shareholders' equity

The Group	Share	Restricted	Non-restricted	
	capital	reserves	equity	Total
Balance sheet 31 December 1999	210,000	282,735	334,776	827,511
Effect of new accounting principle			-5,636	-5,636
Adjusted balance sheet 31 December 1999	210,000	282,735	329,140	821,875
Other adjustment as per Annual Report of 2000		26,431	-60,571	-34,140
Effect of new accounting principle			-6,503	-6,503
Adjusted balance sheet 31 December 2000	210,000	309,166	262,066	781,232
Dividend			-73,500	-73,500
Transfer between restricted and non-restricted equity		72,718	-72,718	-
Translation differences			9,203	9,203
Profit for the year			132,640	132,640
Balance sheet 31 December 2001	210,000	381,884	257,691	849,575

Parent Company	Share	Reval-	Statu-	Non-	Total
	capital	uation	tory	restricted	
Balance sheet 31 December 2000	210,000	34,848	42,000	183,871	470,719
Effect of new accounting principle				3,443	3,443
Adjusted balance sheet 31 December 2000	210,000	34,848	42,000	187,314	474,162
Dividend				-73,500	-73,500
Profit for the year				46,759	46,759
Balance sheet 31 December 2001	210,000	34,848	42,000	160,573	447,421

The share capital consists of 21,000,000 shares at a nominal value of SEK 10 each.

Note 15 – Untaxed reserves

	Parent Company	
	2001	2000
Depreciation in excess of plan		
- buildings	29,063	32,509
- machinery and equipment	103,700	-
Tax allocation reserve	132,826	122,343
Total	265,589	154,852

Note 16 – Deferred tax

Temporary differences	Group		Parent Company	
	2001	2000	2001	2000
Deferred tax asset				
Tax losses carried forward	2,872	2,097	-	-
Pensions	7,004	3,443	7,004	3,443
Other	642	-	642	-
Total	10,518	5,540	7,646	3,443
Deferred tax liability				
Untaxed reserves	91,762	59,300	-	-
Consolidation adjustments	5,706	-778	-	-
Machinery and equipment	30,870	34,781	-	-
Total	128,338	93,303	-	-

Deferred tax asset is recorded as a Long-term receivable, see note 11.

Note 17 – Liabilities to credit institutions

	Group		Parent Company	
	2001	2000	2001	2000
Interest-bearing				
Borrowings in foreign currency	135,174	109,936	135,174	109,936
Credit market loans	223,719	184,405	210,516	183,921
Total	358,893	294,341	345,690	293,857
Of which falls due after five years	0	0	0	0

Note 18 – Other long-term liabilities

	Group		Parent Company	
	2001	2000	2001	2000
Interest-bearing				
Liabilities to subsidiaries			4,036	3,472
Other long-term liabilities	848	848	–	–
	848	848	4,036	3,472
Non interest-bearing				
Liabilities to subsidiaries			3,886	3,886
Other long-term liabilities	–	–	848	848
	–	–	4,734	4,734
Total	848	848	8,770	8,206
Of which falls due after five years	0	0	0	0

Note 19 – Other current liabilities

	Group		Parent Company	
	2001	2000	2001	2000
Interest-bearing				
Other liabilities	4,568	5,363	–	–
Non interest-bearing				
Tax liabilities	–	–	5,736	–
Liabilities to subsidiaries			242,247	184,042
Other liabilities	23,550	23,245	14,648	12,867
	23,550	23,245	262,631	196,909
Total	28,118	28,608	262,631	196,909

Note 20 – Accrued expenses and prepaid income

	Group		Parent Company	
	2001	2000	2001	2000
Non interest-bearing				
Accrued salary costs	36,140	36,859	26,113	26,113
Accrued payroll overheads	19,748	22,755	14,534	14,534
Accrued pension costs	8,947	12,722	8,947	6,701
Customs duties	85,718	101,420	85,536	99,697
Other	39,375	44,938	24,184	28,354
Total	189,928	218,694	159,314	175,399

Note 21 – Specification of shares and participations

PARENT COMPANY'S SHARES IN SUBSIDIARIES

Swedish subsidiaries	Co. reg. no.	Registered office	No. of shares	Share of equity, %	Book value
Karlshamns Sweden AB	556377-1574	Karlshamn	1,000	100	144,778
Tefac AB	556283-5214	Karlshamn	1,000	100	40,050
Binol AB	556111-3472	Karlshamn	20,000	100	3,000
Karlshamns Crushing & Feed AB	556026-0811	Karlshamn	81,000	100	9,238
Belico Holding AB	556537-0904	Karlshamn	9,000	100	750
Karlshamns Lipid Specialities AB	556283-5156	Karlshamn	20,000	100	3,040
Gnikiv East Holding AB	556379-1598	Karlshamn	1,000	100	100
Karlshamns Baltic Holding AB	556381-8664	Karlshamn	1,000	100	100
Lipex AB	556345-4585	Karlshamn	1,000	100	100
Filium AB	556305-9426	Karlshamn	20,000	100	230
Binol Vegetabiliska Oljor AB	556345-4577	Karlshamn	2,000	100	200
					201,586

Foreign subsidiaries		Registered office	No. of shares	Share of equity, %	Book value
Karlshamns B.V., the Netherlands		Zaandijk	500	100	2,145
Karlshamns UK Holdings Plc. , United Kingdom		Hull	4,848,499	100	69,960
Karlshamns International Plc. , United Kingdom		Hull	50,000	100	–
Chambers & Fargus Ltd , United Kingdom		Hull	900,000	100	–
Karlshamns Ltd , United Kingdom		Hull	1,500,000	100	–
Karlshamns (M) Sdn. Bhd., Malaysia		Kuala Lumpur	1,500,000	100	2,806
Karlshamns Far East Sdn. Bhd. , Malaysia		Kuala Lumpur	500,000	100	133
Karlshamns Specialty Fats Sdn. Bhd. , Malaysia		Kuala Lumpur	2	100	0
					75,044
Total					276,630

GROUP'S AND PARENT COMPANY'S SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	Co. reg. no.	Registered office	No. of shares	Share of equity, %	Book value	Group's share of operating profit/loss 2001	Group's share of equity 2001
Swedish							
Rapsester AB	556375-3564	Karlshamn	500	50	50	0	50
Karlshamns Stuveri och Terminal AB	556008-2264	Karlshamn	2,757	20.6	379	0	1,130
Foreign							
Akoleo S.A., Switzerland		Geneva	60	20	282	392	2,097
Total					711	392	3,277

GROUP'S AND PARENT COMPANY'S SHARES AND PARTICIPATIONS IN OTHER COMPANIES

	Co. reg. no.	Registered office	No. of shares	Share of equity, %	Book value
Svensk Raps AB	556220-7406	Malmö	300	10.0	59
Elektronikcentrum i Svängsta AB	556254-0905	Svängsta	1,609	8.7	90
Shares in associations and minor holdings			5	0	1
Total					150

Note 22 – Contingent liabilities

	Group		Parent Company	
	2001	2000	2001	2000
Guarantees				
On behalf of subsidiaries	63,614	38,030	63,614	38,030
Other	2,438	2,241	2,438	2,241
Total	66,052	40,271	66,052	40,271

Note 23 – Auditors' fees

	Group		Parent Company	
	2001	2000	2001	2000
Öhrlings PricewaterhouseCoopers				
Audit assignments	1,221	1,503	445	623
Other assignments	8,447	1,335	8,362	1,287
Other auditors				
Audit assignments	103	110		
Other assignments	50	40		

Audit assignments refer to the audit of the annual report, the accounting records and the administration by the Board of Directors and the President. Audit assignments also include any other responsibility of the company's auditor, along with advisory or other professional services brought about by observations made in the framework of such audit or responsibilities. All other activities are classified as "Other assignments".

Karlshamn, Sweden, 13 March 2002

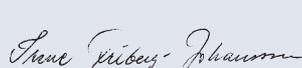

Melker Schörling
Chairman of the Board


Clas Eriksson


Håkan Hellmo


Mikael Ekdahl


Gösta Wiking


Irene Friberg-Johansson


Leif Håkansson


Lars Lindegren


Jerker Hartwall
President

Our audit report was submitted on 13 March 2002
Öhrlings PricewaterhouseCoopers AB


Åke Christiansson
Auktoriserad revisor
(Authorized public accountant)

Audit report

**To the general meeting of the shareholders of
Karlshamns AB (publ)
Corporate identity number 556478-1796**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Karlshamns AB (publ) for the year 2001. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual

accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Karlshamn, Sweden, 13 March 2002

Öhrlings PricewaterhouseCoopers AB



Åke Christiansson
Auktoriserad revisor

(Authorized public accountant)

The Karlshamns Share

Karlshamns shares have been listed on the Stockholm Stock Exchange since 1997. A round lot consists of 200 shares.

In 2001 a total of 5,018,493 Karlshamns shares were traded, equivalent to 23.9 per cent of the total number of shares. The value of Karlshamns shares traded was SEK 338,799,296. The shares were traded on all days that the Exchange was open for business. An average 20,000 shares a day were traded.

Share capital

Karlshamns nominal share capital amounts to SEK 210 million and consists

of 21 million shares, each with a nominal value of SEK 10. Each share carries equal rights to participate in the company's assets and profits. Each share also entitles the holder to one vote and, at the Annual General Meeting, each person entitled to vote may vote his/her entire shareholding, and shares held by proxy, without limitation to the number of votes.

Staff warrants

Following the Annual General Meeting's (AGM) decision in May 1999 the company raised a subordinated loan of a

nominal maximum SEK 2,825,000 through the issue of promissory notes of no more than 565,000 warrants for the subscription of new shares. Employees subscribed to 167,800 of the total 546,400 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 will be 0.8 per cent. The subordinated loan carried an annual interest rate of 3 per cent and matured on 1 July 2000.

Division of shareholding 31 December 2001

Number of shares	Number of share-holders	Share of all share-holders, %	Share of share capital and voting rights, %
1-500	3,952	71.73	3.82
501-1,000	841	15.26	3.48
1,001-2,000	346	6.28	2.79
2,001-5,000	204	3.70	3.39
5,001-10,000	76	1.38	2.76
10,001-20,000	41	0.74	2.99
20,001-50,000	28	0.51	4.34
50,001-100,000	8	0.15	2.97
100,001-	14	0.25	73.46
Total	5,510	100	100

Major shareholders 31 December 2001

	Number of shares	Share of share capital and voting rights%
Melker Schörling Tjänste AB	6,512,823	31.0%
Lantmännen Invest AB	4,454,245	21.2%
Alecta Pensionsförsäkring	800,242	3.8%
KP Pension & Försäkring	799,300	3.8%
AMF Pensionsaktiefond-Sverige	680,000	3.2%
AMF Pensionsförsäkring AB	671,400	3.2%
Livförsäkringsbolaget Skandia	530,711	2.5%
Banco Småbolagsfond	280,000	1.3%
Försäkringsbolaget pensionsgaranti	181,700	0.9%
Andra AP-fonden	168,057	0.8%
Other shareholders	5,921,522	28.3%
	21,000,000	100.0%

Data per share

	1996	1997	1998	1999	2000	2001
Number of shares (000s)	14,000	21,000	21,000	21,000	21,000	21,000
Outstanding warrants (000s)	–	–	–	168	168	168
Number of shareholders	–	4,686	4,971	5,203	4,964	5,510
Share price at year-end, SEK	–	124.00	60.00	70.50	67.00	80.50
Dividend, SEK	10.50	3.50	3.50	3.50	3.50	3.50 ¹⁾
Yield, %	–	2.8	5.8	5.0	5.2	4.3
Dividend as % of year's profit after tax, %	88.6	40.3	51.5	59.9	258.8	55.4 ¹⁾
Earnings per share before conversion and utilisation of warrants, SEK	11.84	8.68	6.80	5.84	1.35	6.32
Earnings per share after conversion and utilisation of warrants, SEK	11.84	8.68	6.80	5.80	1.34	6.27
Shareholders' equity per share before conversion and utilisation of warrants, SEK	45.96	33.10	36.77	39.14	37.20	40.46
P/E ratio after tax, SEK	–	14.3	8.8	12.1	49.6	12.7
Share price/Equity	–	3.7	1.6	1.8	1.8	2.0

1) Proposed dividend.
For definitions, see page 59.

Changes in ownership

Between 1932 and 1993, Karlshamns was a subsidiary of Kooperativa Förbundet (KF) (the Swedish consumer co-operative). In 1994 the ownership structure was altered to include KF Invest AB, Lantmännen Invest AB, Nordic Capital AB and Karlshamns Management.

In conjunction with wider ownership and the Stock Exchange listing in 1997, Karlshamns gained some 4,650 new shareholders.

In 1999, KF Invest transferred its holding in Karlshamns to Kooperativa Förbundet Ekonomisk Förening, KF Finans, in connection with the reorganisation of KF Invest.

In 2000 Melker Schörling Tjänste AB acquired 1,960,257 shares, equivalent to 9.3 per cent of the share capital and voting rights. In 2001 Melker Schörling Tjänste AB also acquired the entire shareholding of KF Finans, corresponding to 4,523,366 shares. Today Melker Schörling Tjänste AB is thereby the largest shareholder of Karlshamns AB, holding a total of 31 per cent of share capital and votes.

The number of shareholders in Karlshamns AB increased by 546 during the year, from 4,964 at the end of 2000 to 5,510. The largest change was recorded among owners holding up to 500 shares, where the number of shareholders increased by 359 up to 3,952.

At the end of 2001, institutions held 26.1 per cent of the shares, a decrease of 11.6 percentages from 2000. The number of Swedish institutions fell by 12.9 percentages to 23.7 per cent (36.6), whereas foreign institutions increased by 1.4 percentages to 2.5 per cent (1.1).

Private ownership in Sweden increased to 20.7 per cent (19.2), the corresponding share of foreign private owners increasing to 1.0 per cent (0.3).

Total foreign ownership at year-end was 3.5 per cent (1.4) or 719,018 shares (287,670).

Of the total number of shares, 68.6 per cent were directly registered (56.0). In all, 14,403,627 shares were directly registered (11,767,952), divided among 2,632 owners (2,572).

The number of nominee-registered shares at year-end was 31.4 per cent (44.0), corresponding to 6,596,373 shares (9,232,048) divided among 2,878 owners (2,392). Karlshamns major shareholders at year-end are specified in the table on page 56.

Dividend policy

The aim of the Board of Directors for Karlshamns is to develop and maintain a financial balance with respect to financial position, net income, cash flow and anticipated future profitability. Based on these objectives, it is the Board's intention that 35 – 50 per cent of the Group's profit after tax for the year will be distributed as dividends.

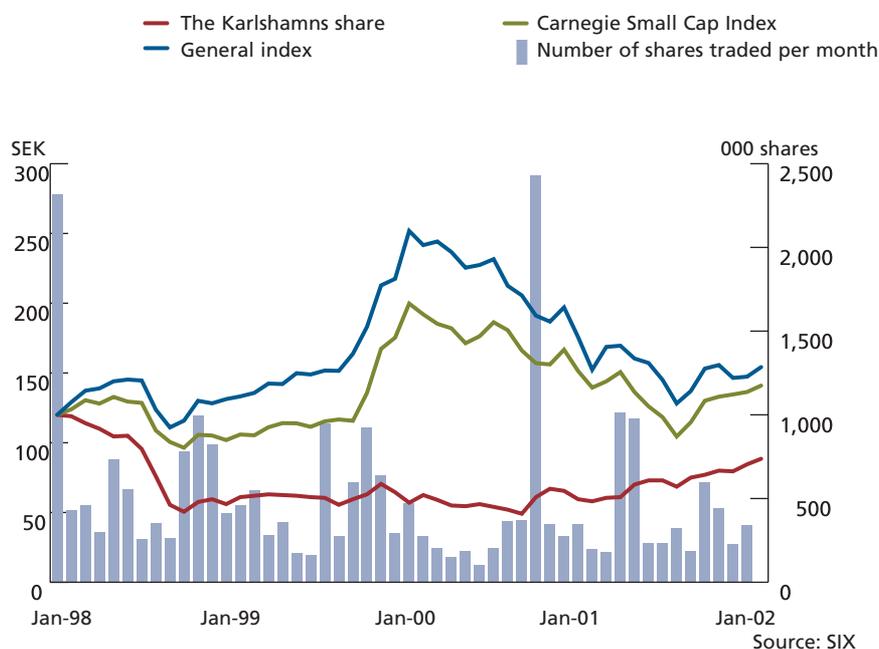
Repurchase of own shares

On 2 May 2001 the Annual General Meeting (AGM) authorised the Board to repurchase a maximum 10 per cent of the company's own shares. The Board has yet to exercise this, and consequently no repurchase of shares has so far been made.

Dividend proposal

The Karlshamns Board proposes that a dividend of SEK 3.50 per share be paid for the 2001 financial year, in line with last year. The proposal is slightly higher than the level stated by the company's dividend policy, but is justified by the company's strong financial position and expected future profitability. Based on the market price for the share at year-end the proposed dividend gives a yield equivalent of 4.3 per cent.

Karlshamns



Five-year summary

SEK m unless otherwise stated	1997	1998	1999	2000	2001
Income statement					
Net sales	3,188	3,163	3,000	2,728	2,942
Proportion of net sales from abroad, %	57.9	60.6	62.9	61.5	62.0
Gross contribution	862	833	817	759	892
Operating profit	252	210	199	63	196
Profit after net financial items	239	194	185	52	182
Profit for the year	182	143	123	28	133
Operating profit per business area					
Oils & Fats	210	162	155	6	143
Technical Products	23	31	29	39	36
Feed Materials	19	17	15	18	17
Balance sheet					
Fixed assets	537	632	687	736	770
Current assets	899	1,006	939	926	1,045
Shareholders' equity	695	772	822	781	850
Provisions	106	113	103	97	132
Liabilities	635	753	701	784	833
Net operating assets	930	1,185	1,108	1,101	1,264
Net liabilities	159	318	183	223	282
Key figures					
Return on net operating assets, %	30.3	19.8	16.0	5.6	16.4
Return on shareholders' equity, %	27.2	19.5	15.5	3.4	16.4
Equity/assets ratio, %	48.4	47.2	50.6	47.0	46.8
Debt/equity ratio, multiple	0.23	0.41	0.22	0.29	0.33
Proportion of risk-bearing capital, %	53.7	53.3	56.2	52.3	53.6
Interest cover ratio, multiple	16.0	11.2	11.2	4.0	9.4
Capital turnover rate, multiple	3.9	3.0	2.4	2.4	2.5
Cash flow from operating activities	139	76	307	131	137
Direct investments in fixed assets	124	160	136	117	109
Research and development costs	33	34	34	35	36
Average number of employees	806	787	782	749	731
of whom in Sweden	629	617	619	608	591
of whom abroad	177	170	163	141	140
Salaries, wages and remuneration	225	223	226	229	239
Share data					
Number of shares (000)	21,000	21,000	21,000	21,000	21,000
Outstanding warrants (000)	–	–	168	168	168
Earnings per share before conversion and utilisation of warrants, SEK	8.68	6.80	5.84	1.35	6.32
Earnings per share after conversion and utilisation of warrants, SEK	8.68	6.80	5.80	1.34	6.27
Shareholders' equity per share before conversion and utilisation of warrants ¹⁾ , SEK	33.10	36.77	39.14	37.20	40.46
Dividend per share, SEK ²⁾	3.50	3.50	3.50	3.50	3.50 ³⁾

1) Before proposed dividend. The dividend for 2000, paid out in May 2001, amounted to SEK 73.5 million or SEK 3.50 per share

2) Approved dividend

3) Proposed dividend

Definitions

KEY FIGURES

Net operating assets

Total assets less liquid funds, interest-bearing receivables and non interest-bearing operating liabilities, and excluding deferred tax.

Capital turnover rate

Net sales divided by average capital employed.

Dividend ratio

Dividend per share as a percentage of earnings per share.

Earnings per share (EPS)

Profit for the year divided by the number of shares at year end.

Equity/assets ratio

Shareholders' equity including minority shares as a percentage of the balance sheet total.

Gross contribution

Operating income less the cost of raw materials.

Interest cover ratio

Operating profit/loss, plus financial income divided by financial expenses.

Liquid funds

Cash and bank balances plus short-term investments.

Market value/Shareholders' equity

Listed price divided by shareholders' equity per share.

Net liabilities

Total interest-bearing liabilities less interest-bearing assets.

Net debt/equity ratio

Net borrowings divided by shareholders' equity including minority shares.

Working capital

Non interest-bearing current assets less non interest-bearing liabilities, excluding deferred tax liabilities.

P/E ratio

Market value divided by earnings per share.

Proportion of risk-bearing capital

Shareholders' equity, minority share of equity and deferred tax, divided by the balance sheet total.

Return on net operating assets

Operating result divided by average net operating assets.

Return on shareholders' equity

Profit/loss for the year as a percentage of average shareholders' equity.

Shareholders' equity per share

Shareholders' equity divided by the number of shares at year end.

Yield

Dividend per share as a percentage of market price per share.



Melker Schörling



Mikael Ekdahl



Clas Eriksson



Jerker Hartwall



Håkan Hellmo



Lars Lindegren



Gösta Wiking



Irene Friberg-Johansson



Leif Håkansson



Ann Magnusson

Board of Directors

Board members appointed by the Annual General Meeting

Melker Schörling

Born 1947.
Chairman of the Board.
Board member since 2001.
Other Board positions:
Chairman of Securitas, Hexagon, Attendo Senior Care.
Vice Chairman of Assa Abloy.
Board member of Cardo, H&M and Skandia.
Shareholding: 6,512,823 shares (via own company)
Warrants: 0
melker.schorling@securitas-group.com

Mikael Ekdahl

Born 1951.
Board member since 2001.
Attorney and partner of Mannheimer Swartling Advokatbyrå AB.
Other Board positions:
Chairman of Marco AB.
Board member of Nordbankens Södra Region, Konstruktionsbakelit AB and Bong Ljungdahl AB.
Shareholding: 8,000 shares
Warrants: 0
mek@msa.se

Jerker Hartwall

Born 1952.
President and C.E.O.
Board member since 2001.
Board member of Novozymes, DK
Shareholding: 30,300 shares
Warrants: 0
jerker.hartwall@karlshamns.se

Clas Eriksson

Born 1949.
President of Lantmännen Invest.
Board member since 1994.
Other Board positions:
Board member of AnalyCen Nordic AB, Lantmännen Invest AB, Svalöf Weibull AB, Melacure Therapeutics AB, Swecon Anläggningsmaskiner HB, SweLog Skogsmaskiner HB.
Shareholding: 0
Warrants: 0
clas.eriksson@lantmannen.se

Håkan Hellmo

Born 1941.
President of Svenska Lantmännen.
Deputy member 1994 – 96.
Board member since 1997.
Other Board positions:
Chairman of Lantmännen Invest AB, Lantmännens Maskinimport AB, Lactamin AB, AnalyCen AB, Doggy AB.

Board member of Svenska Lantmännen, Cerealia AB, Svalöf Weibull AB, Spintab, Spira AB, Solanum AB.
Shareholding: 2,000 shares
Warrants: 0
hakan.hellmo@lantmannen.se

Lars Lindegren

Born 1937.
Board member since 1999.
Other Board positions:
Chairman of Metcon Medicin AB.
Board member of Angiogenetics Sverige AB, Photocure ASA, Suptratek Pharma Inc, Tripep AB, Gelileo Genomics Inc (Canada) and Xanthus Life Sciences Inc (the US).
Shareholding: 0
Warrants: 0
lars@lindegren.com

Gösta Wiking

Born 1937.
Board member since 1997.
Other Board positions:
Chairman of Bure Equity AB, Mölnlycke Health Care AB, Tribon AB and Angiogenetics AB.
Vice Chairman of SEB.
Board member of Bong Ljungdahl AB and Possio AB.
Shareholding: 300 shares
Warrants: 0
g.wiking@telia.com

Board members appointed by the employees

Irene Friberg-Johansson

Born 1945.
Karlshamns AB
Appointed by PTK.
Board member since 1993.
Shareholding: 0
Warrants: 200
irene.friberg@karlshamns.se

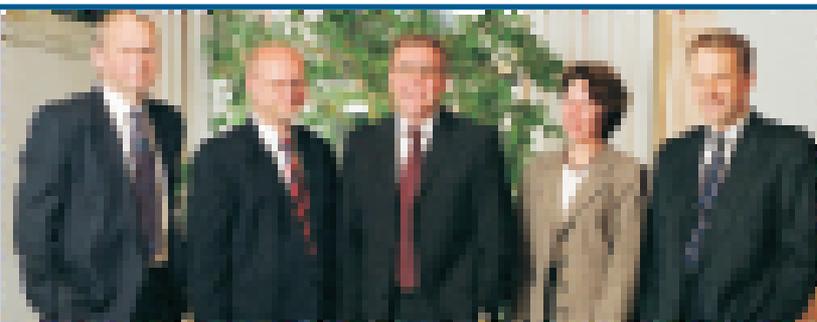
Leif Håkansson

Born 1957.
Karlshamns AB
Appointed by Industrifacket.
Board member since 2001.
Shareholding: 0
Warrants: 0
leif.hakansson@karlshamns.se

Deputy

Ann Magnusson

Born 1962.
Karlshamns AB
Appointed by PTK.
Deputy since 1999.
Shareholding: 0
Warrants: 0
ann.magnusson@karlshamns.se



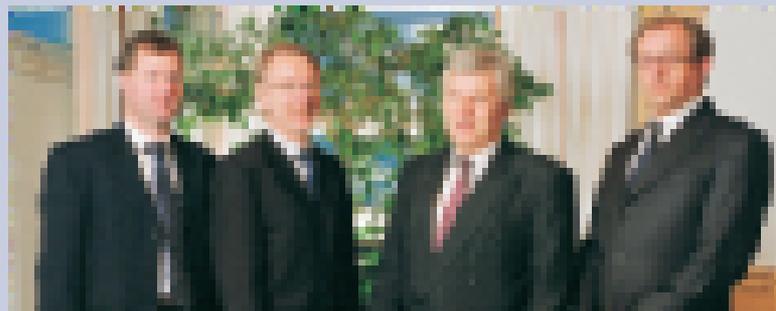
Johan Sandberg, Bo Svensson, Jerker Hartwall, Helen Olsson and Stefan Sjölin



Håkan Christensson, Björn Samuelsson and Jan Gunnerdal



Magnus Jörsmo, Hans Nilsson and Tommie Holmberg



Ulf Hansson, Thomas Carlsson, Jan-Ove Aspeblad and Jan-Olof Lidelfelt

Senior executives

Jerker Hartwall

President and C.E.O.
Born 1952. Employed since 2000.
Shareholding: 30,300 shares
Warrants: 0
jerker.hartwall@karlshamns.se

Jan-Ove Aspeblad

Group financial controller
Born 1952. Employed since 1986.
Shareholding: 35,700
Warrants: 2,000
jan-ove.aspeblad@karlshamns.se

Thomas Carlsson

Global Production Manager
Born 1949. Employed since 1974.
Shareholding: 38,000
Warrants: 2,000
thomas.carlsson@karlshamns.se

Håkan Christensson

President Business Sector Edible Oils
Born 1962. Employed since 1986.
Shareholding: 0
Warrants: 2,000
hakan.christensson@karlshamns.se

Jan Gunnerdal

President Business Sector Lipids for Care
Born 1946. Employed since 1970.
Shareholding: 35,700
Warrants: 0
jan.gunnerdal@karlshamns.se

Ulf Hansson

Global R&D and Quality Manager
Born 1963. Employed since 1988.
Shareholding: 200 shares
Warrants: 2,000
ulf.hansson@karlshamns.se

Tommie Holmberg

President Tefac AB
Born 1945. Employed since 1970.
Shareholding: 72,000 shares
Warrants: 0
tommie.holmberg@karlshamns.se

Magnus Jörsmo

President Binol AB
Born 1965. Employed since 1986.
Shareholding: 0
Warrants: 2,000
magnus.jorsmo@karlshamns.se

Jan-Olof Lidelfelt

Strategic Marketing Manager
Born 1948. Employed since 1980.
Shareholding: 0
Warrants: 0
jan-olof.lidelfelt@karlshamns.se

Hans Nilsson

Vice President Strategic Raw Material Sourcing
President of Feed Materials
Born 1950. Employed since 1986.
Shareholding: 34,400 shares
Warrants: 2,000
hans.nilsson@karlshamns.se

Helen Olsson

Vice President Human Resources & Organisation Development
Born 1965. Employed since 1989.
Shareholding: 300 shares
Warrants: 0
helen.olsson@karlshamns.se

Björn Samuelsson

President Business Sector Chocolate & Confectionery Fats
Born 1956. Employed since 1977.
Shareholding: 200
Warrants: 2,000
bjorn.samuelsson@karlshamns.se

Johan Sandberg

Vice President Strategic Business Development
Born 1945. Employed since 1971.
Shareholding: 31,600
Warrants: 2,000
johan.sandberg@karlshamns.se

Stefan Sjölin

Vice President and CFO
Born 1955. Employed since 2001.
Shareholding: 200
Warrants: 0
stefan.sjolin@karlshamns.se

Bo Svensson

Vice President and CIO
Born 1951. Employed since 1974.
Shareholding: 300
Warrants: 2,000
bo.svensson@karlshamns.se

Auditor

Åke Christiansson

Auktoriserad revisor (Authorized public accountant)
Born 1954.
Öhrlings Pricewaterhouse-Coopers AB
Company auditor since 1999 (not in picture)

Financial information

Karlshamns will be publishing the following financial information in 2002:

The interim report for the period to 31 March will be released at the Annual General Meeting on 24 April 2002.

The interim report for the first six months of 2002 will be released on 20 August.

The interim report for the period to 30 September 2002 will be released on 21 October.

The summarised financial statements for 2002 will be released in February 2003.

All financial reports and press releases are also published in English, and may be ordered from Karlshamns AB, Corporate Communication, SE-374 82 Karlshamn, Sweden. Phone +46 454 820 00, fax +46 454 828 20. E-mail: info@karlshamns.se

Additional information about Karlshamns is available on the company's website: www.karlshamns.com

The Annual General Meeting

The Annual General Meeting of Karlshamns AB will be held on Wednesday 24 April 2002 at 2.00 p.m. in Rådhusalen, the Karlshamn Town Hall in Karlshamn. The premises will open for registration at 1 p.m. Registration must be made by 2 p.m., at which time the list of voters will be approved.

Right of participation

Any shareholder who is registered in the shareholders register kept by VPC AB (the Swedish Securities Center) on Friday 12 April 2002 and has given notice of his/her intention to attend the meeting no later than 4 p.m., Thursday 18 April 2002, has the right to participate.

Registration

The company is a VPC registered company, which means that shareholders wishing to attend the Annual General Meeting must be registered in the shareholders register kept by VPC AB no later than Friday, 12 April 2002. Shareholders whose shares are held in trust by a bank or private broker must temporarily register their shares in their own names in the shareholders register to be able to attend the Annual General Meet-

ing. Such registration should be completed well in advance of 12 April.

Notification

Shareholders intending to attend the Annual General Meeting must notify the company as soon as possible but no later than 4.00 p.m. on Thursday 18 April 2002, in any of the following ways:

By ordinary mail to Karlshamns AB, Kerstin Wemby, SE-374 82 Karlshamn, Sweden, or by telephone to +46 454 823 12/825 38, by fax to +46 454 828 20, by e-mail to kem@karlshamns.se or on the website www.karlshamns.com. The notification shall contain information of name, address, day-time telephone number, social security number or company registration number and the number of shares held.

Invitation to attend the Annual General Meeting

Notice of the Annual General Meeting will be published in the Swedish Official Gazette and Svenska Dagbladet together with the Meeting's agenda.

Addresses

Karlshamns AB

Head office

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SE-374 82 Karlshamn

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Visiting address: Västra Kajen

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Fax: +46 454 828 20

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www.karlshamns.com

Oils & Fats

Karlshamns AB

Oils & Fats

SE-374 82 Karlshamn

SWEDEN

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Fax +46 454 828 88

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THE NETHERLANDS

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Karlshamns business concept

It is Karlshamns ambition to achieve leading global positions in defined special areas based on our specialist know-how of vegetable oils and fats. We also aim for a development of new business areas related to this unique expertise. Innovation, customer-orientation and high overall efficiency are our critical success factors.



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