

Sydsvenska Kemi AB (publ)
Interim Report January 1 - September 30, 2004



Sydsvenska Kemi AB (publ)

Corp. Reg. No. 556602-2769. Parent Company of Perstorp

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Sydsvenska Kemi AB is the Parent Company of the international specialty chemicals group, Perstorp. Perstorp holds leading positions in specialty chemicals and materials technology markets, mainly for customers in the coating, plastic-processing and automotive industries. Perstorp has more than 2,000 employees and manufacturing units in eight countries in Europe, North America and Asia. Sales in 2003 totaled SEK 5.7 billion.

Sydsvenska Kemi is controlled by Industri Kapital 2000 Fund. Industri Kapital is one of Europe's leading private equity companies. Part of the payment for the acquisition of Perstorp in June 2001 consisted of a subordinated debenture loan registered on Stockholmsbörsen.

- A continued positive economic trend resulted in increased demand for most specialty chemicals products. Net sales increased by 11% to SEK 4,919 m (9-month, 2003: 4,448). Adjusted for exchange-rate changes, the increase was 14%.
- The operating margin was retained, despite the negative impact of rising raw material prices, weakened US-dollar and non-recurring expenses of SEK 74 m.
- Operating earnings before depreciation increased to SEK 823 m (758) as a result of stronger volumes, improved capacity utilization and effects of the rationalization program earlier this year.
- Cash flow from continuing operations was at the same level as in the year-earlier period at SEK 523 m (539).
- Decisions were made on major investments in new acid plants in Perstorp and Stenungsund to meet increasing demand.

Key figures in summary

SEK m unless otherwise stated	Quarter 3 2004	Quarter 2 2004	Quarter 3 2003	Kvartal 1-3 2004	2003
Net sales	1,649	1,665	1,425	4,919	4,448
Operating earnings before depreciation ^{*)}	260	329	227	823	758
% of net sales	15.8	19.8	15.9	16.7	17.0
Operating earnings ^{*)}	113	179	83	382	320
% of net sales	6.9	10.8	5.8	7.8	7.2
Net earnings/loss	4	48	-1	34	-26
Cash flow from continuing operations	201	215	289	523	539
% of net sales	12.2	12.9	20.3	10.6	12.1

^{*)} Earnings for the first quarter of 2004 were charged with nonrecurring costs of SEK 67 m resulting from an efficiency enhancement program mainly within Specialty Chemicals. A similar program within Materials Technology during the third quarter of 2004 was charged against earnings in an amount of SEK 7 m.

Market and economic conditions

The reporting period was characterized by strong demand for the majority of the Group's products as a result of improvements in global economy. Economic improvement primarily included Asia and the US, and was largely driven by the strong economic trend in China. The business climate in Europe has shown a gradual improvement.

Volumes increased sharply compared with the corresponding period in the preceding year. Volumes increased primarily for basic polyols and specialty products, but also for formalin plants and catalysts, among other products.

There is a favorable balance between supply and demand in the chemicals industry, and capacity utilization is high. For Perstorp, this meant that the rationalization measures implemented during 2003 within the framework of the *nEverest* productivity program had a positive effect on earnings during the reporting period.

The price of crude oil continued to increase throughout the period, resulting in sharp price increases for a number of the

Group's raw materials. Given the strong demand in the market, Perstorp was able to compensate for the rise in the crude oil price through price increases for most of its own products.

The weakening of the USD had a negative effect on sales and earnings in SEK. Toward the close of the period, this effect was reinforced by the strengthening of the SEK in relation to both the USD and the EUR. The negative effect of exchange-rate changes on consolidated net sales was estimated at SEK 150 m, compared with the corresponding period during the preceding year. The effect on earnings was a decline of slightly more than SEK 100 m.

Outlook

We expect demand to remain favorable for the remainder of the fiscal year. To counter rising raw materials prices, Perstorp anticipates a continued need to increase prices for its products. The factors giving rise to uncertainty are the oil price and the future trend of exchange rates.

Income statement, Group

SEK m	Quarter 3		Quarter 1-3		Latest 12 months	Full year 2003
	2004	2003	2004	2003		
Net sales	1,649	1,425	4,919	4,448	6,212	5,741
Cost of goods sold	-1,347	-1,200	-3,900	-3,583	-5,030	-4,713
Gross earnings	302	225	1,019	865	1,182	1,028
Selling, R&D and administrative expenses	-117	-163	-444	-513	-579	-648
Other operating revenues and expenses ^{*)}	-12	84	-13	158	40	211
Amortization of intangible fixed assets	-60	-60	-181	-186	-243	-248
Result from participations in associated companies	0	-3	1	-4	5	0
Operating earnings (EBIT) ^{*)}	113	83	382	320	405	343
Financial income and expenses	-82	-82	-239	-257	-324	-342
Write-/down/reversal of write-down of financial holdings (Pergo)	-	26	-9	-21	15	3
Earnings before taxes	31	27	134	42	96	4
Taxes ^{**)}	-25	-31	-96	-71	4	29
Minority share in net profit	-2	3	-4	3	-1	6
Net earnings/loss	4	-1	34	-26	99	39
Operating earnings before depreciation and amortization (EBITDA) ^{*)}	260	227	823	758	987	922

^{*)} Earnings for the first quarter of 2004 were charged with nonrecurring costs of SEK 67 m resulting from the rationalization program mainly within Specialty Chemicals. During the third quarter of 2004, a similar program within Materials Technology was charged against earnings in an amount of SEK 7 m.

^{**)} During the fourth quarter of 2003, a tax loss was revalued, which had a favorable effect of SEK 115 m on tax costs.

Review of sales and earnings

Net sales amounted to SEK 4,919 m during the period (9 months, 2003: 4,448), corresponding to an increase of 11%. Increased demand for most specialty chemicals products resulted in an increase in volumes totaling 11%, with an additional 1% attributable to the acquisition of jointly owned specialty chemicals operations in South Korea. The price effect amounted to 2%, and the currency effect was a negative 3%.

Comments on the trends for the two business sectors Specialty Chemicals and Materials Technology are presented in separate sections later in this report.

Operating earnings before depreciation increased to SEK 823 m (758). Thereby the operating margin was approximately on the same level as previous year, 16.7% (17.0). Excluding costs for the rationalization program, operating earnings for the period amounted to SEK 897 m, corresponding to an adjusted operating margin of 18.2%. The major portion of the growth in earnings was attributable to increased sales volumes, improved productivity and the effects of the rationalization program. This was offset by unfavorable exchange rates, primarily USD in relation to SEK. Other operating revenues and expenses included costs of SEK 74 m for rationalization programs, of which SEK 67 m was charged against first-quarter earnings.

When fully implemented, the rationalization measures are expected to result in annual cost savings of slightly more than SEK 90 m. Currency effects, mainly deriving from hedging contracts, in an amount of SEK 55 m (99) are also included in Other operating revenues and expenses. As of the third quarter of 2004, currency hedging contracts have been significantly less beneficial than previously. Earnings during the third quarter of 2003 were affected positively by a withdrawal of SEK 27 m from reserves relating to previous divestments, which was also

reported under Other operating revenues and expenses (other operations).

In conjunction with the reorganization, certain fixed costs were reclassified in the income statement from – mainly – administrative costs to so-called fixed production costs. This primarily applies to the company-wide costs of the production units. The accumulated costs for 2004 follow the new organization, although no recalculation has been performed for the individual quarters or of expenses during 2003.

Depreciation amounted to SEK 441 m (438).

Net financial items, excluding the write-down of financial holdings, amounted to an expense of SEK 239 m (expense: 257), of which capitalized interest on the debenture loan accounted for SEK 140 m (124). Other interest expense decreased as a result of reduced borrowing and lower interest rates.

Earnings before taxes amounted to SEK 134 m (42).

Tax costs totaled SEK 96 m (71). The main reason for the high tax cost in relation to earnings after net financial items is that amortization of consolidated surplus value is not tax-deductible.

Net sales by business sector

SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2004	2003	2004	2003	12 months	2003
Specialty Chemicals	1,411	1,192	4,152	3,652	5,224	4,724
Materials Technology	250	234	797	805	1,034	1,042
Other operations, incl. eliminations	-12	-1	-30	-9	-46	-25
The Group	1,649	1,425	4,919	4,448	6,212	5,741

Operating earnings before depreciation and amortization, by business sector

SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2004	2003	2004	2003	12 months	2003
Specialty Chemicals ^{*)}	240	191	776	640	905	769
Materials Technology ^{**)}	7	6	70	67	84	81
Övrig verksamhet ^{*)}	13	30	-23	51	-2	72
The Group	260	227	823	758	987	922

^{*)} Costs for the rationalization were charged against earnings in Specialty Chemicals in quarter 1, 2004, in an amount of SEK 42 m and against Other operations in an amount of SEK 25 m.

^{**)} Costs for a rationalization program were charged against earnings within Materials Technology in an amount of SEK 7 m during the third quarter of 2004.

Consolidated Balance Sheet

SEK m	Sept 30, 2004	Dec 31, 2003	Sept 30, 2003
Intangible fixed assets	3,943	4,120	4,186
Tangible fixed assets	3,029	3,138	3,165
Financial fixed assets	283	360	378
Inventories	660	680	659
Current operating receivables	1,399	1,064	1,135
Current financial receivables	21	1	1
Cash and Bank	49	30	31
Total assets	9,384	9,393	9,555
Total shareholders' equity	3,131	3,129	3,069
Minority interests	20	11	13
Provisions	1,093	944	1,114
Convertible debenture loan	1,507	1,367	1,322
Other long-term liabilities	1,918	2,332	2,470
Short-term operating liabilities	1,266	1,135	1,089
Short-term financial liabilities	449	475	478
Total shareholders' equity and liabilities	9,384	9,393	9,555
Working capital	808	623	728
Net debt	3,891	4,217	4,311
Capital employed	7,110	7,390	7,430

Shareholders' equity, Group

SEK m	Share capital	Restricted reserves	Unrestricted reserves	Profit/loss for the period	Total
Opening shareholders' equity, Jan. 1, 2004 according to adopted balance sheet	300	12	2,778	39	3,129
Effect of changed accounting principle (RR29/IAS19)	-	-	-33	-	-33
Opening shareholders' equity at Jan 1, 2004, adjusted for new accounting	300	12	2,745	39	3,096
Translation difference:					
Change during the period	-	-	-1	-	-1
Less effect of currency hedging during the period	-	-	2	-	2
Tax effect of currency hedging during the period	-	-	0	-	0
Reversal of profit in preceding year	-	-	39	-39	0
Profit for the period	-	-	-	34	34
Closing shareholders' equity, September 30, 2004	300	12	2,785	34	3,131

Financial position

Capital employed decreased by SEK 280 m during the period. The divestment of the holding in Pergo AB (publ) during May contributed to a reduction in capital employed. On the other hand, the strong sales during the period increased accounts receivable. This was offset by the fact that new investments during the period were much lower than depreciation.

The debt/equity ratio on September 30 was 1.2, marginally lower than at the beginning of the year (1.3).

The equity/assets ratio was 34% at the end of the period (year-end: 33).

Shareholders' equity

The Financial Accounting Standards Council's recommendation RR29, Employee Benefits, has been applied since January 1, 2004. Actuarial calculations of defined-benefit pension plans in Group companies have been conducted. Accordingly, the introduction of RR29/IAS19 within the Group has resulted in pension obligations increasing by SEK 50 m, combined with favorable tax effect of SEK 17 m. The nonrecurring effect, an expense of SEK 33 m, has been reported directly against opening shareholders' equity in 2004 in accordance with RR5, Reporting of Changes in Accounting Principles. The negative effects derive mainly from pension plans in the US. With respect to the ITP pension plans that are funded by premiums paid to Alecta, it is not possible to estimate the size of investment assets in relation to obligations, because Alecta is currently unable to provide the information required for such reporting.

Cash flow

Cash flow from **operating activities** was SEK 523 m (539). Earnings of SEK 823 m before depreciation included costs of SEK 74 m for the rationalization program, of which slightly more than half had affected cash flow by the close of the period. Accordingly, the remaining amount was reversed under Other items. During the year-earlier period, Other items were affected by the payment of a bank guarantee in an amount of SEK 32 m. Working capital rose by SEK 191 m due to higher accounts receivable. This was partly offset by an increase in accounts payable and lower inventory levels.

Cash flow from **investing activities** was a negative SEK 69 m (neg: 216), of which the divestment of the holding in Pergo resulted in a cash receipt of SEK 115 m. Net investments in

fixed assets during the period amounted to SEK 144 m (236), with the largest individual project involving the introduction of natural gas to replace oil as a fuel at the plant in Stenungsund. This project was completed during the second quarter of 2004. The supplementary purchase consideration for the acquisition of Moldable Composites' operations in the United States is also included in Cash flow from investing activities.

The Group reduced the use of **credit facilities** by SEK 432 m during the period and liquid assets amounted to SEK 49 m at the end of the period (year-end: 30). Unutilized lines of credit thereby increased to SEK 1,340 m, compared with SEK 1,100 m at the beginning of the year, despite a reduction of available credit by SEK 200 m on June 30 in accordance with the amortization plan.

Consolidated Cash Flow Statement						
SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2004	2003	2004	2003	12 months	2003
<i>Operating activities</i>						
Operating earnings	113	83	382	320	405	343
Adjustment items:						
Depreciation/amortization	147	144	441	438	578	575
Other items	-17	-10	40	-32	30	-42
Interest received	-	3	1	4	3	6
Interest paid	-25	-34	-94	-128	-144	-178
Paid income tax	-19	-8	-56	-64	-49	-57
Cash flow from operating activities before change in working capital	199	178	714	538	823	647
<i>Change in working capital</i>						
Increase (-)/Decrease (+) in inventories	-15	96	19	8	-6	-17
Increase (-)/Decrease (+) in current receivables	-38	60	-340	56	-285	111
Increase (+)/Decrease (-) in current liabilities	55	-45	130	-63	206	13
CASH FLOW FROM OPERATING ACTIVITIES	201	289	523	539	738	754
<i>Investing activities</i>						
Acquisition of net assets of subsidiaries	-	-	-27	-53	-45	-71
Acquisition of financial fixed assets	-	2	-	-	-	-
Acquisition of tangible and intangible fixed assets	-43	-97	-144	-236	-239	-331
Sale of net assets of subsidiaries	-	-	-	20	-	20
Sale of financial fixed assets	-	-	115	-	115	-
Sale of tangible fixed assets	-	-	2	5	4	7
Change in financial receivables	-20	3	-15	48	-14	49
CASH FLOW FROM INVESTING ACTIVITIES	-63	-92	-69	-216	-179	-326
<i>Financing activities</i>						
Amounts paid in by minority shareholders	-	-	7	12	7	12
Change in credit utilization	-151	-189	-432	-358	-615	-541
Realized currency gain from hedging instruments	6	-	-10	30	67	107
CASH FLOW FROM FINANCIAL ACTIVITIES	-145	-189	-435	-316	-541	-422
CHANGE IN LIQUID FUNDS, INCL. SHORT-TERM INVESTMENTS	-7	8	19	7	18	6
Liquid assets on January 1, incl. short-term investments	56	26	30	27	31	27
Translation difference in liquid assets	0	-3	0	-3	0	-3
LIQUID FUNDS, END OF PERIOD	49	31	49	31	49	30

Development during the third quarter

Net sales declined by 1% during the third quarter compared with the second quarter and amounted to SEK 1,649 m (1,665). Normally, volumes are weaker during the third quarter than during the second quarter as a result of the vacation period in a number of countries. However, the sharp increases in raw-material prices resulted in a higher price level than in the preceding quarter. Volume growth for the third quarter, compared with the corresponding period during 2003, continued at a favorable level. This applied to basic and specialty chemicals products as well as formalin plants and catalysts.

Operating earnings before depreciation for the third quarter amounted to SEK 260 m. This was lower than during the second quarter (329). The lower earnings figure compared with the pre-

ceding quarter is almost entirely attributable to the considerably less favorable exchange rates, as of the third quarter, in flow contracts denominated in USD. At the same time, as stated earlier, sales volumes were somewhat lower than during the second quarter. The upturn compared with the first nine months of 2003 is a result of increased volumes, lower fixed costs and increased productivity, the last of which being the result of the efficiency-enhancement and change programs conducted within the Group, combined with better capacity utilization in the production facilities.

Net financial items for the third quarter, excluding write-downs of financial holdings, amounted to an expense of SEK 82 m, compared with an expense of SEK 78 m for the preceding quarter. The increase is attributable to a rise in the interest rate on the debenture loan.

Specialty Chemicals business sector

Key figures

SEK m	Quarter 3		Quarter 1-3		Latest 12 months	Full year 2003
	2004	2003	2004	2003		
Net sales	1,411	1,192	4,152	3,652	5,224	4,724
Operating earnings before depreciation ^{*)}	240	191	776	640	905	769
% of net sales	17	16	19	18	17	16
Investments ^{**)}	30	79	111	257	184	330
Working capital	681	587	681	587	681	484

^{*)} Rationalization costs in an amount of SEK 42 m were charged against Specialty Chemicals' earnings for Q1 2004.

^{**)} Investments during Q2 2003 included an amount of SEK 68 m for the jointly owned Korean company Hansol.

Specialty Chemicals focuses on specialty chemicals for industrial customers primarily in the chemical, paint and plastic-processing industries, but also in the construction, automotive and engineering industries. As of June 1, 2004, the business sector has a function-based organization whereby, among other changes, the four previous business units and several of the Group's internal service functions have been coordinated within the business sector.

The business sector experienced continued strong demand during the period, with rising prices and increased volumes. Particularly strong demand in Asia and the US was accompanied by a gradual strengthening of demand in Europe.

Net sales amounted to SEK 4,152 m (3,652), which was an increase of 14% compared with the corresponding period during the preceding year. Exchange-rate effects resulting from a weaker USD had a negative impact of 3% on sales for the period as a whole. Volumes increased by 14%, while selling prices rose by 3%.

During the third quarter, increased prices for crude oil resulted in continued substantial price increases for a number of the Group's raw materials, as well as energy. Given the strong demand in the market, the business sector was able, with a slight time-lag, to compensate for increased raw-material costs through price increases for the majority of its main products.

Operating earnings before depreciation increased to SEK 776 m (640), compared with the year-earlier period. The operating margin before depreciation increased to 19% (18). Excluding non-recurring effects of the rationalization program, earnings for the period amounted to SEK 818 m, with an operating margin of 20%. Favorable demand resulted in high capacity utilization during the period, thus enabling the operating margin to be increased. The currency effect was negative as a result of the weaker USD.

Strong demand for basic and specialty polyols was noted, with sharply increasing volumes. The jointly owned companies formed in South Korea and Japan in the preceding year have developed well and contributed to the establishment of a strong position in the growing Asian market for polyols.

Perstorp has received approval by the US Food and Drug Administration (FDA) for the use of the polyoil BEPD in direct contact with foodstuffs. The approval opens a new application area for this product in coating systems for the interior surfaces of food cans and containers, for example. Similar approval will be sought within the EU.

The product NX 795 has been classified as VOC-free, that is, free of volatile hydrocarbons, in accordance with new European

environmental requirements. The classification gives the product a competitive advantage in relation to a number of similar types of products for decorative surfaces.

Demand for the business sector's plasticizers and alcohols, which are primarily used in the plastic-processing industry and as components in laminated glass, continued to be favorable.

There is favorable demand for acids for the agriculture and food industries, such as formic acid and propionic acid, against the background of the trend toward healthier animal husbandry and higher food quality.

Demand for formalin plants and catalysts increased, as did sales of formalin. There is particularly strong demand for catalysts as a result of the increased capacity utilization among formalin producers internationally. During the third quarter, an agreement was signed regarding a new formalin plant in France. As stated in the six-month report, agreements were signed previously regarding a new formalin plant in China and the upgrade of a plant in Europe and another plant in South America.

Demand for carboxylic acids remains favorable, and the market is expected to show strong growth during the next few years. Against this background, a decision was made during the third quarter to construct two new plants for production of acids: one at the Perstorp facility and the other in Stenungsund.

In Perstorp, capacity for formic acid production is being increased from 25,000 to 40,000 tons per year. Formic acid is used in a number of products, as an additive in silage and animal feed, and for tanning leather in the leather industry. The formic acid plant is to be integrated with the plant where the additive formate is produced, which will enable Perstorp to complement its leading position in the formate market with expanded production of formic acid.

Capacity for the production of 2-ethyl hexanoic acid (2-EHA) in Stenungsund is to be increased from 50,000 to 80,000 tons per year. This acid is used as an additive in safety glass and cooling liquids, among other applications. The investment will enable Perstorp to retain its position as a market leader in these areas and also open up the possibility of developing new applications.

It is estimated that both plants will begin production toward the end of 2005. Capacity will be increased in stages. The plants are based on proprietary technology and the total investment amounts to approximately SEK 250 m.

Capacity-increasing measures are also under way in other areas to meet increasing demand for the business sector's products.

Materials Technology business sector

Key figures

SEK m	Quarter 3		Quarter 1-3		Latest 12 months	Full year 2003
	2004	2003	2004	2003		
Net sales	250	234	797	805	1,034	1,042
Operating earnings before depreciation ^{*)}	7	6	70	67	84	81
% of net sales	3	3	9	8	8	8
Investments	13	23	29	39	41	51
Working capital	182	170	182	170	182	157

^{*)} Rationalization costs amounting to SEK 7 m were charged against earnings in the Materials Technology business sector in Q3 2004.

The Materials Technology business sector is focused on advanced materials for industrial customers, particularly in the automotive, aerospace, aviation and construction industries.

Demand for Materials Technology's products during the period was favorable in a number of markets.

Net sales during the period amounted to SEK 797 m, which was 1% lower than during the corresponding period of the preceding year (805). Volumes strengthened somewhat, while the weakening of the USD had a negative impact on sales. Operating earnings before depreciation for the period amounted to SEK 70 m (67), corresponding to a margin of 9% (8). The increased volumes were offset by nonrecurring expenses of SEK 7 m for rationalization measures (see Compounds below), which were charged against third-quarter earnings.

Moldable Composites experienced stronger demand from the electrical and electronics industries during the third quarter, while demand from the automotive industry remained favorable. The Belgian subsidiary Vyncolit received its first order for the new material Vyntec™, a carbon-fiber-reinforced compression-molding compound for demanding applications, primarily in vehicles, but also in electrical products, components for aerospace

applications, and so forth. The material combines high heat tolerance and chemical resistance with low weight.

The already favorable order bookings within *Advanced Composites* for carbon-fiber-reinforced composite materials for the aerospace industry, among other products, strengthened further during the third quarter. The US subsidiary YLA noted great success in the development of new products for high-temperature systems, specifically for the aerospace industry.

Compounds also noted favorable demand in both Europe and the US. However, market prices were weak as a result of fierce competition, and the business unit was unable to offset the rising raw-material prices. This problem is now being countered with continued automation measures and price increases. During the third quarter, the business unit carried out a reorganization in which the main changes were the formation of a global organization for Operations and Procurement and a reduction of the workforce by ten persons.

The business sector's project relating to production in China, for products in the Moldable Composites area, continued during the period.

Other

As described under Shareholders' Equity, the introduction of RR29/IAS19, Employee Benefits, has resulted in a significant change to the accounting principles. In other respects, the definitions of key figures and the accounting principles are the same as those used in the Annual Report for 2003.

At Group level, a project is in progress in cooperation with the Finance Managers of subsidiaries with the aim of introducing IFRS (International Financial Reporting Standards) beginning on January 1, 2005.



Perstorp, October 29, 2004
Lennart Holm
President and Chief Executive Officer

This report has not been examined by Sydsvenska Kemi's auditors.

The year-end report will be published on February 15, 2005.

Key figures

SEK m unless otherwise stated	Quarter 3		Quarter 1-3		Latest	Full year
	2004	2003	2004	2003	12 months	2003
Net sales	1,649	1,425	4,919	4,448	6,212	5,741
Operating earnings before depreciation and write-downs	260	227	823	758	987	922
Operating earnings	113	83	382	320	405	343
Operating margin before depreciation and amortization, %	15.8	15.9	16.7	17.0	15.9	16.1
Operating margin, %	6.9	5.8	7.8	7.2	6.5	6.0
Investments	44	109	145	316	239	410
of which acquisitions	-	-	-	68	-	68
excl. acquisitions	44	109	145	248	239	342
Depreciation and amortization	147	144	441	438	578	575
Working capital, end of period	808	728	808	728	808	623
Working capital, average for the period	906	870	848	891	830	855
Turnover rate, working capital, times/year	7.3	6.5	7.7	6.7	7.5	6.7
Cash flow from continuing operations	201	289	523	539	738	754
Cash flow as % of net sales	12.2	20.3	10.6	12.1	11.9	13.1
Capital employed, end of period	7,110	7,430	7,110	7,430	7,110	7,390
Capital employed, average for the period	7,276	7,648	7,362	7,737	7,415	7,674
Return on capital employed, %	6.3	4.5	6.9	5.6	5.5	4.5
Net debt, end of period	3,891	4,311	3,891	4,311	3,891	4,217
Debt/equity ratio	1.23	1.40	1.23	1.40	1.23	1.34
Equity/assets ratio	34	32	34	32	34	33
Return on shareholders' equity, %	0.5	-0.1	1.4	-1.1	3.2	1.3
Number of full-time employees, end of period	2,039	2,208	2,039	2,208	2,039	2,185

Information by quarter

Consolidated Income Statement

SEK m	2002	2003				2004		
	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Net sales	1,411	1,532	1,491	1,425	1,293	1,605	1,665	1,649
Cost for sold goods	-1,105	-1,210	-1,173	-1,200	-1,130	-1,271	-1,282	-1,347
Gross earnings	306	322	318	225	163	334	383	302
Selling, R&D and administrative expenses	-150	-175	-175	-163	-135	-170	-157	-117
Other operating revenues and expenses ¹⁾	-6	38	36	84	53	-15	14	-12
Amortization of intangible fixed assets	-64	-63	-63	-60	-62	-60	-61	-60
Result from participations in associated companies	0	-1	0	-3	4	1	0	0
Operating earnings (EBIT) ¹⁾	86	121	116	83	23	90	179	113
Financial revenues and expenses	-82	-91	-84	-82	-85	-79	-78	-82
Write down/reversal of write-down of financial holdings (Pergo)	26	-29	-18	26	24	-8	-1	-
Earnings before taxes	30	1	14	27	-38	3	100	31
Taxes ²⁾	-34	-15	-25	-31	100	-20	-51	-25
Minority share in net profit	2	0	0	3	3	-1	-1	-2
Net earnings/loss	-2	-14	-11	-1	65	-18	48	4
Operating earnings before depreciation and amortization (EBITDA) ¹⁾	228	270	261	227	164	234	329	260

¹⁾ Earnings for the first quarter of 2004 were charged with nonrecurring costs of SEK 67 m resulting from a rationalization program mainly within Specialty Chemicals. A similar program within Materials Technology during the third quarter of 2004 was charged against earnings in an amount of SEK 7 M.

²⁾ During the fourth quarter of 2003, a loss-carryforward was revalued in Germany, which had a favorable effect of SEK 115 m on tax costs.

Net sales by business sector

SEK m	2002	2003				2004		
	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Specialty Chemicals	1,200	1,240	1,220	1,192	1,072	1,336	1,405	1,411
Materials Technology	226	295	276	234	237	278	269	250
Other operations incl. eliminations	-15	-3	-5	-1	-16	-9	-9	-12
Group	1,411	1,532	1,491	1,425	1,293	1,605	1,665	1,649

Operating earnings before depreciation and amortization, by business sector

SEK m	2002	2003				2004		
	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Specialty Chemicals ¹⁾	203	219	230	191	129	244	292	240
Materials Technology ²⁾	20	36	25	6	14	32	31	7
Other operations ¹⁾	5	15	6	30	21	-42	6	13
Group	228	270	261	227	164	234	329	260

¹⁾ During Q1 2004, rationalization costs in an amount of SEK 42 m were charged against Specialty Chemicals' earnings and SEK 25 m against Other operations.

²⁾ Costs for a rationalization program were charged against earnings within Materials Technology in an amount of SEK 7 m during the third quarter of 2004.