

Sydsvenska Kemi AB (publ)

Interim Report January 1 - June 30 2005





Sydsvenska Kemi AB (publ)

Corp. Reg. 556602-2769. Parent company of Perstorp

- Perstorp is focusing its operations on the specialty chemicals area. The sale of Moldable Composites (Vyncolit) was concluded. A strategic review showed that divestment of the Compounds business unit has prerequisites to benefit both the Group's and Compounds' own development, and a process was initiated to identify a suitable owner. Advanced Composites (YLA) continues its close cooperation with specialty chemicals operations.
- This interim report was prepared in accordance with IFRS, which means in part that divested operations and units being held for sale are reported separately in the income statement under Net earnings.
- Net sales for the remaining operations increased by 12% to SEK 3,137 m (6-month, 2004: SEK 2,813 m). Adjusted for exchange-rate changes, the increase was 14%.
- Operating earnings before depreciation increased to SEK 751 m (501). Earnings were affected by a capital gain of SEK 100 m deriving from the Vyncolit sale, as well as the reversal of acquisition balance reserves totaling SEK 48 m. The comparison period was affected by rationalization costs of SEK 67 m. The somewhat lower comparable earnings margin was due to a weaker USD in currency hedging contracts, which was largely compensated by efficiency gains.
- Net profit for the entire Group increased to SEK 356 m (150).
- Cash flow was very strong during the reporting period both from operating activities, SEK 422 m (322) and from investment activities, SEK 474 m (neg. 6), with the latter primarily a result of the sale of Vyncolit.
- The acquisition of Franklin Holding BV in the Netherlands strengthens the positions in the growing market for feed chemicals.
- Industri Kapital and Sydsvenska Kemi AB are preparing changes of the Group's ownership and capital structure.

Key figures in summary

SEK m unless otherwise stated	Quarter 2 2005	Quarter 1 2005	Quarter 2 2004	Quarter 1-2 2005	Quarter 1-2 2004
Net sales	1,659	1,478	1,441	3,137	2,813
Operating earnings before depreciation (EBITDA) ¹⁾	410	341	299	751	501
% of net sales	24.7	23.1	20.7	23.9	17.8
EBITDA adjusted for non-recurring items	290	313	299	603	568
% of net sales	17.5	21.2	20.7	19.2	20.2
Operating earnings (EBIT) ¹⁾	330	262	222	592	352
% of net sales	19.9	17.7	15.4	18.9	12.5
Net earnings, remaining operations ²⁾	266	131	96	397	125
Net earnings, the Group ^{2) 3)}	223	133	108	356	150
Cash flow from continuing operations	270	152	215	422	322

¹⁾ Operating income was affected by the reversal of acquisition balance sheet reserves of SEK 28 m in the first quarter and SEK 20 m in the second quarter of 2005. Rationalization costs of SEK 67 m were charged against earnings in the first quarter of 2004. A capital gain of SEK 100 m from the sale of Vyncolit operations affected operating earnings in the second quarter of 2005.

²⁾ After a tax audit in the German company, loss carryforwards were adjusted upward by SEK 49 m in the second quarter of 2005.

³⁾ An impairment of fixed assets totaling SEK 35 m was charged against Compounds' net earnings.



Market and economic conditions

Demand in North America and Asia remains favorable, with the growth rate in China still high. Demand in Europe is relatively stable. The inventory build up at the customer level toward the end of the preceding fiscal year has been virtually eliminated.

Growth varied among Perstorp's different specialty chemical products, with particularly favorable growth for organic acids. Contributing to the increased sales of organic acids was growth in new application areas, such as safety glass and growing demand for feed chemicals in anticipation of the ban on antibiotics as feed additives that will take effect within the EU on January 1, 2006.

Demand for Perstorp's catalysts was relatively unchanged during the period. At the same time, there were fewer formaldehyde plant deliveries, compared with the high level during the corresponding period of the preceding year.

The trend for materials for aerospace applications was favorable, while operations within Compounds continued to be negatively affected by weak conditions in the construction industry on the business units' major markets.

Oil prices continued to rise during the period, and prices for several of the Group's raw materials were significantly higher than during the year-earlier period. Global market prices for ethylene and propylene in particular however dropped during the latter part of the period, but due to the

Group's current contracts, this will not have an impact until the third quarter.

The Group was able to compensate for the raw materials price trend primarily in its specialty products, while margins for several basic products were pressed due to high raw materials prices.

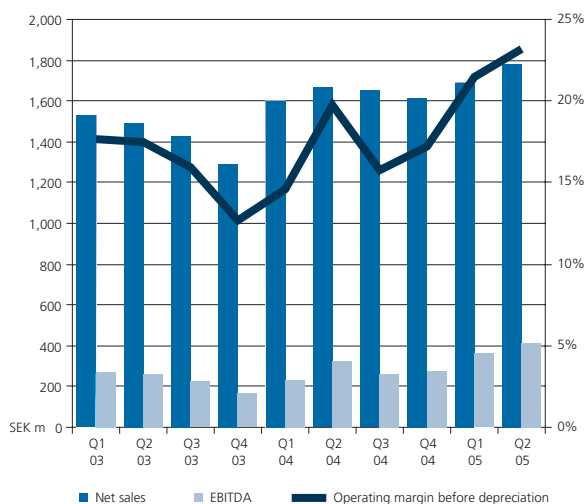
Capacity utilization was high, which together with the effects of last year's rationalization measures contributed positively to earnings.

Net sales for remaining operations were negatively affected by exchange-rate effects in the order of SEK 50 m, compared with the corresponding period during the preceding year. The negative effect on earnings is also estimated to amount to SEK 50 m. The Group hedges the major share of flows in foreign currency. Currency hedging contracts were significantly more advantageous at the beginning of 2004.

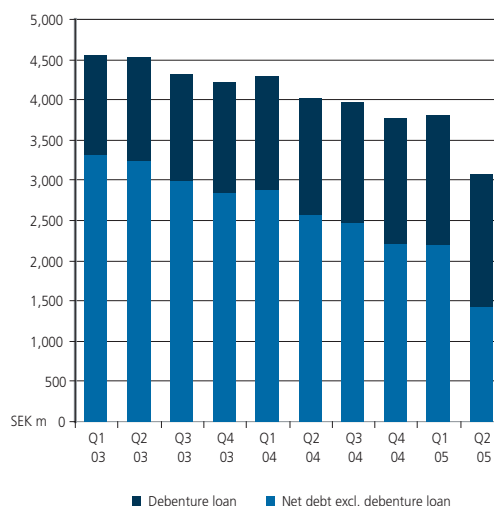
Outlook

During 2005, significant investments are being implemented for increased production capacity of several products, while the productivity programs are continuing. Demand for several of Perstorp's products is favorable, and with the measures implemented, the Group is well prepared to meet increased demand.

Net sales and EBITDA development, total Group



Net debt, development



Structural changes and focus on specialty chemicals

Since the company was acquired by Industri Kapital, Pers-torp has experienced extremely favorable growth. Today the Group has a very strong financial position and business with ambitious development plans for profitable growth also in the future. Against this background, the Board of Directors of Sydsvenska Kemi AB has begun preparations for a decision that may result in changes in the company's ownership and capital structure. This work was started up during the second quarter, and costs will be charged against earnings in the third and fourth quarters.

The Group's focus on specialty chemicals has gradually been strengthened in recent years through major investments in capacity and supplementary acquisitions. The major efforts that were undertaken during the reporting period and which will continue over the immediate future are described under Investments.

Within the Materials Technology segment, the largest busi-

ness unit, Moldable Composites (Vyncolit) was sold during the second quarter. In addition, a strategic review indicated that a sale of the Compounds business unit has prerequisites to benefit both the Group's and the unit's own development. The segment's third business unit, Advanced Composites (YLA) has already been working closely with Specialty Chemicals for some time.

As a consequence of this, the Group's operations, including the YLA business unit, are being reported without segment classification as of this interim report. The Compounds business unit and the operations within Moldable Composites divested during the period are reported separately as divested operations/operations held for sale, in accordance with IFRS 5. In conjunction with these changes, impairment of Compounds' assets in an amount of SEK 35 m was recorded, which affected the net earnings for operations held for sale.

Review of sales and earnings

The income statement presented below is for remaining operations. The income statement for the total Group is presented at the end of the report together with key figures and shareholders' equity.

Income statement remaining operations, in accordance with IFRS 5						
SEK m	Quarter 2 2005	Quarter 2 2004	Quarter 1-2 2005	Quarter 1-2 2004	Latest 12 months	Full year 2004
Net sales	1,659	1,441	3,137	2,813	5,993	5,669
Cost of sold goods	-1,343	-1,105	-2,500	-2,190	-4,804	-4,494
Gross earnings	316	336	637	623	1,189	1,175
Sales, administration and R&D cost	-138	-132	-269	-276	-473	-480
Other operating income and expenses ¹⁾	153	19	225	5	220	0
Amortization of intangible fixed assets	-1	-1	-1	-1	-2	-2
Income from participations in associated companies	0	0	0	1	0	1
Operating earnings (EBIT)	330	222	592	352	934	694
Financial income and expenses	-71	-79	-147	-156	-306	-315
Write-down/capital gains, financial holdings	-	-1	-	-9	19	10
Earnings before taxes	259	142	445	187	647	389
Taxes ²⁾	7	-46	-48	-62	-90	-104
Net earnings from remaining operations	266	96	397	125	557	285
<i>Net earnings from operations divested or held for sale</i>	<i>-43</i>	<i>12</i>	<i>-41</i>	<i>25</i>	<i>-39</i>	<i>27</i>
Net earnings, total Group	223	108	356	150	518	312
EBITDA	410	299	751	501	1,267	1,017

¹⁾ Other income and costs were affected in the second quarter of 2005 by the capital gain of SEK 100 m from the sale of Vyncolit operations. Acquisition balance sheet reserves were reversed in an amount of SEK 20 m in the second quarter and SEK 28 m in the first quarter of 2005. In the first quarter of 2004, rationalization costs of SEK 67 m were charged against this line item and in the fourth quarter of 2004, write-downs of SEK 22 m.

²⁾ After a tax audit in the German company, loss carryforwards were adjusted upwards by SEK 49 m in the second quarter of 2005. The capital gain of SEK 100 m was not subject to taxation.

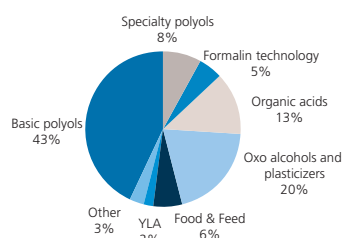
Net sales

Net sales during the period amounted to SEK 3,137 m (6-month, 2004: 2,813), an increase of 14% adjusted for exchange-rate effects. Price levels were significantly higher than during the same period in 2004, +15%, while volumes were somewhat weaker, -2%. The acquisition of Franklin during the second quarter had an effect of +1% on net sales.

During the past year, raw materials prices increased sharply. A doubling of crude oil prices, for example, resulted in considerable increases in the price of key raw materials, such as propylene and ethylene, as well as energy raw materials. At the same time, demand for the Group's products has been favorable. The main reason why volumes still declined was

stockpiling in the processing chain within Specialty Chemicals at the end of preceding year and the fact that the Group is pursuing a margin-based rather than a volume-based strategy for certain basic products. During the second quarter, volumes were higher than during the corresponding period in the preceding year, and our assessment is that the stockpiling at the customer level has now been largely normalized.

External net sales by product area (latest 6 months)



Earnings

Operating earnings before depreciation increased to SEK 751 m (501). This includes items affecting comparability constituting income of SEK 148 m (expense: 67) and deriving from a capital gain of SEK 100 m from the sale of Vyncolit operations and a reversal of acquisition balance sheet reserves of SEK 48 m. The comparison period includes costs for rationalization

programs. These items are reported together with exchange-rate effects under Other operating income and costs.

The comparable earnings were thus SEK 603 m (568), while the comparable operating margin was 19.2% (20.2). The Group hedges the major share of flows in foreign currency. The weaker USD exchange rate in these contracts was the reason for the lower operating margin. This was partially offset by increased efficiency, primarily as a result of the rationalization programs that were implemented. Volumes were nearly on par with the preceding year, while the Group as a result of the balanced demand generally succeeded in passing on raw materials price increases in the value chain.

Depreciation amounted to SEK 159 m (149).

Net financial items amounted to an expense of SEK 147 m (expense: 156, excluding impairment of financial holdings), of which an expense of SEK 101 m (expense: 89) represented capitalized interest on the debenture loan. Other interest expenses declined due to reduced borrowing, which in turn was a result of strong cash flow and the sale of Vyncolit operations.

Tax costs amounted to SEK 48 m (62). The low tax cost in relation to earnings before tax was primarily due to the fact that the capital gain from the Vyncolit sale is not subject to taxation, in combination with an upward adjustment of the loss carry-forwards in the German company in an amount of SEK 49 m following a tax audit.

Development during the second quarter

Net sales increased during the second quarter by 15% compared with corresponding quarter previous year, SEK 1,659 m (1,441) and were 12% higher than the preceding quarter. The volume trend was positive in relation to both periods, and above all, the price level was significantly higher than during the second quarter of 2004.

Operating earnings before depreciation amounted to SEK 410 m during the second quarter, affected by the capital gain from the sale of Vyncolit. Adjusted for non-recurring items,

earnings were lower than in the comparison periods, mainly due to lower margins on certain base products, related to the strong raw material price increases.

Net financial items for the second quarter amounted to an expense of SEK 71 m, compared with an expense of SEK 76 m for the immediately preceding quarter. The change was due to less borrowings as a consequence of the sale of Vyncolit operations.

Income statement by quarter, remaining operations (IFRS 5)

SEK m	2004				2005	
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Net sales	1,372	1,441	1,444	1,412	1,478	1,659
Cost of sold goods	-1,085	-1,105	-1,172	-1,132	-1,157	-1,343
Gross earnings	287	336	272	280	321	316
Sales, administration and R&D cost	-144	-132	-92	-112	-131	-138
Other operating income and expenses ¹⁾	-14	19	-1	-4	72	153
Amortization of intangible fixed assets	-	-1	-	-1	-	-1
Income from participations in associated companies	1	-	-	-	-	-
Operating earnings (EBIT)	130	222	179	163	262	330
Financial income and expenses	-77	-79	-81	-78	-76	-71
Write-down/capital gains, financial holdings	-8	-1	-	19	-	-
Earnings before taxes	45	142	98	104	186	259
Taxes	-16	-46	-25	-17	-55	7
Net earnings from remaining operations	29	96	73	87	131	266
<i>Net earnings from operations divested or held for sale</i>	13	12	-8	10	2	-43
Net earnings, total Group	42	108	65	97	133	223
EBITDA remaining operations	202	299	254	262	341	410

¹⁾ Other income and costs were affected in the second quarter of 2005 by the capital gain of SEK 100 m from the sale of Vyncolit operations. Acquisition balance sheet reserves were reversed in an amount of SEK 20 m in the second quarter and SEK 28 m in the first quarter of 2005. In the first quarter of 2004, rationalization costs of SEK 67 m were charged against this line item and in the fourth quarter of 2004, write-downs of SEK 22 m.

Cash flow and financial position

Consolidated Cash Flow Statement, Group						
SEK m	Quarter 2 2005	Quarter 2 2004	Quarter 1-2 2005	Quarter 1-2 2004	Latest 12 months	Full year 2004
<i>Operating activities</i>						
Operating earnings	290	239	560	389	904	733
Adjustment items:						
Depreciation/amortization	123	90	215	174	409	368
Reversal of capital gains, Vyncolit	-100	-	-100	-	-100	-
Other items	-13	-4	-39	57	-76	20
Interest received	2	1	2	1	3	2
Interest paid	-21	-41	-53	-69	-116	-132
Paid income tax	-49	-19	-69	-37	-87	-55
Cash flow from operating activities before change in working capital	232	266	516	515	937	936
<i>Change in working capital</i>						
Increase (-) Decrease (+) in inventories	15	10	-75	34	-197	-88
Increase (-) Decrease (+) in current receivables	-100	-66	-185	-302	-159	-276
Increase (+) Decrease (-) in current liabilities	123	5	166	75	274	183
CASH FLOW FROM OPERATING ACTIVITIES	270	215	422	322	855	755
<i>Investing activities</i>						
Acquisition of net assets of subsidiaries	-115	-1	-137	-27	-151	-41
Acquisition of tangible and intangible fixed assets	-108	-51	-152	-101	-252	-201
Sales of net assets of subsidiaries	765	0	765	0	765	0
Sales of financial fixed assets	-2	115	-2	115	17	134
Sales of tangible fixed assets	0	-2	-	2	1	3
Change in financial receivables	-1	5	0	5	-15	-10
CASH FLOW FROM INVESTING ACTIVITIES	539	66	474	-6	365	-115
<i>Financing activities</i>						
Amounts paid in by minority shareholders	8	7	8	7	8	7
Dividends paid to minority shareholders	-4	-	-4	-	-4	-
Change in credit utilization	-652	-253	-700	-281	-1,134	-715
Realized currency effects from hedging instruments	-118	-16	-118	-16	-27	75
CASH FLOW FROM FINANCING ACTIVITIES	-766	-262	-814	-290	-1,157	-633
CHANGE IN LIQUID FUNDS, INCL. SHORT-TERM INVESTMENTS	43	19	82	26	63	7
Liquid assets opening balance, incl. short-term investments	77	39	35	30	56	30
Translation difference in liquid assets	5	-2	8	0	6	-2
LIQUID FUNDS, END OF PERIOD	125	56	125	56	125	35

Cash flow

Cash flow from operating activities was strong, SEK 422 m (322). Working capital rose by slightly more than SEK 90 m, largely as a result of inventory build-up and partially motivated by planned maintenance stoppages during the third quarter.

Cash flow from investment activities amounted to SEK 474 m (neg. 6). Investments in fixed assets during the reporting period amounted to SEK 152 m (101), see below. The sale of Vyncolit resulted in positive cash flow of SEK 765 m, while the acquisition of Franklin affected cash flow negatively by SEK 93 m. Increased holding in the Group company in India as well as in YLA affected acquisition of net assets of subsidiaries by SEK 22 m, and supplementary purchase consideration in Vyncolit by SEK 22 m.

Realized currency effects from hedging instruments amounted to a negative SEK 118 m in conjunction with the renewal of swap contracts in USD that takes place every six months. Utilization of the Group's credit facilities decreased by SEK 700 m during the period, while liquid funds increased to SEK 125 m at June 30, 2005, compared with SEK 35 m at year-end 2004.

Investments

Perstorp is currently conducting a number of extensive investment projects intended to meet increasing demand for several of the Group's main products.

In Perstorp, a new formic acid plant is under construction and will be taken into operation in the fourth quarter. In addition, the TMP and Neo plants are being expanded. The first phase of these expansions will be taken into operation during the autumn, with another phase coming on line during the first half of 2006. In Perstorp, an expansion of biofuel-based energy production is also in progress to meet the new combustion directives and increase the availability of competitively priced energy.

In Stenugnsund, investments are being made in increased basic production of aldehydes, with production scheduled to start during the autumn of 2005. Construction will also be started there during the autumn of a new plant for propionic acid that is expected to be taken into operation during the spring of 2006.

The total investment cost for these plants is in the order of SEK 600 m. In addition, there are a number of smaller investments in progress for expansion of plants in Germany, Italy, Belgium, the US and India. As reported above, investments in fixed assets amounted to SEK 152 m during the period.

A preliminary agreement was reached with an Asian company to be included as a part owner in a project that is intended to strengthen the Group's raw materials supplies. Within the framework of this agreement, Perstorp will make guarantee commitments and contribute equity.

Company acquisition and divestments

As part of its concentration of operations to specialty chemicals, Perstorp implemented several company acquisitions and divestments during the reporting period.

■ The acquisition of Franklin Holding BV in the Netherlands and its subsidiaries was completed, and these companies were consolidated in the Group as of April 1, 2005. These operations, with 40 employees, strengthen Perstorp's position in the market for feed chemicals and supplement the product range with more specialized products. During the period from April to June, the acquired operations contributed SEK 41 m to net sales, SEK 8 m to earnings before depreciation and SEK 3 m to net earnings. The goodwill is attributable to the fair profitability in these operations, as well as to the well functioning organization and the synergies that are expected to arise through integration with Perstorp.

■ Perstorp acquired the remaining 30% of the shares in Perstorp Aegis Chemicals Pvt Ltd from its Indian partner Aegis Logistics Ltd. As of June 1, 2005, the company is thus a wholly owned subsidiary, and the name is being changed to Perstorp India Chemicals Pvt Ltd. The Group previously decided to establish an R&D center in Vapi, and there are plans to invest in manufacturing of additional products at the plants in India.

■ Operations within Moldable Composites (Vyncolit) were sold to the Japanese company Sumitomo Bakelite for a cash payment of SEK 856 m, including repayment of loans totaling SEK 91 m. These operations had sales corresponding to SEK 550 m on an annual basis with some 300 employees. The sale resulted in a capital gain of SEK 100 m.

Acquired assets, Franklin, preliminary acquisition calculation	
SEK m	
<i>Purchase consideration and cash flow effect</i>	
Purchase consideration	-148
Transaction related expenses	-2
Total purchase consideration	-150
Acquired assets, fair value	81
Goodwill	-69
<i>Total purchase consideration</i>	
Total purchase consideration	-150
Loans taken over	30
Reserves for supplementary purchase consideration	27
Net cash flow from acquisition	-93

Acquired assets

	Book value	Fair value adjustments	Fair value
Intangible fixed assets	0	47	47
Land and buildings	12	9	21
Machinery and equipment	12	-	12
Inventory	14	-	14
Operating receivables	29	-	29
Tax liabilities	-	-15	-15
Other operating liabilities	-27	-	-27
Total net assets	40	41	81

Divested assets, Vyncolit

SEK m	
Intangible fixed assets	427
Tangible fixed assets	275
Inventory	99
Operating receivables	97
Deferred tax	-47
Financial net debt	-91
Other operating liabilities	-95
Total net assets	665
Capital gain	100
Net cash flow from disposal	765

Consolidated Balance Sheet

Working capital and net debt were reduced during the period, primarily as a result of the sale of Vyncolit operations but offset by the acquisition of Franklin. Both USD and EUR strengthened against SEK in the period up until June 30, 2005.

Consolidated Balance Sheet			
SEK m	June 30, 2005	December 31, 2004	June 30, 2004
Intangible fixed assets	3,804	4,031	4,137
Tangible fixed assets	2,722	2,929	3,090
Financial fixed assets	311	149	259
Inventories	769	751	652
Current operating receivables	1,494	1,313	1,376
Current financial receivables	2	0	1
Cash and Bank	125	35	56
Total assets	9,227	9,208	9,571
Total shareholders' equity incl. minority interests	3,705	3,388	3,276
Debenture loan	1,660	1,559	1,456
Other long-term liabilities	2,108	2,715	3,090
Short-term operating liabilities	1,571	1,365	1,281
Short-term financial liabilities	183	181	468
Total shareholders' equity and liabilities	9,227	9,208	9,571
Working capital	774	746	821
Net debt	3,086	3,765	4,028
Capital employed	7,026	7,200	7,362

Consolidated Balance Sheet, in accordance with IFRS 5, June 30, 2005

SEK m	Total Group	Assets held for sale	Total Group in accordance with IFRS 5
Intangible fixed assets	3,804	0	3,804
Tangible fixed assets	2,722	0	2,722
Financial fixed assets	311	-6	305
Inventories	769	-91	678
Current operating receivables	1,494	-59	1,435
Current financial receivables	2	0	2
Cash and Bank	125	-12	113
Assets held for sale	-	168	168
Total assets	9,227	0	9,227
Total shareholders' equity incl. minority interests	3,705	0	3,705
Debenture loan	1,660	0	1,660
Other long-term liabilities	2,108	-25	2,083
Short-term operating liabilities	1,571	-86	1,485
Short-term financial liabilities	183	-74	109
Liabilities directly connected to assets held for sale	-	185	185
Total shareholders' equity and liabilities	9,227	0	9,227
Working capital	774	-70	704
Net debt	3,086	-70	3,016
Capital employed	7,026	-75	6,951

Other

Deutsche Bank appointed as advisors

Deutsche Bank was appointed as advisors to Sydsvenska Kemi and Industri Kapital in conjunction with a possible refinancing or change of ownership. Deutsche Bank is a leading advisor to the chemical sector and has extensive experience of structural transactions in the international chemical industry.

Annual General Meeting

At the Annual General Meeting, the Board of Directors of Sydsvenska Kemi AB was re-elected. The Board members are Hans Larsson (chairman), Björn Savén (deputy chairman), Michael Rosenlew, Stig Gustavson, Gunnar Palme, Thomas Ramsay, Claes de Neergaard, Lennart Holm, Anitha Hermansson, Klas Ingstorp and Ronny Nilsson, with deputy members Helena Stjernholm, Anders Magnusson, Annika Folkesson and Håkan Olzon.

Accounting and valuation principles

As of 2005, in accordance with decisions taken within the European Union, listed companies must compile their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). This interim report has been compiled in accordance with IAS 34 Interim Financial Reporting. As a result of the transition to IFRS, certain changes in the reporting format have also been made. In the income statement, minority interest in net earnings is no longer deducted. Total shareholders' equity, which is reported in the

balance sheet, includes minority interest. Provisions have been divided into current and long-term liabilities. Operations that were divested or are for sale are reported separately in the income statement under Net earnings. Figures for preceding periods have been recalculated.

Transactions with related companies

Sydsvenska Kemi has business relations with other companies that are controlled by Industri Kapital funds. The transactions consist of purchases of liquid admixtures and R&D services in a total amount of SEK 14 m during the report period, and of sales of various specialty chemicals products in a total amount of SEK 10 m. The transactions involving products were conducted on normal market terms, while the pricing of services was cost based.

Dates for interim reports

The preliminary date for the publication of the next interim report is October 28, while the year-end report will be published in February 2006.

Perstorp, July 25, 2005

Lennart Holm

President and Chief Executive Officer

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

Key figures, total Group ¹⁾

SEK m unless otherwise stated	Quarter 2 2005	Quarter 2 2004	Quarter 1-2 2005	Quarter 1-2 2004	Latest 12 months	Full year 2004
Net sales	1,780	1,665	3,468	3,270	6,730	6,532
Operating earnings before depreciation and impairment	413	329	775	563	1,313	1,101
Operating earnings	290	239	560	389	904	733
Operating margin before depreciation, %	23.2	19.8	22.3	17.2	19.5	16.9
Operating margin, %	16.3	14.4	16.1	11.9	13.4	11.2
Investments	258	51	302	101	402	201
of which acquisitions	150	-	150	-	150	-
excluding acquisitions	108	51	152	101	252	201
Depreciation/amortization ²⁾	123	90	215	174	409	368
Working capital, end of period	774	821	774	821	774	746
Working capital, average	892	873	912	811	917	857
Turnover rate, working capital	8.0	7.6	7.6	8.1	7.3	7.6
Cash flow from continuing operations	270	215	422	322	855	755
Cash flow as % of net sales	15.2	12.9	12.2	9.8	12.7	11.6
Capital employed, end of period	7,026	7,362	7,026	7,362	7,026	7,200
Capital employed, average for the period	7,304	7,509	7,391	7,503	7,425	7,473
Return on capital employed, %	16.0	13.0	15.2	10.5	12.2	9.8
Net debt, end of period	3,086	4,028	3,086	4,028	3,086	3,765
Debt/equity ratio	0.8	1.2	0.8	1.2	0.8	1.1
Equity/assets ratio	40	34	40	34	40	37
Return on shareholders' equity incl. minority interest, %	24.5	13.4	20.0	9.4	15.0	9.6
Number of full-time employees, end of period	1,762	2,104	1,762	2,104	1,762	2,034

¹⁾ The Vyncolite companies are included up to and including April 2005. Franklin is included as of April 2005.

²⁾ Impairment of Compounds' fixed assets was recorded in the second quarter of 2005, SEK 35 m. In the fourth quarter of 2004, impairment of the Formic acid plant is included by SEK 22 m.

³⁾ Other income and costs were affected in the second quarter of 2005 by the capital gain of SEK 100 m from the sale of Vyncolite operations. Acquisition balance sheet reserves were reversed in an amount of SEK 20 m in the second quarter and SEK 28 m in the first quarter of 2005. In the first quarter of 2004, rationalization costs of SEK 67 m were charged against this line item.

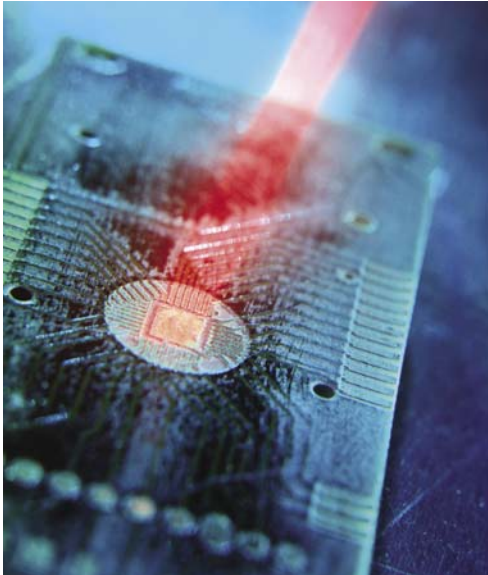
⁴⁾ After a tax audit in the German company, loss carry-forwards were adjusted upward by SEK 49 m in the second quarter of 2005. The capital gain of SEK 100 m was not subject to taxation.

Consolidated income statement, total Group ¹⁾

SEK m	Quarter 2 2005	Quarter 2 2004	Quarter 1-2 2005	Quarter 1-2 2004	Latest 12 months	Full year 2004
Net sales	1,780	1,665	3,468	3,270	6,730	6,532
Cost for sold goods	-1,454	-1,282	-2,784	-2,553	-5,437	-5,206
Gross earnings	326	383	684	717	1,293	1,326
Selling, R&D and administrative expenses	-148	-157	-303	-327	-556	-580
Other operating income and expenses ^{2) 3)}	113	14	180	-1	169	-12
Amortization of intangible fixed assets	-1	-1	-1	-1	-2	-2
Result from participations in associated companies	-	-	-	1	-	1
Operating earnings (EBIT)	290	239	560	389	904	733
Financial income and expenses	-74	-78	-151	-157	-312	-318
Write-down/capital gains, financial holdings	-	-1	-	-9	19	10
Earnings before taxes	216	160	409	223	611	425
Taxes ⁴⁾	7	-52	-53	-73	-93	-113
Net earnings (incl. minority interest)	223	108	356	150	518	312
Operating earnings before depreciation and amortization (EBITDA)	413	329	775	563	1,313	1,101

Shareholders' equity, total Group

SEK m	Share capital	Restricted reserves	Unrestricted reserves	Profit for the period	Total, before min. interest	Minority interest	Total, incl. min. interest
Closing shareholders' equity, Dec. 31, 2004	300	12	2,752	71	3,135	22	3,157
Transition to reporting in accordance with IFRS:							
<i>IFRS 3: Goodwill amortization in 2004, reversal</i>	-	-	-	239	239	-	239
less tax effect	-	-	-	-5	-5	-	-5
translation effect, goodwill in foreign currency	-	-	-3	-	-3	-	-3
<i>Introduction of IAS 39, pertaining Hedge accounting</i>	-	-	170	-	170	-	170
less tax effect	-	-	-48	-	-48	-	-48
Opening shareholders' equity January 1, 2005 in accordance with IFRS	300	12	2,871	305	3,488	22	3,510
<i>Translation difference:</i>							
change during the period	-	-	194	-	194	5	199
less effect of currency hedging during the year	-	-	-171	-	-171	-	-171
tax effect of currency hedging during the year	-	-	48	-	48	-	48
Transfer between unrestricted and restricted shareholders' equity	-	1	-1	-	0	-	0
Reversal of earnings in preceding year	-	-	305	-305	0	-	0
Effects of Hedge accounting accordance with IAS 39	-	-	-337	-	-337	-	-337
less tax effect	-	-	96	-	96	-	96
Amounts paid in by minority shareholders	-	-	-	-	-	8	8
Dividends paid to minority shareholders	-	-	-	-	-	-4	-4
Earnings for the year	-	-	-	350	350	6	356
Closing shareholders' equity, June 30 2005	300	13	3,005	350	3,668	37	3,705



Sydsvenska Kemi is the Parent Company of international chemicals group Perstorp. Perstorp focuses on specialty chemicals for customers who are primarily active in the chemicals, coatings and plastic-processing industries. The Group has nearly 1,800 employees in eight countries in Europe, North America and Asia. Sales for the remaining operations amounted to SEK 5.7 billion in 2004.

Sydsvenska Kemi is controlled by the Industri Kapital 2000 fund. Industri Kapital is one of Europe's leading private equity companies. When Perstorp was acquired in June 2001, part of the payment was met through a debenture loan that is registered with Stockholm Stock Exchange.

Further information is available on the Group's website www.perstorp.com.



Sydsvenska Kemi AB (publ), SE-284 80 Perstorp
Phone +46 435 380 00 Fax +46 435 381 00
e-mail perstorp@perstorp.com Internet www.sydsvenskakemi.se

Perstorp AB, SE-284 80 Perstorp
Phone +46 435 380 00 Fax +46 435 381 00
e-mail perstorp@perstorp.com Internet www.perstorp.com