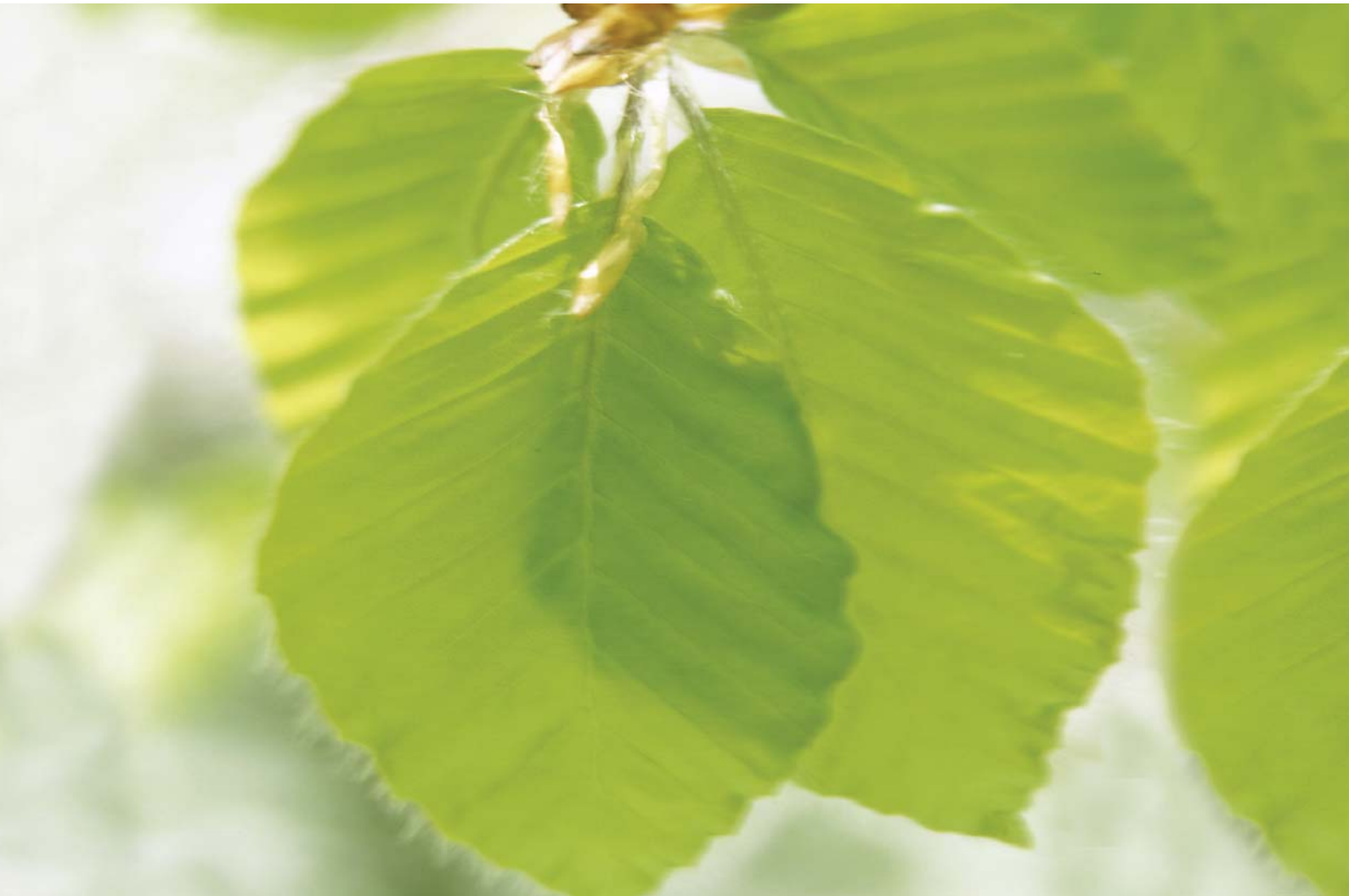


Sydsvenska Kemi AB (publ)
Interim Report January 1 - March 31, 2005





Sydsvenska Kemi AB (publ)

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

- Net sales increased by 5% to SEK 1,688 m (first quarter of 2004: SEK 1,605 m). Adjusted for exchange-rate changes, the increase was 8%.
- Operating earnings before depreciation increased to SEK 362 m (first quarter of 2004: SEK 234 m, affected by rationalization costs of SEK 67 m). Capacity utilization within Specialty Chemicals was high for several products. Impact of efficiency gains increased additionally.
- Net profit increased to SEK 133 m (42).
- Cash flow from operating activities was strengthened and amounted to SEK 152 m (107) during the quarter.
- International Financial Reporting Standards have been introduced and comparative periods have been recalculated.
- To meet increasing demand, a decision has been made regarding the construction of a new plant in Stenungsund for the production of propionic acid.
- Following period-end, the acquisition of Franklin Holding BV, Holland, and its subsidiaries was completed. The acquisition will strengthen Perstorp's positions in the growing market for feed additives based on organic acids.
- Vyncolit and its operations have been sold to Sumitomo Bakelite following period-end. Vyncolit's operations generate annual sales of SEK 550 m. Reporting in accordance with IFRS 5 is presented as an appendix to this report.

Key figures in summary

Reporting in accordance with IFRS ¹⁾

SEK m unless otherwise stated	Quarter 1 2005	Quarter 4 2004	Quarter 1 2004
Net sales	1,688	1,613	1,605
Operating earnings before depreciation (EBITDA) ²⁾	362	278	234
% of net sales	21.4	17.2	14.6
Operating earnings (EBIT) ^{2) 3)}	270	171	150
% of net sales	16.0	10.6	9.3
Net earnings (incl. minority interest)	133	97	42
Cash flow from continuing operations	152	232	107
% of net sales	9.0	14.4	6.7

¹⁾ Vyncolit was divested after the close of the report period. Vyncolit's operations are included in the income statements and balance sheets contained in this report. Reporting in accordance with IFRS 5, non-current assets held for sale and discontinued operations is done in a separate section.

²⁾ The reversal of provisions from the acquisition balance of 2001 had a positive effect of SEK 28 m in quarter 1 2005 and rationalization programs had a negative effect of SEK 67 m in quarter 1 2004.

³⁾ Operating earnings during the fourth quarter of 2004 were charged SEK 22 m for write-downs of fixed assets.



Market and economic conditions

The business trend in North America and Asia remains favorable, while Europe is characterized by relatively stable, but not rising, demand.

In view of the strong demand trend with rising raw-material prices noted in the preceding year, certain of the Group's customers stockpiled towards the end of the year. A decrease in the customers' inventories during the report period was one of the reasons for weaker sales volumes. At the same time, the Group has selected to pursue a margin-based rather than a volume-based strategy for certain base products, which has also resulted in lower volumes. Growth among the different product areas in the Specialty Chemicals business sector varied, resulting in lower volumes for certain base products and a reduction in the number of ongoing deliveries of formalin plants compared with the high level noted in the year-earlier period. Organic acids continued to develop well. The Materials Technology business area was adversely affected by weaker business conditions in the European automotive industry and in the construction industry, particularly in Germany, at the same time as the trend in the aerospace sector remained favorable.

Raw-material prices were significantly higher than in the year-earlier period. During the report period, prices for oil-re-

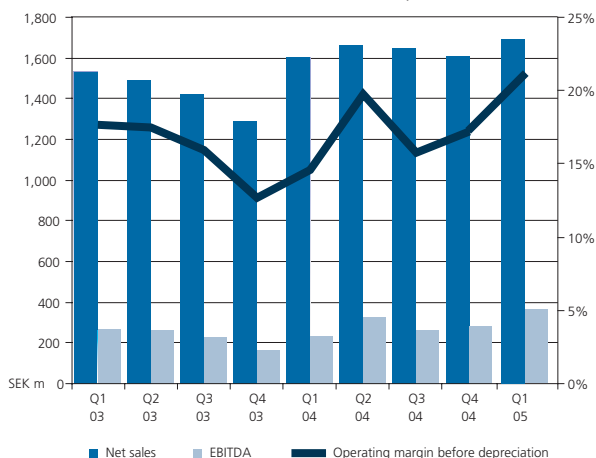
lated raw materials such as ethylene and propylene continued to increase, while the price of methanol, which is based on natural gas, was stable. For most of its products, the Group was able to pass on the increased prices for raw materials to customers. Capacity utilization was high and, combined with the effects of the comprehensive efficiency improvements implemented during the preceding year, this resulted in the earnings trend remaining positive.

The exchange rate for the USD is distinctly lower than it was a year ago. Consolidated net sales were adversely affected by exchange-rate effects amounting to approximately SEK 50 m, compared with the year-earlier period. The adverse impact on earnings is also estimated at SEK 50 m. Currency hedging contracts were made on significantly more favorable terms during the first quarter of 2004.

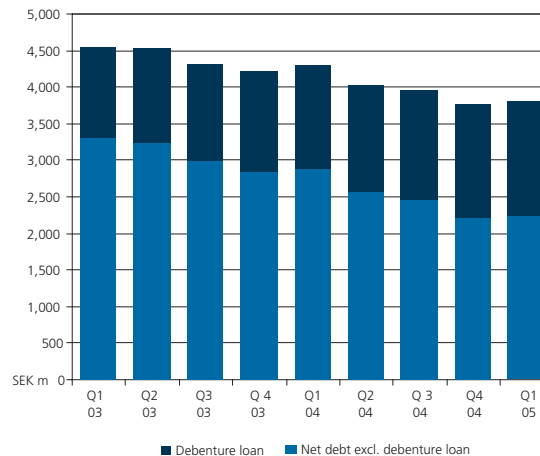
Outlook

During 2005, considerable investments will be made in increased capacity for the production of several products, at the same time as productivity programs will continue to be pursued. The outlook for the global economy appears favorable and, based on the actions taken, the Group is well equipped to meet the increased demand.

Net sales and EBITDA-development



Net debt, development



Review of sales and earnings

Income statement, Group				
SEK m	Quarter 1 2005	Quarter 1 2004	Latest 12 months	Full year 2004
Net sales	1,688	1,605	6,615	6,532
Cost of sold goods	-1,330	-1,271	-5,265	-5,206
Gross earnings	358	334	1,350	1,326
Selling, R&D and administrative expenses	-155	-170	-565	-580
Other operating income and expenses ¹⁾	67	-15	70	-12
Amortization of intangible fixed assets	0	0	-2	-2
Result from participations in associated companies	0	1	0	1
Operating earnings (EBIT) ^{1) 2)}	270	150	853	733
Financial income and expenses	-77	-79	-316	-318
Write-down/capital gains, financial holdings (Pergo)	-	-8	18	10
Earnings before taxes	193	63	555	425
Taxes	-60	-21	-152	-113
Net earnings (incl. minority interest)	133	42	403	312
Operating earnings before depreciation (EBITDA) ¹⁾	362	234	1,229	1,101

¹⁾ The reversal of provisions from the acquisition balance of 2001 had a positive effect of SEK 28 m in quarter 1 2005 and rationalization programs had a negative effect of SEK 67 m in quarter 1 2004.

²⁾ Earnings during the fourth quarter of 2004 were charged SEK 22 m for write-downs of fixed assets.

Net sales by business sector				
SEK m	Quarter 1 2005	Quarter 1 2004	Latest 12 months	Full year 2004
Specialty Chemicals	1,447	1,336	5,655	5,544
Materials Technology	251	278	1,005	1,032
Other operations incl. eliminations	-10	-9	-45	-44
The Group	1,688	1,605	6,615	6,532

Operating earnings before depreciation and amortization by business sector				
SEK m	Quarter 1 2005	Quarter 1 2004	Latest 12 months	Full year 2004
Specialty Chemicals ³⁾	312	244	1,102	1,034
Materials Technology	21	32	74	85
Other operations ^{3) 4)}	29	-42	53	-18
The Group	362	234	1,229	1,101

³⁾ Rationalization costs of SEK 42 m were charged against Specialty Chemicals' earnings for quarter 1 2004 and earnings from other operations were charged with SEK 25 m.

⁴⁾ The reversal of provisions from the acquisition balance of 2001 had a positive effect of SEK 28 m on first-quarter operating earnings.

Net sales

Net sales amounted to SEK 1,688 m during the period (first quarter of 2004: SEK 1,605 m), corresponding to an increase of 5%. Adjusted for exchange-rate effects, the sales increase was 8%. Prices were much higher, by 15%, than in the year-earlier period, while volumes declined by 7%. This trend was attributable to a combination of events. During the past year, raw-material prices have risen sharply; for example, a doubling of the price of crude oil has resulted in considerable increases in the price of key raw materials, such as propylene and ethylene. 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 and the fact that the Group is pursuing a margin-based rather than a volume-based strategy for certain base products.

Adjusted for exchange-rate effects, Specialty Chemicals' sales rose by 11% and the corresponding figure for Materials Technology was a decline of 7%. Comments on the trends for these two business sectors are presented in separate sections of this report.

Earnings

Operating earnings before depreciation increased to SEK 362 m (234). As a result, the operating margin improved to 21% (15). Earnings for 2004 included nonrecurring costs of SEK 67 m pertaining to rationalization programs. Changes in items in acquisition balance sheets amounting to SEK 28 m were made during the report period, which improved operating earnings. Excluding these items, operating earnings amounted to SEK 334 m (301), resulting in an operating margin of 20% (19).

The growth in earnings was attributable to improved productivity, combined with balanced demand and an advantageous product mix that favors specialty products. Exchange-rate effects remained negative, not least because the hedging contracts were significantly more favorable at the beginning of 2004 than during the interim period. These effects are reported in Other operating income and costs, as are the rationalization costs from the year-earlier period and the current-year reversal of items in the acquisition balance sheet.

Depreciation amounted to SEK 92 m (84).

Net financial items amounted to an expense of SEK 77 m (expense: 79), of which capitalized interest on the debenture loan accounted for SEK 50 m (44). Other interest expense decreased as a result of reduced borrowing.

Earnings before taxes amounted to SEK 193 m (63).

Tax costs totaled SEK 60 m (21).

Cash flow and financial position

Consolidated Cash Flow Statement, Group				
SEK m	Quarter 1 2005	Quarter 1 2004	Latest 12 months	Full year 2004
<i>Operating activities</i>				
Operating earnings	270	150	853	733
Adjustment items:				
Depreciation/amortization	92	84	376	368
Other items	-26	61	-67	20
Interest received	0	0	2	2
Interest paid	-32	-28	-136	-132
Paid income tax	-20	-18	-57	-55
Cash flow from operating activities before change in working capital	284	249	971	936
<i>Change in working capital</i>				
Increase (-) Decrease (+) in inventories	-90	24	-202	-88
Increase (-) Decrease (+) in current receivables	-85	-236	-125	-276
Increase (+) Decrease (-) in current liabilities	43	70	156	183
CASH FLOW FROM OPERATING ACTIVITIES	152	107	800	755
<i>Investing activities</i>				
Acquisition of net assets of subsidiaries	-22	-26	-37	-41
Acquisition of tangible and intangible fixed assets	-44	-50	-195	-201
Sales of financial fixed assets	-	-	134	134
Sales of tangible fixed assets	0	4	-1	3
Change in financial receivables	1	0	-9	-10
CASH FLOW FROM INVESTING ACTIVITIES	-65	-72	-108	-115
<i>Financing activities</i>				
Amounts paid in by minority shareholders	-	-	7	7
Change in credit utilization	-48	-28	-735	-715
Realized currency gain from hedging instruments	-	-	75	75
CASH FLOW FROM FINANCING ACTIVITIES	-48	-28	-653	-633
CHANGE IN LIQUID FUNDS, INCL. SHORT-TERM INVESTMENTS	39	7	39	7
Liquid assets of January 1, incl. short-term investments	35	30	39	30
Translation difference in liquid assets	3	2	-1	-2
LIQUID FUNDS, END OF PERIOD	77	39	77	35

Cash flow

Cash flow from *operating activities* rose to SEK 152 m (107). Working capital rose by slightly more than SEK 130 m during the period, largely as a result of an inventory build-up and an increase in accounts receivable. Part of the inventory build-up was due to scheduled maintenance shut-downs during the second quarter in both the company's own plants and at suppliers.

Cash flow from *investing activities* was a negative SEK 65 m (neg: 72). Investments in fixed assets amounted to SEK 44 m (50) during the report period, mainly at the specialty chemicals plants in Stenungsund and Perstorp, where capacity is being expanded in accordance with previously disclosed information.

Utilization of the Group's *credit facilities* decreased by SEK 48 m during the period and cash and cash equivalents increased to SEK 77 m at the end of the period compared with the SEK 35 m reported at year-end.

Consolidated Balance Sheet, Group			
SEK m	March 31, 2005	Dec 31, 2004	March 31, 2004
Intangible fixed assets	4,064	4,031	4,140
Tangible fixed assets	2,904	2,929	3,142
Financial fixed assets	198	149	404
Inventories	849	751	665
Current operating receivables	1,441	1,313	1,318
Current financial receivables	0	0	1
Cash and Bank	77	35	39
Total assets	9,533	9,208	9,709
Total shareholders' equity incl. minority interest	3,537	3,388	3,169
Debenture loan	1,609	1,559	1,411
Other long-term liabilities	2,797	2,715	3,360
Short-term operating liabilities	1,412	1,365	1,285
Short-term financial liabilities	178	181	484
Total shareholders' equity and liabilities	9,533	9,208	9,709
Working capital	894	746	774
Net debt	3,810	3,765	4,288
Capital employed	7,455	7,200	7,502

Financial position

Capital employed increased by SEK 255 m during the period, mainly due to the inventory build-up and an increase in current receivables.

Net indebtedness rose slightly compared with year-end, despite the positive cash flow, due to interest on the capitalized subordinated loan in an amount of SEK 50 m and to exchange-rate effects, mainly related to loans in USD. The US dollar appreciated somewhat during the report period.

Specialty Chemicals

Key figures				
SEK m	Quarter 1 2005	Quarter 1 2004	Latest 12 months	Full year 2004
Net sales	1,447	1,336	5,655	5,544
Operating earnings before depreciation ^{*)}	312	244	1,102	1,034
% of net sales	22	18	19	19
Operating earnings	243	176	805	738
% of net sales	17	13	14	13
Investments	32	41	143	152
Working capital	724	599	724	624

^{*)} Rationalization costs of SEK 42 m were charged against Specialty Chemicals' earnings for quarter 1 2004.

Specialty Chemicals experienced balanced demand during the report period. Net sales amounted to SEK 1,447 m (1,336), up 8% compared with the year-earlier period. Adjusted for exchange-rate effects, the increase was 11%. Sales were affected favorably by higher prices, 18%, while volumes declined by 7%.

Operating profit before depreciation rose to SEK 312 m (244). Accordingly, the profit margin before depreciation rose to 22% (18). Earnings for the year-earlier period included nonrecurring costs of SEK 42 m pertaining to rationalization programs.

Capacity utilization was high for most products during the period. At the same time, fixed costs were reduced as a result of the rationalization measures implemented during 2004 and prior years. Following a certain time lag, Specialty Chemicals was able to offset the increases in raw-material prices by increasing the price of most of its own products.

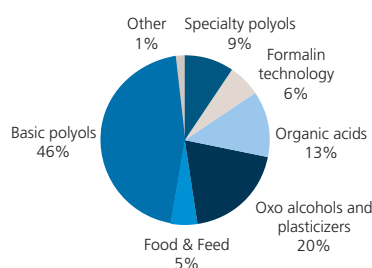
The favorable demand for polyols continued, but sales volumes were affected by stockpiling in the processing chain and, for certain products, by increasing competition from Asia.

Perstorp's Oxo alcohols and plasticizers are mainly sold in the European market. In total, volumes declined compared with the year-earlier period.

Organic acids continued to enjoy strong demand. Growth within new application areas and growing demand for feed chemicals ahead of the ban on the use of antibiotics in feed, which will become effective in the EU at the end of the year, contributed to the sales increase.

Demand for catalysts for formalin production was strong during the period, as a result of healthy demand from custo-

External net sales by product area (latest 12 months)



mers among the major chemical, resin and board producers in about 40 countries. The demand for catalysts was also very strong during the year-earlier period.

Since the market for the business sector's acids is expected to show strong growth during the coming years, a decision was made during the period to construct a new plant in Stenungsund for the production of propionic acid.

Investments in new plants and increased capacity for the production of hexanoic acid, formic acid, TMP, Neo and aldehydes are under way in Perstorp and Stenungsund, respectively. In order to increase the supply of energy at competitive prices, a major investment in biofuel-based energy production at the Perstorp site will also be made.

The acquisition of Franklin Holding BV, the Netherlands, and its subsidiaries was completed and these companies are consolidated in the accounts as of April 1. The acquired operations, which have sales of approximately SEK 160 m with 40 employees, will strengthen Perstorp's position in the market for feed chemicals and will supplement the range by adding more specialized products. Work on establishing an acquisition balance sheet, in accordance with IFRS 3, Business Combinations, is under way.

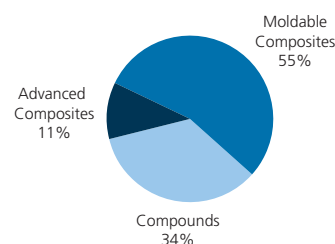
Towards the end of the period, parts of the operations of the subsidiary Perstorp Peramin AB were sold to Grace AB. The divested operations consist of certain concrete additives that are sold mainly in the Scandinavian market.

A preliminary agreement to become a partner in a project designed to strengthen the Group's supply of raw materials has been concluded with an Asian company. Within the framework of this agreement, Perstorp will make guarantee commitments and will provide shareholders' equity.

Materials Technology

Key figures				
SEK m	Quarter 1 2005	Quarter 1 2004	Latest 12 months	Full year 2004
Net sales	251	278	1,005	1,032
Operating earnings before depreciation	21	32	74	85
% of net sales	8	12	7	8
Operating earnings	8	18	28	38
% of net sales	3	6	3	4
Investments	10	8	41	39
Working capital	200	179	200	165

Net sales by business unit (latest 12 months)



The Materials Technology business sector experienced weaker demand during the report period. Net sales amounted to SEK 251 m, down 10% compared with the year-earlier period (278). Volumes declined by 12%, while negative exchange-rate effects accounted for a decline of 3%. Price increases were implemented for several products, corresponding to 5%, in order to offset rising raw-material costs.

Operating earnings before depreciation amounted to SEK 21 m (32), corresponding to a margin of 8% (12). The lower earnings were due to reduced volumes and exchange-rate effects resulting from the depreciation of the USD compared with the first quarter of 2004.

Demand for *Moldable Composites* products for the US market remained favorable, while sales in Europe weakened, due to a decline in the European automotive industry.

Within *Advanced Composites*, the favorable trend for products such as carbon fiber-reinforced composite materials for the aerospace and aviation industries continued.

Compounds' sales were adversely affected by a decline in the construction market in Europe, particularly in Germany. Prestigious orders were received during the period for the antibacterial amino-plastic Polygiene®, for use at Bangkok New Airport, among other applications.

The operations within Moldable Composites (Vyncolit) were sold to the Japanese company Sumitomo Bakelite following period-end, for a cash payment of SEK 856 m. Vyncolit's operations generate annual sales of SEK 550 m, with approximately 300 employees. As a result, two operations remain in the Materials Technology business sector: Compounds and Advanced Composites.

Other

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. The effects of the transition to IFRS on the various quarters of 2004 are reported on pages 9-10 under a separate heading.

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. Figures for previous periods have been recalculated.

Transactions with related companies

Sydsvenska Kemi has business relations with other groups

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 6 m during the report period, and of sales of various specialty chemicals products in a total amount of SEK 6 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 dates for the publication of interim reports during 2005 are July 25 and October 28, while the year-end report will be published in February 2006.

Perstorp, May 10, 2005

Lennart Holm

President and Chief Executive Officer

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

Key figures, Group				
SEK m unless otherwise stated	Quarter 1 2005	Quarter 1 2004	Latest 12 months	Full year 2004
Net sales	1,688	1,605	6,615	6,532
Operating earnings before depreciation and write-downs	362	234	1,229	1,101
Operating earnings	270	150	853	733
Operating margin before depreciation, %	21.4	14.6	18.6	16.9
Operating margin, %	16.0	9,3	12.9	11.2
Investments	44	50	195	201
Depreciation/amortization	92	84	376	368
Working capital, end of period	894	774	894	746
Working capital, average	926	740	917	857
Turnover rate, working capital	7.3	8.7	7.2	7.6
Cash flow from continuing operations	152	107	800	755
Cash flow as % of net sales	9.0	6.7	12.1	11.6
Capital employed, end of period	7,455	7,502	7,455	7,200
Capital employed, average for the period	7,494	7,497	7,495	7,473
Return on capital employed, %	14.4	8.2	11.4	9.8
Net debt, end of period	3,810	4,288	3,810	3,765
Debt/equity ratio	1,1	1,4	1,1	1,1
Equity/assets ratio	37	33	37	37
Return on shareholders' equity incl. minority interest, %	15.3	5.3	12.0	9.6
Number of full-time employees, end of period	2,012	2,162	2,012	2,034

Information by quarter

Consolidated income statement, Group

SEK m	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
	2003			2004				2005
Net sales	1,491	1,425	1,293	1,605	1,665	1,649	1,613	1,688
Cost for sold goods	-1,173	-1,200	-1,130	-1,271	-1,282	-1,347	-1,306	-1,330
Gross earnings	318	225	163	334	383	302	307	358
Selling, R&D and administrative expenses	-175	-163	-135	-170	-157	-117	-136	-155
Other operating income and expenses ¹⁾	36	84	53	-15	14	-12	1	67
Amortization of intangible fixed assets	-63	-60	-62	0	-1	0	-1	0
Result from participations in associated companies	0	-3	4	1	0	0	0	0
Operating earnings (EBIT) ^{1) 2)}	116	83	23	150	239	173	171	270
Financial income and expenses	-84	-82	-85	-79	-78	-82	-79	-77
Write-down/capital gains, financial holdings	-18	26	24	-8	-1	0	19	-
Earnings before taxes	14	27	-38	63	160	91	111	193
Taxes	-25	-31	100	-21	-52	-26	-14	-60
Net earnings/loss	-11	-4	62	42	108	65	97	133
Operating earnings before depreciation and amortization (EBITDA) ¹⁾	261	227	164	234	329	260	278	362

¹⁾ The reversal of provisions from the acquisition balance of 2001 had a positive effect of SEK 28 m in quarter 1 2005 and rationalization programs had a negative effect of SEK 67 m in quarter 1 2004.

²⁾ Earnings during the fourth quarter of 2004 were charged SEK 22 m for write-downs of fixed assets.

Net sales by business sector

SEK m	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
	2003			2004				2005
Specialty Chemicals	1,220	1,192	1,072	1,336	1,405	1,411	1,392	1,447
Materials Technology	276	234	237	278	269	250	235	251
Other operations incl. eliminations	-5	-1	-16	-9	-9	-12	-14	-10
The Group	1,491	1,425	1,293	1,605	1,665	1,649	1,613	1,688

Operating earnings before depreciation and amortization, by business sector

SEK m	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
	2003			2004				2005
Specialty Chemicals ³⁾	230	191	129	244	292	240	258	312
Materials Technology	25	6	14	32	31	7	15	21
Other operations ^{3) 4)}	6	30	21	-42	6	13	5	29
The Group	261	227	164	234	329	260	278	362

³⁾ Rationalization costs of SEK 42 m were charged against Specialty Chemicals' earnings for Q1 2004 and earnings from other operations were charged with SEK 25 m.

⁴⁾ The reversal of provisions from the acquisition balance of 2001 had a positive effect of SEK 28 m on first-quarter operating earnings in 2005.

Transition to reporting in accordance with IFRS

General information about the introduction of IFRS

In accordance with the IAS ordinance that was adopted by the European Union in 2002, listed companies throughout the Union must apply international reporting standards – International Financial Reporting Standards – IFRS (formerly International Accounting Standards – IAS) in their consolidated accounts as of 2005. The standards, issued by the International Accounting Standards Board (IASB), become compulsory for European companies in pace with their approval by the European Commission.

The IFRS 1 standard addresses the transition to IFRS with respect to the companies that apply the regulations for the first time. This standard stipulates that, when making the transition from national accounting principles, a company must present at least one year of comparative information in accordance with IFRS (voluntary for financial instruments). The company must also explain how the transition from the previous accounting principles to IFRS has affected its financial position, earnings and cash flow. According to IFRS 1, this information must be disclosed no later than in connection with the publication of the first interim report for the 2005 fiscal year.

The main rule in accordance with IFRS 1 stipulates that all applicable IFRS and IAS standards that have become effective and been approved by the EU at December 31, 2005 must be applied retroactively. Accordingly, the effects reported below are preliminary and could be changed since the review of certain standards is still under way.

Effects on Sydsvenska Kemi's earnings and financial position

In Sydsvenska Kemi's year-end report for 2004, information was provided about the most significant effects on the Group's earnings and financial position following the transition to IFRS. Similarly, the changes in accounting principles that the transition to IFRS will give rise to, and the exceptions from the main rule in IFRS 1 that Sydsvenska Kemi has elected to apply, were

described in the 2004 Annual Report.

It is primarily IFRS 3 Business Combinations and IAS 39 Financial Instruments that affect the consolidated income statement and balance sheet. Cash flow is not affected. IAS 34 Interim Reporting has affected the contents of the interim report, in which certain supplements pertaining to segment reporting and business relations with related parties have been made.

According to **IFRS 3**, goodwill is no longer amortized in accordance with a fixed amortization plan. Instead it is subject to regular tests to determine any need for write-downs (impairment). Goodwill amortization amounting to SEK 239 m has been reversed for 2004, which increases the Group's shareholders' equity after taxes by SEK 5 m and exchange-rate effects of SEK 3 m.

IAS 39, which addresses financial instruments, is applied as of January 1, 2005, without the requirement to recalculate the comparative year, and Sydsvenska Kemi is applying this exemption. IAS 39 stipulates that all derivative instruments be reported in the balance sheet at fair value. Changes in the fair value of derivative instruments must be reported in the income statement unless hedge accounting is applied. Hedge accounting may only be applied if certain criteria are met, such as having the documentation in place, having identified the associated exposure and the ability to measure the effectiveness of the hedging instrument.

Sydsvenska Kemi has elected to apply hedge accounting. Accordingly, changes in the fair value of derivative instruments are reported directly in shareholders' equity, until the hedged item is reported in the income statement. The introduction of IAS 39 means that shareholders' equity has become more volatile than before.

Sydsvenska Kemi's 2004 Annual Report contains an account of the Group's risk management in terms of net assets, flows and earnings in foreign currencies. The Group applies hedge accounting when managing its exchange-rate risks associated with net assets in foreign subsidiaries as well as transaction flows.

Consolidated Balance Sheet – in accordance with IFRS

SEK m	March 31, 2004			June 30, 2004			September 30, 2004			December 31, 2004			January 1, 2005	
	Before IFRS	IFRS 3	After IFRS	Before IFRS	IFRS 3	After IFRS	Before IFRS	IFRS 3	After IFRS	Before IFRS	IFRS 3	After IFRS	IAS 39	IFRS incl. IAS 39
Intangible fixed assets	4,080	60	4,140	4,017	120	4,137	3,943	179	4,122	3,795	236	4,031		4,031
Tangible fixed assets	3,142		3,142	3,090		3,090	3,028		3,028	2,929		2,929		2,929
Financial fixed assets	404		404	259		259	283		283	149		149	89	238
Inventories	665		665	652		652	660		660	751		751		751
Current operating receivables	1,318		1,318	1,376		1,376	1,400		1,400	1,313		1,313		1,313
Current financial receivables	1		1	1		1	21		21	0		0	81	81
Cash and Bank	39		39	56		56	49		49	35		35		35
Total assets	9,649	60	9,709	9,451	120	9,571	9,384	179	9,563	8,972	236	9,208	170	9,378
Total shareholders' equity incl. minority interest	3,110	59	3,169	3,158	118	3,276	3,151	176	3,327	3,157	231	3,388	122	3,510
Debenture loan	1,411		1,411	1,456		1,456	1,507		1,507	1,559		1,559		1,559
Other long-term liabilities	3,359	1	3,360	3,088	2	3,090	2,955	3	2,958	2,710	5	2,715	48	2,763
Short-term operating liabilities	1,285		1,285	1,281		1,281	1,322		1,322	1,365		1,365		1,365
Short-term financial liabilities	484		484	468		468	449		449	181		181		181
Total shareholders' equity and liabilities	9,649	60	9,709	9,451	120	9,571	9,384	179	9,563	8,972	236	9,208	170	9,378

Shareholders' equity – in accordance with IFRS

SEK m	Share capital	Restricted reserves	Unrestricted reserves	Profit/loss for the period	Total	Minority interests	Total, incl. Min. interest
Closing shareholders' equity, December 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 to 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
Translation difference:							
change during the year			68		68		68
less effect of currency hedging during the year			-64		-64		-64
tax effect of currency hedging during the year			18		18		18
Transfer between unrestricted and restricted shareholders' equity		1	-1		0		0
Reversal of profit in preceding year			305	-305	0		0
Effects of Hedge accounting enlign IAS 39			-178		-178		-178
less tax effect			50		50		50
Profit for the year				130	130	3	133
Closing shareholders' equity, March 31, 2005	300	13	3,069	130	3,512	25	3,537

Reporting of non-current assets held for sale in accordance with IFRS 5

In accordance with the new accounting rules contained in IFRS 5, which covers non-current assets that are held for sale and discontinued operations, Vyncolit is reported below as sold operations on separate lines in the income statement and balance sheet. As of the second quarter, for the period January–June, the income statement contained in the report will be compiled in accordance with IFRS 5.

Income statement – total Group compared with remaining operations, Q1 2005

SEK m	Quarter 1 2005		
	Total Group	Sold operations	Remaining operations
Net sales	1,688	145	1,543
Cost for sold goods	-1,330	-112	-1,218
Gross earnings	358	33	325
Selling, R&D and administrative expenses	-155	-17	-138
Other operating income and expenses	67	-3	70
Operating earnings (EBIT)	270	13	257
Financial income and expenses	-77	-1	-76
Earnings before taxes	193	12	181
Taxes	-60	-5	-55
Net earnings	133	7	126

Income statement, Group, in accordance with IFRS 5

SEK m	Quarter 1 2005	Quarter 1 2004	Latest 12 months	Full year 2004
Net sales	1,543	1,454	6,057	5,968
Cost of sold goods	-1,218	-1,159	-4,831	-4,772
Gross earnings	325	295	1,226	1,196
Selling, R&D and administrative expenses	-138	-152	-497	-511
Other operating income and expenses	70	-12	74	-8
Amortization of intangible fixed assets	0	0	-2	-2
Result from participations in associated companies	0	1	0	1
Operating earnings (EBIT)	257	132	801	676
Financial income and expenses	-76	-78	-314	-316
Write-down/capital gains, financial holdings	0	-8	18	10
Earnings before taxes	181	46	505	370
Taxes	-55	-16	-140	-101
Net earnings from remaining operations	126	30	365	269
<i>Net earnings from sold operations</i>	<i>7</i>	<i>12</i>	<i>38</i>	<i>43</i>
Net earnings, total Group	133	42	403	312

Consolidated Balance Sheet, Group, in accordance with IFRS 5

SEK m	March 31, 2005		
	Total Group	Assets held for sale	Total Group in accordance with IFRS 5
Intangible fixed assets	4,064	-425	3,639
Tangible fixed assets	2,904	-274	2,630
Financial fixed assets	198	-7	191
Inventories	849	-96	753
Current operating receivables	1,441	-97	1,344
Current financial receivables	0	0	0
Cash and Bank	77	0	77
Assets held for sale		899	899
Total assets	9,533	0	9,533
Total shareholders' equity incl. minority interests	3,537	0	3,537
Debenture loan	1,609	0	1,609
Other long-term liabilities	2,797	-117	2,680
Short-term operating liabilities	1,412	-80	1,332
Short-term financial liabilities	178	-59	119
Liabilities directly connected to assets held for sale		256	256
Total shareholders' equity and liabilities	9,533	0	9,533
Working capital	894	-110	784
Net debt	3,810	-98	3,712
Capital employed	7,455	-785	6,670



Sydsvenska Kemi AB is the Parent Company of international chemicals group, Perstorp. Perstorp holds leading positions within specialty chemicals and materials technology markets, with customers active in a large number of industrial areas. The Group has slightly more than 2,000 employees and production in eight countries in Europe, North America and Asia. Sales in 2004 amounted to SEK 6.5 billion.

The Specialty Chemicals business sector focuses on specialty chemicals for customers who are primarily active in the chemicals, coatings and plastic-processing industries. The Materials Technology business sector concentrates on fiber-reinforced polymer materials for demanding applications within the automotive, space, aviation and construction industries.

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.

More information is available on our website www.perstorp.com.



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