AAK

AAK Report 2010

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Cover:
Food Ingredients is AAK's largest business area. AAK is a leading supplier of vegetable alternatives to the bakery sector. Product development is carried out in close partnership with customers.

Through its expertise in vegetable oils, AAK will develop products with a value content, so that the AAK products will be the first choice for customers, and will add value to the products.

Melker Schörling looks back on 2010.

Arne Frank describes the year, which laid the foundations for stronger expansion abroad. The Group management team has been strengthened, and AAK continued its drive towards sustainable development with respect for the world in which it operates.

AAK's operation is based on processing natural raw materials obtained primarily from West Africa and Asia, but also from Europe and the American continent.

The raw material is processed in ten production plants located throughout the world.

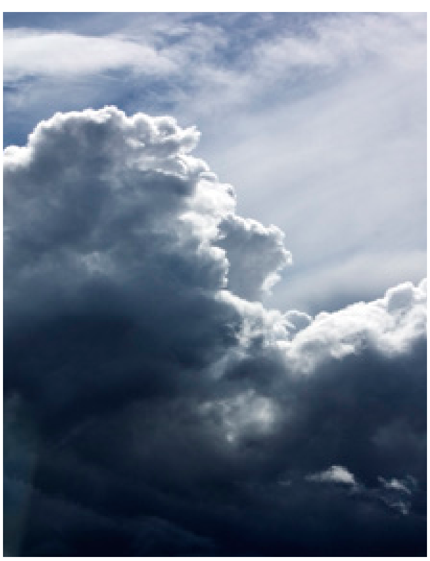
Food Ingredients
Food Ingredients is AAK's largest business area. There is growing demand from customers, particularly end-consumers, for healthy products. In response, AAK is focusing on trans fat-free alternatives and on sustainable development. The commitment to the Roundtable on Sustainable Palmoil is a good example of this.

Chocolate & Confectionery Fats
AAK is a leading producer of cocoa butter replacement fats, in a world where the growing demand for cocoa-based confectionery is coming up against a limited supply of cocoa beans. West African shea has become a significant raw material, and its unique properties are proving useful in cosmetic products, which are part of the business area.

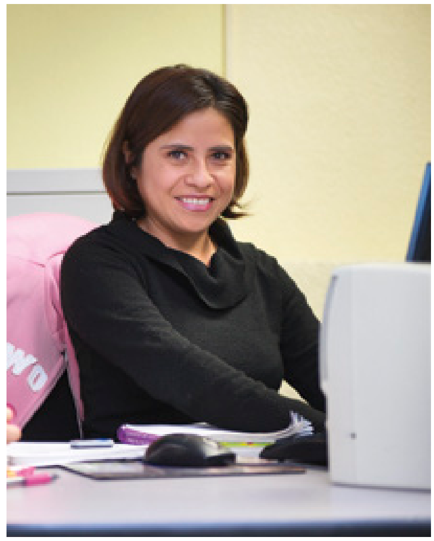
Technical Products & Feed

The benefits of vegetable oils as lubricants for forestry machinery are clear, when the focus is on sustainability and respect for the natural environment. Vegetable-based lubricating oils do not damage the natural environment from which they originate.

Animal feed is another part of the business area's activities. The greatest advantage is guaranteed salmonella-free fodder for livestock.



A business such as AAK's is exposed to a range of risks and threats. The long interval between harvest and production, demands a careful approach to currency exposure. The company relies on realible transports, and its major involvement with the food sector makes care in all stages of production vital.



Personnel issues are handled with care, and are regarded as absolutely crucial by the Group management team. The company can not grow without its personnel and their engagement. Social responsibility with respect for individual rights is an essential base for the company's future progress.

These issues are becoming increasingly important to business success in an ever-more complex world. In 2010, AAK issued its first separate report based on an international index – GRI, which measured the company's activities from a sustainability perspective against other companies' operations. A separate report will also be issued in 2011.

AAK in 60 seconds

- AAK has unrivalled experience – more than 100 years – of vegetable oils. On the basis of this experience, the company processes oils for a broad spectrum of applications. AAK's customers are concentrated in the food, confectionery and cosmetics industries, but the company also supplies environmentally low-impact lubricants for a range of applications, including forestry machinery. Rapeseed meal is used as an ingredient in feed for livestock.

- The vast majority of products are used as inputs in the industrial sectors, but an increasing proportion are also sold as own-brand products to consumers.

- New products are developed in close partnership with customers, and AAK's products shall be the first choice for customers, whose production relies on high value-added vegetable fats. The products are used as substitutes for dairy fat and cocoa butter, as trans-free solutions for fillings in chocolate and confectionery products, as well as in the cosmetics industry.

- An example of high value is the company's vegetable fat for infant formula, whose properties closely mirror mother's milk.

- AAK's products come from the vegetable kingdom and are renewable. This means that they have a minimal impact on the environment. A fine example of this is AAK's lubricants, especially for forestry machinery. The waste products discharged by the machinery to the eco-system during the production process have no harmful impact on the environment.

- Raw materials are obtained from areas such as Asia and West Africa. AAK is committed to sustainable development and is one of the founders of RSPO, the Roundtable on Sustainable Palm Oil, and GreenPalm Ltd. Through these initiatives, AAK has contributed to the extraction of palm oil through natural agricultural development, without over-exploitation.

- AAK is organised in three business areas; Chocolate & Confectionery Fats, Food Ingredients and Technical Products & Feed.

- The Group's head office is in Malmö, Sweden, with excellent access to Kastrup International Airport.

- Production plants are located in Denmark, Mexico, the Netherlands, Sweden, the UK, Uruguay and the US.

- AAK has purchasing and sales offices in several key locations around the world.

- The parent company, AarhusKarlshamn AB, is a Swedish-registered joint-stock company based in Malmö. The company's shares are listed on NASDAQ OMX, Stockholm, in the Mid Cap segment, Consumer Commodities sector.

2010 in summary

- A new corporate programme, "AAK Acceleration", has been launched. The programme is based on our existing specialisation strategy, but with sharper focus on practical implementation, concentrating on growth and efficiency and people in the medium and long term.
- Prioritised growth areas on the AAK Acceleration project: Bakery, Dairy, CCF, Infant Nutrition, FoodService, Merger & Acquisition, Fast-growing economies like China and Brazil. Particular emphasis on productivity and efficiency, and on Human Resources.
- An extraordinary general meeting of the company approved the Board's suggestion on the introduction of an incentive programme for senior executives and key personnel, by issuing up to 1,500,000 stock options entitling the holders to subscribe to the equivalent number of new shares in AarhusKarlshamn AB. Senior executives and key personnel have invested in a stock options programme at market price, involving a total of just over 1,000,000 options to date.
- Arne Frank took over as President and CEO on 6 April.
- David Smith was appointed Vice President European Supply Chain.
- Anne Mette Olesen was appointed Vice President Human Resources, Communications and CSR.
- Torben Friis Lange was appointed Business Area Manager Chocolate & Confectionery Fats.
- Bo Svensson took over as Business Area Manager Technical Products & Feed.
- Karsten Nielsen was appointed Chief Technology Officer (CTO).
- Edmond Borit, Managing Director AAK South America, Jean-Marc Rotsaert, President AAK USA and Octavio Díaz de León, Managing Director AAK Mexico also joined the executive team.
- AAK published its first printed Sustainability Report, under the heading AAK in the World.
- In November, analysts, the media and investors were invited to a capital market day in Stockholm. Over 60 participants were given a detailed review of the Group's administration and future prospects.

Operational key ratios (SEK million unless otherwise stated)	**2010**	**2009**	**2008**	**2007**	**2006**
Gross contribution	3,625	3,744	3,644	3,134	2,723
Gross contribution per kilo, SEK	2.51	2.61	2.36	2.12	1.90
Operating profit	824	827	851	653	455
Operating profit per kilo, SEK	0.57	0.58	0.55	0.44	0.32
Earnings per share, SEK	14.15	10.14	10.80	8.53	6.32
Return on operating capital, %	13.1	12.6	11.0	10.9	7.8

Financial key ratios, including IAS 39 and non-recurring items (SEK million unless otherwise stated)	**2010**	**2009**	**2008**	**2007**	**2006**
Net sales	14,808	15,884	17,207	13,005	10,929
Operating profit	882	1,475	151	646	342
Investments	335	316	396	712	501
Operating cash flow after investments	426	1,952	-370	-1,083	-325
Net debt	2,634	3,186	5,112	4,273	3,026
Equity/assets ratio, %	34	35	25	28	33
Net debt/equity ratio, multiple	0.83	1.08	2.15	1.75	1.31
Earnings per share, SEK*	15.26	20.19	0.04	7.67	4.18

* Earnings per share have been calculated using a weighted average of the number of outstanding shares during 2010.
Definitions, see page 55 of the Anuual Report. Annual General Meeting, see page 62 of the Anuual Report.

AAK's vision

"The first choice for value-added vegetable oil solutions"

The vision consists of three important parts:

First choice
- The first choice for our stakeholders: customers, employees, suppliers and shareholders.
- We aspire to be our customers' preferred choice which requires us to be competitive, have consistent quality standards, and to be an ultra reliable supplier.
- First choice is also about time. We aim to have a fast time-to-market of new, value-added solutions.

Value-added solutions
- We sell complete solutions, not just products.
- Our value-added solutions are based on our expert knowledge of customer needs.
- A value-added solution is not just a final product but also a complex bundle of services, such as customisation, problem-solving, market advice, delivery systems, technical support and whatever else is required to meet our customers' needs.
- We continually strive to increase our share of value-added solutions relative to bulk products sales.

Vegetable oils
- This is our core business.
- Our business is built around the world of vegetable oils.
- We offer a wide range of products and services related to vegetable oils.

Strategies and goals

AAK's fundamental business strategy is increasingly to develop products, which meet a growing demand for quality and high-value content, with the aim of reducing dependence on bulk products with relatively low margins.

AAK works in close partnership with its customers. Together, we analyse needs and market potential to ensure that AAK can offer attractive solutions that improve the customers' competitiveness and offer better business opportunities.

This strategy has resulted in a number of new products, which have generated business opportunities in the bakery sector and the confectionery and cosmetics industries.

AAK's products are marketed to consumers only in exceptional cases. A significant part of the company's vision of being the first choice is to offer a strong package of services aimed at meeting customers' needs for marketing, transport and development solutions, where AAK's extensive expertise in the area of vegetable oils can, in partnership with the customers, result in new products and new business opportunities.

From bulk to more speciality products

Summary by Melker Schörling, Chairman of the Board

Expansion through organic growth and acquisitions

In the past 12 months, AAK has undergone major changes. A flatter organisation and a larger executive team have shortened decision paths, and this has brought a new vitality to the organisation. This is characteristic of Arne Frank's approach. At the same time, there has been a new injection of energy into projects aimed at improving efficiency at the two plants in Karlshamn and Aarhus. It is all about ensuring that the company maintains an appropriate cost level compared with its European competitors. I am pleased to say that this work is progressing according to plan, and that there is a clear understanding at both plants of the need to tackle the competition head-on.

We are extremely fortunate to operate in an industry, which has experienced continuous growth on a worldwide basis. We, the members of the Board, take an extremely positive view of AAK's expansion plans, which involve organic growth, with coordinated investment in production capacity, and acquisitions. Today, AAK is in an excellent position to undertake additional acquisitions in several geographical markets.

Financially, AAK is in its strongest position in a long time, with excellent cash flow and sound financial agreements in place. But we must remember that the company's cash flow is sensitive to changes in raw materials prices. The higher the prices of raw materials are, the more money we have tied up in inventories and accounts receivable. This means that it is essential for AAK to have a reserve at all times, in the form of available financing, in case of rapid fluctuations in raw-material prices. It is important to remember that these price fluctuations affect only cash flow, and not results.

Sustainability

Sustainability issues are something the Board is taking extremely seriously. For many years, AAK has been involved in a number excellent sustainability improvement projects. One example of this is the shea we buy from West Africa. We have an on-site presence in the villages, with a large local organisation which purchases the shea nuts gathered by the local population from trees growing wild. This is a first-class example of how we are really contributing to sustainable growth in an extremely poor part of the world.

Management issues

One of the most vital tasks we carry out in the Board is finding the right CEO and management team. If these positions are filled by the right individuals, they will surround themselves with competent people and provide them with the motivation to drive the company forward. I have long held the view that, in addition to offering competitive wages and bonuses, it is a clear advantage if managers also own shares in the company. This ensures that the Board, the shareholders and the management have a shared interest in the company's success. With this in mind, we have recently launched an options programme. I stress that no-one receives anything free of charge. Everyone is expected to buy options at the market price. If AAK performs well, these options will become valuable when the holders, within a five-year period, can exercise the option to purchase shares. If the company performs badly, the options will be worthless.

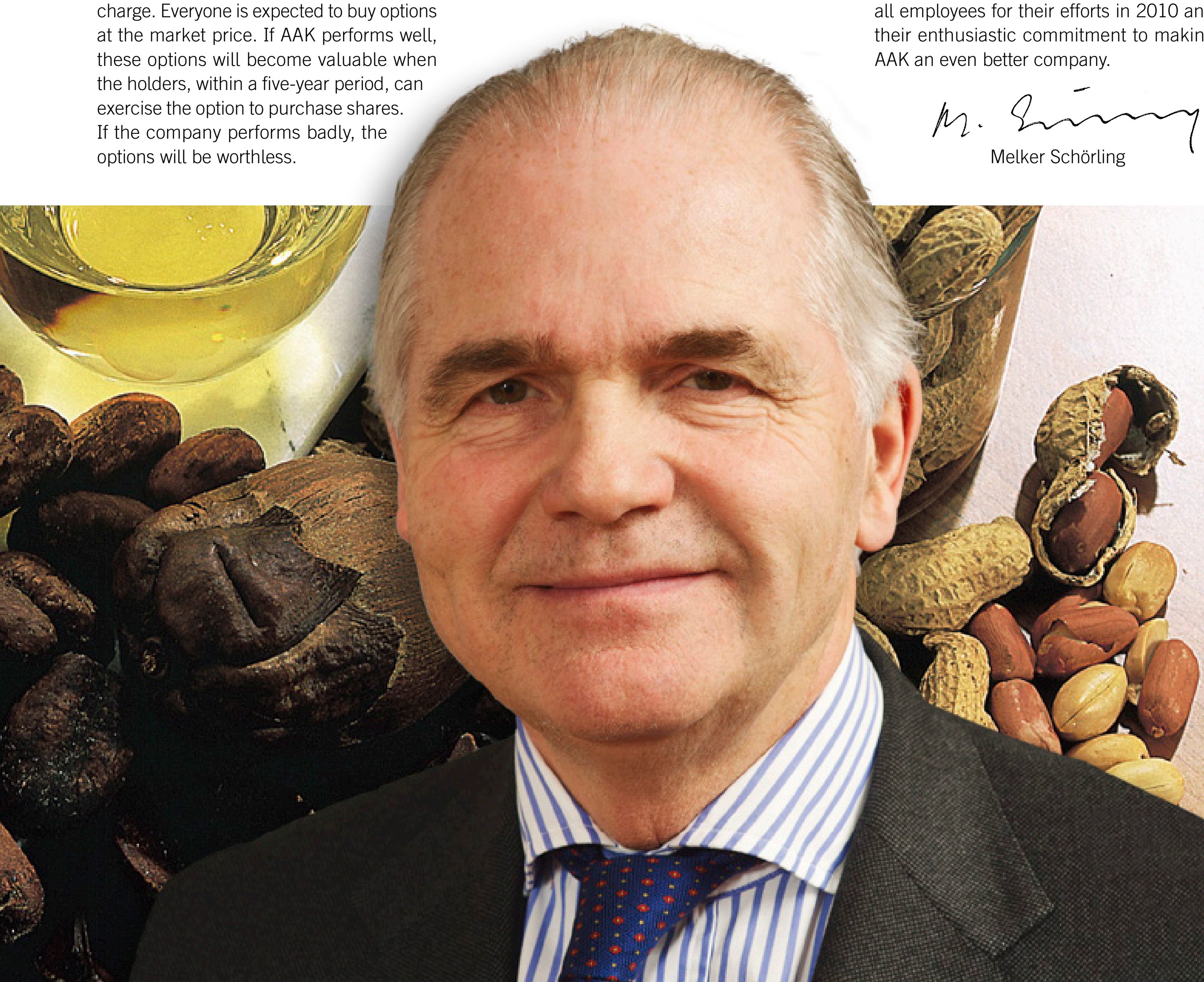
Continuous growth in the industry

As I mentioned above, AAK is operating in an industry which is experiencing continuous growth. Of course, the customer pattern is always changing, and this is where it is essential that suppliers are able to keep up and perhaps even anticipate future demand. Demand from our customers has, however, also remained stable, something which was clearly evident after the economic disaster we saw a year ago. Many companies in other industries were hit by a dramatic fall in sales, but this was not the case for AAK, even though some markets experienced a slight downturn. What has become clear to me is that the Board has realised just how stable demand for AAK's products really is. Under Arne Frank's management, the challenge is now to take the company to the next level, with profitable expansion in both the product range and markets.

Finally

Finally, I would like to say a few words about the company's performance in 2010. As the Chairman of the Board and a shareholder, I am, of course, never satisfied with the results. But, on the other hand, I appreciate that the work commenced in 2010 by AAK will, in the long term, create a much more competitive and dynamic company. I would like to take this opportunity to thank all employees for their efforts in 2010 and their enthusiastic commitment to making AAK an even better company.

Melker Schörling



Comments by the CEO, Arne Frank

Financial year 2010 was the year in which we laid the foundations for future expansion

The operating profit in 2010 was in line with our expectations, and was slightly above market expectations. A special mention should be made of the management in the business area Chocolate & Confectionery Fats, who managed to stabilise an operation which came under significant pressure at the start of the year. Other operations showed positive trends in volumes, market shares and profitability.

- The operating profit for the full year was SEK 824 million (827). Adjusted for disposals and at fixed exchange rates, operating profit improved by 6 percent to SEK 855 million (810).
- Earnings per share improved by SEK 4.01 or 40 percent, from SEK 10.14 to SEK 14.15.
- Food Ingredients reported a record high operating profit for the full year.
- Chocolate & Confectionery Fats did well in coping with increased competition.
- Technical Products & Feed demonstrated a strong recovery.
- The rationalisation programme in Scandinavia proceeded according to plan.
- Senior executives and a number of other key personnel invested at market price in a stock options programme.
- During Q4, AAK began to use hedge accounting. This means that, with effect from Q1 2011, there will be no IAS 39 effects to report.
- In addition, during the year, we secured our capital requirements for several years forward, on advantageous terms. We are now well-placed to deal with both high raw material prices and an exciting expansion of our operations.

Customer relations

We continued to work in partnership with all our most significant customers and to identify solutions for them. In doing so, we continued to improve the value content, customer benefit and margins of our products. This is fully in line with our established specialisation strategy.

AAK has years of knowledge of vegetable oils and fats, as well as their applications, and this is what has made the company a world-leader. The development of products with unique properties, in partnership with our customers, continues to generate new business opportunities for them as well as for AAK. Our vision emphasizes that AAK should be the first choice for customers seeking value-enhancing solutions involving vegetable oils.

Sustainable development

Today, sustainable development has become increasingly important, both to AAK and its customers. They are accountable to end-consumers, and we must be able to guarantee an operation which takes sustainability seriously at all levels. One example of this is our commitment to the Roundtable on Sustainable Palm Oil and the GreenPalm operation. AAK continues to hold a leading position in RSPO and to operate GreenPalm Ltd. The programmes are intended to provide end-consumers with a solid guarantee that the products used have been produced using sustainable and environmentally-appropriate methods. Our customers have provided us with excellent feedback on these efforts, and we intend to continue to involve ourselves in CSR issues to allow AAK to continue this important trend, for the benefit of all.

AAK Acceleration

Special mention should also be made of the efforts during the year aimed at defining more clearly, and with greater focus on action, the best way for AAK to progress, as well as how we can make the most of AAK's unique expertise to exploit fully all the opportunities open to the company.

This work has emanated from an AAK corporate programme, "AAK Acceleration", which focuses on twelve important initiatives in the area of "Growth-Efficiency-People". On the basis of our existing specialisation strategy, which remains unchanged, and now with AAK Acceleration, we are prepared to take the development of the company to the next level.

Controlling factors will be customer benefit, customer focus, growth, efficiency, our concern for all our skilled employees and issues affecting the world around us. We will concentrate more on organic growth in areas where we can offer unique products or unique expertise. We also aim for expansion in markets relatively new to AAK.

We must also continue to drive forward and focus on issues surrounding efficiency – our competitors are not resting on their laurels. At the same time, we will coordinate operations to ensure greater productivity. Purchasing and product development are two areas of particular importance here.

But none of this will be possible without motivated and committed employees, and for this reason, some of the twelve AAK Acceleration initiatives concentrate on our highly-competent and skilled personnel.

New internationalised organisation

As part of these efforts, we have also carried out an extensive organisational review, to ascertain which global organisation will provide the best support for our strategy and AAK Acceleration. The result is a significantly more international management team, a much flatter organisation and streamlined decision paths.

The management is working more closely with both our customers and our employees. In my opinion, we have also achieved a much healthier balance of competent and forward-driving leaders promoted from inside the company, a couple of individuals with highly-relevant experience recruited from outside AAK, who have performed extremely well in previous assignments and, finally, some very capable individuals from "the old guard". Together, we are now managing "One AAK" with a high level of agreement on what we should focus on, and how.

With this strong platform as a basis, we will continue to create an outstanding company in the area of speciality oils, with great respect for the demands placed on all of us by a modern society, with the aim of generating greater customer benefit, growth, improved profitability and new opportunities.

Finally

Finally, I would like to thank all our customers who have trusted and worked with us for many years, our highly-competent and committed employees, as well as our shareholders who believe in us and are making this journey possible.

Arne Frank

The business model

AAK's core business is vegetable oil. The principal business idea is to purchase raw materials from around the globe and process them in AAK's ten production units in Europe, North America, Mexico and Uruguay.

Raw materials come exclusively from the plant kingdom, and include well-known products such as rapeseed, palm, soya, shea, sunflower seed and olives. A large proportion of these materials comes from Asia and West Africa.

AAK's business model is based on exploiting the properties of vegetable oils.

Palm oil and shea are important elements of the company's strategy of developing products with a higher value added, primarily for use by the food, confectionery and cosmetics industries.

AAK has a deep and wide-ranging knowledge of fats. This is the result of decades – actually more than a century – of operation in an area essential to human life.

- We need fat. It is part of all the cells in the body. Our bodies need it to produce hormones and other important substances.
- Vitamins A, D, E and K are fat-soluble. This means that the body's ability to absorb these vitamins is dependent on the presence of fat.
- Fat provides us with energy. Every gram of fat contains nine calories. Carbohydrates and proteins contain four calories per gram.
- One-third of our daily energy requirements has to come in the form of calories from fat. For adults, this means a daily fat intake of 60–90 grams.

Fat is a substance essential to life. There are different types of fats. They are primarily divided into four groups. Saturated fats and trans fats increase a person's cholesterol level, while unsaturated fats lower it.

- *Saturated fat* is found in animal products such as butter, cream, milk, meat and vegetable oils from tropical plants, such as coconut oil and palm oil. Saturated fats are recognised by the fact that they remain solid at room temperature.
- *Monounsaturated fat* is found in almonds, olive oil, rapeseed oil and other vegetable oils. Monounsaturated fat is suitable for cooking, since it copes better with heating than polyunsaturated fat.
- *Polyunsaturated fat* is found in shellfish, oily fish such as salmon, mackerel, herring and sardines, as well as in vegetable oils made from rapeseed, sunflower seed, soya and corn. Omega-3 and Omega-6 are two types of polyunsaturated fat.
- *Trans fats* are a particular form of unsaturated fats. They occur naturally in milk and fat from ruminants, but are also formed when vegetable fat is hardened.

The development of the properties of fat involves continuous work to offer the market healthier products. Trans fats increase the risk of cardiovascular disease. Opinion is divided over whether natural trans fats have the same negative properties as the industrially-produced equivalents. In most countries, the authorities are promoting reduced consumption of both saturated and trans fat.

AAK uses a wide range of raw materials to develop, in partnership with its customers, types of fats aimed at meeting increasingly diverse requirements.

Raw materials gathered from all over the world

- Rapeseed from Northern and Central Europe.
- Palm oil from Asia and Latin America.
- Olive oil from Southern Europe.
- Soyabean oil from the US and South America.
- Sunflower seed from Eastern Europe.
- Shea from West Africa.
- Corn primarily grown in America, Eastern and Southern Europe.
- Coconut from Malaysia and the Philippines.

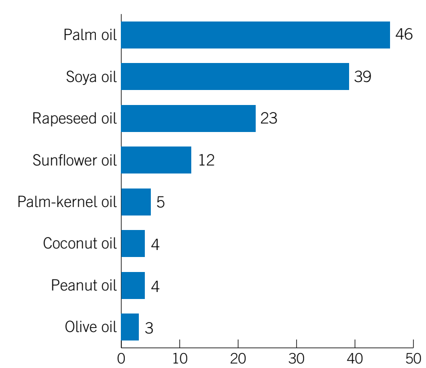
While we must continue to respect the world around us, there is increasing demand for more sophisticated fats. Much of the raw materials supplied to AAK's refineries is made up of rapeseed, palm and shea.

The oil palm is a native of West Africa, but was introduced as an ornamental plant in Malaysia around 1875. Palm oil production really took off after the Second World War, and each palm tree produces bunches of up to 3,000 fruits. Palm oil is extracted from the pulp, while kernels are used in the production of palm-kernel oil. Today, palm oil is the most common vegetable oil in the world.

Responsibility for the world in which we operate

With the exception of palm oil, most vegetable oils must be hardened to make them sufficiently solid. Palm oil is, consequently, an important raw material for AAK. The positive effects on human health must be weighed against the risk of overexploitation in the growing areas. In partnership with WWF (Worldwide Fund for Nature), AAK is one of the initiators of the Roundtable on Sustainable Palm Oil (RSPO), with representation at committee level. As such, AAK supports sustainable production methods for palm oil. In 2007, AAK formed a subsidiary with the aim of organising trade in RSPO certificates. The company has an exclusive contract with RSPO to manage the trade in certificates.

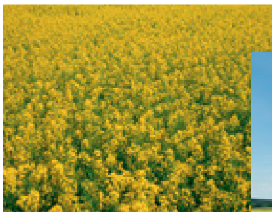
World-wide production 2010*



* Preliminary figures.

From rapeseed field to AAK's factories

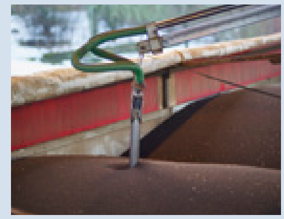
Rapeseed fields



Harvest

Storage

AAK



Rapeseed

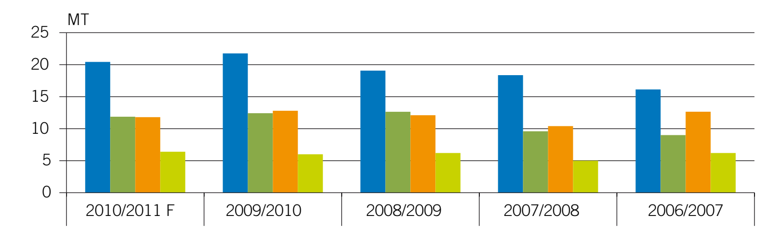
Rapeseed is a plant 750-1,750 mm high, with bright yellow flowers and green leaves shot with blue. The oil is extracted from rapeseed contained in small seed pods.

Rapeseed is one of our oldest oil plants, and has been in use for thousands of years. In India, evidence has been found that it was used a couple of millennia before the birth of Christ. Today, rapeseed is an important source of vegetable oil, and its popularity has increased enormously in the past ten years.

The leading rapeseed producers are Europe, China, India, Canada and Australia. Rapeseed is a profitable crop, since the oil content of the seeds is relatively high, around 40-44 percent. The rapeseeds are crushed to extract as much as possible of the oil. Its low level of saturated fatty acids makes rapeseed oil a healthy product.

Rapeseed meal is a very important by-product, which is used as a source of protein in animal feed.

World-wide production of rapeseed in MT



Source: OilWorld

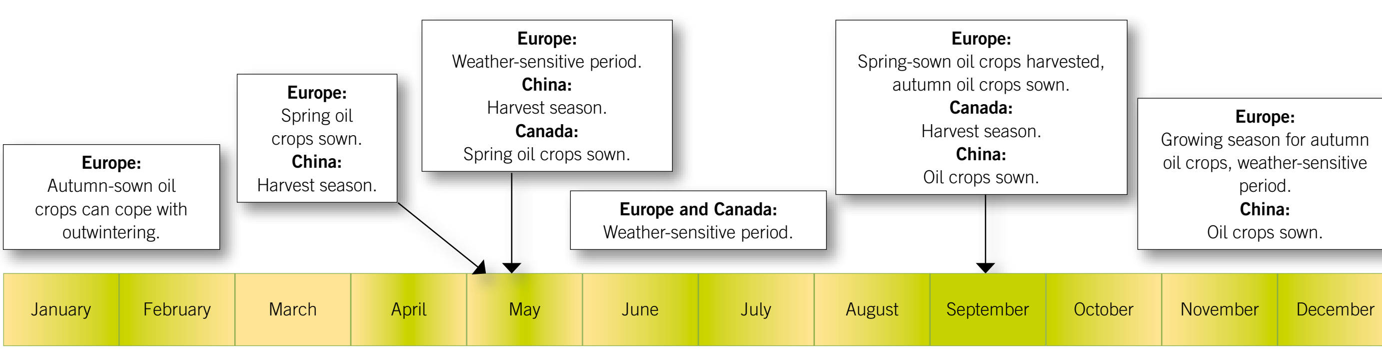
The past ten years have seen an increase in the use of rapeseed oil in technical applications, but the largest and most dramatic increase has been in the biodiesel industry.

The diagram below illustrates the growing year for rapeseed in Europe, China and Canada.

In Sweden, the growing year starts in August/September, when autumn rapeseed is sown, and in April with the sowing of spring rapeseed. Harvesting starts in July, and in late July/early August, most of the rapeseed harvested is delivered to stores and on to the processing plants. Since many of our suppliers now have their own rapeseed storage facilities, rapeseed is now sold and delivered almost continuously all year round.

Rapeseed is normally delivered by road or sea. When a delivery reaches AAK's factory, the first step is to analyse the fat, water and waste contents. If the shipment is not approved after these initial tests, it is sent back to the supplier. If it is approved, it is unloaded from the ship or truck. Further analyses are carried out, and the rapeseed is then stored in our silos.

The rapeseed calendar

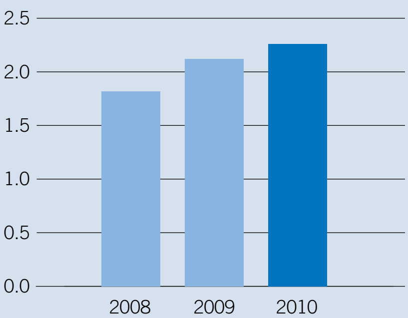


Food Ingredients

(SEK million)	2010	2009	2008
Net sales	8,927	9,702	10,413
Gross contribution	1,952	1,906	1,708
Gross contribution SEK per kilo	2.26	2.12	1.82
Operating profit	475	427	319
Volumes, thousands tonnes	861	898	940

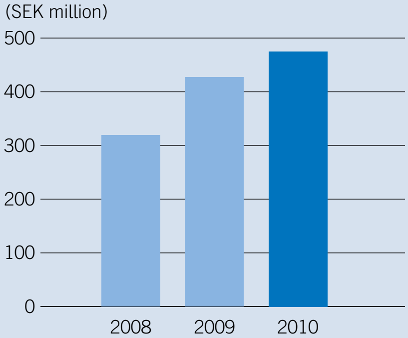
Gross contribution per kilo

(SEK)



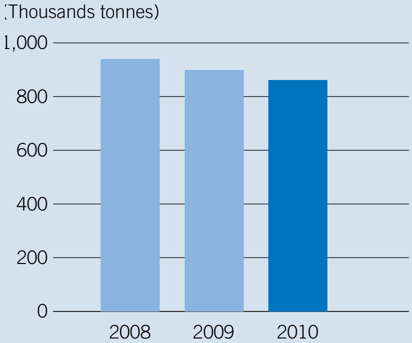
Operating profit

(SEK million)



Volumes

(Thousands tonnes)



Food Ingredients

Food Ingredients is AAK's largest business area. 2010 was a highly successful year, despite the global recession. One of the business area's main strengths is its ability to develop customised solutions fast in response to health trends in the industry.

Food Ingredients has continued to defend its position as the natural choice for vegetable oils for a broad customer base in a market which remains volatile, and in the face of extremely tough competition. One of the business area's prime strengths is its ability to respond quickly and adapt to changes and new requirements in the food processing industry. The Group's extensive know-how and constant development work mean that it can respond rapidly to new trends by offering new products quickly. Food Ingredients' ambition is to utilise the constant changes in the market, with the aim of generating continued growth.

Trends in the food processing industry

The trend towards healthy food continues to dominate developments in the food processing industry. Rapeseed is one of the most important raw materials for AAK, and the company buys virtually the whole Swedish rapeseed harvest. The composition of rapeseed oil, with the lowest saturated fatty acid content of any oil and a high level of healthy Omega-3, makes it an increasingly sought-after food ingredient.

The demand for reduced trans fat and saturated fat levels is driving development for products with greater value-added, and this benefits AAK. The company's customers are responding to calls from consumers for trans fat-free alternatives, as well as products containing lower levels of saturated fat. A relatively new trend is functional foods, an area where AAK enjoys an important advantage, since it can offer healthy alternatives based on purely vegetable raw materials.

The fastest-growing market segment in the food processing industry is convenience foods, a product group which includes ready meals and snacks, which require speciality oils in their preparation. More and more meals are consumed outside the home, and this trend is expected to continue over the next few years.

The market is increasingly demanding traceability and long-term sustainable production methods. As one of the founders of RSPO (the Roundtable on Sustainable Palm Oil), AAK is working actively with businesses and voluntary organisations to develop sustainable methods for palm oil production. Through its subsidiary, GreenPalm Ltd, AAK has developed a system for trading in certificates for RSPO-certified, sustainably-produced palm oil. The certificate system is essential if the proportion of certified palm oil is to increase, and the trade in certificates has, to date, been responsible for 75 percent of the total trade in certified palm oil. GreenPalm has an exclusive agreement with RSPO for the trade in certificates.

AAK also offers segregated certified palm oil. AAK's plant in Hull was the first refinery in the world to be approved by RSPO for delivery of segregated certified palm oil. The plant was also the first to offer this to customers at the end of 2008.

The demand for certified palm oil is expected to grow, and several major customers have specified dates by which they aim to switch to certified palm oil.

The company has purchased certificates for palm oil used in own-brand products for catering kitchens.

A tough market

Food Ingredients has several major competitors, some of which are extremely active in both bulk, speciality and niche product segments. The most important of these are ADM, Bunge, Cargill, IOI Loders and Fuji Oil. In Europe, there are, in addition, more than 120 local refineries which together have a real impact on the competition in the market. The market as a whole is the subject to fierce competition. In certain segments, AAK does, however, benefit from its cutting-edge position in product development, particularly with reference to dairy fat alternatives, oils and fats for the bakery industry and speciality fats for infant formula.

Customised solutions

The products can be divided into three main categories:

- The most basic consist of bulk oils, and this is where most of the competitors are found.
- The next category consists of more customised solutions, which meet specific customer requirements in respect of function, adaptation to production methods, health and marketing issues.
- The third category consists of speciality products, which are primarily aimed at the following segments;
  - Dairy.
  - Bakery.
  - FoodService (Restaurants and catering kitchens).
  - Infant formula.

AAK aims to offer its customers products with greater added-value, and increase its proportion of speciality products. At present, the spread between bulk and speciality products is relatively even. Since transports are responsible for a relatively large share of overall costs, Food Ingredients is, to a great extent, a regional operation, although the market for speciality products with high added value is more global than that for bulk products.

The flexibility of the business area as a market player starts in the production plant. The complex infrastructure has been designed with careful regard for both efficiency and flexibility. This is something which permeates the whole value chain, including delivery of raw materials, warehousing, refining, packaging and distribution to customers.

AAK's product solutions are aimed at adding value to the customers' end product. Consistent and high quality is, of course, also important, as is a high level of product safety. In both these areas, AAK is well ahead of the industry as a whole. A genuine understanding of applications, an ability to adapt the operation quickly to changes in the market and close collaboration with customers have earned AAK an excellent reputation as a supplier of products with high added value.

In recent years, AAK has developed numerous new products. For all markets, the focus has been on lowering saturated fat levels. The focus on these products is increasing further. The authorities in, for example, United Kingdom, as well as the potential introduction of a tax in Denmark, are driving a trend for increasing demand for polyunsaturated fats among producers and consumers alike.

New Products

Akomix LS is a fat for the production of ice-cream. It contains less than half the amount of saturated fat of the bulk products. Another is Akotop NH100, a non-hydrogenated fat for vegetable cream.

The concept provides AAK customers with the opportunity to offer their customers healthier products. It is yet another example of how AAK develops new products in close collaboration with its customers. One example is Essence™, which was launched for the US bakery industry.

InFat is an increasingly popular ingredient for the infant foods industry. This product, which was developed in partnership with Enzymotec and is sold through Advanced Lipids, has become a component of growing significance to infant formula. It is a product with an exciting potential for the future.

Knowledge transfer at AAK

In 2008, AAK started utilising the opportunity to combine the skills of employees in different countries in development projects, and using this as a resource as and when needed. The competence transfer has proved successful, and in 2010, knowledge of flaked fat and FoodService was transferred from United Kingdom to Mexico. This contributed to an increase in interest in AAK products among a new group of customers.

Regional markets

Europe

The plants in Denmark and Sweden make AAK a leader in the Nordic market. The company offers the food industry a comprehensive range of products. The acquisition of Rapsona in Sweden in 2008 confirmed AAK's position as a supplier of vegetable oils within the FoodService segment.

AAK's position as one of the leading suppliers of speciality oils to the infant foods industry was confirmed through the investment in a new production unit in 2008. In combination with the Dutch plant, the plant in Sweden is the base for the company's efforts in the infant foods segment.

AAK enjoys a historically strong position as a supplier for the food industry in Central and Eastern Europe. The year was dominated by intensive competition and the effects of the global financial crisis.

In United Kingdom, the focus was on defending existing market shares. The company's principal operation is the plant in Hull, while AAK Bakery Service is based in Oldham and AAK Foods in Runcorn.

One of the most important customer segments is the bakery industry. AAK Bakery Services offers an extended product range to the industry and this has improved AAK's relations with some of the major players on the market.

The Prep brand is a market leader in United Kingdom in the segment dealing with oils for restaurants and catering kitchens. This range includes high-quality vegetable oils for deep-frying, and the sale of Prep products increased as a result of the launch of new products. The Lion brand continued to grow in 2010. AAK Foods' principal success is, however, in the production of own-brand products for customers, which have been very well received.

Mexico

In the Mexican market, AAK is now one of the largest companies in vegetable oils, despite the high level of competition in the country. AAK has an excellent reputation for quality, service level and the ability to develop new products.

Food Ingredients Mexico can look back at yet another successful year, even though consumption within the country remained relatively stable. The trend for Mexico to become a production base for markets in the US continued. The production plant in Morelia has a central location, right in the middle of the major food producers. The health trend, which characterises the global food industry continues to make inroads in Mexico, and multinational producers are encouraging this by using healthier oils and fats in their products.

Food Ingredients offers customers a broad range of products suitable for most food industry operations. The most important production range is oils and fats for the bakery industry, snacks, margarine and dairy products.

USA

In 2010, AAK's products were in great demand in the US market for industrial raw materials.

Based in Port Newark, New Jersey, in the densely populated north-eastern part of the country, AAK enjoys an excellent position in comparison with most of its competitors.

The North American market for vegetable oils remains attractive, with growing health awareness. Demand continues to increase for vegetable oils free from trans and hydrogenated fats. The next challenge is the trend for the lowest possible amounts of saturated fat. Food Ingredients is very well positioned to satisfy this trend. AAK's principal strength lies in its ability to stay one step ahead of modern product trends and customer expectations. Excellent customer service, strong customer relationships, highly-qualified and skilled technicians and flexible production methods are what make AAK USA a market leader which can deliver solutions tailored to customer needs.

Chocolate & Confectionery Fats

Business area Chocolate & Confectionery Fats produces speciality vegetable fats used as cocoa butter replacements in chocolate products and fillings, as well as speciality products for the cosmetics industry. For several consecutive years, the market for chocolate fats experienced strong growth, but this slowed down somewhat in 2009. The market has, however, recovered in 2010.

AAK enjoys a world-leading position. The total production of chocolate-based confectionery products on the world market is around 7 million tonnes.

AAK develops and markets products based on vegetable fats (lipids) for use in the cosmetics industry. The trend towards natural raw materials in the cosmetics industry, in combination with AAK's unique products, has produced significant growth in the segment in recent years.

Speciality products for the chocolate and confectionery industry

CBE (Cocoa Butter Equivalents) is responsible for the greatest growth in the Chocolate & Confectionery Fats area, with an historical annual growth in double digits. For 2009, a slight fall has been noted as a result of the global recession, but the market recovered in 2010. Adding CBE to chocolate improves its properties, such as providing greater heat stability. This has opened a market in which AAK has proved successful.

The increasing CBE production capacity on the world market has had a negative impact on prices, but AAK has been able to offset the effects of falling prices with greater volumes. At the same time, AAK has started a world-wide campaign to encourage greater use of CBE.

Market trends and new products

In addition to growth in the CBE area, AAK has successfully introduced new CBR (Cocoa Butter Replacer) and CBS (Cocoa Butter Substitute) products. AAK has a broad product range of specialised and customised cocoa butter alternatives, which makes this a multifaceted business area.

AAK's products do not just replace cocoa butter. They also add new properties to the end products. Many of AAK's products guarantee greater stability in fat bloom and temperature, while others provide better consistency and optimised crystallisation properties.

AAK's customer offer includes filling fats, fats for chocolate coatings and moulded chocolate products, as well as speciality fats for spreadable products.

Focus on health and sustainable growth

One of the strongest trends is the increasing importance of health aspects. Consumers are becoming increasingly aware, and this has resulted in increased demand for healthy fats. AAK, with its flexible and, at the same time, targeted product development, is at the forefront of this trend, and can respond well to the new consumer requirements.

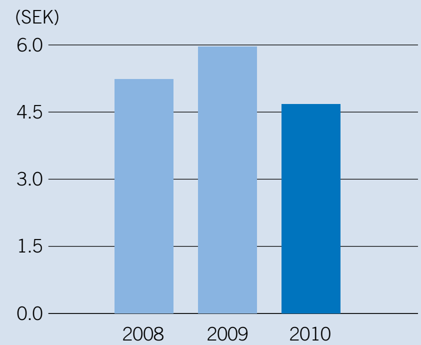
The most important trends are towards trans-free fats and reduced levels of saturated fats. AAK can offer both trans-free CBR and low-saturated and trans-free filling fats, and has also new, improved coating and moulding products which do not require a hardening process and contain lower levels of saturated fat.

In 2010, Frost & Sullivan, a global analysis and consulting company, presented AAK with the "2010 European Product Differentiation Excellence Award" in the "Confectionery Ingredients" category, for the development of Deliair NH. In winning this award, the

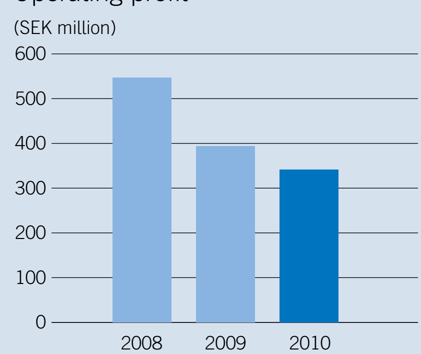
Chocolate & Confectionery Fats

(SEK million)	2010	2009	2008
Net sales	4,474	4,564	4,878
Gross contribution	1,394	1,508	1,653
Gross contribution SEK per kilo	4.68	5.96	5.47
Operating profit	341	394	547
Volumes, thousands tonnes	298	253	302

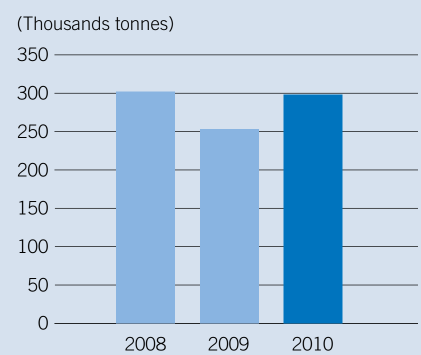
Gross contribution per kilo



Operating profit



Volumes



Speciality products for the chocolate and confectionery industry

properties of AAK's products were compared with those of its main competitors, on the basis of the following criteria:

Unique function/functionality

- Quality/Complexity.
- Customisation.
- Adaptation to market needs.
- Brand Perception with respect to the unique product.

Since its launch in September 2009, sales of Deliair NH has increased steadily, and AAK is involved in several promising projects in partnership with customers in most of the world's regions.

There is significantly greater customer focus on sustainable palm oil. AAK is monitoring customer needs closely, and has introduced a segregated, sustainable palm oil for the confectionery industry.

AAK's broad product range is the result of years of focused development carried on in the company's own laboratory, as well as close collaboration with customers. Consequently, the development work is closely associated with the market, with the aim of remaining one step ahead at all times. AAK's mission is to deliver innovative solutions which reflect market trends and, therefore, meet customer needs.

AAK Academy invites customers to take part in the work carried out at the laboratories at AAK's plants, to provide them with ideas and understanding of the properties of oils and fats, and to involve them in specific product development projects.

Shea the principal raw material

The production of a broad speciality range of cocoa butter replacement and filling fats requires a large number of exotic raw materials. Shea is the most important of these. Most of AAK's products are based on or contain fat extracted from shea. Other significant raw materials are palm and palm kernel oils, most of which come from South-East Asia.

Shea trees grow wild in West Africa. Shea is harvested by the local population, who collect the fallen fruits. These are purchased locally and are then traded on a market where industrial purchasers meet local sellers.

The estimated total annual quantity of shea in West Africa is 1,800,000 tonnes. Since around two-thirds of the fallen fruit remains unharvested by the local population, and is left to rot on the ground, there is significant growth potential. Around 500,000 tonnes is consumed locally, while a further 200,000 tonnes reaches the export market.

Actions taken by AAK in West Africa, including the establishment of the company's own representatives, has resulted in a stable situation, which allows AAK to respond well to the rapidly increasing demand for CBE.

Geographical expansion

While focusing on geographical expansion with the aim of covering all parts of the world, AAK continues to work closely with its customers and to offer improved services and shorter lead times. Distributions centres around the world form an important part of this expansion strategy. The plan is to open new offices in more countries, and AAK will, in particular, focus even more on the Asian market.

The recently-opened office in Düsseldorf is an example of AAK's European expansion and clearly demonstrates how AAK is improving its ability to deliver products to existing and potential customers specialising in oil and fat solutions by further developing the excellent contacts it has already established in the German market.

The company's position in the rapidly-growing Latin American market has improved further, since AAK are now able to supply the market with products from the local plant in Montevideo (Uruguay).

An increasing demand for cocoa butter alternatives in the US will be met from the production plant in Port Newark (USA).

Closer to the customer

During the year, AAK's worldwide sales and product organisation expanded further, with greater representation closer to customers. This was supported by a strong vision aimed at improving AAK's world-leading position in vegetable fats for the chocolate and confectionery industry.

In this process, the comprehensive global network plays an important role in AAK's contact with the market. It not only acts as a link to the different geographical markets, but also guarantees that the company can monitor global trends and changes.

AAK is constantly expanding its global presence through its market activities, while, at the same time, increasing the value-added of its product portfolio. The chocolate and confectionery market is largely dominated by global manufacturers. Five producers – Mars, Nestlé, Kraft/Cadbury, Ferrero and Hershey – have 60 percent of the market in total.

Every stage of the value chain requires specialist expertise – from the purchasing raw materials to marketing and sales.

AAK has unique expertise, and its ambition is to work in close partnership with customers to expand competence in this area.

Chocolate & Confectionery Fats products are produced in and delivered by all AAK factories worldwide. This global presence, including the company's own plants, distribution centres and partnerships, allows AAK to deliver its highly-consistent product range to its customers in the most efficient way possible anywhere in the world.

Speciality products for the cosmetics industry

Under the Lipex® brand, AAK develops and sells vegetable fat-based products for use in skin and hair care products, make-up and various types of hygiene products for washing, showering and bathing. The Lipex® family includes everything from softening products to products with biological effects. In addition, there are products for parenteral nutrition.

AAK has worked with lipids for the cosmetics industry for many years, and possesses a level of experience, which makes the company one of the world's foremost specialists in the area. All AAK products are based exclusively on vegetable oils, unlike the synthetic, animal or mineral oil-based products commonly used in cosmetic and skincare products.

Global market

The products are global, and are sold all over the world. The main competitors are global companies such as Cognis and Croda. Half of the cosmetic products market is represented by ten global players with brands such as L'Oréal, Proctor & Gamble, Unilever, Beiersdorf (Nivea) and Estée Lauder.

Market trends

The number of consumers is increasing as the skin care and hair care products market broadens. At the same time, there is a growing interest among male customers. New geographical markets are gradually opening up in the emerging economies, and this means that the potential customer base will also increase over time.

Speciality products for the cosmetics industry

In parallel with this, there is a continued strong trend of health and environmental awareness, with a larger number of customers increasingly demanding healthy and safe products. These customers are looking for new products free from synthetic, animal and mineral oil-based ingredients.

Natural raw materials

The range is based on various natural and renewable raw materials. The beneficial properties of shea butter have made it the most sought-after raw material in the cosmetics industry. The softening and moisture-retaining properties of shea butter provide an attractive skin sensation, while its anti-inflammatory function adds valuable bioactivity.

Other exotic raw materials include mango, illipe, almond, sesame, apricot and coconut. The rapeseed grown in Sweden also contains high levels of valuable bioactive lipids, which are excellent for sensitive skin products and baby care.

Product development and the future

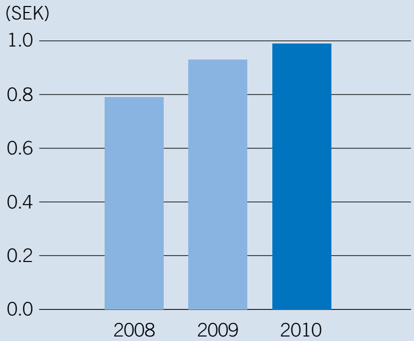
The product range is undergoing constant development. A significant proportion of the development work is carried out in close consultation with the company's customers. This consultation covers both technical and commercial aspects, and provides AAK with a thorough understanding of each customer's individual needs and wishes.

At present, much of the product development is focused on producing products with certain specific functions and active substances. The aim is to create new ingredients which combine basic functions, e.g. moisturising or cleansing properties, with more advanced functions, such as protection against UV-rays and environmental contaminants.

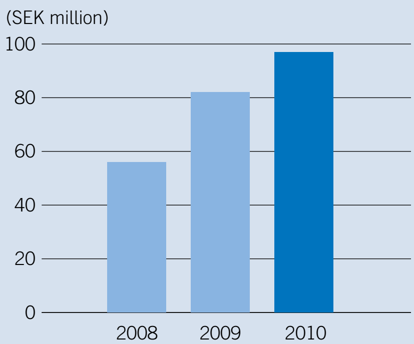
Technical Products & Feed

(SEK million)	2010	2009	2008
Net sales	1,407	1,295	1,578
Gross contribution	279	261	238
Gross contribution SEK per kilo	0.99	0.93	0.79
Operating profit	97	82	56
Volumes, thousands tonnes	282	282	301

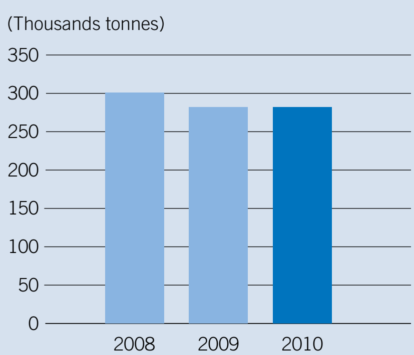
Gross contribution per kilo



Operating profit



Volumes



Technical Products & Feed

Business area Technical Products & Feed is an excellent example of the role that vegetable oils play in society with respect to the environment and health. The business area covers lubricating products for logging machinery, where vegetable oils minimise the problem of discharge to the natural environment, to animal feed ingredients.

Candles made from renewable fatty acids have lower carbon dioxide emissions than paraffin candles. Vegetable lubricating oil spilled from a chainsaw is biodegradable. Dairy cattle can be fed guaranteed salmonella-free, vegetable-based feed.

Fatty acids – glycerol

AAK produces fatty acids sold under the Tefacid brand, as well as glycerol. Both types of products are extracted by splitting the fat molecule.

Fatty acids are primarily used by the chemical engineering industry, where they are turned into a number of products, including amines and esters. These are used as inputs in many application areas, e.g. paper chemicals, soap, detergents, rubber and plastics.

One example of products, which exclusively consists of fatty acids is stearine candles.

Glycerol is used in such diverse products as cosmetics, explosives, paint and food. The majority of AAK's customers operate in the chemical engineering industry.

Oleon, KLK Oleo Europe and Emery are AAK's main competitors in the European market in fatty acids and glycerol. The structure of the market is continuing to change, a process which will result in fewer but larger players.

Environmental-friendly technical oils

AAK develops, produces and markets environmental-friendly technical oils, such as metal processing fluids and lubricating oils for the metalworking industry, as well as hydraulic and chainsaw oils for the forestry and contracting industries, under the Binol and BioSafe brands.

Increased environmental awareness in society and in the market has had a positive impact on sales. The replacement of mineral oil with Binol products by the metalworking industry has generated many benefits, including improved lubrication performance, reduced overall cost and, not least, a significantly better working environment.

The fact that the products in the Binol range are also based on renewable raw materials further reduces their environmental impact. Even though the total market for lubricants is shrinking, the bio alternatives are gaining increasing market share.

Feed

The customer offer consists primarily of various product groups in the protein and feed fats areas. When rapeseeds are pressed, rapeseed oil and rapeseed meal are extracted. The rapeseed meal is processed in the Karlshamn plant, and is marketed under the ExPro brand, a product which improves the effectiveness of the feed protein and increases the milk yield from dairy cattle. This product is sold mainly to the Nordic feed industry, where the Feed business sector enjoys a leading position in the market for bypass proteins.

The Feed's range also includes both solid bypass fats and liquid feed fats. Most of the feed fats are used as ingredients in cattle feed and, to some extent, in pig and poultry feeds.

AAK is able to provide guaranteed salmonella-free products – a guarantee which makes the company unique in the industry.

AAK's prime rivals are ADM, Bunge, Cargill, Berg & Schmidt, as well as small, regional producers.

The market

The business area utilises some of the residual products from the production of food oils carried on by AAK's other operations. These are products with low margins, which cannot carry high transport costs. The market is, therefore, regional, primarily in Northern Europe.

Tefac

In the fatty acids and glycerol area, AAK is the leader in the Nordic market, where most of the products are sold. The company has continued to secure its strong logistics position in the Nordic region. Other important markets are Germany, Poland and Russia. Fatty acids make up around 85 percent of sales, with glycerol representing the remaining 15 percent.

Binol

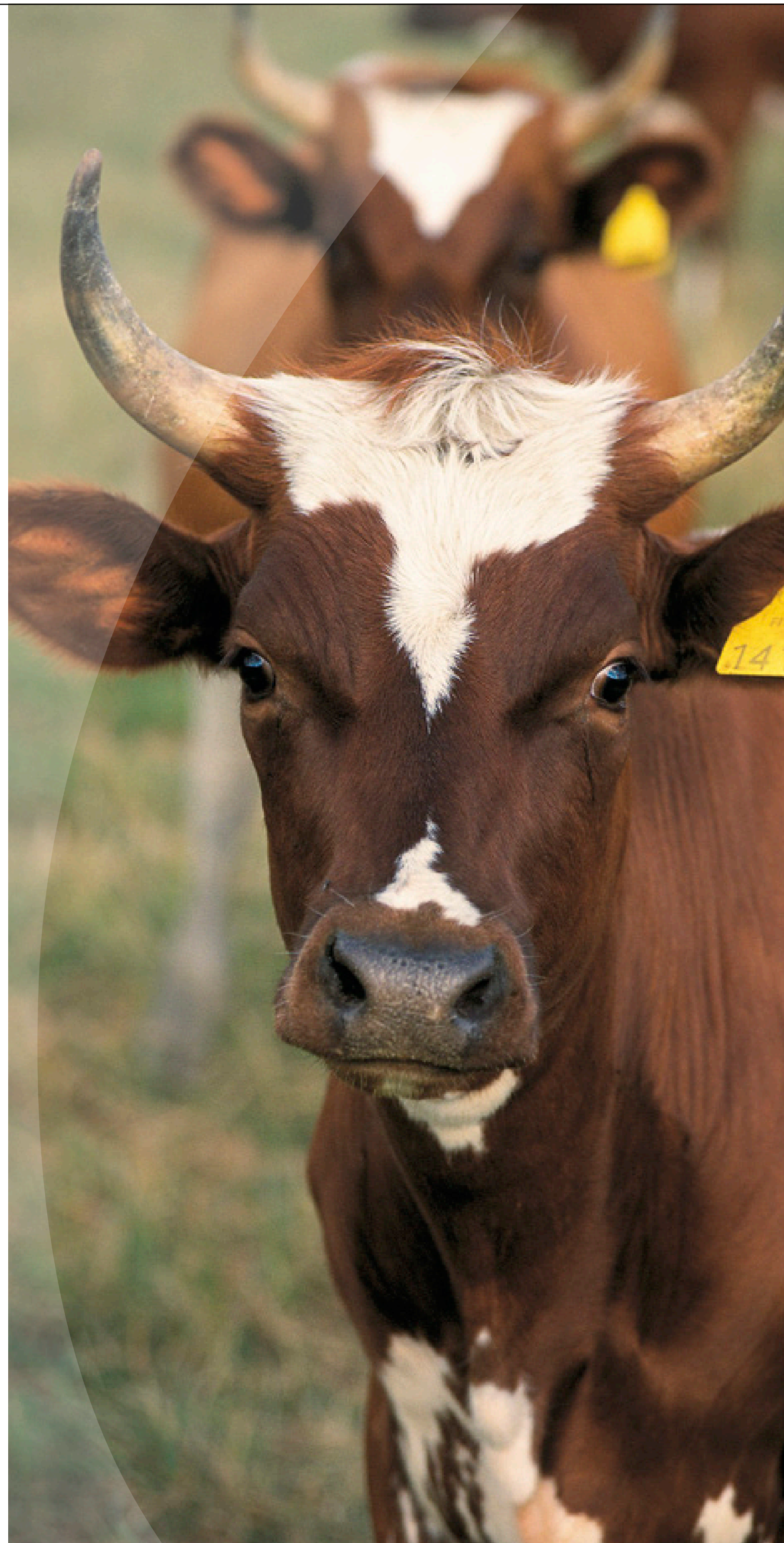
The majority of products are sold straight to end-users in the Nordic market under the Binol and BioSafe brands. In other markets, AAK collaborates with various partners and the products are sold under their own respective brands.

Feed

98 percent of feed raw material sales take place in the Nordic region, where AAK is the market leader.

Despite the steady fall in the number of dairy farms, the market for feed raw material has remained largely static for many years. In 2010, the dramatic drop in profitability for dairy farmers was felt strongly, and the total market for cattle feed fell by 10-15 percent. The drop in some types of feed for high-yield dairy cattle was even greater. AAK's volumes fell less than those of the total market, and could also be offset by a cut in costs.

Bypass proteins are proteins which are not digested in the rumen of dairy cattle. The body can, therefore, absorb this protein, resulting in significantly lower feed costs during rearing.



Risks and threats

AAK's operations are constantly exposed to risks, threats and external factors which impact on the company. The company has adopted a proactive approach to business intelligence, with the aim of anticipating changes in the factors which affect the company's operations. Plans and policies are adjusted continuously to counteract any negative effects on the company. AAK uses active risk management, such as hedging raw material prices and currencies, to reduce the risks the company faces.

Raw materials

Harvests are weather-dependent. A year of poor harvests drives up prices, while a year of successful harvests reduces them. Most of the raw materials are traded on the international world market, and raw materials are purchased in foreign currencies. Essentially, this means that AAK has significant currency and raw materials price exposure. AAK has adopted a strategy of active risk management, which means that as soon as a sales contract has been signed, AAK will hedge the equivalent currency and raw material price exposure. This safeguards the company's margins and AAK's results are, therefore, not dependent on currency and raw materials price risks on signed sales contracts.

Since many of the raw materials are produced at considerable distance from production plants and markets, transport costs are an important factor, not least through the potential impact on margins of the growing demand for environmentally-acceptable transport methods. Competition is fierce.

The processing industry

AAK operates as part of the processing industry. The company is not primarily driven by volumes, but improvements in results are achieved through an increase in the proportion of speciality products with higher margins than the relatively low-margin bulk products.

Capacity expansion aimed at increasing total volumes and meeting growing demand has a relatively long planning horizon. AAK must analyse potential growth well in time, but can, in the meantime, balance production among its ten plants, with the aim of achieving greater proximity to markets for specific products, as well as covering swings in supply and demand. Important speciality products are produced by the individual plants, and problems with machinery can have a major impact. AAK has taken out insurance to cover a loss in margins.

Political instability

Operating globally always carries risks, but it can also be a stabilising factor. Although AAK largely operates in mature markets in the US and Europe, a significant proportion of the company's growth is generated in developing markets, which are vulnerable to political instability. AAK also operates in Eastern Europe and Asia – regions which are, to some extent, characterised by instability. On the other hand, AAK is a well-established operator in these areas, with plenty of experience of handling the relevant issues. In addition, AAK has adopted a strategy of deliberate risk management. Political instability can impact on currencies and, to some extent, on exchange rates.

Global operations also involve a number of other risks, including:

- Trade barriers.
- Inflation.
- Changes in national or regional legislation, e.g. the introduction of protective tariffs and taxes, which prevent AAK from operating in a free market.

- Environmental and health-related legislation.

Changes in the competitive situation

The sector in which AAK operates is undergoing structural changes. At the same time, these structural changes provided the opportunity for the merger between Aarhus United A/S and Karlshamns AB. It is a sector which has existed for just over a century, and which, fundamentally, is dependent on natural products. There is great pressure for more intensive development, including demands for sustainable, ethical production, with producers accepting responsibility for social issues and the impact of their operations on the environment in general. AAK operates on the basis of both an organic growth strategy and a selective acquisition strategy. A strong balance sheet has laid the financial foundations for future acquisitions. There is tough competition in the industry. Several competitors operate in the global market, and deliver large volumes of bulk products with limited margins. AAK is responding to the competition by focusing more on products with better margins and greater value added. These include confectionery products and cosmetics, as well as products for the food processing sector, such as the bakery industry, which generate higher margins.

The health debate

There is an ongoing debate on healthy alternative foods. For example, the debate on trans fats has been quite heated on occasion. AAK's product base is made up of vegetable oils taken straight from the natural world. The problem of trans fats has, among other things, resulted in a greater use of raw materials such as palm oil. Palm oil is hugely significant to AAK. It has a broad application area – from chocolate to foods and cosmetics. It is a great alternative to hardened fat. It is semi-solid at room temperature, which makes it an attractive alternative in the production of many different foods. By using palm oil, trans fats can be eliminated from many food products.

AAK has a great ability to adapt its product range quickly, to reflect the latest trends in the health debate. This is largely due to the fact the company works with all types of vegetable oils and can reformulate its products fairly easily to meet customer needs.

Political measures also pose a risk. Active involvement in issues relating to CSR, Corporate Social Responsibility, is, therefore, becoming increasingly important to the industry as a whole, to forestall legislation on issues which are a natural development of human requirements.

High level of competence among management and employees

The business operation is affected by raw material prices, transport costs, energy prices, interest rates and exchange rates. AAK has adopted policies and rules as to the risks which may be taken and, as explained above, has adopted a comprehensive risk management strategy. The company's management and employees have long and sound experience of reacting quickly to changes in external factors, and of adapting the operation and the company's range of products and services to the customers' needs.

During the year, management has been strengthened by the injection of new resources into Human Resources, Communications and Investor Relations. At the same time, the Group management team has been expanded to achieve shorter decision paths.

AAK has employees all over the world

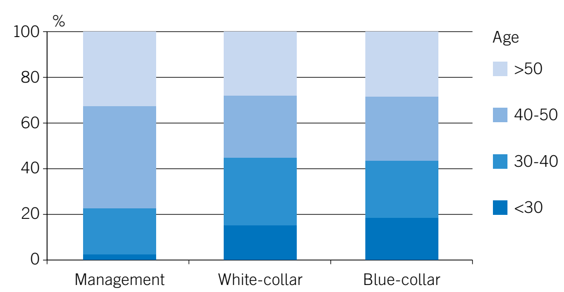
AAK is a global operation. In addition to ten plants in seven countries, AAK employees can be found working in sales organisations covering multiple markets. The company also has local employees involved in the purchasing of raw materials in many countries and continents, including Africa. They are playing an increasingly important role in the implementation of AAK's specialisation strategy, which is essential for the company to achieve its business targets.

At the start of 2010, AAK had 2,137 employees. The majority, 96 percent, were employed on permanent contracts, and 76 percent had fixed contracts, depending on agreements signed in different countries. The remainder were temporary employees and trainees. During the year, the number of employees fell to 2,101. Most of the reduction has been at our European units, while the number of employees at our non-European units has increased.

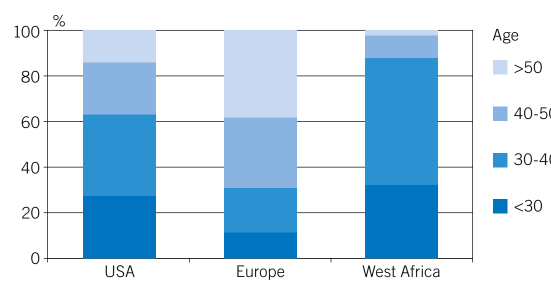
Ongoing employees training is essential to our operation. In 2010, there were 39,000 training days, which represents, on average, 17.3 days per employee.

A safe workplace is something which AAK takes extremely seriously. For this reason, the company carries out continuous safety

Employee category by age distribution



Permanent employees by age



checks at plants across the world, and works hard to eliminate potential risks. AAK's efforts in the health and safety area are based on national legislation, international regulations, comparisons with the standards for the industry and AAK's own requirements.

103 accidents at work were registered by the Group last year, and these resulted in a loss of 740 working days in total. Days of absence for other reasons totalled 14,259.

The majority of employees were offered swine flu vaccination.

AAK has adopted working environment and safety management systems.

At the plants, the management systems involve extensive safety awareness training, adoption of targets, identification of risks and continuous following up of results.

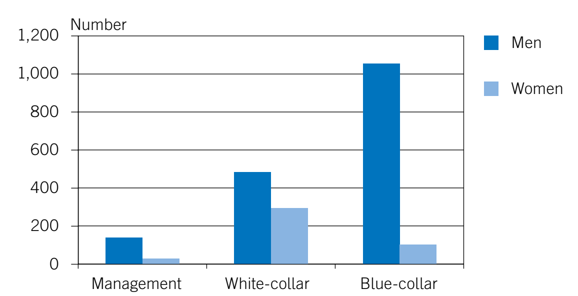
The management systems at AAK's plants provide a framework for the identification and active elimination of health and safety risks, reduction in accident risks, compliance with health and safety targets and a better approach to safety issues.

New employees and temporary summer employees attend a safety course, and every year, personnel at all AAK production plants receive first-aid and fire response training.

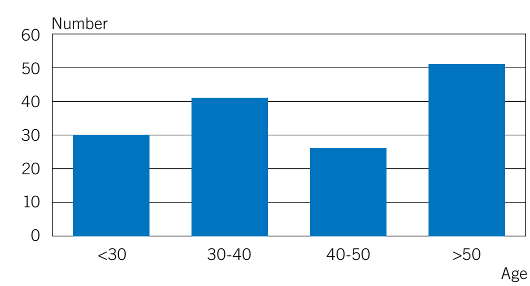
Internal communication

Internal communication is essential to the operation, since it is the key to ensuring that all AAK employees understand the objectives of the company. This is important for employee motivation and for their ability to contribute to the operation. There are many channels for internal communication, but the most important ones are managers, our global intranet, general employee meetings etc. Time and the message to be communicated determine the best channel. Internal communication is also a project within AAK Acceleration.

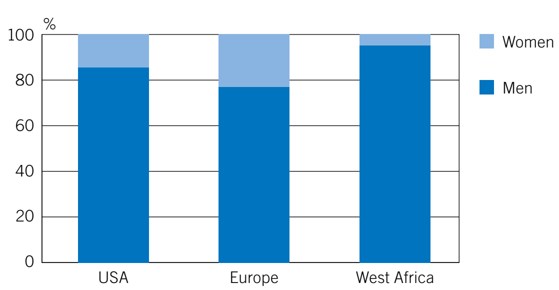
Employee category by gender



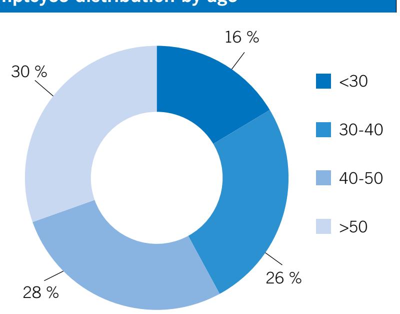
Permanent employees turnover by age



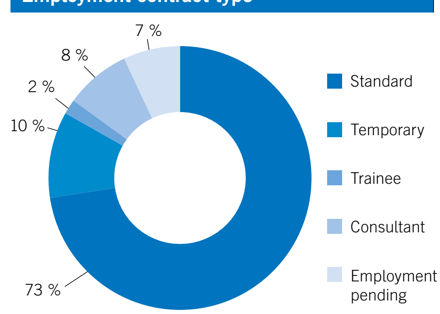
Employee gender distribution



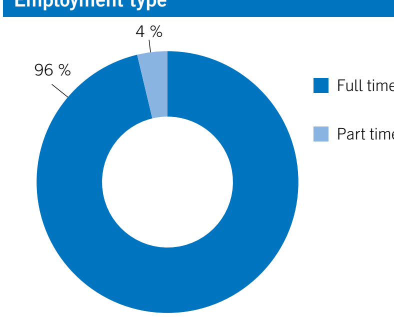
Employee distribution by age



Employment contract type

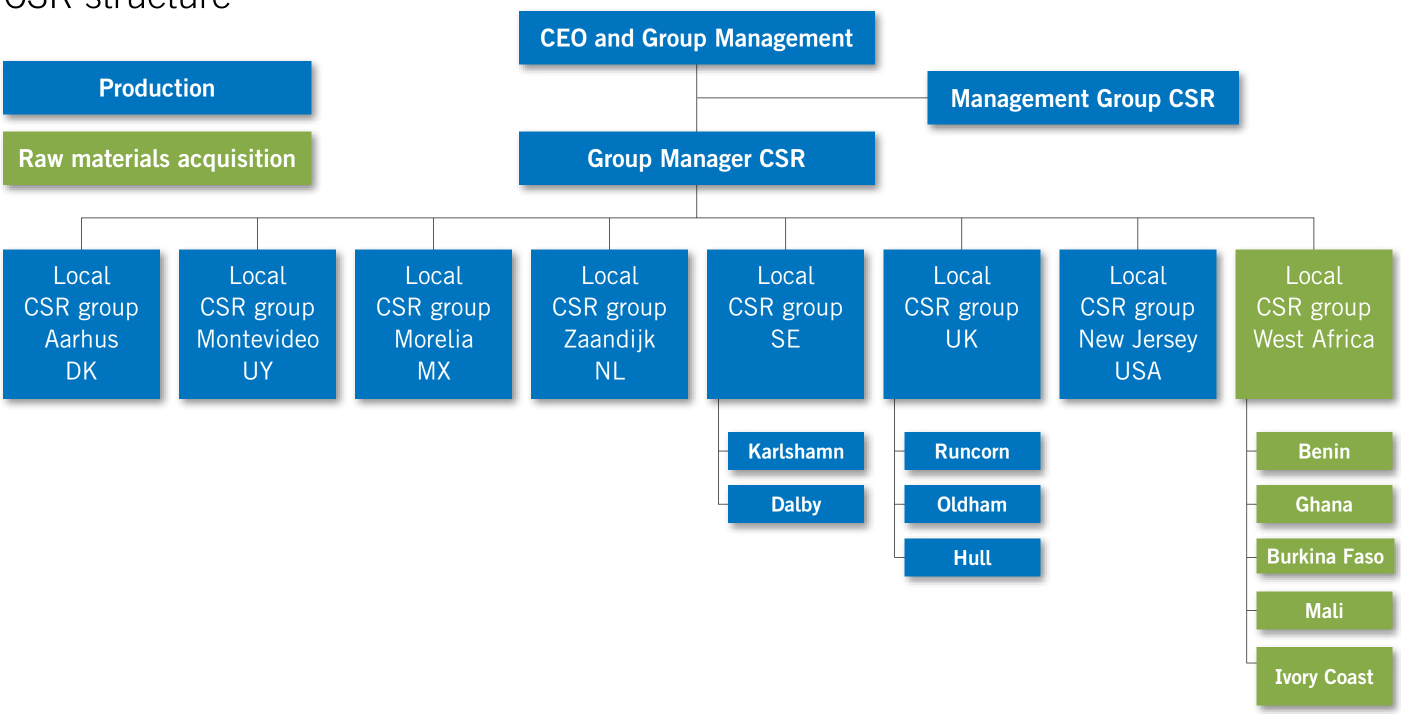


Employment type



CSR – AAK in the world

CSR structure



Economic development and growth demands respect for the world around us

AAK has been a market player for more than a century. During all these years, the company has extracted vegetable oils from natural sources. To ensure long-term success, financial, environmental and social issues must be managed responsibly and through cooperation, and in harmony with the world in which we operate. This is a central policy in AAK's operation, to ensure continued success of the strategy of organic growth and selective acquisitions. Every company must earn the respect of the world in which it operates, and, for AAK, this means making an active contribution to a long-term sustainable society.

Code of Conduct

AAK's policies and guidelines make up the company's Code of Conduct, with emphasis on sustainable development. Along with the legislation of individual countries, they provide the framework and govern AAK's actions in various areas.

The Code must be observed by all employees, managers and members of the Board of AAK, in all markets, at all times and without exception.

AAK's Code of Conduct is based on internationally-recognised conventions and guidelines, including the UN's Convention on Human Rights, the ILO's conventions, OECD guidelines and the UN's Global Compact.

It is a guide to AAK's social responsibility and includes the following points.

- Support and respect for human rights.
- No complicity in human rights abuses.
- Freedom of association and recognise the right to collective bargaining.
- Elimination all forms of forced or compulsory labour.
- Effective elimination of child labour.
- Effective elimination of discrimination in respect of employment and occupation.
- Support for a precautionary approach to environmental challenges.
- Initiatives to promote greater environmental responsibility.
- Encourage the development and diffusion of environmentally-friendly technologies.
- Work against corruption in all its forms, including extortion and bribery.

The organisation

At Board level, the task of monitoring follow-up and reporting of issues relating to Corporate Social Responsibility falls to the Audit Committee. Corporate Communications is responsible for reporting on the CSR-related work carried out by the Group.

The collection of data, processing and compilation of CSR-related communications is handed by a group made up of representatives from the Communications, Finance, Legal, Environment, HR and Purchasing units.

Global Reporting Initiative

The AAK Group accepts responsibility for issues concerning the working environment, environmental impact, energy consumption, business ethics and social respect, and reports on sustainability issues using the international Global Reporting Initiative as a basis.

The CSR cycle at AAK – dialogue, data collection, examination, analysis and publication

AAK's CSR reporting follows an annual cycle, during which a highly-comprehensive updating of information obtained during the previous calendar year is produced, examined, analysed and compiled from the New Year, to be ready for publication in May-June. This is followed by a period until September

during which the company collects feedback through planned consultation with selected stakeholders (e.g. employees, managers, independent organisations, ethical foundations and authorities) covering the CSR core areas of the environment, energy, supply of raw materials, human rights etc. The fact that the reporting process is inspired by GRI's guidelines facilitates discussions. Views expressed during the consultation with stakeholders are used to improve preparations and data collection, and to improve the work carried out the following year.

The reporting process follows the Global Reporting Initiative's framework. GRI is a network-based organisation, which is paving the way for the development of the world's most sustainable reporting framework. To ensure the high technical quality, credibility and relevance of reports, the system has been developed in partnership with the business sector, public institutions and academia.

GRI creates a basis for improvements and makes it possible to measure these. The sustainability reporting guidelines form the cornerstones of the system, which is already used by thousands of organisations all over the world.

AAK's implementation of GRI

Sustainability reporting involves measuring, presenting and accepting responsibility towards stakeholders, both inside and outside the organisation, for what the organisation has achieved in its work to ensure sustainable development. Our sustainability reports provide a balanced and reasonable picture of the results achieved by AAK on sustainability-related issues.

The cornerstones of the regulatory framework are the guidelines for sustainability reports which were published for the first time in 2006. GRI sustainability reports permit a comparison of the company's sustainability reporting organisation with that of other organisations, the capacity available to them and changes over time.

AAK's organisation for managing GRI reports is described in the diagram of the work structure. Eight local groups, which in some countries include sub-groups for smaller production plants, are responsible for the collection of data. A Group Manager responsible for CSR issues compiles the data and reports to the senior management of the Group.

The first report was attempted in 2008. Some aspects of the GRI system were used and, in 2009, AAK progressed to producing an almost complete report.

The Group's CSR Manager visited the seven largest production plants to discuss issues with the local CSR teams. The material is complex and represents a new aspect of the operation. The 2008 review was not complete and, for this reason, AAK does not carry out a comparison of the two years. The procedures for the work were soon established, and in 2010, AAK drew up the standards which will govern CSR work for the next few years.

GRI is also based on a Group-wide network for cross-communication of experiences and measures at local level, which can be disseminated throughout the Group to ensure broad improvement in the presentation of many sustainability issues.

The report is divided into categories:

- EN – Environmental performance indicators.
- FPSS – Food processing sector supplement.
- LA – Labour practices and decent work.
- HR – Human rights.
- SO – Society performance.
- PR – Product responsibility.
- EC – Economic impact.

In 2010, this work was published in a report separate from the annual report. The same method will be used for 2010, and the report will be published in autumn 2011.

Global Compact
– a guide to social responsibility

AAK

April 2010

AAK supports the United Nation's programme for social responsibility.
The programme is summed up in the following ten principles:

1. Support and respect for human rights
2. No complicity in human rights abuses
3. Freedom of association and effective recognition to the right to collective bargaining
4. Elimination of all forms of forced and compulsory labour
5. Effective elimination of child labour
6. Effective elimination of discrimination in respect of employment and occupation
7. Support for a precautionary approach to environmental challenges
8. Initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally-friendly technologies
10. Work against corruption in all it's forms, including extortion and bribery.

AAK Group Policy:
Corporate Social Responsibility
AAK supports in its actions the ten principles of United Nations Global Compact in the areas of human and labour rights, environment and anti-corruption, and we perceive the principles as a powerful platform for our activities within sustainability.

AAK will integrate social and environmental concerns into our business operations and in our interaction with our stakeholders. We will use our resources in order of priority based on risk assessment and sphere of influence.

Human rights
We support and respect the protection of internationally proclaimed human rights and constantly supervise within our sphere of influence that we are not complicit in human rights abuse.

Freedom of association
We respect the freedom of association and the right to collective bargaining.

Forced labour
We do not accept any form of forced labour such as bonded labour, prison labour, slavery, human trafficking or retention of important personal documents of employees.

Child labour and young workers
We cannot accept the employment of children. The minimum age of employment shall not be less than the age of completion of compulsory schooling and in any case not less than 15 years (14 years in some developing countries).

Where national law permits it, children between the age of 12 and 15 may perform a few hours of light work per day. The work must not interfere with the children's education.

For young workers below the age of 18 special precautions are taken to protect them against accidents and damage to their health.

Discrimination
We will not engage in or support any form of discrimination in hiring and employment practices.

Employment related decisions shall be based on relevant and objective criteria.

Working hours
We comply with all applicable local and national standards on working hours and overtime.

Remuneration
We comply at least with local and international legal minimum standards concerning wages and benefits including compensation for overtime. The size of wages enables workers to meet basic needs.

Notification
We give fair notice to employees of significant changes that could substantially affect them.

Working environment
We strive to offer a safe working environment for all employees. Adequate health and safety procedures are implemented. As a minimum, we comply with all local and national health and safety legislation in the countries in which we operate.

Workplace violence
We protect employees in the working place against physical, verbal, sexual or psychological harassment, abuse or threats.

Environment
We strive to minimise the environmental impact of our activities through responsible management, widespread environmental awareness and the use of technologies with low environmental impact. We recognise that prevention rather than cure is a more cost-effective approach to avoid environmental damage

Corruption
Our businesses should work against corruption in all its forms, including extortion and bribery.

Yours faithfully
AarhusKarlshamn AB (publ)

Arne Frank, President and CEO

A company in the AAK Group

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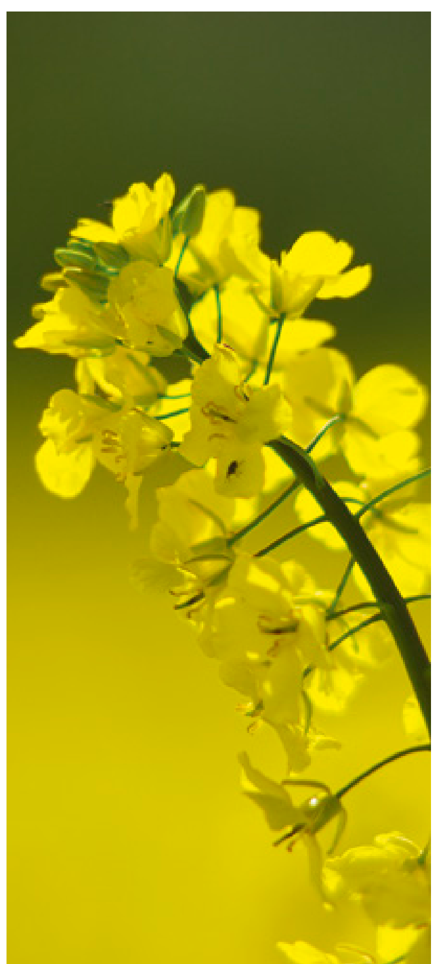
Registered office: Malmö
Company no. 556669-2850
SE556669285001

RSPO – Sustainable supply of raw material

The calls for major corporations to deal with CSR issues have never been stronger. To a company such as AAK, which uses palm oil in its operation, financially-sustainable production with responsibility for the environment is of the utmost importance. In 2003, AAK was involved in the creation of the Roundtable on Sustainable Palm Oil (RSPO), which aims to support the growing and use of certified sustainable palm oil (CSPO).

AAK has noticed a sharp increase in interest in CSPO from users of palm oil, including food manufacturers, and one of the major challenges has been how to separate this particular oil and distribute it throughout the world, transporting it from the certificated plantation to the manufacturer's own production line. For this purpose, AAK developed a method called "book and claim". The programme, GreenPalm, is administered by a British subsidiary of AAK, Book & Claim Ltd, and has proven the most successful of all the RSPO alternatives to supplier chains. Organisations, which have signed up include WWF (Worldwide Fund for Nature), Oxfam, Conservation International, Unilever, Tesco, Marks & Spencer's, Cadbury and Carrefour. After promoting the idea for several years, GreenPalm is now very much up and running and able to meet the demand for CSPO in a straightforward and cost-effective way. The internet-based platform can be viewed on www.greenpalm.org.



Objectives

The objective of GreenPalm is to;

- Increase awareness of sustainably-produced palm oil.
- Prevent the destruction of rain forest.
- Support the Roundtable on Sustainable Palm Oil (RSPO).

A green pioneer

GreenPalm is the answer to the problems which arise in a complex international industry. It is a simple, flexible system which is easy to install, and has already made a difference.

GreenPalm offers financial incentives to producers, who can prove that they accept environmental and social responsibility, who do not destroy important forests, and who can demonstrate that they constantly try to improve their methods. Since GreenPalm operates in an existing chain of suppliers, the scheme also serves to save millions of jobs in the palm oil industry in some of the poorest regions of the world.

CSR – AAK in the world

In autumn 2010, the media focused on the use of the weed killer, Paraquat, by one of AAK's suppliers. AAK immediately raised the issue within the company, sent out a press release and appointed external auditors to examine the case on site at the supplier in Malaysia. By responding to the issue instantly, AAK was able to inform its customers that the identified supplier had acted in accordance with current legislation and completely in line with AAK's environmental policy.

AAK discusses environmental issues with suppliers

The issue of weed control in palm plantations has been brought to the fore. The use of Paraquat as a weed killer has been included in the agenda.

As a major player in the industry, AAK buys large quantities of palm oil, which is refined into a broad spectrum of products at ten AAK plants located around the world.

"We buy palm oil from several different suppliers, including UP (United Plantations). UP's owner is also a major shareholder in a company with substantial shareholdings in AAK", says Arne Frank. "But AAK treats UP like any other supplier."

AAK is one of the initiators behind RSPO, the Roundtable on Sustainable Palm Oil, and the company is still represented on the Board of Directors. The organisation takes issues involving weed killers seriously, and is demanding that the use of Paraquat is phased out. Paraquat has been used as a weed killer on areas of newly-planted palms.

"We concern ourselves deeply with environmental issues involving our suppliers", says Arne Frank. "We are very pleased that an increasing number of growers are signing up for membership and are actively involved in RSPO. This ensures that they run their operations in accordance with the standards laid down. It is clear that UP, which is another driving force behind RSPO and which was the first company to gain RSPO approval as a producer of sustainably-produced palm oil, will cease to use Paraquat by the end of the year."

For several decades, AAK has bought palm oil from UP's plantations in Malaysia.

Consumers throughout the world are increasingly demanding that companies accept responsibility for their total environment.

AarhusKarlshamn AB (publ) – Board of Directors

Melker Schörling
Chairman of the Board of Directors.
Elected in: AAK 2005 (Karlshamns AB 2001).
Born: 1947.
Nationality: Swedish.
Main occupation: Founder and owner of Melker Schörling AB (MSAB).
Qualifications: MBA.
Professional background: CEO of a number of companies, including Securitas AB 1987-1992 and Skanska 1993-1997.
Other directorships: Chairman of the Board of Directors of MSAB, Hexagon AB, Securitas AB and HEXPOL AB and member of the Board of Directors of Hennes & Mauritz AB.
Number of shares: Via MSAB, Melker Schörling holds 58.5 % of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 %) in AAK.

Carl Bek-Nielsen
Vice Chairman.
Elected in: 2005.
Born: 1973.
Nationality: Danish.
Main occupation: Executive Director (Corporate Affairs), United Plantations Berhad.
Qualifications: Bachelor of Science.
Professional background: Executive director, director-in-charge.
Other directorships: Chairman of the Board of Directors of United International Enterprises Ltd. Vice Chairman of the Board of Directors of United Plantations Berhad. Member of the Board of Directors of Danfoss A/S (Bitten and Mads Clausens Fond).
Number of shares: Via UIE Ltd, Carl Bek-Nielsen holds 41.5 % of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 %) in AAK.

Martin Bek-Nielsen
Elected in: 2005.
Born: 1975.
Nationality: Danish.
Main occupation: Executive Director (Finance & Marketing) United Plantations Berhad.
Qualifications: Agricultural Economics.
Professional background: Executive Director (Finance & Marketing).
Other directorships: Member of the Board of Directors of United Plantations Berhad, Vice Chairman of the Board of Directors of United International Enterprises Ltd.
Number of shares: Via UIE Ltd, Martin Bek-Nielsen holds 41.5 % of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 %) in AAK.

Märit Beckeman
Elected in: 2006.
Born: 1943.
Nationality: Swedish.
Main occupation: PhD Candidate and research.
Qualifications: Master of Science and Licentiate in Engineering.
Professional background: Project Manager, consultant, business development and product/packaging development.
Other directorships: Member of the Board of Directors of Beckeman Consulting AB.
Number of shares: 0.

Anders Davidsson
Elected in: 2007.
Born: 1970.
Nationality: Swedish.
Main occupation: President and CEO, Bong AB.
Professional background: Management Consultant with McKinsey & Co.
Other directorships: Member of the Board of Directors of Bong AB.
Number of shares: 1,200.

Mikael Ekdahl
Elected in: 2005.
Born: 1951.
Nationality: Swedish.
Main occupation: Lawyer and partner in Mannheimer Swartling Advokatbyrå.
Qualifications: Swedish equivalents of MBA and LLB. Kand.
Professional background: Lawyer and partner.
Other directorships: Chairman of the Board of Directors of Bong AB, Marco AB, Absolent AB and EM Holding AB. Vice Chairman of the Board of Directors of Melker Schörling AB, Member of the Board of Directors of KonstruktionsBakelit AB.
Number of shares: 8,000.

Arne Frank
Elected in: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO, AAK AB.
Qualifications: MSc. Industrial Engineering and Management.
Other directorships: Chairman of the Board of Contex Holding A/S and Member of the Board of Directors of Alfa Laval AB (publ.).
Number of shares: 2,000.
Share options: 264,500.
Stock options: 80,000.

John Goodwin
Elected in: 2005.
Born: 1944.
Nationality: British.
Main occupation: Financial Consultant.
Qualifications: Chartered Accountant; Bachelor of Commerce.
Professional background: Chief Executive, Managing Director, Administrative Director and President.
Other directorships: Member of the Board of Directors of United International Enterprises Ltd.
Number of shares: 0.

Standing: Mikael Ekdahl, Leif Håkansson, Märit Beckeman, Martin Bek-Nielsen, Annika Westerlund and Ulrik Svensson. Seated: Melker Schörling, Carl Bek-Nielsen, Anders Davidsson, Harald Sauthoff, John Goodwin and Arne Frank.

Harald Sauthoff
Elected in: 2010.
Born: 1955.
Nationality: German.
Main occupation: Vice President, Cognis GmbH – now part of BASF, The Chemical Company.
Qualifications: Industrial Business Management.
Professional background: Risk Management Agricultural Commodities, General Business Management in the Chemical Industry.
Number of shares: 0.

Ulrik Svensson
Elected in: 2007.
Born: 1961.
Nationality: Swedish.
Main occupation: President and CEO Melker Schörling AB.
Qualifications: MBA.
Professional background: CFO of several listed companies, including Swiss International Airlines and Esselte.
Other directorships: Member of the Board of Directors of Assa Abloy AB, HEXPOL AB, Niscayah Group AB, Loomis AB, Hexagon and Flughafen Zürich AG.
Number of shares: 0.

Members of the Board of Directors appointed by the employees

Leif Håkansson
AarhusKarlshamn Sweden AB.
Appointed by IF-Metall.
Elected in: 2005.
Born: 1957.
Nationality: Swedish.
Main occupation: Senior positions in trade unions and local and regional government and Board work.
Qualifications: Electrical engineering.
Number of shares: 0.

Annika Westerlund
AarhusKarlshamn Sweden AB.
Appointed by PTK-L.
Elected in: 2005.
Born: 1956.
Nationality: Swedish.
Main occupation: Laboratory Assistant.
Qualifications: Technical College.
Number of shares: 0.

Deputy members

Ulf Friberg
AarhusKarlshamn Sweden AB.
Appointed by PTK-L.
Elected in: 2008.
Born: 1954.
Nationality: Swedish.
Main occupation: Maintenance engineer. Responsible for preventive maintenance.
Qualifications: Automation engineer.
Number of shares: 0.

Christer Svantesson
AarhusKarlshamn Sweden AB.
Appointed by IF-Metall.
Elected in: 2006.
Born: 1951.
Nationality: Swedish.
Main occupation: Repairer.
Qualifications: Engineering.
Number of shares: 679.

Auditors

PricewaterhouseCoopers AB

Anders Lundin
Born: 1956.
Authorised public accountant.
Principle auditor.
The company's auditor since 2005.

AarhusKarlshamn AB (publ) – Group Management

Arne Frank
Employed: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation:
President and CEO, AAK AB.
Qualifications: MSc. Industrial Engineering and Management.
Directorships: Chairman of the Board of Contex Holding A/S and member of the Board of Directors of Alfa Laval AB (publ.).
Number of shares: 2,000.
Share options: 264,500.
Stock options: 80,000.

Anders Byström
Employed: 2006.
Born: 1951.
Nationality: Swedish.
Main occupation: CFO (Chief Financial Officer) and Vice President, AAK AB.
Qualifications: MBA.
Number of shares: 0.
Stock options: 70,000.

Renald Mackintosh
Employed: 2002.
Born: 1951.
Nationality: Dutch.
Main occupation: Vice President, AAK AB, President Business Area Food Ingredients Continental Europe.
Qualifications: MSc Food Technology.
Number of shares: 300.
Stock options: 40,000.

Torben Friis Lange
Employed: 2010.
Born: 1963.
Nationality: Danish.
Main occupation: Vice President, AAK AB and President, Business Area Chocolate & Confectionery Fats.
Qualifications: BSc. Dairy Technology, Graduate Diploma in Business Administration.
Number of shares: 0.
Stock options: 100,000.

Bo Svensson
Employed: 1974.
Born: 1951.
Nationality: Swedish.
Main occupation:
Vice President, AAK AB, President, Business Area Technical Products & Feed.
Qualifications: Graduate Diploma in Food Engineering.
Number of shares: 210.
Stock options: 10,000.

Jean-Marc Rotsaert
Employed: 2009.
Born: 1969.
Nationality: American.
Main occupation: Vice President, AAK AB and President, AAK USA.
Qualifications: MSc. Electrical Engineering.
Number of shares: 0.
Stock options: 65,000.

Octavio Díaz de León, David Smith, Torben Friis Lange, Anne Mette Olesen, Renald Mackintosh, Anders Byström, Arne Frank, Karsten Nielsen, Bo Svensson, Edmond Borit and Jean-Marc Rotsaert.

Octavio Díaz de León
Employed: 2007.
Born: 1967.
Nationality: Mexican.
Main occupation: Vice President, AAK AB and Managing Director, AarhusKarlshamn Mexico.
Qualifications: MBA, BSc. Mechanical & Electrical Engineering.
Number of shares: 0.
Stock options: 40,000.

Edmond Borit
Employed: 2001.
Born: 1969.
Nationality: Peruvian and French.
Main occupation: Vice President, AAK AB and Managing Director, AAK Latin America.
Qualifications: MBA, BSc. Food Engineering.
Number of shares: 0.
Stock options: 50,000.

David Smith
Employed: 2001.
Born: 1960.
Nationality: British.
Main occupation: Vice President, AAK AB and President, European Supply Chain.
Qualifications: MBA, Graduate Diploma in Business Management.
Number of shares: 0.
Stock options: 40,000.

Karsten Nielsen
Employed: 1988.
Born: 1963.
Nationality: Danish.
Main occupation:
Vice President, AAK AB, CTO.
Qualifications: Graduate Diploma in Food Technology.
Number of shares: 264.
Stock options: 15,000.

Anne Mette Olesen
Employed: 2010.
Born: 1964.
Nationality: Danish.
Main occupation: Vice President, Human Resources and Communications.
Qualifications: MBA, BSc. Chemical Engineering.
Number of shares: 0.
Stock options: 60,000.

AAK's Glossary

Amines – Products made of fatty acids with surface-active properties. Used as inputs in a wide range of industries.

Bypass fats – Fats that have been tailored to bypass the rumen of ruminants, which means that a larger amount of fat and energy is left intact for high-yielding dairy cows.

Bypass rapeseed meal – Rapeseed meal treated in a special process to make it bypass the rumen of ruminants. Nutritionally superior to standard rapeseed meal.

CBA (Cocoa Butter Alternatives) – Fats with properties similar to those of cocoa butter, i.e., solid at room temperature and with very rapid melt-off in the mouth.

CBE (Cocoa Butter Equivalents) – A type of CBA which is identical to cocoa butter, and which may be used in chocolate up to 5 percent according to EU legislation. Manufactured from exotic raw materials, including shea oil.

CBR (Cocoa Butter Replacer) – CBA with properties similar to those of cocoa butter. Is used in such things as chocolate coatings for cookies and biscuits. More user-friendly than CBE as no tempering is required.

CBS (Cocoa Butter Substitutes) – CBA with properties and application areas similar to those of CBR. Made from palm-kernel oil.

Cocoa butter – Fat extracted by crushing cocoa beans. Its composition lends chocolate its unique properties.

Dairy solutions – Fats intended for use in dairy products such as cheese, cream, cooking fat, ice-cream etc. Replace butter fat and contribute positive properties to the end product.

DHA – Omega-3 fatty acid present in fish oil.

EPA – Omega-3 fatty acid present in fish oil.

Essential fatty acids – Two different types of polyunsaturated fatty acids, Omega-3 and Omega-6, which are necessary for good health. Cannot be produced by the human body, but must be acquired in food. Rapeseed oil is one of the few vegetable oils that contain both types of essential fatty acids.

Esters – Chemical components of fatty acids and alcohols. Triglycerides, which are the main constituent of fat, consist of alcohol, glycerol and fatty acids, and are thus a type of ester.

Fatty acids – Consist of carbon and hydrogen in long chains. At one end of the carbon chain is a so-called carboxylic group. The commonest fatty acids in vegetable oils contain between 12 and 18 carbon atoms.

Fatty sterols – Sterols from the plant kingdom. Reduce blood cholesterol.

Flaked fats – Fats with a high melting point supplied in the form of little solid "flakes", which simplifies handling for certain customer groups.

Fractionation – Multiple-stage crystallisation process used in the manufacture of CBA.

Glycerol – An alcohol that is one of the constituents of the fat molecule.

InFat – A speciality fat for infant formulas.

IPPC – An EU Directive on environmental audits of industrial plants. The Directive comprises the aggregate environmental impact of the plant, such as emissions into the air, effluents into water, waste production, raw material consumption and energy efficiency.

Lipids – A collective name for a wide range of natural products, which include fats.

Mould releasers – Fat-based products which are applied to the inside of casting moulds. Make it easier to remove the mould when the concrete has set without damaging the surface.

Nutrition – Food, the process of taking in and absorbing nourishment.

Omega-3 – Essential polyunsaturated fatty acids in which the first double bond is located three carbon atoms from the end of the carbon chain.

Omega-6 – Essential polyunsaturated fatty acids in which the first double bond is located six carbon atoms from the end of the carbon chain.

Parenteral Nutrition – the process by which a person receives fluids and nutrition intravenously.

PCR – A method used to identify genetically modified seeds (GMO). The abbreviation stands for Polymerase Chain Reaction.

Polyunsaturated fatty acids – The carbon chain contains two or more double bonds, which are of considerable importance for the biological function of the fats in question.

Pumpable fats – Products consisting of fat crystals disbursed in liquid oil delivered by tanker lorry. Mainly used by bakeries where they replace solid fats in 10-kg packages.

Saturated fats – Fats with no double bonds along the carbon chain.

Shortening – fat used in the bakery industry.

Trans content – The proportion of trans fatty acids in a fat.

Trans fatty acids – Unsaturated fatty acids with a different kind of double bond than those naturally occurring in vegetable oils.

Unsaturated fats – Fats with one or more double bonds along the carbon chain.

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Corporate identity no. 556669-2850

For more information, please visit our website www.aak.com.

This document is a translation of the Swedish language version. In the event of any discrepancies between the translation and the original Swedish AAK report 2010, the latter shall prevail.

The first choice for value-added vegetable oil solutions

– The vision consists of three important elements, which govern what we want to achieve:

- first choice
- value-added solutions
- vegetable oils

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Annual Report 2010

Content

All amounts are denominated in SEK million
unless otherwise stated.

Directors' Report

For the financial year 1 January - 31 December 2010

The Board of Directors and the CEO of AarhusKarlshamn AB (publ), corporate identity number 556669-2850, with registered office in Malmö, herewith present the Financial Statements for the financial year January-December 2010 and Consolidated Financial Statements for the financial year 1 January - 31 December 2010.

Performance and financial position*

**All financial information under this heading excludes non-recurring items and IAS 39.*

- Net sales amounted to SEK 14,808 million (15,884). The decrease in sales included a negative currency translation effect of SEK 600 million, reflecting the delayed effect of lower raw material prices. Volumes increased by 1 percent.
- Operating profit totalled SEK 824 million (827), which is in line with earnings for the previous year. Operating profit, adjusted for disposals and at fixed exchange rates, was SEK 855 million (810), an improvement of 6 percent.
- Earnings per share were SEK 14.15 (10.14).
- Proposed dividend of SEK 4.50 (4.25) per share, an increase of 6 percent.

Operating profit for the full year amounted to SEK 824 million (827), but adjusted for disposals and at fixed exchange rates operating profit amounted to SEK 855 million (810). Earnings include negative exchange rate effects of SEK 31 million.

As a result of our strategy of specialising in the business area of Food Ingredients, which aims to increase the percentage of products with high added value, margins continued to improve. All our special product areas, such as Infant Nutrition, Bakery & Bakery Service and FoodService, continued to show positive development.

During 2010, the business area Chocolate & Confectionery Fats increased volumes and showed more stable margins for cocoa butter alternatives.

The Technical Products & Feed business area reported record-high operating profit. The market for technical products, especially environmentally friendly biological lubricants, is experiencing a recovery.

Cash flow from operating activities before investments amounted to SEK 757 million (2,265). The strong cash flow in 2009 was primarily due to the significant drop in raw material prices, which led to a reduction in working capital. The company also received insurance compensation of SEK 70 million in 2009. The ongoing internal project to reduce working capital continued to contribute to improving working capital turnover. Cash flow after net investments of SEK 331 million (313) amounted to SEK 426 million (1,952).

The Group's net investments in fixed assets totalled SEK 335 million (316), mainly comprising ongoing maintenance investments. Over a business cycle, investments, excluding acquisitions, should be in line with annual depreciation. In 2010 capital investment was below annual depreciation.

Performance and financial position including non-recurring items and IAS 39

Operating profit, including non-recurring items and IAS 39 effects, amounted to SEK 882 million (1,475).

Earnings include an IAS 39 effect of SEK 39 million (578) following the introduction of hedge accounting in the fourth quarter of 2010. The Company also reported additional insurance compensation of SEK 19 million. The insurance compensation relates to business interruptions in both 2008 and 2009.

As of 1 October 2010 AAK began applying hedge accounting based on fair value hedging. The IAS 39 effect of SEK 140 million reflects previous negative IAS 39 effects that have now been reversed in the income statement in the fourth quarter.

This new accounting method does not imply any change in the current business model. Moreover, the introduction of this method will not affect the underlying profitability or level of risk within the Group. As of the first quarter of 2011 there will be no IAS 39 effect.

The Group’s profit after financial items amounted to SEK 828 million (1,298). Net financial items amounted to negative SEK 54 million (negative 177). This significant improvement was due to lower interest rate levels and substantially lower borrowing.

Reported tax corresponds to an average tax rate of 24 percent (35). The Group's average underlying tax rate is approximately 27 percent (29). The low tax rate in 2010 was due to the Group receiving tax reductions in certain countries in connection with capital expenditures.

The equity/assets ratio was 34 percent as of 31 December 2010 (35 percent as of 31 December 2009). Consolidated equity as at 31 December 2010 totalled SEK 3,188 million (31 December 2009: SEK 2,949 million), and the balance sheet total was SEK 9,252 million (8,513).

Non-recurring item

The company reported additional insurance compensation of SEK 19 million (70) in 2010. The insurance compensation of SEK 19 million (70) is not included in the operating profit, above, of SEK 824 million (827).

Operations and significant events

New CEO

Arne Frank took up the position as CEO of AAK on 6 April 2010.

Growth and productivity in focus for AAK

A new company programme, AAK Acceleration, was launched. This programme is based on our specialisation strategy, but with greater focus on practical implementation, as well as growth and earnings improvement in the medium and long term.

Stronger and more international Group management

In order to create better opportunities for both organic growth and acquisitions, and to better face future competition and strengthen the necessary internationalisation of the Group, AAK expanded and broadened its Group management.

This strengthening of Group management aims to lead to an efficient organisation that internationally utilises the advantages of our product range and creates clearer opportunities for global growth.

Business areas

The business areas are: Chocolate & Confectionery Fats (including Lipids for Care), Food Ingredients, and Technical Products & Feed. Group-wide functions are included in the Group Functions segment.

Food Ingredients maintains its strong regional positions in both Europe and North America, but will gradually strengthen its positions in other regions.

Chocolate & Confectionery Fats and Lipids for Care has world-leading positions, and these will gradually be expanded on an increasingly global arena.

Technical Products & Feed has a strong local position in Northern Europe and will continue to focus its growth efforts on these geographical segments through its close links to the Karlshamn unit in Sweden, bringing significant synergy gains.

Refinancing carried out

In January 2011 AAK signed two new binding loan agreements to refinance the current loans that were due in autumn 2011 and to finance current operations and possible acquisitions.

Both loan agreements have a maturity of five years and binding credit commitments. One of the loans agreements is a multicurrency revolving facility for EUR 330 million (SEK 3,000 million) signed with Nordea, Handelsbanken and Nykredit. The facility is spread equally across these three banks. The other loan agreement is a USD 180 million (SEK 1,200 million) multicurrency revolving facility, signed bilaterally with Nordea. These new loans, together with the seven-year loan for SEK 1,000 million that was signed with Nordea in summer 2010 and that is partly guaranteed by the Swedish Export Credits Guarantee Board (EKN), means that AAK is significantly extending its average debt maturity structure.

In total, the Group has binding credit commitments of SEK 6,000 million with a maturity of five years or more. The new terms of these loans also provide significantly greater flexibility with regard to increased raw material prices.

Incentive programme for senior managers and key personnel

At an Extraordinary Meeting of the Shareholders on 8 November 2010 it was decided to implement an incentive programme for senior managers and key personnel by issuing up to 1,500,000 stock options, entitling holders to subscribe to a corresponding number of shares in AarhusKarlshamn AB.

The programme will have a dilutive effect of up to approximately 3.54 percent. Senior managers and key personnel have purchased stock options at market value.

Ongoing rationalisation programme

The original rationalisation programme was announced in the second quarter of 2007, when the company expensed a non-recurring item of SEK 150 million referring to expected restructuring costs. The programme is progressing and is at least in line with the plan that has been previously communicated.

Cost savings of SEK 100 million (annualised) were realised in 2010 and an additional SEK 200 million (annualised) will be realised in the latter part of 2011. The business areas' earnings were affected positively by the ongoing rationalisation programme in 2010. These savings were, however, partly offset by increased investments in organic growth outside Scandinavia.

Insurance compensation

On 4 December 2007, an explosive fire occurred in AAK's factory in Aarhus, Denmark. The incident occurred in that part of the factory where vegetable oils are produced for use as components in special fats for chocolate and confectionery products, especially CBE. All facilities were back in operation during the fourth quarter of 2008.

In 2008 and 2009 AAK received compensation for interruption of business of approximately SEK 421 million. The company reported additional insurance compensation of SEK 19 million in 2010. In total, AAK has received SEK 440 million in insurance compensation.

A final settlement with the insurance companies has not yet been concluded. The outcome of this cannot be predicted with certainty.

Significant events after the end of the financial year

No significant events occurred after the end of the financial year.

The future

Operating profit for 2010 was in line with expectations. AAK now has a strong platform of programmes for the medium and long term: AAK Acceleration. This programme focuses on growth, efficiency and people. Prioritised growth areas within the AAK Acceleration project: Bakery, Dairy, CCF, Infant Nutrition, FoodService, Merger & Acquisition and fast-growing economies like China and Brazil. There will also be a major focus on productivity and efficiency, as well as human resources. Cash flow in 2011 will present a challenge since the major raw material price increases in 2010 will have an effect in 2011 owing to a time lag. AAK has been able to agree refinancing and now has binding credit commitments of SEK 6,000 million of five years or more.

Financial goals

AAK aims to grow faster than the underlying market and to generate strong cash flows. We also intend to continually improve the return on operating capital.

Dividend policy

The objective of the Board of Directors, taking into account the development of Group earnings and its financial position and future development opportunities, is to propose annual distribution of profits equivalent to 30-50 percent of the profit for the year, after tax, for the Group.

Nomination Committee

AAK's Nomination Committee proposes for the Annual General Meeting of 2011 that the following members of the Board be re-elected: Melker Schörling, Carl Bek-Nielsen, Martin Bek-Nielsen, John Goodwin, Mikael Ekdahl, Märit Beckeman, Ulrik Svensson, Harald Sauthoff and Arne Frank. Member of the Board Anders Davidsson will not stand for re-election. The Nomination Committee proposes, in addition, that Melker Schörling be re-elected Chairman of the Board, and Carl Bek-Nielsen Vice-Chairman. In total, the Nomination Committee represents 57.1 percent of the shares and votes in AAK as at 31 December 2010.

AAK's Nomination Committee for the Annual General Meeting 2011 consists of:

- Mikael Ekdahl (Chairman), BNS Holding AB.
- Carl Bek-Nielsen, BNS Holding AB.
- Henrik Didner, Didner & Gerge Fonder.
- K-G Lindwall, Swedbank Robur Fonder.
- Claus Wiinblad, ATP.

Share capital and ownership circumstances

The total number of shares in AAK as at 31 December 2010 was 40,898,189. There is one class of shares in AAK, and each share entitles the holder to one vote. There are no limits as regards how many votes each shareholder may cast at an Annual General Meeting. Nor are there any limitations regarding the transfer of the shares as regards provisions in law or in the Articles of Association.

Of the Company's shareholders, only BNS Holding AB has a shareholding which represents at least one-tenth of the number of votes of all shares of AAK. BNS Holding AB's shareholding as at 31 December 2010 amounted to 40.4 percent of the total number of votes.

AAK is not aware of any agreement between direct shareholders in AAK that would involve limitations in the right to transfer shares. However, there is a shareholder agreement between the owners of BNS Holding AB – Melker Schörling AB and United International Enterprises Ltd. – that may involve a limitation of the right to transfer shares of AAK.

Circumstances of ownership are described in further detail in the section AAK Shares on pages 56-57.

Corporate Governance

The full AAK Corporate Governance Report is available on pages 47-52.

Articles of Association

The Articles of Association stipulate that appointment of Board Members shall be made by the Annual General Meeting of AAK. The Articles of Association contain no provisions regarding dismissal of Board Members or regarding amendment of the Articles of Association.

Important agreements affected by change in control resulting from official take-over bid

The Group's long-term financing agreement contains stipulations that, in certain cases, give the lender the right to request advance payment if control of AAK changes substantially. Such a substantial change in control can occur as a result of an official take-over bid.

AAK's assessment is that it has been necessary to accept these stipulations in order to obtain financing on terms which are otherwise acceptable.

Guidelines for remuneration of senior management

Guidelines for the remuneration of the CEO and other senior management were established by the 2010 Annual General Meeting. No deviations from these guidelines have been made. The Board of Directors of AAK proposes that the 2011 Annual General Meeting adopt the same guidelines for 2011 as for 2010 for the remuneration of senior management, but with an adjustment so that the variable portion of salary shall comprise no more than 60 percent of the fixed salary instead of 50 percent, which was set as a cap in the guidelines adopted by the 2010 Annual General Meeting. The current guidelines are contained in Note 8. Remuneration of the Board of Directors and Senior Managers. These guidelines shall cover the persons who are in senior management positions during the period of time to which the guidelines apply. The guidelines apply to agreements entered into after they were approved by the Annual General Meeting, and to amendments that are made to existing agreements after that. The Board of Directors shall have the right to deviate from the guidelines if, in individual cases, there are special reasons for doing so.

Environmental impact

The environmental impact from our plants includes emissions of odorous substances, solvents, smoke and gases into the atmosphere, as well as discharging fats, oxygen-consuming material, and minerals into the water, and also creating organic waste and noise. We continually review our impact on all levels to further improve environmental performance at AAK. We operate all our plants with appropriate official permits in all countries. In Sweden, the operations in Karlshamn are licensable, by Swedish law.

Employees

The recruitment of skilled and competent personnel is an important component in maintaining competitiveness for the AAK Group. The Group therefore has continuous active programmes for personnel development.

Risk management and sensitivity analysis

All business operations involve risk – a controlled approach to risk-taking is a prerequisite for maintaining good profitability. Risks may depend on events in the operating environment and may affect a certain sector or market. A risk may also be purely company-specific or country-specific. At AAK, effective risk management is a continual process which is conducted within the framework of operational management and forms a natural part of the day-to-day monitoring of operations.

External risks

The AAK Group is exposed to the fierce competition which characterises the industry, as well as fluctuations in raw material prices, which affect capital tied up.

Operational risk

The raw materials used in operations are agricultural products, and availability may therefore vary due to climatic and other external factors.

Financial risk

The Group's management of financial risks is described in Note 3, Financial Risk Management.

Parent Company

The Company is the holding company of the AAK Group, and its activities consist mainly of joint Group functions connected to the development and management of the Group. The Parent Company employs personnel with skills and competencies to execute group-wide financing, accounting, information and human resources. The Parent is also responsible for Group strategy and risk management, and provides legal and tax-related services to the Group subsidiaries.

The Parent Company's invoicing in 2010 amounted to SEK 42 million (42). Earnings after financial items for the Parent Company amounted to negative SEK 24 million (68). Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets were SEK 160 million (negative SEK 227 million at 31 December 2009). Investments in property, plant and equipment and intangible fixed assets amounted to SEK 0 million (2).

The Parent Company had a total of 14 (13) employees as of 31 December 2010.

No significant events occurred after the end of the financial year.

Background and explanation to the proposed dividend

The Board of Directors has proposed that the 2011 Annual General Meeting approve an appropriation of profits under which the shareholders will receive a dividend of SEK 4.50 per share. The proposed dividend therefore totals SEK 184 million. The objective is for the dividend in the long term to correspond to 30 - 50 percent of consolidated profits after tax, while always considering AAK's long-term financing requirements. The Parent Company owns no financial instruments valued in accordance with Chap. 4 §14 a of the Swedish Annual Accounts Act (1995:1554). The Board of Directors hereby makes the following statement regarding the proposed dividend, in accordance with Chap. 18 §4 (2005:551) of the Swedish Companies Acts.

Retained profits from the previous year total SEK 3,776 million and profit/loss for the 2010 financial year totalled negative SEK 16 million (SEK 626 million for the Group). Provided that the 2011 Annual General Meeting approves the Board's proposed appropriation of profits, a total of SEK 3,576 million will be carried forward. The Company's restricted reserves will be fully covered after distribution of the dividend.

In our assessment, the Company and Group will retain sufficient equity after distribution of the proposed dividend in relation to the nature, scope and risks associated with the business operations. In making this statement, the Board has taken account of the historical development of the Group, budgeted performance and the economic situation.

In the view of the Board, the Parent Company and the Group are in a position and have the capacity, in both the short and the long term, to meet all their obligations. The proposed dividend represents a total of 4.4 percent of the Company's equity and 5.8 percent of the Group's equity attributable to the Parent Company's shareholders.

After payment of the dividend, the equity/assets ratio of the Company and the Group will be 51.6 percent and 32.5 percent, respectively.

These ratios are good in relation to other businesses in our industry. The Board of Director's assesses that the Company is in a good position to meet future business risk as well as withstand possible losses. Distribution of the dividend will not negatively affect the ability of the Company to make further investments as planned by the Board of Directors.

The proposed dividend distribution will have a temporary negative effect on the Company's ability to meet certain current liabilities. However, the Company and Group have sufficient access to both short and long-term credit that can be obtained at short notice.

The Board of Directors therefore considers that the Company and the Group are prepared for likely changes to liquidity, as well as unforeseen events. In addition, the Board of Directors has considered other known circumstances that may materially affect the financial position of the Company and the Group. No circumstance has arisen that makes the proposed dividend distribution appear unjustifiable.

It is proposed that the record date for the dividend shall be 20 May, and it is estimated that the dividend will be received by the shareholders on 25 May.

Proposed appropriation of earnings

The Board of Directors and President propose that

The disposable profit brought forward	SEK	3,776,166,564
net profit for the year	SEK	-15,759,734
Total	SEK	3,760,406,830

shall be appropriated as follows:

To be distributed to shareholders, a dividend of SEK 4.50 per share	SEK	184,041,851
To be carried forward	SEK	3,576,364,979
Total	SEK	3,760,406,830

The consolidated and Parent Companys financial statements will be presented for adoption to the Annual General Meeting of the shareholders on 17 May 2011.

Consolidated Income Statement

SEK million	Note	Jan-Dec 2010	Jan-Dec 2009
Net sales	28	14,808	15,884
Other operating income	10	46	98
Total operating income		**14,854**	**15,982**
Raw materials and consumables and changes in inventory of finished goods and products in progress		-10,901	-11,126
Goods for resale		-370	-396
Other external expenses	5, 29	-1,169	-1,350
Employee benefits expense	6, 7, 8, 9	-1,146	-1,222
Depreciation, amortisation and impairment loss	15, 16	-376	-403
Other operating expenses		-10	-10
Total operating expenses		**-13,972**	**-14,507**
Operating result		**882**	**1,475**
Profit from financial items	11		
Financial income		29	35
Financial expenses		-83	-212
Net financial items		**-54**	**-177**
Profit before tax		**828**	**1,298**
Income tax	12	-202	-455
Profit for the year		**626**	**843**
Attributable to:			
Non-controlling interests		2	17
Parent Company shareholders		624	826
		626	**843**
Earnings per share attributable to Parent Company shareholders during the year (SEK per share) – before and after dilution	13	15.26	20.19

Consolidated Statement of Comprehensive Income

SEK million	Note	Jan-Dec 2010	Jan-Dec 2009
Profit for the period		626	843
Translation differences		-229	-113
Total comprehensive income for the period		**397**	**730**
Attributable to:			
Non-controlling interests		2	-18
Parent Company shareholders		395	748

Consolidated Cash Flow Statement

SEK million	Note	Jan-Dec 2010	Jan-Dec 2009
OPERATING ACTIVITIES	30		
Profit after financial items		828	1,298
Recoveries on amortisation and impairment losses		376	403
Adjustment for items not included in cash flow	30	-48	-608
Income tax paid		-281	-78
Cash flow from operations before changes to working capital		**875**	**1,015**
Changes in working capital			
Net change in inventories		-218	750
Net change in other current receivables		-864	1,645
Net change in other current operating liabilities		964	-1,145
Cash flow from operating activities		**757**	**2,265**
INVESTING ACTIVITIES			
Acquisition of intangible assets		-7	0
Acquisition of tangible fixed assets		-328	-316
Acquisition of operations and shares, net of cash acquired	27	-	-
Proceeds from sale of tangible fixed assets		4	3
Cash flow from investing activities		**-331**	**-313**
FINANCING ACTIVITIES			
Change in loans		-30	-1,560
Sale of treasury shares		-	-
Issue of stock options		16	-
Dividends paid		-174	-164
Cash flow from financing activities		**-188**	**-1,724**
Cash flow for the year		**238**	**228**
Cash and cash equivalents at beginning of year		322	105
Exchange rate difference for cash equivalents		-20	-11
Cash and cash equivalents at year-end	19	**540**	**322**

Consolidated Balance Sheet

SEK million	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Fixed assets			
Intangible assets	16		
Goodwill		580	652
Patents and other intangible assets		102	112
		682	**764**
Property, plant and equipment	15		
Land and buildings		563	619
Plant and machinery		1,865	2,095
Equipment, tools and fixtures and fittings		71	83
Fixed assets under construction		219	181
		2,718	**2,978**
Financial assets			
Shares in associates		13	7
Financial investments		1	1
Deferred income tax assets	12	107	114
Other non-current receivables		12	9
		133	**131**
Total fixed assets		**3,533**	**3,873**
Current assets			
Inventories	18	2,299	2,237
Trade receivables	3	1,751	1,458
Current income tax	12	88	42
Other receivables	3	654	217
Derivative financial instruments	3	281	287
Prepaid expenses and accrued income		106	77
Cash and cash equivalents	19	540	322
Total current assets		**5,719**	**4,640**
TOTAL ASSETS		**9,252**	**8,513**

Consolidated Balance Sheet (cont.)

SEK million	Note	31 Dec 2010	31 Dec 2009
EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		409	409
Reserves		-368	-139
Retained earnings, including result for the year		3,123	2,657
Equity attributable to Parent Company's shareholders		**3,164**	**2,927**
Non-controlling interests		24	22
Total equity		**3,188**	**2,949**
Non-current liabilities			
Financial liabilities			
Loans to banks and credit institutions	21	3,111	3,403
Pension provisions	9	4	0
		3,115	**3,403**
Non-financial liabilities			
Deferred tax liabilities	12	306	336
Other provisions	22	63	94
Other non-current liabilities		2	4
		371	**434**
Total non-current liabilities		**3,486**	**3,837**
Current liabilities			
Financial liabilities			
Loans to banks and credit institutions	21	66	107
Other current liabilities		1	2
		67	**109**
Non-financial liabilities			
Accounts payable – trade	3	838	568
Current tax liabilities	12	119	144
Other current liabilities		291	160
Other current provisions	22	41	22
Derivative financial instruments	3	733	237
Accrued expenses and prepaid income	23	489	487
		2,511	**1,618**
Total current liabilities		**2,578**	**1,727**
TOTAL EQUITY AND LIABILITIES		**9,252**	**8,513**

Consolidated Changes in Shareholders' Equity

SEK million	Attributable to the Parent Company's shareholders Share capital	Reserves[1]	Retained earnings	Non-controlling interests	Total equity
Opening balance at 1 January 2009	**414**	**-66**	**1,995**	**40**	**2,383**
Profit for the year	-	-	826	17	843
Comprehensive income	-	-78	-	-35	-113
Total comprehensive income	**-**	**-78**	**826**	**-18**	**730**
Transactions with shareholders					
Reduction of share capital	-5	5	-	-	0
Dividend	-	-	-164	-	-164
Total transactions with shareholders	**-5**	**5**	**-164**	**-**	**-164**
Closing balance at 31 December 2009	**409**	**-139**	**2,657**	**22**	**2,949**

	Attributable to the Parent Company's shareholders Share capital	Reserves[1]	Retained earnings	Non-controlling interests	Total equity
Opening balance at 1 January 2010	**409**	**-139**	**2,657**	**22**	**2,949**
Profit for the year	-	-	624	2	626
Comprehensive income	-	-229	-	0	-229
Total comprehensive income	**-**	**-229**	**624**	**2**	**397**
Transactions with shareholders					
Issue of stock options	-	-	16	-	16
Dividend	-	-	-174	-	-174
Total transactions with shareholders	**-**	**-**	**-158**	**-**	**-158**
Closing balance at 31 December 2010	**409**	**-368**	**3,123**	**24**	**3,188**

[1] Reserves consist primarily of currency translation differences. Of the total reserve; SEK 4,856,140 refers to a statutory reserve in the Parent Company that is entirely attributable to an reduction of the share capital carried out previously.

Income Statement – Parent Company

SEK million	Note	Jan - Dec 2010	Jan - Dec 2009
Net sales	26	42	42
Other operating income	10	2	45
Total operating income		**44**	**87**
Other external expenses	5	-47	-50
Personnel costs	6, 7, 8, 9	-44	-48
Depreciation, amortisation and impairment losses		-1	-1
Other operating expenses		0	0
Total operating expenses		**-92**	**-99**
Operating loss		**-48**	**-12**
Profit from financial items	11		
Interest income and similar items		164	115
Interest expenses and similar items		-140	-35
Net financial items		**24**	**80**
Profit/loss before tax		**-24**	**68**
Income tax	12	8	2
Net result for the year		**-16**	**70**

Statement of Comprehensive Income – Parent Company

SEK million	Note	Jan - Dec 2010	Jan - Dec 2009
Profit/loss for the period		-16	70
Other comprehensive income		-	-
Total comprehensive income for the period		**-16**	**70**

Balance Sheet – Parent Company

SEK million	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Fixed assets			
Intangible assets		1	1
		1	**1**
Tangible assets		4	4
		4	**4**
Financial assets			
Shares in associated companies	17	3,995	1,495
Receivables from Group companies		3,670	3,743
Deferred income tax assets	12	2	0
		7,667	**5,238**
Total fixed assets		**7,672**	**5,243**
Current assets			
Receivables from Group companies		48	28
Other receivables		4	2
Prepaid expenses and accrued income		2	6
Cash and cash equivalents		0	0
Total current assets		**54**	**36**
TOTAL ASSETS		**7,726**	**5,279**

Balance Sheet – Parent Company (cont.)

SEK million	Note	31 Dec 2010	31 Dec 2009
EQUITY	20		
Restricted equity			
Share capital		409	409
Statutory reserve		5	5
		414	**414**
Non-restricted equity			
Retained earnings		3,776	3,830
Result for the year		-16	70
		3,760	**3,900**
Total equity		**4,174**	**4,314**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Liabilities to banks and credit institutions	21	902	906
Liabilities to Group companies		2,500	0
		3,402	**906**
Current liabilities			
Non-financial liabilities			
Accounts payable		11	6
Income tax liabilities	12	0	0
Liabilities to Group companies		104	18
Other current liabilities		4	2
Accrued expenses and prepaid income	23	31	33
		150	**59**
Total liabilities		**3,552**	**965**
TOTAL EQUITY AND LIABILITIES		**7,726**	**5,279**
Pledged assets	24	-	-
Contingent liabilities	25	-	-

Changes in Shareholders' Equity – Parent Company

SEK million	Share capital	Statutory reserve	Retained profit	Total equity
Opening balance at 1 January 2009	**414**	**-**	**3,989**	**4,403**
Profit for the year	-	-	70	70
Comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**70**	**70**
Dividend	-	-	-165	-165
Reduction of share capital	-5	5	-	-
Group contributions	-	-	8	8
Tax effect on Group contribution	-	-	-2	-2
Closing balance at 31 December 2009	**409**	**5**	**3,900**	**4,314**
Loss for the year	-	-	-16	-16
Comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**-16**	**-16**
Dividend	-	-	-174	-174
Reduction of share capital	-	-	-	-
Issue of stock options	-	-	32	32
Group contributions	-	-	25	25
Tax effect on Group contribution	-	-	-7	-7
Closing balance at 31 December 2010	**409**	**5**	**3,760**	**4,174**

Total shares outstanding were 40,898,189 at quota value of SEK 10 per share.

Cash Flow Statement – Parent Company

SEK million	Note	Jan-Dec 2010	Jan-Dec 2009
OPERATING ACTIVITIES	30		
Profit/loss after financial items		-24	68
Reversal on amortisation and impairment losses		1	1
Adjustment for items not included in cash flow	30	25	8
Income tax paid		0	0
Cash flow from operations before changes to working capital		**2**	**77**
Changes in working capital			
Net change in other current receivables		-18	34
Net change in other current operating liabilities		91	15
Cash flow from operating activities		**75**	**126**
INVESTING ACTIVITIES			
Acquisition of tangible fixed assets		-1	-2
Acquisition of shares in subsidiaries		-	-27
Divestment of shares in subsidiaries		0	0
Cash flow from investing activities		**-1**	**-29**
FINANCING ACTIVITIES			
Changes in loans		-4	68
Changes in intra-Group loans		72	-
Issue of stock options		32	-
Dividend		-174	-166
Cash flow from financing activities		**-74**	**-98**
Cash flow for the year		0	-1
Cash and cash equivalents at beginning of year		0	1
Cash and cash equivalents at year-end		**0**	**0**

NOTE 1 – GENERAL INFORMATION

AarhusKarlshamn AB (publ), corporate identity number 556669-2850, is a Swedish registered limited liability company domiciled in Malmö, Sweden. The shares of the Parent Company are listed on the NASDAQ OMX Stockholm, on the Mid Cap list and under Consumer Commodities. The head office is located at Jungmansgatan 12, SE-211 19 Malmö, Sweden.

These consolidated financial statements for 2010 are for the Group consisting of the Parent Company and all subsidiaries. The Group includes shares of associates and joint ventures. The Board of Directors approved these consolidated financial statements for publication as of 22 March 2011.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of these consolidated financial accounts are set out below.

Basis of presentation for consolidated financial accounts

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted within the EU, the Swedish Annual Accounts Act, and the Swedish Financial Reporting Board's recommendation RFR 1 'Supplementary accounting rules for groups of companies'. The Parent Company has prepared its financial reports according to the Swedish Annual Accounts Acts (Årsredovisningslagen) and the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities'.

The annual report and financial statements have been prepared in accordance with the historical cost convention for valuation except for currency, interest, and commodity derivative instruments, which are measured at fair value through profit and loss. Preparing these financial statements requires that the Board of Directors and the Company management use certain critical accounting estimates and assumptions. These estimates and assumptions can materially affect the income statement, balance sheet and other information contained herein, including contingent liabilities; see also disclosure Note 4. Actual outcome can vary from these estimates under different assumptions or circumstances.

New and changed standards applied by the Group

The following new standards, changes and interpretations of existing standards have been published and are compulsory for the Group's financial statements for financial years starting 1 January 2010 or later:

IFRS 3 Business combinations (revised)

The revised standard (effective as of 1 July 2010) continues to prescribe that the acquisition method be applied to business combinations, but with a few key changes. For example, all payments to purchase an operation are recognised at fair value on the acquisition date, including contingent consideration, which are classified as debt and which are subsequently revalued through the statement of comprehensive income. For every acquisition, shareholdings without a controlling influence in the acquired operation may be measured either at fair value or according to the proportional share of the acquired operation's net assets. All transaction costs relating to acquisitions must be expensed. As of 1 January 2010 the Group will apply IFRS 3 (revised) to all business acquisitions.

IFRS 3 (revised) has had no effect on the current period since no acquisitions were made during this time.

IAS 27 Consolidated and separate financial statements (revised).

This standard requires that the effects of all transactions with shareholders without controlling influence are reported in equity, as long as the controlling influence remains, and these transactions no longer give rise to goodwill or to profit or loss. This standard also states that when a parent company lacks a controlling influence, any remaining interests should be revalued at fair value and a profit or loss should be recognised in the income statement. IAS 27 (revised) had no effect during the current period since no non-controlling interests carry a negative value; no transactions occurred in which the company lost its controlling interest while still retaining a shareholding; neither were there any transactions with shareholders with non-controlling interests. IAS 27 (revised) is effective for financial years starting 1 July 2010 or later.

IAS 1 Presentation of Financial Statements (revised)

The amendments clarifies that the potential regulation of a debt through a share issue is not relevant for its classification as current or non-current. Through a change in the definition of current liabilities, the revision allows a liability to be classified as non-current (provided the company has an unconditional right to postpone settlement of the liability through a transfer of cash funds or other assets for at least 12 months after the end of the financial year), despite the fact that the counterparty may demand settlement through shares at any time. The Group will apply IAS 1 (revised) from 1 January 2010. This is not expected to have any significant effect on the consolidated financial statements.

IAS 36 Impairment of assets (revised)

The amendments applies as of 1 January 2010 and clarifies that the largest cash-generating unit (or group of units), to which goodwill is allocated in order to test the need for impairment, is an operating segment. The Group has applied IAS 36 and provides, where appropriate, the required information on the reviewing of assets to determine whether a need for impairment exists.

New standards and changes in and interpretations of existing standards that have not yet come into force and that have not been applied in advance by the Group
The following new standards, changes and interpretations of existing standards have been published and are compulsory for the Group's financial statements for financial years starting 1 January 2011 or later:

IFRS 7 Financial instruments
These changes result in streamlined disclosures regarding the transfer of financial assets. IFRS 7 emphasises interaction between quantitative and qualitative disclosures with regard to the nature and scope of risks deriving from financial instruments. Effective for financial years starting 1 January 2011.

IFRS 9 Financial instruments: valuation and classification
This standard is the first stage in the process of replacing IAS 39 Financial Instruments: Valuation and Classification. IFRS 9 introduces two new requirements for the valuation and classification of financial assets and is likely to have an affect on the Group's reporting of financial assets. This standard is not effective until 2013, for financial years starting 1 January 2013. This standard has not been adopted by the EU.

The Group has yet to evaluate the full impact of IFRS 9 on its financial reporting. However, initial indications are that it may affect the Group's reporting of financial assets other than shares classified as financial assets available for sale.

IAS 24 Related party disclosures (revised)
The revised standard clarifies and simplifies the definition of related parties and removes the requirement for state-related parties to disclose details of all transactions with the state and other state-related parties. IAS 24 (revised) is effective for financial years starting 1 January 2011 or later.

IAS 32 Financial instruments Presentation
The change relates to the reporting of rights issues in a currency other than the company's functional currency. Provided that certain requirements are met, such rights issues are now classified as equity, irrespective of the currency in which the price is stated. IAS 32 (revised) effective for financial years starting 1 February 2010 or later.

IAS 34 Interim financial reporting
Provides guidance on how the principles for disclosures under IAS 34 should be applied and makes additional disclosure requirements. Effective from 1 January 2011.

Interpretation of and changes to existing standards that have entered into force or will enter into force and that are not relevant for the Group's operations
The following interpretations of and changes to existing standards have been published and are compulsory for the Group for financial years starting 1 January 2010 or later, but are not relevant to the Group.

IAS 38	Intangible assets (Reassessment of effective as from 1 January 2010).
IAS 39	(revised) Financial instrument Recognition and measurement: Reporting and valuation (effective as from 1 January 2010).
IFRS 2	(revised) Share-based payments (effective to financial years starting 1 January 2010 or later).
IFRS 5	(revised) Non-current assets held for sale and discontinued operations (effective as from 1 January 2010).
IFRIC 9	Reassessment of embedded derivatives (effective for financial years starting 1 July 2009 or later).
IFRIC 14	(revised) The limit on a defined benefit asset minimum funding, requirements and their interactions (change applies for financial years starting 1 January 2011).
IFRIC 13	Customer loyalty programmes (effective as from 1 January 2011).
IFRIC 16	(revised) Hedges of net investments in a foreign operation (effective as from 1 July 2009).
IFRIC 17	Distribution of non-cash assets to owners (effective for financial years starting 1 July 2009 or later).
IFRIC 18	Transfers of assets from customers (effective for financial years starting 1 July 2009 or later).
IFRIC 19	Extinguishing financial liabilities with equity instruments (effective for financial years starting 1 July 2010 or later).

Consolidated financial statements

Subsidiaries
The consolidated financial statements cover AarhusKarlshamn AB and all its subsidiaries. Such subsidiaries are all companies in which the Group exercises a controlling influence in determining financial and operation strategies to the extent usually associated with a shareholding of more than 50 percent of the voting rights. Subsidiaries are consolidated as of the date of acquisition (the date when the controlling influence is transferred to the Group) and to the date of disposal (date when the controlling influence terminates).

Purchase method
The acquisition of subsidiaries is reported using the purchase method of accounting. The cost of acquisition is measured as the fair value of the assets provided as compensation, liabilities incurred and shares issued by the Group. Transaction costs relating to acquisitions are expensed as they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. For each acquisition, the Group determines whether all non-controlling interests in the acquired companies are to be reported at fair value or according to

the proportional share of the acquired company's net assets. The excess of the purchase price, any non-controlling interests and the fair value of previous shareholdings at the acquisition date over the fair value of the Group's stake in identifiable net assets is recorded as goodwill. If this amount is less than the fair value for the acquired subsidiary's assets, the difference is reported directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with holders of non-controlling interests

The Group handles transactions with holders of non-controlling interests in the same ways as transactions with the Group's shareholders. In the event of acquisitions from holders of non-controlling interests, the company reports the difference between the purchase price paid and the actual acquired portion of the reported value of the subsidiary's net assets in equity. Profit and losses on disposals to holders of non-controlling interests are also reported in equity.

When the Group no longer holds a controlling or significant influence, each shareholding is revalued at fair value and the change in the reported value is recognised in the income statement. Fair value is used as the primary reported value and forms the basis for ongoing reporting of the remaining stake as an associate company, joint venture or financial asset. All amounts relating to divested units previously reported under "other comprehensive income" are reported as though the Group had directly disposed of the respective assets or liabilities. This can result in amounts previously reported under "other comprehensive income" being reclassified as earnings.

If the equity interest in an associated company is reduced but significant influence still remains, where relevant only a proportional share of the those amounts previously reported under "other comprehensive income" is reported as earnings.

Associated companies

Associated companies are those companies where the Group has significant influence, but not a controlling influence over operational and financial management, usually through a participation shareholding of between 20 percent and 50 percent of the voting rights. As from the time the significant influence is acquired, participations in associated companies are reported in the consolidated financial statements using the equity method of accounting. The equity method means that the value of the shares in the associated companies reported for the Group corresponds to the Group's participation in the equity of the associated companies plus Group-related goodwill and any remaining values of Group-related surplus or shortfall in value. The consolidated income statement reports participation in the profit of associated companies as the Group's "share of the profit of associated companies", adjusted for any amortisation, impairment or dissolution of acquired surplus or shortfall values. Dividends received from associated companies reduce the reported value of the investment.

The equity method is used until significant influence ceases.

Foreign currency translation

Functional and presentation currency

Items included in the financial statement of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which they operate (functional currency). The consolidated financial statements are presented in Swedish krona, which is the Parent Company's functional and presentation currency. Exchange rate differences that arise in translation of Group companies are reported as a separate item in comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised as of the end of the reporting period in the income statement. The Group does not use hedge accounting.

Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing day rate.
- Income and expenses are translated at average exchange rates.
- All exchange rate differences are charged directly to comprehensive income and are reported as a separate item. When a foreign subsidiary is sold, any exchange rate differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising in the acquisition of foreign operations are treated as assets and liabilities of the entity and translated at the closing day rate.

Exchange rates

The following rates were used to translate currency.

Currency	Average rate	Closing rate
EUR	9.55	8.97
DKK	1.28	1.20
GBP	11.10	10.40
LKR	0.06	0.06
MXN	0.57	0.55
USD	7.19	6.76

Segment reporting

Operating segments are accounted for in a manner corresponding to the internal accounting given to the chief operating decision maker. The chief operating decision maker is the function in charge of resource allocation and of evaluating the results of the operating segments. In the Group, this function has been identified as the Board of Directors, which makes strategic decisions.

The Group's operations are organically divided into business segments based on product. The marketing organisation also reflects this structure. The business areas therefore make up the Group's primary segments and the geographical markets are the secondary segments. For each segment, the results, assets and liabilities directly attributable to or items that can reliably be attributed to the segment are included in that segment. Items not attributable in this way include interest and dividend revenues, gains or losses from the sale of financial investments, interest expenses, and tax expenses. Assets and liabilities not attributed to a segment include income taxes recoverable and income tax liabilities, financial investments and financial liabilities.

Revenue recognition

Revenue comprises the fair value of goods sold excluding VAT and discounts after eliminating intra-group sales. Sales are reported on delivery of the goods, after customer acceptance and the receivable can reasonably be deemed as safe. Interest income is recorded allocated over the maturity of the security using the effective interest method. Insurance revenue is recognised as revenue when the amount can be measured in a reliable way and it is probable that the revenue will flow to the Group.

Employee benefits

a) Pension liabilities

Group companies operate various pension schemes. These schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. This calculation is done annually since the obligations are negligible. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the same currency in which the benefits will be paid, and that have terms of maturity approximating the terms in the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions exceeding 10 percent of the value of the plan assets or 10 percent of the defined benefit obligation, whichever is greater, are periodised over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

b) Termination benefits

Employees receive compensation on termination before normal retirement age or when they voluntarily accept termination in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed, formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

c) Variable remuneration

Annual variable remuneration is based on the meeting of set targets determined on an annual basis. These targets are related to results obtained by the Company. The Group recognises costs as and when earnings occur.

Share-related remuneration

The Group has introduced an incentive programme for senior managers and key personnel within the Group. 1,500,000 stock options entitling holders to subscribe for the corresponding number of new shares in AarhusKarlshamn AB, whereby the share capital may be increased by up to SEK 15,000,000. Stock options have been issued for a consideration of SEK 21 per option. Each stock option entitles the holder to subscribe for one (1) new share in AarhusKarlshamn AB with a quota value of SEK 10. The subscription for shares in AarhusKarlshamn AB through the use of stock options must take place during the period 1 December 2013 up to and including 1 December 2015.

If used in full, this programme could result in an overall dilution effect of up to approximately 3.54 percent in relation to share capital after full dilution, calculated on the basis of the number of additional shares in relation to the number of existing and additional shares. Senior managers and key personnel have purchased stock options at market value.

Leasing

Leasing is classified as operating leasing when the risks and benefits of ownership are retained by the lessor. All leasing agreements within the Group are classified as operating leases. Operating lease payments are recognised in the income statement on a straight-line basis over the period of the lease (after deduction for any incentives from the lessor.)

Product development

Product development work is an integrated part of production relating to process-improving measures that is expensed on a continuous basis as a part of the product cost as it arises. Research and development expenses are those related to work whose purpose is primarily to optimise the attributes and function of oils and speciality fats, either for the finished product in which these oils and fats are ingredients or to add value to the finished product through greater efficiency in the production process.

Impairment of non-financial assets

Assets with indefinite useful lives are tested for impairment annually rather than being depreciated. All assets are assessed in terms of impairment whenever events or circumstances indicate that an asset's carrying cost exceeds its recoverable amount. Impairment reflects the excess of an asset's carrying cost over its recoverable amount. The recoverable amount is either the asset's fair value less any selling costs or its value in use, whichever is greater. For the purposes of assessing, assets are grouped on the basis of the lowest level at which there are separate identifiable cash flows (cash-generating units). Assets, other than financial assets and goodwill, for which impairment loss was previously recognised, are tested at every balance sheet date to ascertain whether any reversal should be made.

Borrowing costs

All borrowing costs are recognised in the period to which they can be attributed if not directly attributable to purchase, design or production of an asset that requires significant time to produce for use or sale.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill recognised separately is allocated to cash-generating units for the purpose of annual impairment testing. Goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

When acquiring operations where cost is less than the net value of the acquired assets, borrowings, and any contingent liabilities, the difference is recognised directly in income.

Other intangible assets

Other intangible assets include such assets as capitalised expenditure on IT, patents and trademarks. These assets have a defined useful life and are carried at cost less accumulated amortisation and impairment losses. The cost associated with maintaining an intangible asset is recognised as part of the carrying value or as a separate asset only when it is probable that the future economic benefit associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Other expenditures are recognised as they arise. Other intangible assets are amortised using the straight-line method over their estimated useful lives, normally 5 to 10 years.

Property, plant and equipment

Land and buildings comprise mainly factory buildings and offices. All tangible fixed assets are carried at cost, less accumulated depreciation. Acquisition cost includes expenditure that is directly attributable to the acquisition of an asset.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the income statement in the financial period in which they arise.

Land is not depreciated. Depreciation of other tangible assets is calculated using the straight-line method to allocate their cost down to their residual values over their estimated useful lives. Depreciation periods of between 3 and 15 years are used for plant and machinery, equipment, tools, fixtures and fittings. Industrial buildings and research laboratories are depreciated over 20 and 25 years, respectively, and office buildings over 50 years. When an asset's carrying amount may not be recoverable, impairment loss is recognised immediately to its recoverable amount.

Assets' residual value and useful life are reviewed at the end of every reporting period and are adjusted as required.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Inventories
Inventories are stated at cost or net selling price, whichever is lowest. Cost is calculated using the first-in-first-out principle (FIFO) or weighted average prices. The nature and area of use of the product determines the method used. The cost of finished goods and products in progress includes direct material costs, direct labour and other direct manufacturing costs and a reasonable allocation of indirect manufacturing expenses based on normal production capacity, excluding borrowing costs. Net selling price is the estimated sale price in ordinary course of business, less costs of completion and applicable variable selling expenses.

Financial instruments
A financial asset or financial liability is reported in the balance sheet when the Company enters a contract for the instrument (i.e., on the relevant business day).

A liability is recognised when the counterparty has performed and a contractual duty to pay arises, even if no invoice is received.

A financial asset is derecognised when the rights to cash flow in the contract mature or the rights are transferred in a transaction that transfers essentially all risks and remunerations from ownership to the assets transferred. This also applies to parts of financial assets.

A financial liability is removed from the balance sheet when the duty in the contract is performed or otherwise extinguished. This also applies to parts of financial liabilities. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services directly to a debtor (usually a customer) with no intention of trading the receivable. These are recorded as current assets when the maturity is less than 12 months from the transaction date. Loans and receivables are recognised in "accounts receivable" and "other receivables" in the balance sheet.

Derivatives
The Company's derivative instruments consist of OTC or "over-the-counter" derivatives concluded with financial counterparties, listed standardised derivatives and sales and purchase contracts that do not meet the exemption criteria for being reported as a derivative (that is, that are not deemed to be for own use). According to IAS 39, only contracts not designed for physical delivery may be measured at market price. AAK's business model permits (enables) the net settlement of purchase and sales contracts entered into for physical delivery. In previous years, net settlement has only happened in exceptional cases and was given rise to by exceptional events, and these contracts were consequently reported under IAS 39 under the "own use" exemption rules. Net settlements in 2010, however, were not due to exceptional events. AAK has therefore made the assessment that it is no longer possible to report under the rules on own use exemption under IAS 39. The majority of purchase and sales contracts for physical delivery are, as of the fourth quarter, deemed to be derivative instruments and are valued at fair value in the income statement. This change in assessment, together with the introduction of hedge accounting of inventory in accordance with the rules on fair value hedging, means that what was previously known as the "IAS 39 effect" will no longer occur.

Derivatives that are not used as hedging instruments for which hedge accounting is applied are reported at fair value in the income statement.

Hedge accounting
Derivatives used as hedging instruments for fair value hedging are reported in the income statement. The hedged item is adjusted to reflect the change in fair value with regard to the risk that is hedged; the profit or loss relating to the hedged risk is reported in the income statement with an adjustment of the reported value of the hedged item. The change in the fair value of the hedging instrument is reported on the same line of the income statement as the change in fair value of the hedged risk.

Determining fair value
The fair value of instruments that do not have listed prices are determined using valuation techniques such as discounted cash flow models in which all assessed and determined cash flows are discounted by a zero coupon yield curve.

The fair value of derivatives is determined using valuation techniques. The valuation is based on models that discount cash flows using forward curves for underlying variables such as raw materials and exchange rates. The assessed and determined cash flows are discounted by a zero coupon interest rate curve.

Accounts receivable
Accounts receivable are recognised initially at fair value and carried thereafter at amortised cost using the effective interest method, less provisions for impairment. Provision for impairment of accounts receivable is recognised when there is objective evidence that the Company will not receive all cash flow due according to the original amounts of the receivables. Provisions are measured as the difference between the assets' carrying amount and the present value of future cash flows discounted at the financial asset's original effective interest rate. Such provisions are stated in the income statement as "other external expenses".

Share capital
Ordinary shares are classified as share capital. Transaction expenses that are directly attributable to new share issues or options are recorded, net of tax, in equity as a deduction from the proceeds.

Debts to banks and credit institutions
Borrowings are initially reported at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost and any difference between proceeds (net of transaction costs) and redemption value is recognised in the income statement, allocated over the period of the borrowing using the effective interest method.

Accounts payable
Accounts payable are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Provisions
Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligations and the amount can be reasonably estimated. No provisions are made for future operating losses. If the effect of when in time payment is made is significant, provisions are calculated through discounting of the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the debt.

A provision for restructuring is recognised when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or details of the plan have been published.

Income tax
Tax expenses for the period comprise both current tax due and deferred income tax. Tax is reported in the income statement, apart from when tax is attributable to items reported in other comprehensive income or directly in equity. In such cases, tax is also reported in other comprehensive income. Income tax is determined using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Tax expenses stated include both current tax due and deferred income tax.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward. The tax rates enacted in each country are used in determining deferred income tax.

Deferred income tax assets relating to deductible temporary differences and loss carry-forwards are recognised only where it is probable that these can be utilised. Deferred income tax assets are reduced where it is no longer probable that these can be utilised.

Deferred income tax assets are recognised on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the difference will not be reversed in the foreseeable future.

Cash and cash equivalents
Cash equivalents comprise balances with less than three months' maturity, including cash, bank deposits and other short-term securities.

Statement of cash flows
Payments in and out have been divided up into three categories: operational activities, investing activities and financing activities. The indirect method is used for flows from operational activities.

The changes during the year in operating assets and operating liabilities have been adjusted for the effects of changes in exchange rates. Acquisitions and disposals are reported under investing activities. The assets and liabilities that acquired and divested companies had at the time of the change are not included in the analysis of the changes in operating capital, nor in changes to balance sheet items reported under the investing and financing activities.

Earnings per share
The calculation of earnings per share is based on Group profit for the year attributable to the Parent Company shareholders and the weighted average number of shares outstanding during the year.

When determining earnings per share after dilution, a company must base its calculations on the company's options and stock options, which could result in dilution, being used. Compensation from these instruments shall be deemed to have been received from the issuing of ordinary shares at the average market price for ordinary shares during the period. The difference between the number of issued ordinary shares and the number of ordinary shares that should have been issued at the average market price for ordinary shares during the period shall be treated as an issue of ordinary shares without remuneration. According to paragraph 47, options and stock options shall only have a dilutive effect when the average market price for ordinary shares during the period exceeds the exercise price for options or stock options. As the exercise price for options did not exceed the average market price during the period, they will not affect the calculation of earnings per share.

Transfer pricing
Pricing between Group companies is carried out using market terms.

Dividend
The dividend to shareholders in the Parent Company is recognised as a liability in the Group financial statements in the period when the dividend was approved by the shareholders.

Accounting policies – Parent Company
The Parent Company has prepared its annual financial statements in accordance with the Swedish Annual Accounts Acts (Årsredovisningslagen) and the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities'. No differences with the Group's accounting principles have been identified.

NOTE 3 – FINANCIAL RISK MANAGEMENT AND HEDGE ACCOUNTING

Financial risk management

The AAK Group's operations expose it to various financial risks, including market prices risks (on raw materials, currencies and interest rates), liquidity risk and credit risk. Since our products are sold throughout the world, our sales revenues are exposed to market fluctuations in the exchange rates of the currencies involved. Moreover, the Group buys its raw materials on international markets, so its cost of raw materials is exposed to market fluctuations in both the price of the raw materials and the exchange rates of the currencies involved.

Exposure to such significant financial risks makes managing these risks a significant factor in successful operations. We believe that we are largely successful in managing risks owing to the policies and procedures established for the Group.

The Group's management of price risk and other risks related to the purchasing of raw materials is regulated by AAK's policy and principles on the management of market risk for raw materials, while currency risks and other financial risks are regulated by AAK's financial policies and principles. Policies and principles are established by AAK's Board of Directors, which also monitors, evaluates and updates policies and principles annually.

Raw material price risks

The Group's annual costs for raw materials amount to three-fourths of the sales value of the finished products. AAK hedges both operational raw material price risk and the underlying operational currency risk when sales agreements are signed with customers.

Raw material prices fluctuate, so the Group has assigned a high priority to raw material procurement and to managing this exposure. Raw material procurement is managed by the Group procurement organisation, which continually monitors and controls raw material market exposure for the Group. However, to maintain an effective organisation, the Group's procurement organisation is permitted to take limited price risks within the framework of the trading policy established by the Group's Board of Directors. Since these positions are managed appropriately, AAK's profitability is affected only marginally by price changes. The effect on total sales and requirements for working capital is, however, significantly larger.

Hedge contracts are used to hedge raw material price risk. We hedge inventory and sales contracts using standard commodity futures traded on commodity exchanges, or using OTC hedge contracts or physical purchase contracts.

Exotic raw materials (of which shea is by far the most important) must be sourced when they are available right after the harvest season. No efficient hedge market exists for exotic raw materials. The Group is therefore typically left with significant unhedged volumes of exotic raw materials in the months following the harvest season. The Group strives to limit this exposure by entering into new exotic raw materials-based sales contracts during the months in which they are sourced.

Since 1 October 2010 AAK has used hedge accounting in accordance with the rules on fair value hedging. The Group's operating profit includes an IAS 39 effect of SEK 39 million (578), which is reported under "Cost of goods sold".

Raw material hedge contracts to manage raw material price risk, 31 December 2010

			Raw material hedge contracts		
(thousand tonnes)	**Stocks**	**Sales contracts**	**Bought**	**Sold**	**Net exposure**
Oils and fats	173	-358	656	-469	2

Raw materials hedge contracts to manage raw material price risk, 31 December 2009

			Raw material hedge contracts		
(thousand tonnes)	**Stocks**	**Sales contracts**	**Bought**	**Sold**	**Net exposure**
Oils and fats	143	-548	831	-404	22

Sensitivity analysis – raw materials (excluding exotic raw materials)

With stocks and commercial contracts hedged by raw material hedge contracts, leaving a very limited net exposure, changes in raw material prices have no significant effect on the Group's profit margin. A 10 percent change in all raw material prices would therefore have a negligible effect on Group operating profit excluding IAS 39, even though the annual effect on net sales is ± SEK 1,250 million (1,000) and ± SEK 250 million (250) on working capital.

Gross contribution for rapeseed

As explained above, our policies and procedures for risk management in general imply that our profit margin is not affected by changes in raw material prices. However, AAK can not eliminate its exposure to market price fluctuations in relation to rapeseed crushing. The crush margin (oil plus meal value less seed price) can therefore vary significantly over time and can thereby directly affect profitability within the Food Ingredients segment.

Exposure to foreign currency

A significant portion of the Group's buying and selling of raw materials is denominated in foreign currency. Moreover, most of the Group's operating subsidiaries are located outside Sweden. Changes in exchange rates therefore affect AAK in several ways:

1. Sales contracts and raw material contracts in foreign currency give rise to transaction risk.
2. Profit/loss for our foreign subsidiaries is affected by changes in exchange rates when they are translated to SEK.
3. The Group's equity is affected when equity in these foreign subsidiaries is translated to SEK.

AAK hedges all its currency transaction risks. Gross contribution on all sales contracts is thereby hedged in the local currency of the subsidiaries that have entered into such contracts.

Exchange rate risk related to translating equity and profit/loss in our foreign subsidiaries to SEK is not hedged.

Exposure to transaction risk, 31 December 2010

Million	Assets	Liabilities	Sales con-tracts	Purchase contracts	Currency contracts Sold	Currency contracts Bought	Net exposure
USD	955	-803	1,123	-750	-1,312	811	24
EUR	431	-108	1,590	-687	-1,397	167	-4
Other	75	-13	279	-254	-309	239	17
Total in SEK	**1,461**	**-924**	**2,992**	**-1,691**	**-3,018**	**1,217**	**37**

Sensitivity analysis – Currency

With all foreign currency translation risk hedged by currency hedge contracts, leaving a very limited net exposure, changes in foreign currencies will have an insignificant effect on each subsidiary's profit margin. However, changes in exchange rates relative to SEK do affect Group profit when the profit of each foreign subsidiary is translated into SEK. A 10 percent change in the exchange rates of all foreign currencies relative to SEK would have an effect of ± SEK 75 million (75) on Group operating profit. Furthermore, a 10 percent change in the exchange rates of all foreign currencies relative to SEK would affect Group net sales by SEK 1,000 million (1,250) and Group net working capital by SEK 250 million (250).

Exposure to transaction risk, 31 December 2009

Million	Assets	Liabilities	Sales con-tracts	Purchase contracts	Currency contracts Sold	Currency contracts Bought	Net exposure
USD	607	-390	1,754	-1,345	-1,372	712	-34
EUR	359	-64	1,443	-270	-1,755	355	68
Other	118	-17	337	-62	-487	123	12
Total in SEK	**1,084**	**-471**	**3,534**	**-1,677**	**-3,614**	**1,190**	**46**

Interest rate risk

AAK's policy on interest rate risk management aims to minimise volatility in cash flow and net profit caused by fluctuations in interest rates. This is accomplished when the Group's net interest-bearing debt is floating rate. However, during abnormal market conditions – e.g. a financial crisis – short-term interest rates can rise to extreme levels. In order to protect the Group's interest costs against such abnormal scenarios, the interest rate on part of the Group's net interest-bearing debt can be fixed or capped.

At year-end 2010, the Group's interest-bearing net debt amounted to SEK 2,634 million (3,186). This includes debt of DKK 100 million, which has been swapped into a five-year fixed-rate loan by way of interest rate swaps. In addition, a zero cost collar of DKK 500 million has been entered into, capping the borrowing rate at 5 percent.

Hedge accounting according to IAS 39 is not applied.

Effective interest rate on debt to banks and credit institutions at balance sheet date

	SEK	DKK	GBP	MXN	USD
2010	1.91	1.60	0.94	4.9	0.61
2009	1.06	2.12	1.01	5.73	0.94

Sensitivity analysis – Interest rates

At the closing date, the Group had floating rate-based net debt of SEK 2,534 million (2,986). A 1 percent change in interest rates would therefore have a full-year effect of SEK 25 million (30) on the Group's interest costs after tax.

Loans and capital structure

AAK's policy on capital structure is to maximise debt-financing, though not to a level that would threaten the Company's position as an investment grade company.

AAK's target key ratios are as follows:

1. Net interest-bearing debt/EBITDA < 3.00
2. EBITDA/interest cost > 5.00
3. Net interest-bearing debt/equity < 1.25

The target ratios are considered to be relatively conservative and will help ensure that AAK will be able to maintain its high credit rating.

The Group's policy is to allocate total net borrowing per subsidiary relative to each subsidiary's share of the Group's total cash flow. This minimises the currency risk in relation to the Group's ability to pay interest on and amortise its borrowings, which in turn strengthens the Group's debt capacity.

Total borrowing reported in the balance sheet, per currency at balance sheet date

Currency	2010	2009
SEK	1,018	904
DKK	1,192	1,961
GBP	347	178
MXN	204	98
USD	419	370
Total	**3,180**	**3,511**

Liquidity risk

Liquidity risk concerns the Group's ability to meet its financial commitments as they fall due.

Disclosure of financial liabilities by maturity date, 31 December 2010

The table below shows all of the Group's financial commitments, listed by the earliest contractual maturity date at the balance sheet date. All liabilities to banks and credit institutions are based on variable interest rates, which means the year-end carrying value accurately reflects the present value of these liabilities. All liabilities in foreign currency are translated into SEK at year-end closing rates.

Disclosure of financial liabilities by maturity date, 31 December 2010

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-current liabilities					
Financial liabilities					
Loans to banks and credit institutions	3,111	-	655	1,883	573
Other non-current liabilities	2	-	-	-	2
Total non-current liabilities	**3,113**	**-**	**655**	**1,883**	**575**
Interest on liabilities to banks and credit institutions	680	-	158	435	87
Total non-currency liabilities and interest	**3,793**	**-**	**813**	**2,318**	**662**
Current liabilities					
Financial liabilities					
Loans to banks and credit institutions	66	66	-	-	-
Accounts payable	838	838	-	-	-
Derivative financial instruments	733	733	-	-	-
Accrued expenses	291	291	-	-	-
Other current liabilities	487	487	-	-	-
Total current liabilities	**2,415**	**2,415**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	117	117	-	-	-
Total currency liabilities and interest	**2,532**	**2,532**	**-**	**-**	**-**

Future payments for derivative instruments amount to SEK 7,041 million and future receipts amount to SEK 6,835 million.

Unused credit facilities available to the Group at year-end 2010

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Unused credit facilities	**3,530**	**135**	**-**	**3,395**	**-**

The Group's cash and cash equivalents of SEK 540 million, available credit facilities and cash and cash equivalents generated by the business are together deemed sufficient for the Group to meet its financial commitments.

Disclosure of financial liabilities by maturity date, 31 December 2009

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-current liabilities					
Financial liabilities					
Loans to banks and credit institutions	3,403	-	2,651	170	582
Other non-current liabilities	4	-	-	-	4
Total non-current liabilities	**3,407**	**-**	**2,651**	**170**	**586**
Interest on liabilities to banks and credit institutions	169	-	29	40	100
Total non-current liabilities and interest	**3,576**	**-**	**2,680**	**210**	**686**
Current liabilities					
Financial liabilities					
Loans to banks and credit institutions	107	107	-	-	-
Other current liabilities	22	22	-	-	-
Accounts payable	574	574	-	-	-
Derivative financial instruments	237	237	-	-	-
Accrued expenses	154	154	-	-	-
Other current liabilities	487	487	-	-	-
Total current liabilities	**1,581**	**1,581**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	61	61	-	-	-
Total current liabilities and interest	**1,642**	**1,642**	**-**	**-**	**-**

Unused credit facilities available to the Group at year-end 2009.

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Unused credit facilities	**2,434**	**150**	**-**	**2,284**	**-**

Credit risk

The Company is exposed to credit risk primarily in relation to accounts receivable and customer contracts. Risk in the latter case is represented by customers' failure to meet their commitments due to changes in market prices.

Generally, AAK's credit risks are significantly limited due to the stable, long-term business relationships we have with our customers and suppliers.

The customer structure for the Group is such that its single largest customer is responsible for less than 5 percent of total sales, and the average customer corresponds to less than 1 percent.

Nearly one-fourth of the Group's sales occur in countries where the political and commercial risks are deemed to be higher than in Western economies. However, we experience only a limited need for impairments in these countries. This is largely due to the fact that a significant portion of our business in these countries is with large multi-national companies that also do business worldwide. The partners with whom we do business are also primarily companies with which we have stable, long-term relationships.

Each business segment is responsible for managing its customer credit risks, while our large production facilities are responsible for managing their counter-party risk in relation to raw material procurement.

Provisions for doubtful accounts receivable

	2010		2009	
SEK million	**Gross amount underlying rec.**	**Provisions**	**Gross amount underlying rec.**	**Provisions**
Provisions at 1 January	34	26	48	40
Provisions for potential losses	14	4	16	16
Unused amount reversed	-14	-9	-8	-8
Actual credit losses	-6	-6	-22	-22
Exchange differences	0	1	0	0
Provisions at 31 December	**28**	**16**	**34**	**26**

Provisions for impairments are entirely related to accounts receivable. Total accounts receivable excluding provisions were SEK 1,767 million (1,484).

Past due assets not considered impaired

SEK million	2010	2009
1-30 days	299	249
31-120 days	51	60
121-360 days	1	10
Over 360 days	0	6
	351	**325**

Derivatives classified as financial instruments

The Group has three classes of financial instruments (hedging instruments): raw material hedge contracts, currency hedge contracts and interest rate hedge swaps. In December 2010 the Group had only derivative instruments that were assessed at fair value. The fair value of financial derivative instruments is calculated using valuation methods and observable market data (methodology: level 2). The valuation methods applied are described in the accounting policy.

Financial instruments reported in the balance sheet

SEK million	2010		2009	
Financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Raw material hedge contracts	207	638	213	161
Currency hedge contracts	62	81	74	67
Interest rate hedge swaps	12	14	-	9
Total	**281**	**733**	**287**	**237**

Hedge accounting

As stated above, the AAK Group hedges raw material and currency prices. For hedging, future contracts, purchase and sales contracts not deemed to be assets for own use are used, which means that they can not be exempted from derivative accounting.

Since the quality of the underlying raw materials used for hedging differs from the quality of the hedged raw materials, some inefficiency is likely. The Group minimises this inefficiency by reducing the basis risk between hedged raw material risks and the underlying raw materials used as hedging contracts.

Risk management and net exposure to raw materials and currencies are described in more detail in the Raw Material Price Risks and Foreign Currency Exposure sections.

Inventory hedging at fair value

The change in the unrealised value of hedged risk amounts to SEK 466 million. AAK's hedging strategy is based on a combination of numerous hedging instruments cancelling out the effect of changes in market prices on inventory. This combination of hedging instruments means that the change in value of the hedged risk is counterbalanced by both realised and unrealised profit/loss on derivative instruments.

The change in the fair value of the derivative instruments and the fair value attributable to the hedged risk is reported under "Raw materials and consumables and changes in inventory of finished goods and products in progress."

The hedged item has been reported as an "other receivable".

Effects of the introduction of fair value hedge accounting

The AAK Group began using fair value-based hedge accounting on 1 October 2010. This new accounting method has not required any changes to the business model or risk management. The introduction of fair value-based hedge accounting will therefore not affect the underlying profitability or level of risk in the Group.

The AAK Group did not previously apply hedge accounting in accordance with IAS 39 in its external accounts. Only hedging contracts were measured at fair value in the income statement. However, all sales contracts, raw material purchases (including inventory) and hedging contracts are measured at fair value in the internal accounts, in accordance with AAK Group procedures for risk management. This means that a difference previously occurred between the internal and external accounts owing to the fair value of sales contracts and raw material purchases (including inventory) being treated differently. This difference was previously reported as an "IAS 39 effect". The IAS 39 effect in 2010 was SEK 39 million (2009: SEK 578 million).

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

In preparing these financial statements, the Group management and Board of Directors must make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and other information, especially regarding contingent liabilities. The estimates and assumptions for accounting purposes dealt with in this section are deemed the most critical for a proper understanding of the financial statements, in view of their degree of significance in judgements and uncertainty. Our estimates and assumptions in this regard change as the circumstances for AAK's operations change.

Impairment testing of goodwill

The Group tests if any goodwill impairment is suffered on an annual basis or whenever events or changes in circumstances indicate that the fair value of acquisition-related goodwill may have declined – for example, because of changes in the business climate or decisions to dispose of or discontinue certain operations. To determine whether the value of goodwill has decreased, the cash-generating unit to which the goodwill is attributable must be valued and this is done by discounting the cash flow of the unit. In applying this method, the Company relies on several factors, such as profit/loss, business plans, financial forecasts and market data.

Impairment test of other assets

AAK's tangible and intangible fixed assets, excluding goodwill, are recognised at cost less accumulated amortisation/depreciation and any impairment. Besides goodwill, AAK reports no intangible fixed assets with unlimited useful life. Amortisation is carried out over the estimated useful life at an estimated residual value. Both the useful life and residual value are reviewed at least once at the end of each financial period.

The carrying value of the Group's fixed assets is tested whenever events or changes in circumstances indicate that the carrying value cannot be recovered. The carrying value of intangible assets not yet finished for use is tested each year. If such an analysis indicates that the carrying value is too high, the recovery value of the asset is established, which is either the net sales value or the value in use, whichever is greatest. Value in use is measured as the expected future discounted cash flow from the assets or the cash-generating unit to which the asset belongs.

The carrying value is also tested if a fixed asset is classified as being held for sale; in such event, it is recognised at the carrying value or at the fair value after deduction for sales costs – whichever of these two is lowest.

Income tax

The Group is liable to pay taxes in many countries. Extensive assessments and testing are necessary to establish worldwide provisions for income tax liabilities. There are many transactions and calculations for which the final tax is uncertain. The Group records a liability for anticipated tax audit issues based on assessment of whether an additional tax liability will arise. In cases where the final tax for these matters differs from the amounts first recorded, these difference will impact current and deferred tax receivables and tax liabilities in the period when these determinations are made.

Disputes

AAK is involved in a number of disputes and legal processes relating to current operations. Senior management provides legal expertise in matters relating to legal disputes along with other experts both inside and outside the Company in matters relating to current business operations. According to our best assessment, neither the Parent Company nor any subsidiary are currently involved in any legal procedure or arbitration proceedings that are deemed to have any significant impact on the business, its financial position or the business' earnings.

Application of IAS 39

Future contracts or fixed price contracts are used to hedge raw material price risk. Moreover, the Group employs currency hedging on all of its transaction risks. This means that the gross contribution of every sales contract is hedged. As part of internal monitoring, the market value of all sales contracts and raw material purchases (including inventory) is valued with respect to both raw material prices and currency prices, which is not possible under IAS 39 without applying hedge accounting based on fair value hedging.

As of 1 October 2010 AAK had begun applying hedge accounting based on fair value hedging. This new accounting method does not imply any change in the current business model. Moreover, the introduction of this method will not affect the underlying profitability or level of risk within the Group.

NOTE 5 – AUDITORS' REMUNERATION (SEK THOUSAND)

	Group		Parent	
	2010	2009	2010	2009
Audit				
PwC	4,836	4,669	1,044	753
Other	42	191	-	-
Subtotal, audit	4,878	4,860	1,044	753
Other audit assignments				
PwC	248	97	-	-
Other	-	-	-	-
Subtotal, other audit assignments	248	97	-	-
Tax consulting				
PwC	789	451	50	-
Other	-	-	-	-
Subtotal, tax consulting	789	451	50	-
Other assignments				
PwC	336	1,121	-	425
Other	110	69	-	-
Subtotal, other assignments	446	1,190	-	425
Total	**6,361**	**6,598**	**1,094**	**1,178**

The audit assignment refers to fees for the statutory audit, i.e. work that has been necessary in order to publish the Auditors' Report, and what is referred to as audit consulting, which is submitted in conjunction with the audit assignment.

NOTE 6 – EMPLOYEE BENEFITS (SEK THOUSAND)

	Group		Parent	
	2010	2009	2010	2009
Wages and salaries	855,578	950,868	24,143	31,142
Social security costs	257,584	248,656	17,846	18,467
(of which pension costs)	(105,772)	(96,755)	(6,961)	(8,577)

SEK 3 million (7) of the Group pension costs relates to the Board of Directors, the CEO and other senior managers.

Salaries and other remuneration by country and for members of the Board of Directors and others:

	2010		2010	2009		2009
	Board of Directors, CEO and other senior managers		Other employees	Board of Directors, CEO and other senior managers		Other employees
	Wages and salaries	Of which variable salaries	Wages and salaries	Wages and salaries	Of which variable salaries	Wages and salaries
Parent Company, Sweden	11,804	3,191	12,339	21,763	3,294	9,379
Subsidiaries, Sweden	2,415	472	254,496	2,911	574	260,106
	14,219	**3,663**	**266,835**	**24,674**	**3,868**	**269,485**
Foreign subsidiaries	29,419	5,161	545,105	31,601	4,732	625,108
Group total	**43,638**	**8,824**	**811,940**	**56,275**	**8,600**	**894,593**

NOTE 7 – AVERAGE NUMBER OF EMPLOYEES, ETC.

	2010	2010		2009	2009	
Average number of employees	**Number of employees**	**Of which men**	**Of which women**	**Number of employees**	**Of which men**	**Of which women**
Parent Company, Sweden	14	8	6	13	6	7
Subsidiaries in Sweden	623	470	153	650	497	153
	637	478	159	663	503	160
Foreign subsidiaries:						
Benin	-	-	-	-	-	-
Brazil	5	4	1	5	3	2
Sri Lanka	-	-	-	1	1	-
Denmark	363	273	90	395	296	99
Finland	2	2	-	6	3	3
Ghana	2	2	-	2	2	-
Lithuania	3	2	1	3	2	1
Malaysia	17	9	8	19	9	10
Mexico	374	312	62	359	296	63
The Netherlands	63	53	10	63	52	11
Norway	1	1	-	1	1	-
Poland	5	2	3	5	2	3
Russia	13	4	9	18	5	13
United Kingdom	512	406	106	486	383	103
Czech Republic	2	1	1	3	2	1
Uruguay	12	6	6	11	6	5
USA	90	75	15	91	75	16
	1,464	1,152	312	1,468	1,138	330
Group total	**2,101**	**1,630**	**471**	**2,131**	**1,641**	**490**

	2010		2009	
Board members and senior managers	**Total on reporting date**	**Of which men (%)**	**Total on reporting date**	**Of which men (%)**
Group (incl. subsidiaries)				
Board members	134	95	150	95
CEO and other senior managers	70	96	73	97
Parent Company				
Board members[1)]	10	90	10	90
CEO and other senior managers	3	67	2	100

[1)] and 2 employee representatives, of whom 1 male.

NOTE 8 – REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGERS

Principles

The principles for the remuneration of senior managers at AarhusKarlshamn, in both the Parent Company and the Group, are designed to ensure that AAK can offer internationally competitive remuneration that can attract and retain qualified managers.

Consideration and determination

Compensation of the CEO and other senior managers is considered by the Remuneration Committee of the Board of Directors and all decisions are made by the Board as a whole.

Components of remuneration

Total remuneration includes salary, annual variable compensation, pension, car allowance, and termination benefit. Senior managers have had the possibility of investing in stock options at market price.

Salary

Fixed salary, individually determined and differentiated according to responsibility and performance, is determined according to competitive principles and reviewed annually. The applicable date for the annual performance review is 1 January.

Variable remuneration

Annual variable remuneration is based on the meeting of set targets determined on an annual basis. These targets are related to the Company's results and working capital. Senior management is entitled to up to 50 percent of their annual fixed salary in variable compensation.

Pension

Pensions for senior management are in line with the Swedish KTP plan (corresponding to ITP).

Termination benefits

The Company has separate agreements with the CEO and senior managers for termination compensation of one year's salary (fixed cash amount per month x 12 months) on termination by the Company. Neither the CEO nor any senior manager can independently assert the right to termination compensation.

Termination notice by the CEO and senior managers is agreed as 6 months. Termination notice by the Company is agreed as 12 months.

Compensation of Board Members

Fees are paid to the elected members of the Board in accordance with the determination of the Shareholder's Annual General Meeting of Shareholders.

No other compensation or benefits have been paid to members of the Board, except travel expenses. The CEO, the secretary to the Board and employee representatives to the Board do not receive any compensation other than for costs in connection with their participation in Board activities.

The Annual General Meeting has resolved that the compensation of elected external members of the Board shall total SEK 2,750,000, including compensation for committee work. Of this amount, the Chairman receives SEK 400,000, the Vice-Chairman SEK 300,000 and external members SEK 200,000. Compensation for committee work is allocated in accordance with a decision of the Annual General Meeting, with SEK 200,000 paid to the Chairman of the Audit Committee, SEK 100,000 to other members of the Audit Committee, SEK 100,000 to the Chairman of the Remuneration Committee, and SEK 50,000 to other members of the Remuneration Committee.

Compensation for the year[1)]

SEK	Salary/Board of Directors	Annual variable salary	Other benefits [2)]	Pension cost	Change in reserve	Total
Board of Directors						
Melker Schörling, Chairman	400,000	-	-	-	-	400,000
Carl Bek-Nielsen, Vice-Chairman	300,000	-	-	-	-	300,000
Martin Bek-Nielsen	300,000	-	-	-	-	300,000
John Goodwin	250,000	-	-	-	-	250,000
Mikael Ekdahl	400,000	-	-	-	-	400,000
Anders Davidsson	200,000	-	-	-	-	200,000
Ulrik Svensson	400,000	-	-	-	-	400,000
Harald Sauthoff	300,000	-	-	-	-	300,000
Märit Beckeman	200,000	-	-	-	-	200,000
Subtotal for Board	**2,750,000**	**-**	**-**	**-**	**-**	**2,750,000**
Senior Managers						
Arne Frank, CEO [3)]	4,954,487	1,779,167 [5)]	22,416	1,625,806	-	8,381,876
Jerker Hartwall, former CEO [3)]	6,688,841 [4)]	- [5)]	108,804	1,500,000	-3,576,922 [6)]	4,720,723
Other senior managers [7)]	9,843,922	3,219,020 [5)]	613,946	2,575,784	-	16,252,672
Subtotal, senior managers	**21,487,250**	**4,998,187**	**745,166**	**5,701,590**	**-3,576,922**	**29,355,271**
Total	**24,237,250**	**4,998,187**	**745,166**	**5,701,590**	**-3,576,922**	**32,105,271** [8)]

1) Refers to items carried as an expense in 2010.
2) Other benefits primarily involve company car.
3) Arne Frank started as CEO on 6 April 2010. Jerker Hartwall was CEO up to and including 5 April 2010.

4) In addition to salary, a total of SEK 2,058,746 was paid, primarily from holiday pay due or reduced working hours.
5) Charged in the income statement in 2010 and estimated to be paid in 2011. A total of SEK 6,083,335 in variable salary, charged in the income statement 2009, was paid, of which the former CEO was paid SEK 2,353,581.
6) A cost provision for the amount of SEK 12,133,948 was made for the 2009 financial year in AarhusKarlshamn AB, corresponding to severance pay and other benefits relating to Jerker Hartwall, which are expected to be paid during the period 2010-2012. SEK 1,518,176 has been used in 2010 as an expense provision. Holiday pay/reduced working time of SEK 2,058,746 was previously reserved as it was accrued.
7) Refers to the following persons in 2010: Anders Byström, Ian McIntosh, Renald Mackintosh, Bo Svensson, David Smith, Torben Friis Lange (from 18 October 2010) and Anne Mette Olesen (from 1 October 2010).
8) Of the amount of SEK 32,105,271, SEK 19,417,163 relates to the Parent Company, AarhusKarlshamn AB.

Arne Frank, President and CEO, is currently paid an annual fixed salary of SEK 6,000,000 plus the value of a company car. In addition, variable salary may be paid up to a maximum of 50 percent of the fixed salary. In 2010, SEK 1,779,167 was carried as an expense for variable salary. Arne Frank's retirement age is 65. To fund the pension obligation, the Company pays annual premiums to a selected insurance company. This premium is set in the Company's agreement with Arne Frank at 30 percent of his annual fixed salary. Retirement age for other senior managers is either 62 years or 65 years.

NOTE 9 – PENSION PROVISIONS

Defined benefit plans

The Group maintains defined benefit retirement plans in which employees earn the right to payment of benefits after completing their employment, based on their final salary and period of service. These defined benefit retirement plans exist primarily in Sweden and the Netherlands. There are further commitments for retirement and survivors' pensions for managers and officers in Sweden that are ensured through the KP Pensionskassa.

The obligations for retirement and survivors' pensions for professional employees in Sweden are secured through policies with Alecta or correspondingly in KP Pensionskassa. According to a statement by Rådet för finansiell rapportering (the Emerging Issues Task Force of the Financial Accounting Standards Council), UFR 3, this is a defined benefit plan that involves several different employers. For the period from 1 January to 31 December 2010 AarhusKarlshamn AB (publ) and AarhusKarlshamn Sweden AB have not had access to sufficient information to enable the Company to recognise this plan as such. The pension plan according to ITP that is secured through KP Pensionskassa is therefore recognised as a defined contribution plan. Alecta's excess can be allocated to the insured individual or their beneficiaries. Corresponding provisions also apply to insurance policies with KP Pensionskassa. Charges for pensions ensured through KP Pensionskassa in the current year are SEK 20 million (20).

	Defined benefit plans	
	2010	**2009**
The amounts recognised in the consolidated balance sheet are determined as follows:		
Present value of funded obligations	512	514
Fair value of plan assets	-420	-429
	92	**85**
Present value of unfunded obligations	-	-
Unrecognised actuarial gains (-) and losses (+)	-88	-85
Net liability in the balance sheet	**4**	**0**
Net amount is recognised in the following items in the consolidated balance sheet:		
Pension provisions	4	0
Net liability in the balance sheet	**4**	**0**

	Defined benefit plans	
	2010	**2009**
The amounts recognised in the consolidated income statement are as follows:		
Costs pertaining to service during the current year	10	10
Interest expense	21	22
Expected return on plan assets	-18	-17
Actuarial gains (+) and losses (-)	1	4
Past service cost	-	-
Employees' contributions paid	-1	-
Total, included in employee costs (Note 6)	**13**	**19**

	Pension costs	
	2010	2009
Total pension costs recognised in the consolidated income statement are as follows:		
Total costs for defined benefit plans including employer’s contribution	13	12
Total costs for defined contribution plans including employers' contribution	93	85
Total	**106**	**97**

	Defined benefit plans	
	2010	2009
Movement in the net liability recognised in the consolidated balance sheet:		
Net liability at beginning of the year	0	5
Net cost recognised in the income statement	13	19
Benefits paid	-9	-24
Contributions by employer to funded obligations	-	-
Exchange rate difference on foreign plans	-	-
Net liability at year-end	**4**	**0**

	Defined benefit plans	
	2010	2010
	The Netherlands	Sweden
The principal actuarial assumptions used at end of reporting date (%):		
Discount rate	4.7	4.25
Expected return on plan assets	4.0	4.25
Future annual salary increases	2.0	3.0
Future annual pension increases	2.5	3.0
Employee turnover	5.0	5.0

	Defined benefit plans	
	2009	2009
	The Netherlands	Sweden
The principal actuarial assumptions used at the end of the reporting date (%):		
Discount rate	5.2	3.75
Expected return on plan assets	4.6	4.0
Future annual salary increases	2.5	3.0
Future annual pension increases	2.0	3.0
Employee turnover	5.0	5.0

NOTE 10 – OTHER OPERATING INCOME

	Group		Parent	
	2010	2009	2010	2009
Insurance compensation	19	70	-	45
Other operating income	27	28	2	-
Total	**46**	**98**	**2**	**45**

NOTE 11 – FINANCIAL ITEMS

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Interest income	8	6	0	0
Interest income, Group companies	-	-	164	28
Other financial income	21	29	0	-
Intra-Group dividends	-	-	-	87
Financial income	**29**	**35**	**164**	**115**
Interest expense	-59	-164	-136	-31
Changes in exchange rates	-2	-18	-	-
Changes in fair value – derivative instruments	-10	-23	-	-
Other financial expenses	-12	-7	-4	-4
Financial expenses	**-83**	**-212**	**-140**	**-35**
Net financial income/expense	**-54**	**-177**	**24**	**80**

NOTE 12 – INCOME TAX EXPENSES

Income tax expenses for the year

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Current tax	-214	-253	6	2
Deferred tax	12	-202	2	0
Total	**-202**	**-455**	**8**	**2**

Determination of the actual tax expense

The Group's weighted average underlying tax rate, excluding deferred tax on the IAS 39 effect, is approximately 27 percent. The Group's weighted average tax rate for 2010, based on the tax rates in each of the various countries involved, was 24 percent. The tax rate in Sweden is 26.3 percent (26.3). The Parent Company's actual tax rate for 2010 is lower than the nominal tax rate, which is primarily an effect of tax-free dividends.

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Profit/loss before taxes	828	1,298	-24	68
Weighted average tax rate				
based on the tax rates in each country	-218	-367	6	-18
Tax effect of various tax rates in other countries	-1	0	-	-
Tax effect of non-deductible expenses	-2	-3	-1	-3
Tax effect of tax exempt income	20	8	3	23
Net effect of loss carry-forwards	0	2	-	-
Effect of tax rate changes	-1	-40	-	-
Adjustment for current tax for previous years	0	-55	-	-
Tax expense	**-202**	**-455**	**8**	**2**

Tax items recognised in equity

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Current tax in Group contribution received	-	-	7	2
Total	**-**	**-**	**7**	**2**

Deferred tax asset /provisions for deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the recognised tax assets and liabilities and when the deferred taxes refer to the same tax authority. The offset amounts are as follows:

	Group		Parent	
Deferred tax assets	**2010**	**2009**	**2010**	**2009**
Tax loss carry-forwards	0	0	-	-
Tangible assets	42	32	-	-
Inventory	19	3	-	-
Current assets	-2	3	-	-
Provisions	21	21	-	-
Non-current liabilities	8	5	-	-
Current liabilities	19	50	-	-
Other temporary differences	-	-	2	0
At year-end	**107**	**114**	**2**	**0**

	Group		Parent	
Deferred tax liabilities	**2010**	**2009**	**2010**	**2009**
Intangible assets	4	19	-	-
Tangible assets	253	254	-	-
Inventory	7	8	-	-
Current assets	27	33	-	-
Provisions	6	-	-	-
Untaxed reserves	10	10	-	-
Current liabilities	-1	12	-	-
At year-end	**306**	**336**	**-**	**-**

Deferred tax asset not recognised

The Company has no loss carry-forwards not reflected in deferred tax assets.

Income tax liability and tax assets

In addition to deferred tax assets and liabilities, AarhusKarlshamn has the following current tax liabilities and income tax recoverable:

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Current income tax liabilities	-119	-144	0	0
Current income tax receivables	88	42	-	-
Income tax liability/tax assets	**-31**	**-102**	**0**	**0**

NOTE 13 – EARNINGS PER SHARE

	Group	
	2010	**2009**
Earnings attributable to equity holders of the Parent Company (SEK million)	624	826
Weighted average number of ordinary shares in issue	40,898,189	40,898,189
Earnings per share, SEK	15.26	20.19

Earnings per share are calculated for 2010 based on net profit for the year attributable to equity holders in the Parent Company – SEK 624 million (826) – and on a weighted average number of ordinary shares in issue of 40,898,189 (40,898,189). No dilution has occurred as a result of outstanding stock options during 2010.

NOTE 14 – EVENTS AFTER THE BALANCE SHEET DATE

For the 2010 financial year, the Board of Directors and CEO propose the distribution of a dividend in the amount of SEK 4.50 per share. A decision will be made at the Annual General Meeting on 17 May 2011. It is proposed that the record date for the dividend will be 20 May and the dividend is expected to be distributed to shareholders on 25 May.

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Fixed assets under con-struction	Total
Group					
Beginning of the year					
1 January 2009	1,117	5,033	336	201	6,687
Acquisitions	12	110	28	164	314
Disposals	-42	-5	-14	-	-61
Re-classifications	18	147	8	-173	0
Exchange differences	-30	-82	-15	-11	-138
Accumulated cost at 31 December 2009	**1,075**	**5,203**	**343**	**181**	**6,802**
Beginning of the year					
1 January 2010	1,075	5,203	343	181	6,802
Acquisitions	14	115	14	185	328
Disposals	-2	-46	-51	-	-99
Re-classifications	16	110	7	-133	0
Exchange differences	-110	-353	-29	-14	-506
Accumulated cost at 31 December 2010	**993**	**5,029**	**284**	**219**	**6,525**
Depreciation at 1 January 2009	423	2,778	247	-	3,448
Disposals	-5	-2	-5	-	-12
Depreciation charge	44	313	25	-	382
Exchange differences	-14	-23	-7	-	-44
Accumulated depreciation at 31 December 2009	**448**	**3,066**	**260**	**-**	**3,774**
Depreciation at 1 January 2010	448	3,066	260	-	3,774
Disposals	0	-4	-50	-	-54
Depreciation charge	39	288	29	-	356
Exchange differences	-65	-248	-26	-	-339
Accumulated depreciation at 31 December 2010	**422**	**3,122**	**213**	**-**	**3,757**
Impairment losses at 1 January 2009	-	50	-	-	50
Impairment loss during the year	-	-	-	-	-
Re-classification	8	-8	-	-	-
Exchange differences	-	-	-	-	-
Accumulated impairment loss at 31 December 2009	**8**	**42**	**-**	**-**	**50**
Impairment losses at 1 January 2010	8	42	-	-	50
Impairment loss during the year	-	-	-	-	-
Re-classification	-	-	-	-	-
Exchange differences	-	-	-	-	-
Accumulated impairment loss at 31 December 2010	**8**	**42**	**-**	**-**	**50**
Residual value according to plan at 31 December 2009	**619**	**2,095**	**83**	**181**	**2,978**
of which land	106				
Tax assessment value					
Swedish companies					
Land and buildings	148				
Net residual value for corresponding assets	99				

	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Fixed assets under construction	Total
Residual value according to plan at 31 December 2010	**563**	**1,865**	**71**	**219**	**2,718**
of which land	111				
Tax assessment value					
Swedish companies					
Land and buildings	158				
Net residual value for corresponding assets	100				

NOTE 16 – INTANGIBLE ASSETS

Group	Goodwill	Patents and other intangible assets	Total
Cost at 1 January 2009	682	214	896
Investments	-	2	2
Exchange differences	-30	2	-28
Accumulated cost at 31 December 2009	**652**	**218**	**870**
Cost at 1 January 2010	652	218	870
Investments	-	7	7
Exchange differences	-72	-6	-78
Accumulated costs at 31 December 2010	**580**	**219**	**799**
Amortisation and impairment loss at 1 January 2009	0	80	80
Impairment losses for the year	-	21	21
Exchange differences	0	5	5
Accumulated amortisation and impairment loss at 31 December 2009	**0**	**106**	**106**
Amortisation and impairment loss at 1 January 2010	0	106	106
Impairment losses for the year	-	20	20
Exchange differences	0	-9	-9
Accumulated amortisation and impairment loss at 31 December 2010	**0**	**117**	**117**
Residual value at 31 December 2009	**652**	**112**	**764**
Residual value at 31 December 2010	**580**	**102**	**682**

Reviewing impairment of goodwill

In preparing the financial statements for 2010, the Group has reviewed impairment of goodwill.

Goodwill is allocated to cash-generating units. The recoverable amount for a cash-generating unit is determined by calculating its value in use. These calculations are based on estimated future cash flow as stated in budgets and forecasts covering a five-year period. Cash flow beyond this period has been extrapolated by no more than 3 percent (3) in any case. Working capital beyond the five-year period is estimated at the same level as year five. Discount rates are assumed to be 9 percent (9) after tax and 12.8 percent (12.8) before tax. Since production, sales, etc. in acquired operations are usually integrated into the existing operations of the AarhusKarlshamn Group to such an extent that it is no longer possible to separate cash flows for the originally acquired operation, goodwill testing is done to a great degree at a higher level in the Company structure. Goodwill testing of the Swedish, Danish, and Dutch units was therefore done at an aggregate level, whereby the three production units were considered as a single cash-generating unit. Other goodwill testing considered cash-generating units at country level.

The sensitivity in these calculations indicates that recognised goodwill is still intact, even if the discount rate increases by 1 percent or if long-term growth is one percent less.

NOTE 17 – INVESTMENTS IN GROUP COMPANIES

	Parent Company 2010	Parent Company 2009
Beginning of the year	1,495	5,671
Repayment of capital contribution	-	-1,151
Capital contributions provided	2,500	-
Formation of subsidiaries	-	27
Intra-Group sales of subsidiaries	-	-3,052
Accumulated cost	**3,995**	**1,495**

List of shareholdings and book value as of 31 December 2010

	Corporate identity number	Domicile	2010 No. of shares	2010 Capital %	2010 Book value	2009 No. of shares	2009 Capital %	2009 Book value
AarhusKarlshamn Invest AB, Sweden	556747-6931	Malmö	1,000	100	0	1,000	100	0
AarhusKarlshamn Holding Malta Ltd, Malta	C48134	Gzira	25,274,999	100	2,527	274,999	100	27
Advanced Lipids AB, Sweden	556728-5837	Karlshamn	100	50	0	100	50	0
AarhusKarshamn Holding AB, Sweden	**556759-7918**	**Malmö**	**1,000**	**100**	**0**	**1,000**	**100**	**0**
AarhusKarlshamn Sweden AB, Sweden	556478-1796	Karlshamn	21,864,928	100		21,864,928	100	
Tefac AB, Sweden	556283-5214	Karlshamn	1,000	100		1,000	100	
Binol AB, Sweden	556111-3472	Karlshamn	20,000	100		20,000	100	
BioSafe Oy, Finland	1877093-5	Raisio	100	100		100	100	
Belico Holding AB, Sweden	556537-0904	Karlshamn	9,000	100		9,000	100	
AarhusKarlshamn Baltic Holding AB, Sweden	556381-8664	Karlshamn	1,000	100		1,000	100	
AarhusKarlshamn Baltic Ltd, Lithuania	110478793	Vilnius	254	100		254	100	
AarhusKarlshamn Czech Republic Spol.s.r.o, Czech Republic	15268853	Prague	-	100		-	100	
AarhusKarlshamn Poland Sp.z o.o., Poland	0000124135	Warsaw	100	100		100	100	
AarhusKarlshamn Netherlands BV, The Netherlands	35012547	Zaandijk	500	100		500	100	
AarhusKarlshamn Norway AS, Norway	988369403	Oslo	1,000	100		1,000	100	
Karlshamns UK Holdings Plc., United Kingdom	83553	Hull	4,848,499	100		4,848,499	100	
Karlshamns International Plc., United Kingdom	2366565	Hull	50,000	100		50,000	100	
Chamber & Fargus Ltd, United Kingdom	2352279	Hull	1,642,461	100		1,642,461	100	
AarhusKarlshamn Hull Ltd, United Kingdom	2193829	Hull	1,500,000	100		1,500,000	100	
AarhusKarlshamn (Malaysia) Sdn. Bhd., Malaysia	185577-P	Kuala Lumpur	1,500,000	100		1,500,000	100	
Rapsona AB, Sweden	556759-4600	Järfälla	1,000	100		1,000	100	
Aarhus United A/S, Denmark	**45954919**	**Aarhus**	**400,000,000**	**100**	**1,468**	**400,000,000**	**100**	**1,468**
AarhusKarlshamn Denmark A/S, Denmark	15672099	Aarhus	100,000,000	100		100,000,000	100	
AarhusKarlshamn Germany GmbH, Germany	HRB89102	Darmstadt	25,000	100		-	-	
AarhusKarlshamn Ghana Ltd, Ghana	80539/0671	Accra	500,000	100		500,000	100	
KNAR Benin Sarl, Benin	19 269B	Cotonou	200	100		200	100	
Kassardijan Industries Ghana Ltd, Ghana	C-933	Tamale	10,000,000	100		10,000,000	100	
AarhusKarlshamn Burkina Faso, Burkina Faso	BFBBD2007 B465	Bobo	200	100		200	100	
AarhusKarlshamn Asia Pacific Sdn.Bhd, Malaysia	516423-P	Kuala Lumpur	500,000	100		500,000	100	
AarhusKarlshamn Australia Pty Ltd, Australia	094486361	South Wales	167,858	100		167,858	100	
AarhusKarlshamn RU OOO, Russia	7709734935	Moscow	-	-		1	100	
AarhusKarlshamn OOO, Russia	7709851438	Moscow	0	100		-	-	
AarhusKarlshamn Havnen A/S, Denmark	13919232	Aarhus	1	100		1	100	
Aarhus 1 A/S, Denmark	10112265	Aarhus	5,000	100		5,000	100	
Aarhus 3 A/S, Denmark	16335770	Aarhus	5,000	100		5,000	100	
Hydrogen I/S, Denmark	21839639	Aarhus	-	65,5		-	65,5	
AarhusKarlshamn Latin America S.A., Uruguay	214947990014	Cousa	150,000,000	100		150,000,000	100	
AarhusKarlshamn do Brasil desenvolvimento de Negosios Ltda, Brazil	07.830.192/0001-02	Sao Paulo	24,000	100		24,000	100	
AarhusKarlshamn UK Ltd, United Kingdom	1585686	Hull	23,600,000	100		23,600,000	100	
Book & Claim Ltd, United Kingdom	5997462	Hull	100,000	100		100,000	100	
AarhusKarlshamn USA Inc., USA	13-3445572	New Jersey	20,300,000	100		20,300,000	100	
AarhusKarlshamn Canada Ltd, Canada	2040468	Toronto	100	100		100	100	
AarhusKarlshamn Mexico, S.A. de C.V., Mexico	AUM8302244G2	Morelia	201,006,799	94.34		201,006,799	94.34	
AarhusKarlshamn Byejendomme A/S, Denmark	14750576	Aarhus	1,000,000	100		1,000,000	100	
Aarhus Malaysia Sdn. Bhd., Malaysia	203033-P	Teluk Intan	1,072,860	100		1,072,860	100	
Ceylon Trading Co. Ltd., Sri Lanka	J 333	Colombo	955,000	100		955,000	100	
Total					**3,995**			**1,495**

The above list includes certain shares and participations owned by the Parent Company, either directly or indirectly, as of 31 December 2010. A complete listing of all holdings of shares and participations prepared in accordance with the rules of the Swedish Annual Accounts Act and which is included in the annual accounts filed with the Swedish Companies Registration Office investor can be requested at investor@aak.com

NOTE 18 – INVENTORIES

	Group 2010	Group 2009
Raw materials and consumables	1,286	1,221
Goods in transit	371	384
Products in progress	290	308
Finished products and goods for resale	352	324
Total	**2,299**	**2,237**

"Raw materials and consumables and changes in inventory of finished products and products in progress" for the Group includes impairment loss of stock of SEK 23 million (16).

NOTE 19 – CASH AND CASH EQUIVALENTS

	Group	
	2010	**2009**
Cash equivalents	522	293
Current investments	18	29
Total	**540**	**322**

NOTE 20 – SHAREHOLDERS' EQUITY

Group

Share capital

As of 31 December 2010 the Group's registered share capital was 40,898,189 shares (SEK 408,981,890).

Reserves

Reserves are mainly translation reserves. Of the total reserve, SEK 4,856,140 refers to a statutory reserve in the Parent Company that is entirely attributable to an impairment of the share capital carried out previously.

Translation reserves include all foreign exchange differences that arise when translating financial accounts and reports from foreign operations whose financial reports are stated in currencies other than that used in the consolidated statements and accounts. The Parent Company and consolidated financial reports are stated in Swedish krona (SEK).

Retained profits and net profit for the year

Retained profits and net profit for the year include profits earned and retained by the Parent Company, subsidiaries, and associated companies, the purchase price paid for stock options issues and profit for the year.

Treasury shares

The Group owned a total of 0 (0) treasury shares as of 31 December 2010.

Specification of equity item "Reserves"

Translation reserve	**2010**	**2009**
Translation reserve at 1 January	-144	-66
Translation differences for the year	-229	-78
Translation reserve at 31 December	**-373**	**-144**

Statutory reserve	**2010**	**2009**
Statutory reserve at 1 January	5	-
Changes for the year	-	5
Statutory reserve at 31 December	**5**	**5**

Total reserves	**2010**	**2009**
Translation reserve at 1 January	-139	-66
Total changes in reserves during the year:		
Translation reserve	-229	-78
Statutory reserve	-	5
Total reserves at 31 December	**-368**	**-139**

Parent Company

Share capital

In accordance with the articles of association for AarhusKarlshamn AB (publ), share capital shall be at least SEK 300 million and at most SEK 1.2 billion. All shares are fully paid and entitle the holder to equal voting rights and shares in Company assets. Share capital includes 40,898,189 (40,898,189) shares at quota value of SEK 10 per share, and shareholder equity of SEK 408,981,890 (408,981,890).

Statutory reserve

The statutory reserve refers to a reduction of the share capital carried out previously.

Retained profit

Include non-restricted equity from the previous year and after any dividend distribution. Comprise, together with profit/loss for the year, the purchase price paid for issued stock options and any funded fair value non-restricted equity – that is, the total amount available for distribution of dividends to shareholders.

Dividend

In accordance with the Swedish Companies Act, the Board of Directors proposes payment of a dividend, for the consideration and approval of the Annual General Meeting of the Shareholders. The proposed dividend for payment in 2010 is SEK 184 million (SEK 4.50 per share), which has not yet been considered by the Annual General Meeting. This amount is not reported as a liability.

NOTE 21 – BORROWINGS

	Group		Parent	
Non-current	**2010**	**2009**	**2010**	**2009**
Loans to banks and credit institutions	3,111	3,403	902	906
Total	**3,111**	**3,403**	**902**	**906**

	Group		Parent	
Current	**2010**	**2009**	**2010**	**2009**
Loans to banks and credit institutions	66	107	-	-
Total	**66**	**107**	**-**	**-**

Maturity for non-current borrowing is as follows:

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Between 1 and 5 years	2,538	2,821	902	906
More than 5 years	573	582	-	-
Total	**3,111**	**3,403**	**902**	**906**

NOTE 22 – OTHER PROVISIONS

Group	**Restructuring**	**Environmental restoration**	**Other**	**Total**
Opening balance at 1 January 2009	102	30	13	145
Provisions for the year	7	-	3	10
Provisions claimed for the year	-36	-	-1	-37
Exchange differences	-	-2	-	-2
Closing balance 31 December 2009	**73**	**28**	**15**	**116**

Group	**Restructuring**	**Environmental restoration**	**Other**	**Total**
Opening balance at 1 January 2010	73	28	15	116
Provisions for the year	21	-	18	39
Provisions claimed for the year	-44	-	-1	-45
Re-classification	-8	8	-	-
Exchange differences	-3	-3	0	-6
Closing balance 31 December 2010	**39**	**33**	**32**	**104**

Provisions include

	2010	**2009**
Non-current	63	94
Current	41	22
Total	**104**	**116**

Restructuring

A provision for restructuring is reported when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published. No provisions are made for future operating expenses.

Environmental restoration

These provisions are primarily related to restoring contaminated land.

NOTE 23 – ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Employee-related expenses	238	242	27	26
Other	251	245	4	7
Total	**489**	**487**	**31**	**33**

NOTE 24 – ASSETS PLEDGED

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Collateral for provisions and liabilities				
Property mortgage	750	960	-	-
Total	**750**	**960**	**-**	**-**

NOTE 25 – CONTINGENT LIABILITIES

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Other contingent liabilities	3	124	-	-
Total	**3**	**124**	**-**	**-**

Contingent liabilities 31 December 2009 refered primarily to counter-guarantees issued for Group companies' commitments to financial institutions to cover local borrowings.

Over and above the contingent liabilities stated above, guarantees for the completion of various contractual undertakings are sometimes involved as part of the Group's normal business activities. There was no indication at year-end that any contractual guarantees provided will require any payment to be made.

NOTE 26 – RELATED-PARTY TRANSACTIONS

For the Parent Company, SEK 42 million (42) of total sales was to related parties, equalling 100 percent (100) of sales to Group companies. The Parent Company's purchasing from Group companies is related to administrative services of limited scope. All transactions were carried out at market value.

Transactions with key management personnel

Besides those transactions stated in Note 8 Remuneration of Board Members and Senior Managers and in the description of the Board of Directors on pages 58-59, the following transactions with key management personnel have taken place: During the year, the Group had transactions with Unitata Berhard in Malaysia, which through Carl Bek-Nielsen and Martin Bek-Nielsen many be considered to be a related party.

Outstanding accounts receivable amounted to SEK 10 million (3). Outstanding accounts payable amounted to SEK 54 million (28). Purchasing during the year amounted to SEK 964 million (545) and sales amounted to SEK 213 million (152).

All transactions were carried out at market value.

The CEO subscribed for 246,500 share options at market price with BNS Holding AB.

NOTE 27 – BUSINESS COMBINATIONS

Business combinations in 2010

No business combinations were carried out during the year.

NOTE 28 – SEGMENT REPORTING

The Group's operations are organically divided into business segments based on product. The marketing organisation also reflects this structure. The business areas therefore make up the Group's primary segments and the geographical markets are the secondary segments.

Reporting per primary segments/business areas.

2010	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2010
Net sales						
External sales	4,475	8,926	1,407	-	-	14,808
Internal sales	811	292	41	83	-1,227	-
Group total	**5,286**	**9,218**	**1,448**	**83**	**-1,227**	**14,808**

Operating profit/loss per business area, incl. non-recurring income (insurance compensation)

2010	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2010
Operating profit/loss	341	475	97	-89	-	824
IAS 39	-	-	-	39	-	39
Insurance compensation	19	-	-	-	-	19
Total	**360**	**475**	**97**	**-50**	**-**	**882**
Other						
Assets	3,351	4,244	476	429	-	8,500
Unallocated assets	-	-	-	-	-	752
Group total	**3,351**	**4,244**	**476**	**429**	**-**	**9,252**
Liabilities	747	1,549	93	73	-	2,462
Unallocated liabilities	-	-	-	-	-	3,602
Group total	**747**	**1,549**	**93**	**73**	**-**	**6,064**
Investments	118	208	8	1	-	335
Depreciation, amortisation and impairment loss	173	169	27	7	-	376

All transactions between business areas are recorded at market value. Assets and liabilities not attributed to a segment include income taxes recoverable and income tax liabilities, financial investments and financial liabilities.

Reporting per market

	Sweden	Denmark	Other Nordic countries	Central and Eastern Europe	Western Europe	America	Other countries	Total
External sales	1,956	341	1,069	1,662	5,003	4,117	660	14,808
Total assets	2,446	2,992	53	55	1,615	1,927	164	9,252
Investments	140	68	-	-	60	67	0	335

External sales are based on where customers are located. The reported values of assets and the direct investment in plant for the period are determined by the location of the assets. The IAS 39 effect is not allocated to particular segments, because the IAS 39 adjustment is made at Group level and is not monitored for individual segments. Internal monitoring measures all sales contracts and raw material purchases (including inventory) at market value, with reference to both raw material prices and exchange rates. During the year, the Group began applying hedge accounting based on fair value hedging. The IAS 39 effect reflects previous negative IAS 39 effects that have now been reversed in the income statement.

2009	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2009
Net sales						
External sales	4,564	9,702	1,295	323	-	15,884
Internal sales	794	159	33	79	-1,065	-
Group total	**5,358**	**9,861**	**1,328**	**402**	**-1,065**	**15,884**

Operating profit/loss per business area, incl. non-recurring income (insurance compensation)

2009	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2009
Operating profit/loss	394	427	82	-76	-	827
IAS 39	-	-	-	578	-	578
Insurance compensation	70	-	-	-	-	70
Total	**464**	**427**	**82**	**502**	**-**	**1,475**
Other						
Assets	3,656	3,650	470	250	-	8,026
Unallocated assets	-	-	-	-	-	487
Group total						**8,513**
Liabilities	468	778	44	48	-	1,338
Unallocated liabilities	-	-	-	-	-	4,226
Group total						**5,564**
Investments	143	158	7	8	-	316
Depreciation, amortisation and impairment loss	198	167	26	12	-	403

All transactions between business areas are recorded at market value. Assets and liabilities not attributed to a segment include income taxes recoverable and income tax liabilities, financial investments and financial liabilities.

Reporting per market

	Sweden	Denmark	Other Nordic countries	Central and Eastern Europe	Western Europe	America	Other countries	Total
External sales	1,973	452	1,066	1,958	5,343	4,010	1,082	15,884
Total assets	2,039	3,033	55	55	1,633	1,524	174	8,513
Investments	109	94	-	-	39	70	4	316

External sales are based on where customers are located. The reported values of assets and the direct investment in plant for the period are determined by the location of the assets. The IAS 39 effect is not allocated to particular segments, because the IAS 39 adjustment is made at Group level and is not monitored for individual segments. Internal monitoring measures all sales contracts and raw material purchases (including inventory) at market value, with reference to both raw material prices and exchange rates. According to IAS 39, only contracts not designed for physical delivery are subject to market valuation, which results in differences between internal and external accounting.

NOTE 29 – OPERATING LEASES

Future minimum leasing fees under non-cancellable operating lease agreements are distributed as follows:

	Group	
	2010	**2009**
Within 1 year	38	33
1 to 5 years	76	66
More than 5 years	158	3
Total	**272**	**102**

Operating leasing expenses of SEK 30 million (20) are reported in the profit/loss for the period.

NOTE 30 – SUPPLEMENTAL CASH FLOW STATEMENT

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Interest paid and dividends received				
Interest received	7	6	-	-
Interest received from Group companies	-	-	160	24
Interest paid	-59	-165	-20	-31
Interest paid to Group companies	-	-	-116	-
Dividends received from associated companies	7	6	-	-
Dividends received from Group companies	-	-	-	87
Total	**-45**	**-153**	**24**	**80**

	Group		Parent	
	2010	**2009**	**2010**	**2009**
Adjustment for items not included in cash flow				
Provisions	-6	-29	-	-
Group contribution	-	-	25	8
Sale of fixed assets	1	1	-	-
IAS 39 effect	-39	-578	-	-
Other	-4	-2	0	0
Total	**-48**	**-608**	**25**	**8**

The financial statements will be submitted for resolution to the Annual General Meeting of the shareholders to be held on 17 May, 2011.

Corporate Governance Report

Corporate Governance Report 2010

This Corporate Governance Report has been drawn up in accordance with the rules of the Annual Accounts Act and the Swedish Corporate Governance Code ("the Code"). The Corporate Governance Report has been reviewed by the company's auditor in accordance with the provisions of the Annual Accounts Act.

Effective and clear corporate governance contributes to the safeguarding of trust among AAK's stakeholder groups and also increases the focus on business benefit and shareholder value in the company. AAK's Board of Directors and management team strive, through a high level of openness, to make it easy for individual shareholders to understand the company's decision-making process and to clarify where in the organisation responsibilities and authorities reside.

AAK's corporate governance is based on applicable legislation, the Code, NASDAQ OMX Stockholm's regulatory framework for issuers, generally accepted practice in the stock market and various internal guidelines. Where AAK has chosen to diverge from the rules in the Code, the reason why is provided under each heading in this Corporate Governance Report.

General

AAK is a Swedish public limited company, whose shares are traded on NASDAQ OMX Stockholm within the Mid Cap segment, Consumer Commodities sector. AAK has around 8,000 shareholders. The operation is global with a presence in almost 100 countries. As at 31 December 2010, the number of employees was 2,101.

Responsibility for management and control of AAK is divided between the shareholders at the Annual General Meeting, the Board of Directors, its elected committees and the President in accordance with the Swedish Companies Act, other legislation and ordinances, applicable rules for companies traded on a regulated market, the Articles of Association and the Board's internal control instruments.

AAK's goal is to be the obvious first choice for its customers, and to create the best possible value for the company's various stakeholder groups – in particular customers, suppliers, shareholders and employees. At the same time, AAK shall be a good member of society and take long-term responsibility.

The aim of corporate governance is to define a clear allocation of responsibility and roles between the owners, the Board, the executive management team and various control bodies. In line with this, corporate governance covers the Group's management and control systems.

Ownership structure

Information about shareholders and shareholdings can be found on pages 56-57.

Articles of Association

AAK's current Articles of Association were adopted at the Annual General Meeting on 19 May 2009. The Articles of Association state that the company is to operate manufacturing and trading business, primarily within the food industry, to own and manage shares and securities and other associated business. The Articles of Association also state the shareholders' rights, the number of Board members and auditors, that the Annual General Meeting shall be held yearly within six months of the end of the financial year, how notification of the Annual General Meeting shall be effected and that the registered office of the Board of Directors shall be in Malmö, Sweden. The company's financial year is the calendar year. The Annual General Meeting shall be held in Malmö or Karlshamn, Sweden. The Articles of Association contain no restrictions on the number of votes each shareholder may cast at a general meeting. Furthermore, the Articles of Association contain no special provisions on the appointment and removal of Members of the Board of Directors and on amendments to the Articles of Association. For the current Articles of Association, please see www.aak.com.

Annual General Meeting

The Annual General Meeting of AAK is the highest decision-making body and the forum through which the shareholders exercise their influence over the company. The tasks of the Annual General Meeting are regulated in the Swedish Companies Act and the Articles of Association. The Annual General Meeting makes decisions on a number of central issues, such as adoption of income statement and balance sheet, discharge from liability for the Board members and President, dividend to shareholders and the composition of the Board. Further information about the Annual General Meeting and complete minutes from previous Annual General Meetings and Extraordinary General Meetings are published on www.aak.com

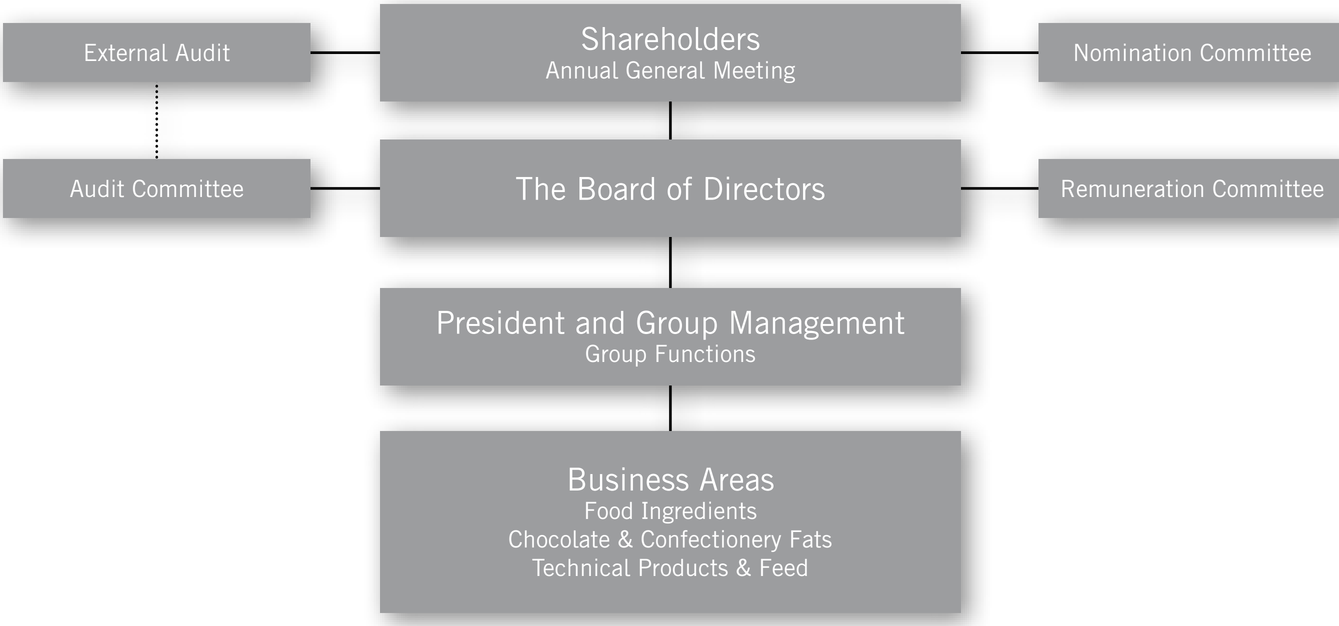
Annual General Meeting 2010

The Annual General Meeting held on 21 May 2010 was attended by shareholders representing around 55 percent of the share capital and votes in the company. The Chairman of the Board, Melker Schörling, was elected Chairman of the Annual General Meeting. The Annual General Meeting adopted the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet. In association with this, the Annual General Meeting approved the Board's proposal for a dividend for the financial year 2009 of SEK 4.25 per share. Melker Schörling, Carl Bek-Nielsen, Martin Bek-Nielsen, John Goodwin, Mikael Ekdahl, Märit Beckeman, Ulrik Svensson and Anders Davidsson were re-elected as Members of the Board. Arne Frank and Harald Sauthoff were elected as new Members of the Board. Melker Schörling was elected Chairman of the Board, and Carl Bek-Nielsen was elected Vice Chairman of the Board. The employee organisations had appointed Annika Westerlund (PTK-L) and Leif Håkansson (IF-Metall) as employee representative members of the Board, and Christer Svantesson (IF-Metall) and Ulf Friberg (PTK-L) as deputy members of the Board. The Annual General Meeting did not authorise the Board to resolve on the issue of new shares by the company or the acquisition of the company's own shares.

Nomination Committee

The Annual General Meeting decides on the election of the Board, among other items. The task of the Nomination Committee is to make proposals to the Annual General Meeting regarding the election of the Chairman and other members of the Board, and of the Chairman of the Meeting, remuneration issues and issues relating to this.

CORPORATE GOVERNANCE



Nomination Committee for the Annual General Meeting 2011

The Annual General Meeting in 2010 decided that the Nomination Committee should have five members, whereby Mikael Ekdahl (BNS Holding AB), Carl Bek-Nielsen (BNS Holding AB), Henrik Didner (Didner & Gerge Fond) and KG Lindvall (Swedbank Robur Fonder) were re-elected and Claus Wiinblad (ATP) was elected as a new member of the Nomination Committee for the Annual General Meeting in 2011. Mikael Ekdahl was also appointed Chairman of the Nomination Committee. The members of the Nomination Committee represent around 52 percent of the votes in AAK. The decision also included the opportunity to change the composition of the Nomination Committee in the event of a change in ownership. As AAK's main shareholder, BNS Holding AB, is in turn owned by two different shareholders, it is natural that one representative from each shareholder is represented on the Nomination Committee. The shareholders in question also consider it natural that a representative of the largest shareholder in voting terms is the Chairman of the Nomination Committee. This is the reason why a Board member is the Chairman of the Nomination Committee.

During the year, the Nomination Committee held two minuted meetings. At these, the Chairman reported on the evaluation work, whereafter the Nomination Committee discussed any changes and new recruitment. The Nomination Committee has been contactable by letter with proposals from shareholders. The members of the Nomination Committee have not received any remuneration from AAK for their work. Shareholders, who wish to contact the Nomination Committee can send letters addressed to AarhusKarlshamn AB (publ), Valberedningen, Jungmansgatan 12, SE-211 19 Malmö, Sweden.

The Board of Directors and its activities

The tasks of the Board are regulated in the Swedish Companies Act and the Articles of Association. In addition to this, the work of the Board is regulated by the working practices adopted by the Board each year. The working practices of the Board also regulate the distribution of work and responsibilities between the Board, the Chairman of the Board and the President and also include procedures for financial reporting by the President to the Board. According to the current working practices, the Board shall meet at least six times each year, including a statutory meeting following election held immediately after the Annual General Meeting. The tasks of the Board shall include setting strategies, business plans, budgets, interim reports and year-end reports for AAK. The Board shall also monitor the work of the President, appoint and dismiss the President and decide on important changes to AAK's organisation and operation. The most important tasks of the Board are to set the overriding goals for the company's operation and to decide on the company's strategy for achieving the goals, to ensure the company has an effective executive management team and appropriate remuneration terms, to ensure the openness and accuracy of the company's external reporting, and that the external reporting provides a fair presentation of the company's performance, profitability and financial position and exposure to risk, to monitor the financial reporting, including instructions to the President and establishment of requirements for the content of the financial reporting to be submitted to the Board on a continuous basis, to ensure the company's insider policy and logging procedures are adhered to in accordance with legislation and the guidelines of the Swedish Financial Supervisory Authority, to ensure there are effective systems for follow-up and control of the company's operation and financial position against set goals, to follow up and evaluate the company's development and to recognise and support the work of the President in carrying out the required measures, to ensure there is sufficient control of the company's compliance with legislation and other rules applicable to the company's operation, to ensure the required ethical guidelines are set for the company's behaviour and to propose to the Annual General Meeting any dividend, repurchase of shares, redemption or other proposals falling within the competence of the Annual General Meeting.

Composition of the Board

Under the Articles of Association, AAK's Board shall consist of at least three and at most ten members. The current Board consists of ten members elected by the Annual General Meeting. Under Swedish law, the employee organisations have a right to be represented on the Board, and have appointed two ordinary members and two deputies. In accordance with the proposal of the Nomination Committee, eight members were re-elected and two new members elected at the Annual General Meeting in 2010. Melker Schörling was appointed Chairman of the Board. At the statutory Board meeting following the Annual General Meeting, the Board chose to appoint an Audit Committee and a Remuneration Committee. Ulrik Svensson was appointed Chairman of the Audit Committee and Mikael Ekdahl, Martin Bek-Nielsen and Harald Sauthoff were appointed members. Mikael Ekdahl was appointed Chairman of the Remuneration Committee and John Goodwin was appointed member. Melker Schörling is also Chairman of the Board of BNS Holding AB, which owns around 40 percent of the votes in AAK. Carl Bek-Nielsen, Martin Bek-Nielsen, John Goodwin and Mikael Ekdahl are also members of the Board of BNS Holding AB. These members and the Chairman cannot, therefore, be considered as independent in relation to major shareholders in the company in accordance with the Code.

The largest shareholder in BNS Holding AB is Melker Schörling AB, which owns 58.5 percent of the shares and votes.

Ulrik Svensson, who is the President and CEO of Melker Schörling AB, cannot, therefore, be regarded as independent in relation to the company's major shareholders. Anders Davidsson is the President and CEO of Bong AB, in which Melker Schörling AB owns 21.9 percent of the shares and votes, and cannot, therefore, be regarded as independent in relation to the company's major shareholders either.

Attendance at Board and Committee meetings during 2010

Member	Board of Directors	Audit Committee	Remuneration Committee
Number of meetings	10	4	2
Märit Beckeman	10		
Carl Bek-Nielsen	9		
Martin Bek-Nielsen	10	4	
Anders Davidsson	8		
Mikael Ekdahl	10	4	2
Arne Frank	10		
John Goodwin	10		2
Leif Håkansson	10		
Harald Sauthoff	10	2	
Melker Schörling	10		
Ulrik Svensson	10	4	
Annika Westerlund	10		

Information about the members of the Board can be found on pages 58-59.

The President and Chief Executive Officer Arne Frank is, in his capacity as President of and an employee of the company, not independent in relation to the company management. The other two members elected by the Annual General Meeting, Märit Beckeman and Harald Sauthoff, are independent in relation to AAK, the company management and the company's major shareholders in accordance with the Code.

The Board therefore fulfils the requirement in the Code that at least two Board members, who are independent of the company and the company management shall also be independent of the company's major shareholders. Bo Svensson acts as secretary to the Board. AAK's Finance Director and CFO (Chief Financial Officer), Anders Byström, acts as secretary to the Remuneration Committee and Audit Committee.

Working practices

The Board's working practices, containing instructions for the division of work between the Board and the President and for financial reporting, are updated and adopted annually. Board meetings consider the financial reporting and follow-up of the day-to-day business operation and profitability trend as well as goals, strategies for the business operation, acquisitions and significant investments and matters relating to capital structure. Business area managers and other senior executives account for business plans and strategic issues on a continuous basis.

Remuneration and audit issues are prepared within each committee. The Board holds a statutory meeting immediately after the Annual General Meeting. At this meeting, the Board's working practices are also adopted, as are the instructions to the President and the Committees and other internal management instruments. The current Board held its statutory meeting on 21 May 2010, at which meeting all members were in attendance.

Chairman of the Board

At the Annual General Meeting held on 21 May 2010, Melker Schörling was elected Chairman of the Board. The role of the Chairman of the Board is to lead the work of the Board and ensure the Board fulfils its tasks. The Chairman shall monitor the progress of the business in dialogue with the President, and is responsible for ensuring that the other members continuously receive the information required to carry out the work on the Board, maintaining the required quality and in accordance with the Swedish Companies Act and other applicable laws and ordinances, the Articles of Association and the working practices of the Board. The Chairman is responsible for ensuring the Board develops its knowledge about the company, that an evaluation of the Board's work is carried out and that the Nomination Committee is provided with this evaluation. The Chairman shall also participate in evaluation and development issues relating to senior executives in the Group.

The work of the Board in 2010

The Board held ten meetings during the year. All business area managers accounted for the goals and business strategies of the business areas at a special budget and strategy meeting. The Board has handled issues relating to staffing and organisation, and has investigated and followed up a joint operational location organisation for the operations in Denmark, Sweden and the Netherlands. The Board has also paid particular attention to the progress of the specialisation projects within the operations in Denmark, Sweden and the Netherlands. Decisions have been made relating to acquisitions, divestments and investments. Other areas handled are the Group's work with raw materials supply, risk management and the company's strategies for capital structure and borrowing.

Fees to Board members

According to the decision of the Annual General Meeting, the total fees to the Board amount to SEK 2,750,000, to be allocated between the members as follows: SEK 400,000 to the Chairman, SEK 300,000 to the Vice Chairman and SEK 200,000 to each of the other members elected at the Annual General Meeting who are not employed by the company. The Chairman of the Audit Committee received SEK 200,000 and the members SEK 100,000 each. The Chairman of the Remuneration Committee received SEK 100,000 and the member SEK 50,000. The President, the secretary to the Board and employees representatives on the Board do not receive any compensation other than for costs in connection with their participation in Board activities. For further information about remuneration to members of the Board, please see page 33.

Evaluation of the President

The Board continuously evaluates the work and competence of the President and the company management team. This is discussed at least once a year without representatives of the company management being present.

Guidelines for the remuneration of senior executives

The Annual General Meeting approved the principles for the remuneration of senior executives. The principles for the remuneration of AAK's senior executives are designed to ensure that AAK can offer compensation that is competitive and at the prevailing market level to attract and keep qualified people. The total remuneration package paid to senior executives shall consist of fixed basic salary, annual variable salary, pension, company car and severance payment.

The fixed salary shall be individually differentiated on the basis of responsibility and performance, and shall be set on market principles and be revised annually. In addition to annual salary, senior executives shall also receive a variable salary, which shall have a pre-set ceiling and be based on the outcome in relation to goals set annually. The goals shall be related to the company's result and shall also be able to be linked to the individual areas of responsibility. The annual variable portion shall amount to a maximum of 60 percent of the fixed salary.

In addition to the variable salary mentioned, share or share-price related incentive programmes may be added as determined from time to time.

The right to a pension for senior executives shall apply from the age of 60 at the earliest. Pension plans for senior executives shall be either defined benefit or defined contribution plans, or a combination of the two.

In the event of termination by the company, the notice period for the President and other senior executives shall be twelve months, and they shall be entitled to receive severance pay with a pre-determined ceiling corresponding to twelve months' salary. For termination by the employee, a notice period of six months shall normally apply and no severance pay shall be payable.

These guidelines shall cover the persons, wich are part of the Group management team during the period in which the guidelines apply. The guidelines apply to agreements entered into after the resolution of the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time.

The Board shall be entitled to diverge from the guidelines if there are particular reasons do so in an individual case.

Incentive programme 2010/2015

An incentive programme has been introduced for senior executives and key personnel in the Group, in accordance with the resolution of the extraordinary general meeting of 8 November 2010. Within the framework of the programme, 1,500,000 stock options, carrying an entitlement to subscribe for an equivalent number of shares in AAK, have been issued to the wholly-owned subsidiary, AarhusKarlshamn Invest AB, and offered for sale to participants in the programme. Around 60 senior executives and key personnel within the Group have so far acquired 1,100,000 stock options. The remaining stock options, which have not been assigned, are reserved for the future recruitment of senior executives and key personnel to the Group. The incentive programme, which gives senior executives and key personnel the opportunity to participate in the growth in value of the company, are expected to stimulate interest in the growth of the company. The incentive programme is also expected to assist in the recruitment and retention of top-class people. Our market-based valuation has set the subscription price for subscribing to shares through the exercise of the stock options at SEK 188. The stock options are assigned to participants in the programme at market price. The stock options will be eligible for the purchase of shares during the period 1 December 2013 –1 December 2015.

Board committees

Audit and remuneration issues within the Board are handled in committees, which are to prepare issues arising and submit proposals for decisions to the Board. The tasks and working practices of the committees are determined by the Board in written instructions, which constitute part of the Board's working practices.

Remuneration Committee

In accordance with the Board's working practices, issues of remuneration to the President and senior executives shall be prepared by the Remuneration Committee. The Remuneration Committee prepares and presents proposals to the Board relating to remuneration to the CEO and other senior executives. The final task of the Remuneration Committee is to monitor and evaluate the ongoing programmes for variable remuneration of the company management team, and programmes terminated during the year, as well the application of the guidelines for the remuneration of senior executives and the current remuneration structure and remuneration levels in the company. During 2010, the members of the Remuneration Committee were Mikael Ekdahl (Chairman) and John Goodwin.

The recommendations of the Remuneration Committee to the Board includes principles for remuneration, the relationship between fixed and variable salary, conditions for pensions and severance pay and other benefits payable to the management.

Remuneration to the CEO of the Group has been decided by the Board on the basis of the recommendations of the Remuneration Committee. Remuneration to other senior executives has been decided by the CEO in consultation with the Remuneration Committee. For further information, please see page 33. During 2010, the Remuneration Committee met on two occasions, at which both members attended. The Board's proposal for guidelines for remuneration to senior executives can be found in Note 8 on page 32, and will be put to the Annual General Meeting in 2011 for a decision.

Audit Committee

During 2010, members of the Audit Committee were Ulrik Svensson (Chairman), Martin Bek-Nielsen, Mikael Ekdahl and Harald Sauthoff. The Committee held four ordinary meetings during the year, at which the company's external auditors and representatives of the management team have attended. Areas dealt with by the Audit Committee have primarily related to planning, scope and follow-up of the audit for the year. Other issues dealt with include risk management, integration and systematics of Group procedures, coordination of insurance issues, corporate governance, internal control, accounting rules, development of the global finance function, financing operations and other issues the Board has requested the Committee to prepare.

Under the provisions of Chapter 8 § 49 a of the Companies Act (2005:551), at least one member of the Audit Committee must be independent in relation to major shareholders in the company, and have expertise in accounting or auditing.

External auditors

AAK's auditors are appointed by the Annual General Meeting. At the Annual General Meeting in 2009, the audit company PricewaterhouseCoopers AB was appointed auditors up to and including the Annual General Meeting in 2013. Anders Lundin, Authorised Public Accountant, was appointed auditor in charge. Anders Lundin also holds the position of auditor to a number of companies, including Electrolux AB, Husqvarna AB, AB Industrivärden, Melker Schörling AB, Loomis AB and Svenska Cellulosa AB SCA. All services requested in addition to the statutory audit are tested separately, to ensure there is no conflict arising involving independence or disqualification. No agreements with closely related parties exist.

Operational management

It is the task of the President to lead the operation in accordance with the guidelines and instructions of the Board. In conjunction with this, the President shall use the required control systems to ensure the company complies with applicable laws and ordinances. The President reports to the Board meetings and shall ensure the Board gets as much factual, detailed and relevant information as is required for the Board to reach well-informed decisions. The President also maintains a continuous dialogue with the Chairman of the Board and keeps him informed of the development and financial position of the Company and the Group.

AAK's Group management team consists of eleven persons from seven countries: CEO, CFO, HR/CSR and internal communication, Global Technical Manager and President European Supply Chain, as well as six persons in charge of business areas/countries.

The Group management team meets on a monthly basis and deals with the Group's financial development, investments, synergy and productivity projects, acquisitions, Group-wide development projects, leadership and competence supply and other strategic issues. The meetings are chaired by the President, who reaches decisions in consultation with the other members of the Group management team. The Group has a small number of Group employees, who are responsible for Group-wide activities, such as financial performance, tax, IT, internal audit, strategy, investor relations, information and legal issues.

The President and Group management team are presented on pages 60-61. For remuneration principles and salaries and other fees paid to the President and Group management team, please see Note 8 on page 33.

AAK's business areas are Chocolate & Confectionery Fats, Food Ingredients and Technical Products & Feed. The heads of each business area/country are responsible for goals, strategies, product development and day-to-day business issues, as well as for profit, cash flow and balance sheets for the unit in question. The business areas in turn are organised into different sectors with responsibility for day-to-day business issues. Direction is exercised through internal boards, which meet four times per year. At these meetings, AAK's President/CEO acts as chairman of the board, and the Group CFO also participates. Other executives, such as the Group Controller and Strategist are co-opted as necessary. In all countries where AAK has subsidiaries, a Country Manager has legal charge of the operation. The Country Manager's task is to represent AAK vis-à-vis public authorities in the country, to coordinate operations on the ground, organisation and Group-wide procedures/projects and to ensure that Group-wide guidelines are complied with. For each such country, one member of the Group management team has been appointed to have overriding responsibility for the operation. This person is the superior of the Country Manager, and in most cases acts as chairman of the local legal board.

The Board's description of the internal control and risk management relating to financial reporting

The Board is responsible for AAK's internal control, the overall purpose of which is to protect the owners' investments and the company's assets. The Board shall provide a description of how internal control and risk management relating to financial reporting is organised in a separate section of this Corporate Governance Report. Internal control relating to financial reporting is a process involving the Board, the company management team and personnel. The process has been designed to constitute a guarantee of the reliability of the external reporting. According to the commonly accepted framework (COSO) established for this purpose, the internal control is usually described from five different aspects, which are described below.

The control environment is the basis for internal management and control. Risk assessment and risk management mean that the management is aware of and has itself assessed and analysed risks and threats to the operation. Control activities are the measures and procedures designed by the management to prevent errors from arising and for discovering and correcting errors that do arise.

In order for individual tasks to be carried out in a satisfactory manner, the personnel in an organisation need to have access to current and relevant information. The final module of the model relates to follow-up of the internal management and the design and effectiveness of controls.

Control environment

AAK's organisation is designed to facilitate rapid decision-making. Operational decisions are therefore made at business area or subsidiary level, while decisions about strategies, acquisitions and overriding financial issues are taken by the company's Board and Group management team. The organisation is characterised by clear division of responsibilities and effective and established management and control systems, covering all units within AAK. The basis for the internal control relating to financial reporting consists of an overall control environment, where the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in management documents, such as AAK's financial policy, raw material purchasing policy, the manual for financial reporting and the authorisation order set by the President. AAK's finance functions are integrated through a joint consolidation system and a joint accounting instruction.

The Group's finance unit works closely and effectively with the controllers of subsidiaries in relation to year-end financial statements and reporting. AAK does not have an internal audit function, as the functions mentioned above fulfil this task well. All of AAK's subsidiaries report on a monthly basis. These reports form the basis for the Group's consolidated financial reporting. Each legal unit has a controller who is responsible for the financial management of each business area, and for ensuring the financial reports are correct, complete and delivered in time for the consolidated reporting.

Risk assessment and risk management

Through its international presence, the AAK Group is exposed to a number of different risks. Risk management within the Group is run in accordance with fixed policies and procedures, which are reviewed annually by AAK's Board. Risks relating to commodities are managed using the Group's raw material purchasing policy. Risks relating to currency, interest and liquidity are mainly directed by AAK's finance policy. The Group's credit policy directs the management of credit and contract risks. Effective risk management unites operational business development with the requirements of owners and other stakeholders for improvements in control and long-term value.

Risk management aims to minimise risks, but also to ensure that opportunities are utilised in the best possible way. Risk management covers the following risk areas: strategic risks relating to the market and sector, commercial, operational and financial risks, compliance with external and internal regulatory frameworks and financial reporting. The main components of risk assessment and management are identification, evaluation, management, reporting, follow-up and control. For further information about AAK's risk management, please see Note 3 on pages 25-29.

Control activities

The risks identified relating to financial reporting are handled via the company's control activities. The control activities aim to prevent, discover and correct errors and discrepancies. Control activities take the form of manual controls, such as reconciliation and stocktaking, automatic controls via the IT systems and general controls of the underlying IT environment. Detailed financial analyses of the result and follow-up against budgets and forecasts supplement the operation-specific controls and provide overall confirmation of the quality of the reporting.

Information and communication

To ensure the completeness and accuracy of its financial reporting, the Group has adopted guidelines for information and communication aimed at ensuring relevant and significant information exchange within the operation, both within each unit and from and to the management and Board. Policies, handbooks and working practices relating to the financial process are communicated between the management and employees, and are available in electronic format and/or printed format. The Board receives regular feedback on internal control from the Audit Committee. To ensure that external information is correct and complete, AAK has an information policy adopted by the Board, which states what is to be communicated, by whom and in what way.

Follow-up

The effectiveness of the process for risk assessment and execution of control activities is followed up continuously. The follow-up covers both formal and informal procedures, which are used by those responsible at each level.

The procedures include follow-up of results against budgets and plans, analyses and key figures. The Board receives monthly reports about the Group's financial position and development. The company's financial situation is discussed at each Board meeting, and the management team analyses the financial reporting at detailed level on a monthly basis. At Audit Committee meetings, the Committee follows up the financial reporting and receives reports from the auditors about their observations.

Policy documents

AAK has a number of policies for the operation of the Group and its employees. These include:

Ethics policy

Ethical guidelines for the Group have been drawn up with the aim of clarifying the Group's fundamental attitude on ethical issues, both within the Group and externally towards customers and suppliers.

Finance policy

The Group's finance function works in accordance with an instruction adopted by the Board, which provides a framework for how the Group's operation shall be financed, and for how e.g. currency and interest risks are to be handled.

Information policy

The Group's information policy is a document describing the Group's general principles for releasing information.

Environment policy

The Group's environment policy provides guidelines for environmental work within the Group.

The Board of Directors and the President and CEO declare that the consolidated financial statements have been drawn up in accordance with the IFRS International Accounting Standards, as adopted by the EU, and give a fair presentation of the performance and position of the Group. The annual report has been drawn up in accordance with generally accepted accounting principles, and give a fair presentation of the performance and position of the Parent Company.

The Directors Report for the Group and the Parent Company gives a fair presentation of the development of the operations of the Group and the Parent Company, their performance and position, and describes significant risks and uncertainty factors faced by the Parent Company and the companies belonging to the Group.

Malmö, 22 March 2011

Melker Schörling Chairman of the Board	Carl Bek-Nielsen Vice-Chairman of the Board	John Goodwin Member	Martin Bek-Nielsen Member
Mikael Ekdahl Member	Märit Beckeman Member	Harald Sauthoff Member	Annika Westerlund Employee Representative
Anders Davidsson Member	Ulrik Svensson Member	Leif Håkansson Employee Representative	Arne Frank President and CEO

Our auditors'report was submitted on 22 March 2011
PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant, Auditor in Charge

Auditors’ Report

To the Annual General Meeting of AarhusKarlshamn AB (publ)

Corporate Identity Number 556669-2850

We have audited the annual accounts, the consolidated accounts, the accounting records and the adminstration of the board of directors and the managing director of AarhusKarlshamn AB (publ) for the year 2010. The company’s annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 4–53. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs, as adopted by the EU, and the Annual Accounts Act when preparing the consolidate accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company’s financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the IFRS International Accounting Standards, as adopted by the EU, and the Annual Accounts Act and give a true and fair view of the group’s financial position and results of operations. A corporate governance statement has been prepared. The administration report and the corporate governance statements are consistent with the other parts of the annual accounts and the consolidated accounts.

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

Malmö, 22 March 2011
PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant

Definitions

Proportion of risk-bearing capital
Equity, non-controlling share of equity and deferred tax liability divided by balance sheet total.

Return on equity
Profit for the year as a percentage of average equity.

Return on operating capital
Operating profit divided by average operating capital.

Gross contribution
Operating income minus cost of goods.

Share price/Equity
Share price divided by equity per share.

Direct yield
Dividend per share as a percentage of the share price.

Equity per share
Equity divided by average number of shares at the balance sheet date.

Capital turnover rate
Net sales divided by average operating capital.

Cash and cash equivalents
Cash and bank balances plus short-term investments with a life of less than three months.

Earnings per share
Profit for the year divided by the average number of shares on the balance sheet date.

Net borrowings
The total of interest-bearing liabilities minus interest-bearing assets.

P/E ratio
Share price divided by earnings per share.

Interest coverage ratio
Operating profit on the balance sheet date plus financial income divided by financial expenses.

Working capital
Non-interest-bearing current assets minus non-interest-bearing liabilities excluding deferred tax.

Net debt/equity ratio
Net borrowings divided by equity including non-controlling interests.

Equity/assets ratio
Equity including non-controlling interests as a percentage of balance sheet total.

Operating capital
Total assets minus cash and cash equivalents, interest-bearing receivables and non-interest-bearing operating liabilities, but excluding deferred tax.

Dividend pay-out ratio
Dividend per share as a percentage of earnings per share.

The AAK share

The AAK share has been traded since 2 October 2006 on the NASDAQ OMX, Stockholm, the Nordic List, within the Mid Cap segment, Consumer Commodities sector. A trading lot is 100 shares. The abbreviation is AAK and the ISIN code is SE0001493776.

Turnover and price trend

During 2010, 16.3 (19.5) million shares were traded at a total value of SEK 2,715 million (2,295), which corresponds to a turnover rate of 40 percent (47.6). The average trade per trading day was 64,363 (77,500) shares, or SEK 10,732,000 (9,142,000). At year-end, the price was SEK 188.50 (157) and AAK's market value was SEK 7,709 million (6,421). The highest price during the year was SEK 205 (3 March 2010) and the lowest price was SEK 138 (25 May 2010).

Share capital

On 31 December 2010, the share capital of AAK amounted to SEK 408,981,890 (408,981,890). The number of shares was 40,898,189 (40,898,189). The quota value per share was SEK 10. Each share gives entitlement to one vote. All shares have equal rights to participate in the profits and assets of the Company.

Ownership

The number of shareholders on 31 December 2010 was 8,111 (8,600).

Planned dividend policy

The Board of Directors has adopted a dividend policy. According to the policy, the Board's goal, after considering earnings trends for the Group, its financial position and future growth potential, is to propose annual dividends corresponding to at least 30 to 50 percent of annual earnings after tax for the Group.

Ordinary dividend

The Board of AAK proposes a dividend for financial year 2010 of SEK 4.50 (4.25) per share, a total of SEK 184 million (174).

AAK's IR work

AAK's management has an expressed goal of conducting a strong dialogue with the media and capital markets. In conjunction with the publication of financial reports, AAK has held press and analyst conferences, where the company meets analysts and other professional participants in Stockholm, Copenhagen, London and Zürich. Interested parties can also download presentation materials and listen to audio recordings from the conferences from www.aak.com, which makes the conferences available to all shareholders.

Analysts

Danske Markets Equities,
Danske Bank – Bile Daar
Nordea Bank A/S – Patrik Setterberg
Carnegie Investment Bank AB – Marcus Bellander
Swedbank – Sergej Kazatchenko
SEB Enskilda – Daniel Schmidt
Handelsbanken – Peter Wallin

Financial information about AAK is available on www.aak.com. Financial reports, press releases and presentations can be downloaded from this site. The Company's press releases are distributed via Euroclear and are also available on the Company's website.

The Company management
can be contacted via
Telephone: +46 40 627 83 00
Fax: +46 40 627 83 11
E-mail: info@aak.com

Shareholder contacts

Arne Frank
President and CEO
Telephone: +46 40 627 83 00

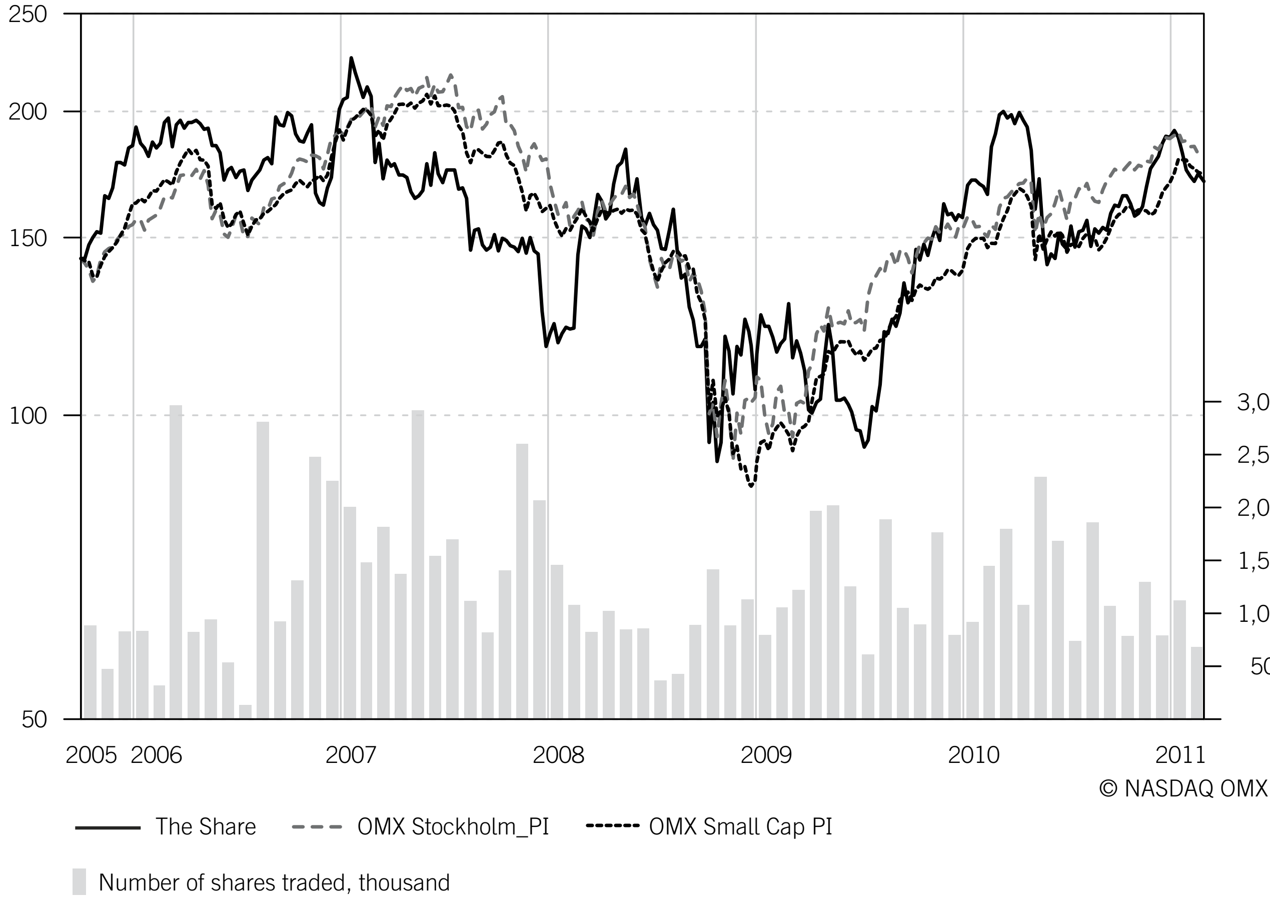
Anders Byström
Finance Director and CFO
Telephone: +46 40 627 83 00

Fredrik Nilsson
Head of Investor Relations
Telephone: +46 40 627 83 34

Major shareholders, 31-12-2010

	Number of shares	Proportions of share capital and votes, %
BNS Holding	16,511,756	40.37
Swedbank Robur fonder	2,524,824	6.17
Arbejdsmarkedets Tillægspension	2,218,554	5.42
Didner & Gerge Aktiefond	2,069,000	5.06
Alecta Pensionsförsäkring	1,092,000	2.67
Handelsbanken fonder	846,377	2.07
JPM Chase NA	690,885	1.69
Fondita Nordic Micro Cap SR	466,000	1.14
Other shareholders	14,478,793	35.41
Total	40,898,189	100.00

The AAK share 29 September 2005 to 28 February 2011



Distribution of shareholdings, 31-12-2010

Number of shares	Number of shareholders	Proportion of all shareholders, %	Proportion of share capital and votes, %
1 - 500	5,973	73.64	2.62
501 - 1,000	1,060	13.1	2.13
1,001 - 5,000	805	9.9	4.25
5,001 - 10,000	106	1.4	1.99
10,001 - 15,000	28	0.3	0.76
15,001 - 20,000	13	0.2	0.66
20,001 -	126	1.6	87.59
Total	8,111	100.00	100.00

Information per share

	2010	2009
Share price, reporting date, SEK	188.50	157
Dividend, SEK	4.50	4.25
Direct yield, %	2.39	2.70
Earnings per share, SEK	15.26	20.19
Equity per share, SEK	77.38	71.56
Share price/Equity	2.44	2.19

Definitions, see page 55.

AarhusKarlshamn AB (publ) – Board of Directors

Melker Schörling
Chairman of the Board of Directors.
Elected in: AAK 2005 (Karlshamns AB 2001).
Born: 1947.
Nationality: Swedish.
Main occupation: Founder and owner of Melker Schörling AB (MSAB).
Qualifications: MBA.
Professional background: CEO of a number of companies, including Securitas AB 1987-1992 and Skanska 1993-1997.
Other directorships: Chairman of the Board of Directors of MSAB, Hexagon AB, Securitas AB and HEXPOL AB and member of the Board of Directors of Hennes & Mauritz AB.
Number of shares: Via MSAB, Melker Schörling holds 58.5 % of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 %) in AAK.

Carl Bek-Nielsen
Vice Chairman.
Elected in: 2005.
Born: 1973.
Nationality: Danish.
Main occupation: Executive Director (Corporate Affairs), United Plantations Berhad.
Qualifications: Bachelor of Science.
Professional background: Executive director, director-in-charge.
Other directorships: Chairman of the Board of Directors of United International Enterprises Ltd. Vice Chairman of the Board of Directors of United Plantations Berhad. Member of the Board of Directors of Danfoss A/S (Bitten and Mads Clausens Fond).
Number of shares: Via UIE Ltd, Carl Bek-Nielsen holds 41.5 % of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 %) in AAK.

Martin Bek-Nielsen
Elected in: 2005.
Born: 1975.
Nationality: Danish.
Main occupation: Executive Director (Finance & Marketing) United Plantations Berhad.
Qualifications: Agricultural Economics.
Professional background: Executive Director (Finance & Marketing).
Other directorships: Member of the Board of Directors of United Plantations Berhad, Vice Chairman of the Board of Directors of United International Enterprises Ltd.
Number of shares: Via UIE Ltd, Martin Bek-Nielsen holds 41.5 % of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 %) in AAK.

Märit Beckeman
Elected in: 2006.
Born: 1943.
Nationality: Swedish.
Main occupation: PhD Candidate and research.
Qualifications: Master of Science and Licentiate in Engineering.
Professional background: Project Manager, consultant, business development and product/packaging development.
Other directorships: Member of the Board of Directors of Beckeman Consulting AB.
Number of shares: 0.

Anders Davidsson
Elected in: 2007.
Born: 1970.
Nationality: Swedish.
Main occupation: President and CEO, Bong AB.
Professional background: Management Consultant with McKinsey & Co.
Other directorships: Member of the Board of Directors of Bong AB.
Number of shares: 1,200.

Mikael Ekdahl
Elected in: 2005.
Born: 1951.
Nationality: Swedish.
Main occupation: Lawyer and partner in Mannheimer Swartling Advokatbyrå.
Qualifications: Swedish equivalents of MBA and LLB. Kand.
Professional background: Lawyer and partner.
Other directorships: Chairman of the Board of Directors of Bong AB, Marco AB, Absolent AB and EM Holding AB. Vice Chairman of the Board of Directors of Melker Schörling AB, Member of the Board of Directors of KonstruktionsBakelit AB.
Number of shares: 8,000.

Arne Frank
Elected in: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO, AAK AB.
Qualifications: MSc. Industrial Engineering and Management.
Other directorships: Chairman of the Board of Contex Holding A/S and Member of the Board of Directors of Alfa Laval AB (publ.).
Number of shares: 2,000.
Share options: 264,500.
Stock options: 80,000.

John Goodwin
Elected in: 2005.
Born: 1944.
Nationality: British.
Main occupation: Financial Consultant.
Qualifications: Chartered Accountant; Bachelor of Commerce.
Professional background: Chief Executive, Managing Director, Administrative Director and President.
Other directorships: Member of the Board of Directors of United International Enterprises Ltd.
Number of shares: 0.

Standing: Mikael Ekdahl, Leif Håkansson, Märit Beckeman, Martin Bek-Nielsen, Annika Westerlund and Ulrik Svensson. Seated: Melker Schörling, Carl Bek-Nielsen, Anders Davidsson, Harald Sauthoff, John Goodwin and Arne Frank.

Harald Sauthoff
Elected in: 2010.
Born: 1955.
Nationality: German.
Main occupation: Vice President, Cognis GmbH – now part of BASF, The Chemical Company.
Qualifications: Industrial Business Management.
Professional background: Risk Management Agricultural Commodities, General Business Management in the Chemical Industry.
Number of shares: 0.

Ulrik Svensson
Elected in: 2007.
Born: 1961.
Nationality: Swedish.
Main occupation: President and CEO Melker Schörling AB.
Qualifications: MBA.
Professional background: CFO of several listed companies, including Swiss International Airlines and Esselte.
Other directorships: Member of the Board of Directors of Assa Abloy AB, HEXPOL AB, Niscayah Group AB, Loomis AB, Hexagon and Flughafen Zürich AG.
Number of shares: 0.

Members of the Board of Directors appointed by the employees

Leif Håkansson
AarhusKarlshamn Sweden AB.
Appointed by IF-Metall.
Elected in: 2005.
Born: 1957.
Nationality: Swedish.
Main occupation: Senior positions in trade unions and local and regional government and Board work.
Qualifications: Electrical engineering.
Number of shares: 0.

Annika Westerlund
AarhusKarlshamn Sweden AB.
Appointed by PTK-L.
Elected in: 2005.
Born: 1956.
Nationality: Swedish.
Main occupation: Laboratory Assistant.
Qualifications: Technical College.
Number of shares: 0.

Deputy members

Ulf Friberg
AarhusKarlshamn Sweden AB.
Appointed by PTK-L.
Elected in: 2008.
Born: 1954.
Nationality: Swedish.
Main occupation: Maintenance engineer. Responsible for preventive maintenance.
Qualifications: Automation engineer.
Number of shares: 0.

Christer Svantesson
AarhusKarlshamn Sweden AB.
Appointed by IF-Metall.
Elected in: 2006.
Born: 1951.
Nationality: Swedish.
Main occupation: Repairer.
Qualifications: Engineering.
Number of shares: 679.

Auditors

PricewaterhouseCoopers AB

Anders Lundin
Born in 1956.
Authorised public accountant.
Principle auditor.
The company's auditor since 2005.

AarhusKarlshamn AB (publ) – Group Management

Arne Frank
Employed: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO, AAK AB.
Qualifications: MSc. Industrial Engineering and Management.
Directorships: Chairman of the Board of Contex Holding A/S and member of the Board of Directors of Alfa Laval AB (publ.).
Number of shares: 2,000.
Share options: 264,500.
Stock options: 80,000.

Anders Byström
Employed: 2006.
Born: 1951.
Nationality: Swedish.
Main occupation: CFO (Chief Financial Officer) and Vice President, AAK AB.
Qualifications: MBA.
Number of shares: 0.
Stock options: 70,000.

Renald Mackintosh
Employed: 2002.
Born: 1951.
Nationality: Dutch.
Main occupation: Vice President, AAK AB, President Business Area Food Ingredients Continental Europe.
Qualifications: MSc Food Technology.
Number of shares: 300.
Stock options: 40,000.

Torben Friis Lange
Employed: 2010.
Born: 1963.
Nationality: Danish.
Main occupation: Vice President, AAK AB and President, Business Area Chocolate & Confectionery Fats.
Qualifications: BSc. Dairy Technology, Graduate Diploma in Business Administration.
Number of shares: 0.
Stock options: 100,000.

Bo Svensson
Employed: 1974.
Born: 1951.
Nationality: Swedish.
Main occupation: Vice President, AAK AB, President, Business Area Technical Products & Feed.
Qualifications: Graduate Diploma in Food Engineering.
Number of shares: 210.
Stock options: 10,000.

Jean-Marc Rotsaert
Employed: 2009.
Born: 1969.
Nationality: American.
Main occupation: Vice President, AAK AB and President, AAK USA.
Qualifications: MSc. Electrical Engineering.
Number of shares: 0.
Stock options: 65,000.

Octavio Díaz de León, David Smith, Torben Friis Lange, Anne Mette Olesen, Renald Mackintosh, Anders Byström, Arne Frank, Karsten Nielsen, Bo Svensson, Edmond Borit and Jean-Marc Rotsaert.

Octavio Díaz de León
Employed: 2007.
Born: 1967.
Nationality: Mexican.
Main occupation: Vice President, AAK AB and Managing Director, AarhusKarlshamn Mexico.
Qualifications: MBA, BSc. Mechanical & Electrical Engineering.
Number of shares: 0.
Stock options: 40,000.

Edmond Borit
Employed: 2001.
Born: 1969.
Nationality: Peruvian and French.
Main occupation: Vice President, AAK AB and Managing Director, AAK Latin America.
Qualifications: MBA, BSc. Food Engineering.
Number of shares: 0.
Stock options: 50,000.

David Smith
Employed: 2001.
Born: 1960.
Nationality: British.
Main occupation: Vice President, AAK AB and President, European Supply Chain.
Qualifications: MBA, Graduate Diploma in Business Management.
Number of shares: 0.
Stock options: 40,000.

Karsten Nielsen
Employed: 1988.
Born: 1963.
Nationality: Danish.
Main occupation: Vice President, AAK AB, CTO.
Qualifications: Graduate Diploma in Food Technology.
Number of shares: 264.
Stock options: 15,000.

Anne Mette Olesen
Employed: 2010.
Born: 1964.
Nationality: Danish.
Main occupation: Vice President, Human Resources and Communications.
Qualifications: MBA, BSc. Chemical Engineering.
Number of shares: 0.
Stock options: 60,000.

Financial Calendar, Annual General Meeting

Financial Calendar

AarhusKarlshamn AB (publ) will provide financial information for the 2011 financial year on the following occasions.

- The interim report for the first quarter will be published on 4 May.
- The half-year report will be published on 20 July.
- The interim report for the third quarter will be published on 4 November.
- The year-end report for the 2011 financial year will be published in February 2012.

Reports and press releases are available in English and Swedish and can be ordered from AarhusKarlshamn AB (publ), Corporate Communication, Jungmansgatan 12, SE-211 19 Malmö, Sweden
Phone +46 40 627 83 00,
Fax +46 40 627 83 11.
E-mail: info@aak.com.

More information about AarhusKarlshamn AB (publ) is available on the company's website: www.aak.com

Annual General Meeting

AarhusKarlshamn AB (publ)'s ordinary Annual General Meeting will take place on Tuesday 17 May 2011 at 14.00 in Europaporten in Malmö, Sweden. Doors to the Annual General Meeting open at 13.00 and registration must be completed before 14.00, at which time the voting list will be adopted.

Right to attend the Annual General Meeting

Shareholders are entitled to attend the Annual General Meeting if they are registered in the printout of the shareholders' register kept by Euroclear Sweden AB created on Wednesday 11 May 2011, and if they have given notice that they will attend the Annual General Meeting by 16.00 on Wednesday 11 May.

Registration in the shareholders' register

The company is a reconciliation company. This means that shareholders, to be entitled to attend the Annual General Meeting, must be entered in the share register held by Euroclear Sweden AB no later than 11 May 2011. Anyone who has shares registered through a nominee must temporarily register the shares in his/her own name to be able to attend the Annual General Meeting. This should be done in good time before this date.

Notification

Shareholders who want to attend the Annual General Meeting must notify the company
by post to:
AarhusKarlshamn AB (publ),
Kerstin Wemby,
SE-374 82 Karlshamn
Sweden
by telephone: +46 454 823 12,
by e-mail: kerstin.wemby@aak.com
or through the website: www.aak.com
as soon as possible, and no later than 16.00 on Wednesday 11 May 2011, when the notification period expires.

In the notification, the shareholder must specify his or her name, address, phone number, personal or corporate identity number and shareholding.

Notice of Annual General Meeting

Notice of the Annual General Meeting is published in Post- och Inrikes Tidningar and Svenska Dagbladet, including a full agenda.

Address

AarhusKarlshamn AB (publ)
Jungmansgatan 12
SE-211 19 Malmö, Sweden
Phone: +46 40 627 83 00
Fax: +46 40 627 83 11
E-mail: info@aak.com
www.aak.com
Corporate identity no. 556669-2850

For more information, please visit our website www.aak.com.

This document is a translation of the Swedish language version. In the event of any discrepancies between the translation and the original Swedish annual report, the latter shall prevail.

AAK

The first choice for value-added vegetable oil solutions

– The vision consists of three important elements, which govern what we want to achieve:

- first choice
- value-added solutions
- vegetable oils

Concept, manuscript and project management: 31 CC and AAK Corporate Communication. Graphics and original: www.johnjohns.se. Photography: www.benfoto.se, Inge Sahlé, AAK, Future Imagebank. Print: AlfaPrint.